Department for Work & Pensions

ANNUAL REPORT & ACCOUNTS 2021-22

HC 193

Department for Work & Pensions

Department for Work and Pensions

Annual Report and Accounts 2021–22
for the year ended 31 March 2022

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

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CORRECTION SLIP

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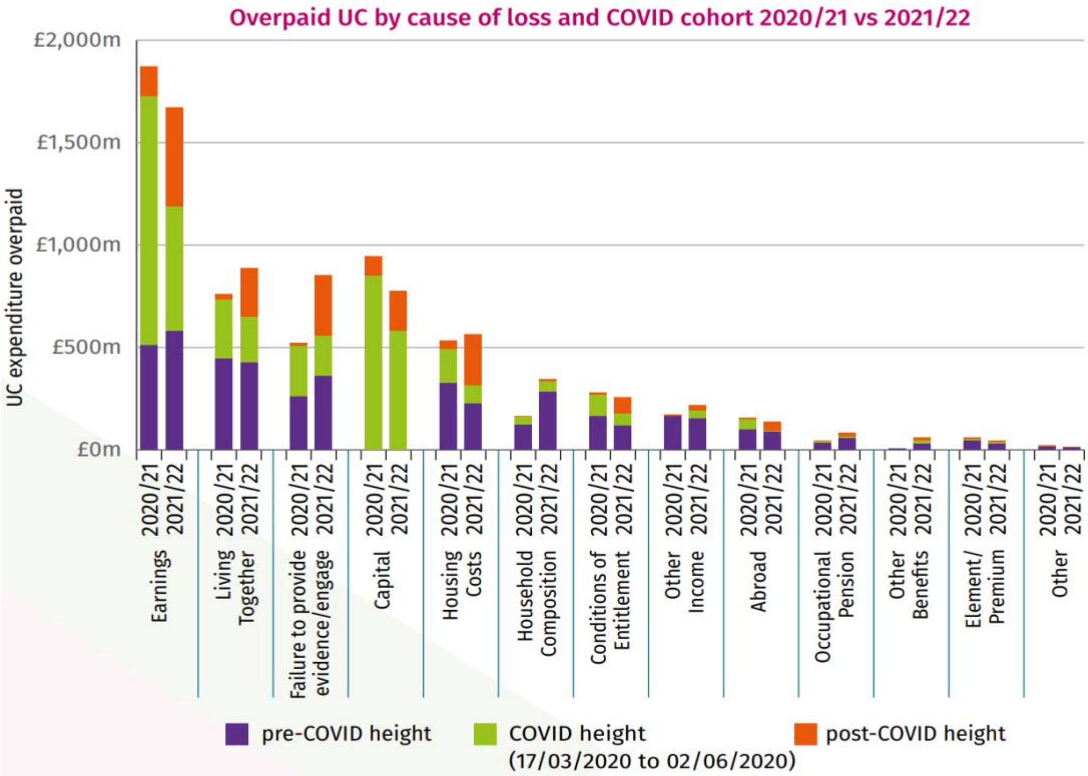
Correction:

- Correction is to colour scheme of chart 3 on p.64 to show the correct pre-COVID and COVID split in Capital

Printed version

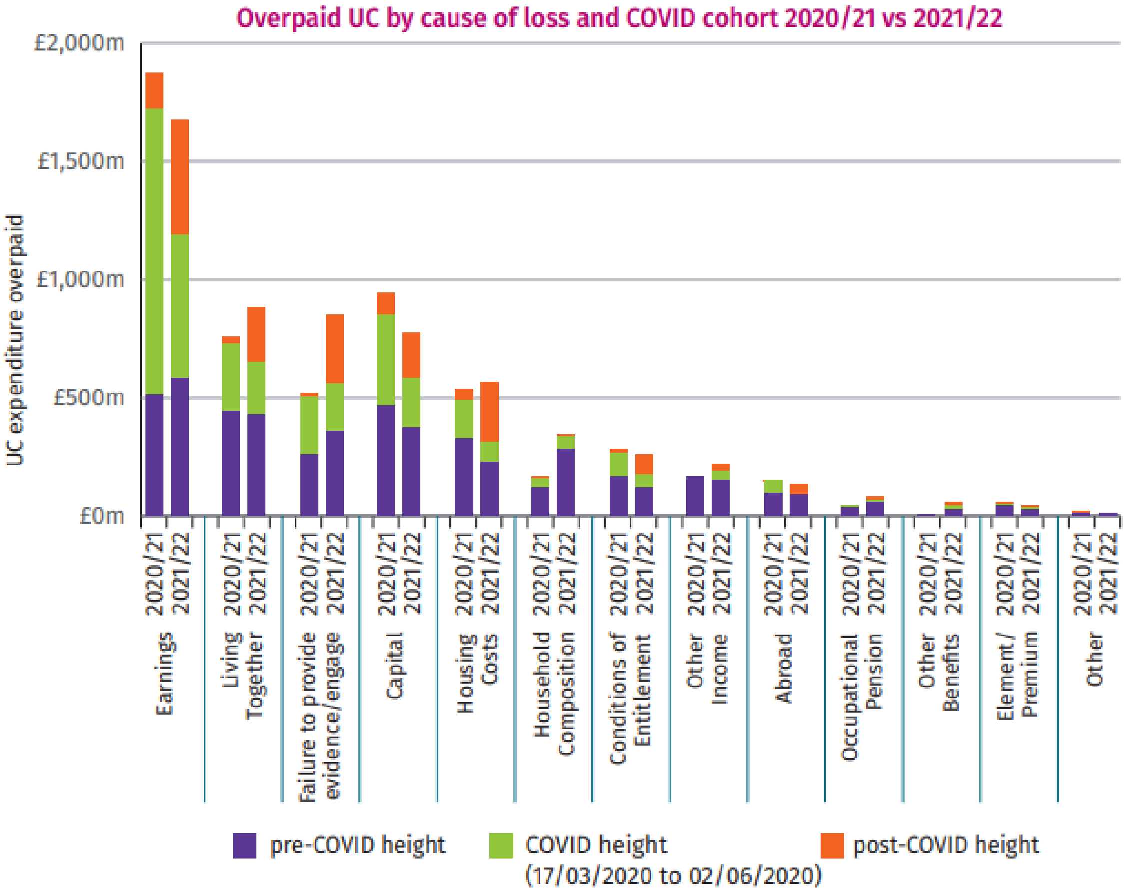
Chart 3: Overpayments in Universal Credit by cause of loss, showing the split by the three COVID cohorts



Collectively, this helps explain why we will be revisiting the caseload (Targeted Case Reviews – see page 74) and why we need additional powers, as outlined on page 74.

Corrected chart

Chart 3: Overpayments in Universal Credit by cause of loss, showing the split by the three COVID cohorts



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A revised full page can be supplied by HH Global

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Performance report

Secretary of State's Foreword

In 2021-22, we continued to deliver on our overarching mission to improve people's day to day lives and help them build a secure and prosperous future – by maximising employment and in-work progression, improving people's quality of life and delivering excellent services to taxpayers and citizens across the country.

With the success of this country's vaccine rollout and as the economy reopened, we were on the front line helping to lead our national recovery, while continuing to deliver vital support and services, including to some of the most vulnerable people in society.

Through our Plan for Jobs and the hard work of jobcentre work coaches and colleagues right across the country, we have helped hundreds of thousands of people move into work. Unemployment is now below the low level we saw before the pandemic and we have a robust labour market.

With more than a million vacancies, we have continued to strengthen our focus on filling these posts quickly to fulfil people's potential and ensure employers can access the skills and talent they need for the future. Our focus has included supporting disabled people to start, stay and succeed in work where possible, while supporting those who cannot work. We have now delivered on our 2017 commitment to see one million more disabled people in work in half the time expected.

Protecting jobs and getting people into work was clearly a key priority over the last year. However, we did not lose focus across a whole range of other important areas to help improve people's quality of life.

To help people build a secure future, we have supported saving for retirement by building on the success of automatic enrolment with important reforms to the pensions system to make it safer, simpler, more transparent and greener.

We have also provided help for families and children to thrive, for example ensuring single-parent households get the financial support they need by collecting and arranging a *record* £1 billion of *child maintenance* payments.

We must make sure the way we deliver these services is effective and efficient. That is why we are tackling fraud and error, creating a modern, agile DWP estate and delivering digital services that are simpler to access and more joined up.

As we have shown over the last year, we are at our best when we care, deliver, adapt, work together and value everyone. These values will continue to guide us in 2022-23 as we build on what we have achieved and further improve people's experience of the services we provide as part of a high-quality, modern welfare system that spreads opportunity, unleashes potential and increases security and prosperity for our customers and communities.

The Rt. Hon Thérèse Coffey MP
Secretary of State for Work and Pensions

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Permanent Secretary's overview

Over the last two years DWP has had to respond to the extraordinary demands of the pandemic, where we demonstrated not only our exceptional delivery but also our resilience. We have proudly shown just how much we can achieve when we come together to support people and improve their quality of life, now and for the future.

We are continuing to play our critical part as the country recovers from the pandemic – getting people back into decent jobs where they can progress and supporting those who cannot work has been a clear focus. But we do much more than that. Every day we ensure disabled people can live more independently, help tackle poverty, provide a financial foundation for a secure old age and support families so children can fulfil their potential.

2021-2022 was the first financial year with our four priority outcomes, as set out in recent Spending Reviews. Below are some of the ways we have helped the government achieve them and delivered on our departmental vision:

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

Over the last year, colleagues up and down the country have helped hundreds of thousands of people into work. Unemployment is now back to below the levels we saw before the pandemic and there are more than a million vacancies available in the labour market. At the heart of this was the Plan for Jobs programme – a comprehensive and ambitious plan to help people back into work and develop the skills they need to thrive. In early 2022, we launched the new Way to Work campaign as a relentless focus on supporting 500,000 unemployed and work ready claimants into work quickly.

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

The pandemic has seen the most disadvantaged groups disproportionately affected, so it is vital to ensure everyone, who is able to, has the opportunity to enter and progress in work. We have expanded the Disability Confident scheme, improved the Access to Work support scheme, and supported under-represented groups like prison and care leavers. The Work and Health Programme continued to help people with health conditions or disabilities to enter into and stay in work.

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

We have taken important steps to support people on lower incomes, ensured that people have the stability of a safe and secure home and improved the financial wellbeing and resilience of citizens in retirement. This includes new legislation through The Pension Schemes Act 2021, as well as introducing new measures to ensure we protect pension savers. We also continue to work closely with our public bodies who ensure there is a wide range of support available for people in increasing financial resilience.

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

During the pandemic we quickly adapted our services to the changing needs of the country. Redeploying many colleagues to successfully manage the upsurge in benefit applications and subsequently recovering our services led to backlogs across a range of services. We have effectively managed down the backlogs identified at the start of 2021-22 including clearing backlogs for National Insurance Number applications and State Pension claims.

We continue to transform the State Pension with the majority of new customers now using our digital Get your State Pension service. We have driven the simplification of user journeys across a range of services and increased our use of customer insight to ensure services are better tailored to customer needs.

A huge focus for the Department in 2021-22 has been to reduce and prevent fraud and error in benefit expenditure to deliver value for money for the taxpayer. Including working on ways to develop identity, risk, and trust services and using insight to improve verification processes.

Forward look

Our three year Spending Review settlement gives us the opportunity to look to the future and consider what the Department will look like in 2025.

Taking the best of what we learnt through the pandemic, we can approach the next three years with greater clarity, confidence and conviction. We have some new challenges ahead, including the rising cost of living and supporting people arriving from Ukraine, that reinforce our important mission ahead – to improve people's quality of life and deliver excellent services for citizens and taxpayers.

Everyone in DWP has a critical role in delivering our priorities, great service and value for money. Our values are our strength and guide us in all we do. When combined with the expertise and commitment of our people, and the power of digital technology and data, we will become a more modern, efficient Department, a critical part of a Modern Civil Service.

Peter Schofield
Permanent Secretary

Performance at a glance

£217 billion
paid out in benefits and pensions

UC Universal Credit

500,000
Universal Credit claimants into work during Way to Work

160
Youth Hubs open

17.6%
of DWP workforce are from ethnic minorities

64.6%
of DWP workforce is female

More
Prison Work Coaches

KICKSTART SCHEME

160,000
participants in Kickstart Programme

Jobcentres delivered
81,980
Sector Based Work Academy Programmes in 2021-22

Employees with a disability increases to
18.5%

19,000
employers are Disability Confident

£421m
Household Support Fund pays out

87%
of Universal Credit claimants paid in full and on time

Inaugural
Disability Confident Awards held

167
new jobcentres

11 million
work for Disability Confident employer

82%
DWP benefit customers satisfied

10.7 million
employees have been automatically enrolled into a workplace pension

Performance Overview

About the DWP

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 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 aim to deliver excellent services to our millions of customers every day, including the most vulnerable in society.

To deliver our vision, we continue to focus on our three core objectives into which everyone in DWP has a role to play:

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 2022 there were 82,099 full-time equivalent people working in our departmental group, which includes our core department and our arm's length bodies.

As of March 2022, our Director General led groups are:

Executive Team
Permanent Secretary and Principal Accounting Officer

	Director General, Service Excellence Group	**Responsible for:** Child Maintenance services; Retirement services; Counter fraud, compliance and debt; Dispute resolution services. Provide the very best service possible to our customers whilst also improving our efficiency and effectiveness.
	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.
	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.
POLICY GROUP	**Director General, Labour Market Policy and Implementation** **Director General, Disability, Health and Pensions**	**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.
	Director General, Finance Group	**Responsible for:** Providing expert financial and commercial services; planning and performance management; reporting; business strategy; governance advice; security; and, business partnering.
	Director General, Digital and Data Group	**Responsible for:** Chief Digital Information Officer, providing expert digital, data and business transformation services, and information management.
	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.
	Director General, Legal Services (Government Legal Department)	**Responsible for:** Providing appropriate legal expertise to support operational delivery, strategy and change.

Our Services

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. The last start date for Kickstart participants was 31 March 2022.
	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 supports people who have been unemployed for at least nine months. Restart launched in summer 2021 in England and Wales, with Scotland and Northern Ireland receiving consequential funding.

Service user groups	Our Services
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.
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	**Get Help Arranging Child Maintenance** a free service to help parents decide the best maintenance arrangement for themselves and their children. The service also supports parents to put a maintenance arrangement in place.
	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.

Priority Outcomes

This summary provides an at-a-glance overview of how we worked towards delivering our Priority Outcomes in 2021-22.

This high-level overview is expanded upon in the Performance Analysis section of this report on page 21 which includes further details of our activities and further analysis of progress against performance indicators.

	Priority Outcome	Performance Metrics
1	**Maximise Employment across the country to aid economic recovery following COVID-19**	• Employment rate of 16-64 year olds. UK and regional • Employment rate of 16-24 year olds. UK and regional • Number of Kickstart participants
2	**Improve opportunities for all through work, including groups that are currently under-represented in the workforce**	• Disability employment rate gap (%)
3	**Address poverty through enabling progression into the workforce and increasing financial resilience**	• Absolute poverty before housing costs (%) • Number of children in workless households • Percentage of claims processed within planned timescales
4	**Deliver a reliable, high-quality welfare and pensions system which customers have confidence in**	• Gross monetary value of fraud and error (by value and proportion) • Monetary value of official error • Percentage of claimants satisfied with DWP services overall

Summary	Performance Analysis
DWP was at the forefront of the government's efforts to support individuals whose livelihoods were adversely affected by the coronavirus pandemic. Throughout the pandemic the UK government has provided historic levels of support to the economy – a total of £370 billion. At the heart of this was the Plan for Jobs programme – a comprehensive and ambitious plan to help people back into work and develop the skills they need to thrive. We want everyone to be able to find a job, progress in work and thrive in the labour market, whoever they are and wherever they live.	**See page 21**
We provided extensive services, including Individual Placement and Support, which co-locates employment specialists across health teams, and Intensive Personalised Employment Support. We have continued to work closely with employers across the country through the Disability Confident scheme, with over 19,000 member organisations and over 11 million employees. 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 affected, so it is vital to ensure everyone that is able to, has the opportunity to enter and progress in work.	**See page 31**
We spent around £217 billion through the welfare system in 2021-22 including £87 billion on people of working age and over £128 billion on pensioners. Of the total amount, around £63 billion is spent on supporting disabled people and people with health conditions in Great Britain. 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 steppingstone to finding employment. Our Health and Disability Green Paper published last year set out proposals to support people to live more independent lives and reach their full potential, and our Health Transformation Programme continues to ensure health and disability assessments are delivered in a more effective way.	**See page 38**
During 2021-22 as lockdown restrictions eased, we increased our face-to-face services. As we emerged from the most acute phase of the pandemic, we carefully balanced resources across business areas, redeploying resources to those areas of greatest need to support our work on backlogs. At the beginning of the COVID-19 pandemic, DWP introduced operational adjustments to delivery of DWP services. These easements were necessary to provide immediate financial support to millions of customers impacted by the pandemic. Of the circa 200 easements originally introduced, a large proportion have now been closed, or new processes put in place meaning only 25 remained as at March 2022.	**See page 52**

Strategic Enablers

This section provides an overview of the strategic enablers that facilitate the successful delivery of the Department's Priority Outcomes and its Outcome Delivery Plan.

Further detail on the key activities enabling the Department to execute its strategy and deliver outcomes can be found in the Performance Analysis section of this report on page 21.

Strategic Enabler 1	**Workforce, Skills, Location**
Mandatory Objectives	• Investing in skills, championing expertise and strengthening leadership • Reflecting the country we serve and creating opportunities around the UK
Performance Analysis	see page 94

Strategic Enabler 2	**Innovation, Technology, Data**
Mandatory Objectives	• Finding new ways to solve problems to deliver for the public • Seizing the full potential of data and technology
Performance Analysis	see page 101

Strategic Enabler 3	**Delivery, Evaluation, Collaboration**
Mandatory Objectives	• Achieving excellence in project and public service delivery • Making it easy to collaborate and provide a seamless experience for the public
Performance Analysis	see page104

Strategic Enabler 4	**Sustainability**
Mandatory Objectives	• Improving the environmental performance of our estate and operations to reduce negative environmental impacts
Performance Analysis	see page 105

Public Sector Equality Duty

We are 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**
Economics	**We aim to achieve high and sustainable levels of employment to support economic growth**

More detail on sustainable development is available on page 105. The Public Sector Equality Duty is on page 88 regarding our customers and on page 89 regarding our colleagues.

Chief Finance Officer review

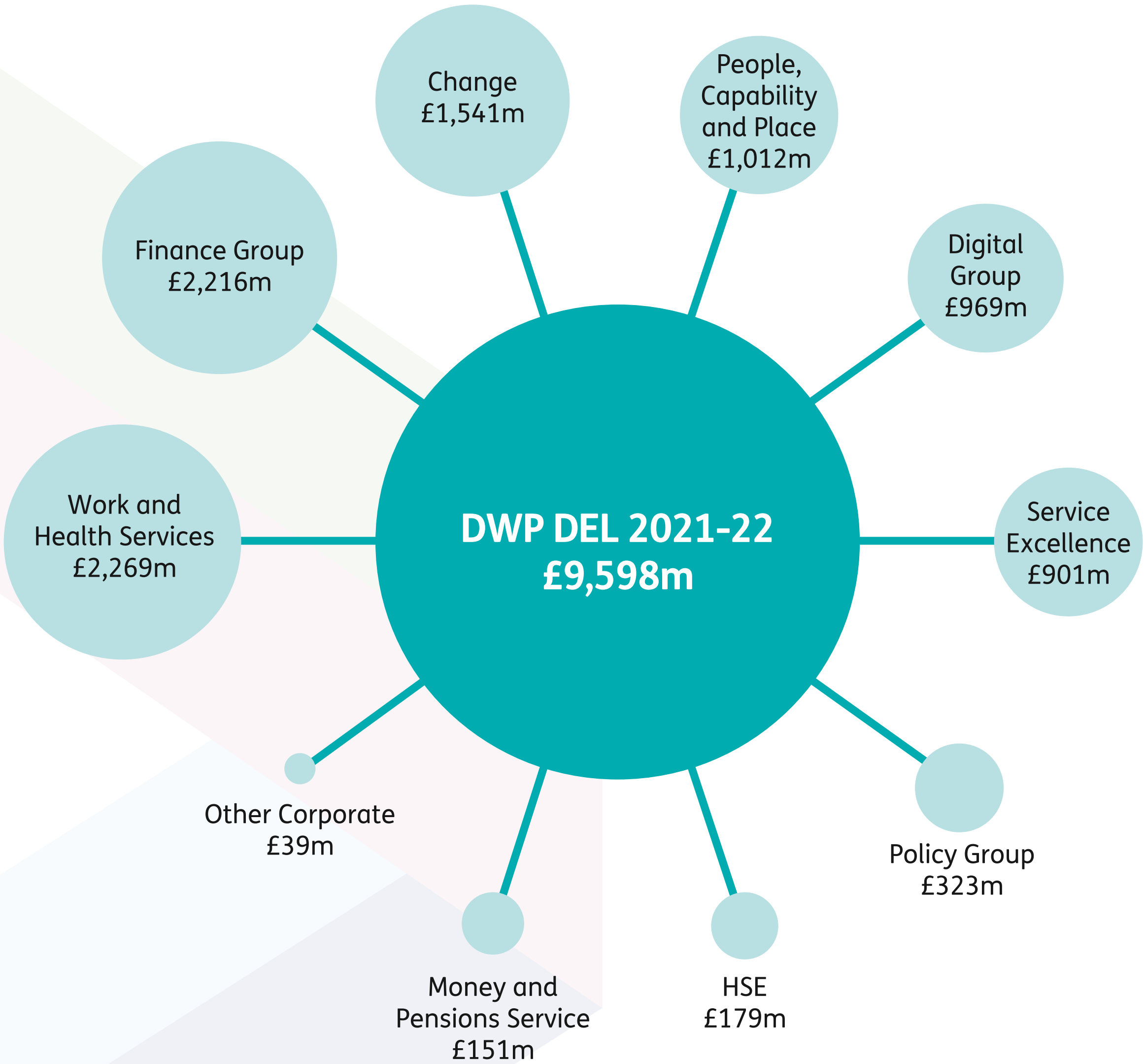
Our Finances

We have one of the largest expenditures 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 2021-22 was £9,598 million, paid from DEL. We also paid out £216.0 billion in benefit, pension and Social Fund payments from AME. For a detailed breakdown of our expenditure please see page 185.

Departmental Expenditure Limit 2021-22

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



The Department's 2021-22 budget was initially set at Spending Round 20 (SR20), announced 25 November 2020, at £9.6 billion (excluding depreciation).

The settlement represented an increase of £1.8 billion from 2020-21, with COVID-19 funding making up £3.7 billion or 38% of our total, including £1.3 billion funding for additional staff resource and estates to continue to support the Plan for Jobs, £1.6 billion for Kickstart, £0.4 billion for Restart and £0.2 billion for other Labour Market programmes including the Work and Health Programme, New Youth Offer and Job Finding Support.

A number of funding announcements were made throughout the year, including at the Spring Statement and Autumn Budget, these included £256 million for COVID-19 Winter/Local Authority Grants and £421 million for Household Support Fund to support vulnerable households across the country; £245 million for DWP Estates Expansion Programme, £18 million for Job Entry: Targeted Support (JETS) and £6 million for Shared Outcome Fund to test innovative ways of working across the public sector.

Final COVID-19 DEL Spend

To support our response to COVID-19 we spent £1,370 million in 2020-21. In 2021-22 our COVID-19 spend was £3,462 million, which included:

- COVID-19 operating costs (£1,297 million) to support the delivery of the Department's services during the pandemic including the expansion of the Department's estate by 194 sites as part of the Plan for Jobs
- COVID-19 policy and programmes (£1,488 million) including Kickstart, Restart and Labour Market Measures. The Kickstart Scheme delivered 150,000 potentially life changing job roles to 16-24 year olds at risk of long-term unemployment. This was on top of the 10,000 job roles delivered in 2020-21
- COVID-19 Winter/Local Authority Grants (£256 million) and the Household Support Fund (£421 million)

EU Exit Spend

During 2021-22 DWP spent £16 million on activity related to the UK's exit from the European Union – this was all by the Health and Safety Executive (HSE) for:

- Chemicals Future Readiness Transition Programme – Biocides and CLP (Classification, Labelling and Packaging Regulations)
- Market Surveillance of Workplace Goods
- Civil Explosives

Summary of costs:

Departmental Expenditure Limit (Resource)	**£M**
Total Resource DEL	**14**
Biocides and CLP	9
Market Surveillance and Workplace Goods	2
Civil Explosives	3
Departmental Expenditure Limit (Capital)	**2**
Biocides and CLP	2
Total DEL	**16**

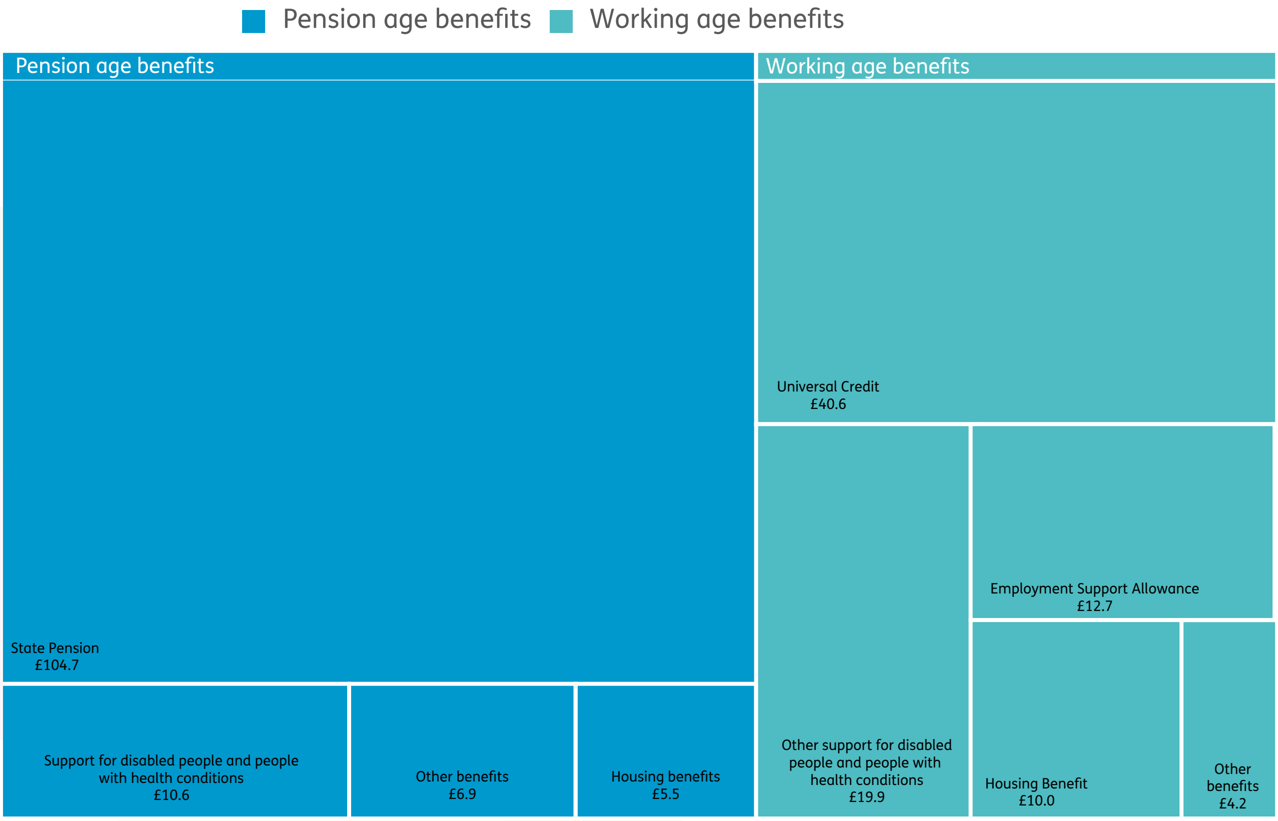
Annually Managed Expenditure (AME)

Our Expenditure

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 2021-22 these payments totalled £216.0 billion, this was around £3.5 billion more than in 2020-21.

DWP AME benefit expenditure summary 2021-22 (£bn)



Overall, around 60% of our benefit spending went to pensioners, with the State Pension, at £104.7 billion, accounting for almost half of all spending. The cost of the State Pension increased by £2.9 billion from 2020-21.

Nearly 30% of AME (£63.1 billion) supported people with a disability or health condition (including pensioners).

Around £47 billion was spent on a range of other benefits, with the majority (over 70%) going to working age people, and the remainder to pensioners.

DWP AME benefit expenditure summary	**2021-22 expenditure £bn**	**2020-21 expenditure £bn**	**2019-20 expenditure £bn**
Benefits paid to pensioners, of which:	**127.7**	**123.5**	**124.1**
State Pension	104.7	101.9	98.7
Support for disabled people and people with health conditions	10.6	10.8	11.7
Housing Benefit	5.5	3.4	6.1
Other benefits	6.9	7.4	7.6
Benefits paid to working age people and children, of which:	**87.4**	**88.7**	**66.7**
Universal Credit	40.6	38.1	18.4
Other support for disabled people and people with health conditions	19.9	18.3	18.3
Housing Benefit	10.0	13.7	11.7
Employment Support Allowance	12.7	13.4	13.9
Other benefits	4.2	5.2	4.4
Total benefit expenditure	**215.1**	**212.2**	**190.8**
Other AME	0.9	0.2	0.0
Total AME	**216.0**	**212.4**	**190.8**

Welfare Cap

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, normally at 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 the year of the welfare cap. HM Treasury also sets a 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 fiscal event of each new Parliament.

The current welfare cap and pathway was reset at the Autumn Budget 2021, in line with the OBR's forecast for welfare expenditure at the time, to reflect the impact of COVID-19 on welfare expenditure and ensure the cap can work effectively as a financial control tool. This current welfare cap applies to 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 Statement 2022, which forecasts for the years 2021-22 to 2026-27, we saw that spending subject to the welfare cap is expected to be below the pathway for all years of the forecast, except 2021-22. The forecast exceeding the welfare cap pathway in 2021-22 is mostly driven by updates to outturn and unemployment assumptions which results in fewer unemployed claimants but more in-work claimants. This shifts expenditure from outside the cap to within it, as published in OBR's Economic and Fiscal Outlook[1]. Spending subject to the welfare cap is expected to be £2.6 billion below the cap, and £5.3 billion below the cap plus margin in 2024-25. HM Treasury specifies a percentage margin above the level of the cap that is considered appropriate for temporary volatility and fluctuations in the forecast.

More detailed information on benefit expenditure outturn and forecasts is available in our benefit expenditure tables on GOV.UK

Nick Joicey
Director General, Finance

1 Economic and fiscal outlook – March 2022

Risks impacting the delivery of our objectives

In last year's accounts we set out our top three risk themes for 2021-22:

1. 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
2. Fraud, Error and Debt
3. Economic uncertainty, the impact on the labour market and our ability to respond to increasing levels of claims to benefit

Over the course of the pandemic the risk landscape has proved complex, but we have adapted quickly to anticipate, identify, and manage the risks which may affect our organisational recovery and delivery of our strategic objectives.

The risks identified at the start of the year are closely linked and each required careful management to monitor and anticipate how the Department should prepare for, and respond to, rapidly changing organisational and external developments to ensure that our people and customers remained safe and benefits were processed efficiently whilst safeguarding taxpayers' money. The performance analysis section of this report describes how we delivered our business alongside risks and continued to manage our response to the COVID-19 pandemic. During the financial year the risk themes remained as above, Principal Risks did not change fundamentally, albeit that tools to successfully manage them had positive impacts on residual risk levels. During the year some Principal Risks were de-escalated and new Principal Risks were added and managed to a tolerable level.

Information on our approach to risk management and the risk themes for 2022-23 can be found in the governance statement on page 141. During 2021-22 the Risk and Control Assessment (RCA) programme has continued 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 on the effectiveness of the internal control environment and during the coming year will continue to test the effectiveness of mitigations in place as the risk landscape develops.

Performance Analysis

This section expands on the Performance Overview section and includes 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

Introduction

DWP was at the forefront of the government's efforts to support individuals whose livelihoods were adversely affected by the COVID-19 pandemic. Throughout the pandemic the UK government has provided historic levels of support to the economy – a total of £370 billion. At the heart of this was the Plan for Jobs programme – a comprehensive and ambitious plan to help people back into work and develop the skills they need to thrive.

The Plan for Jobs supported people throughout the pandemic and continues to do so as we see the economy improving with unemployment returning to pre-pandemic levels. Accompanied with this recovery were record levels of vacancies and as a result, the government introduced the new Way to Work campaign which was launched in January 2022 to focus on supporting unemployed and work ready claimants into work quickly.

With the gradual relaxation of COVID-19 restrictions over the year, jobcentres around the country were able to increase face-to-face capacity to support all claimants, including the most vulnerable, to move closer or into employment. We have also been able to return First Commitments Meetings[2] to 50 minutes (from 30 minutes during the pandemic), enabling work coaches to spend more time setting robust work-search and work-preparation activities with claimants, helping to support them into employment.

DWP continues to work with other government departments to ensure job seekers can not only obtain new roles but also progress in their careers. We want everyone to be able to find a job, progress in work and thrive in the labour market, whoever they are and wherever they live.

The Jobcentre Plus Offer

During the pandemic we increased our jobcentre footprint through the Rapid Estate Expansion Programme by 167 new jobcentres (and in 22 of our existing sites) as of the end of March 2022, ensuring that high-quality intensive work-search support is available to claimants. We also recruited 13,500 Work Coaches between the start of the pandemic and March 2021.

We have provided an extensive programme of support to Work Coaches to enable them to enhance the quality of service that claimants receive. This includes training for Work Coaches in delivering better quality conversations around the Claimant Commitment to provide relevant support and advice, helping claimants move closer to work. Work Coaches use their knowledge and expertise to work flexibly with a wide range of claimants, utilising a range of employment services and online tools to provide personal and tailored support to move claimants into employment more quickly.

2 The First Commitments Meeting is a meeting between the Work Coach and a claimant to gather information to agree a tailored and personalised Claimant Commitment

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. The FSF can also be used to commission tailored training to meet local needs. In 2021-22 we increased the eligibility of FSF to support claimants in the light touch labour market regime, as well as supporting pre-release prisoners.

Plan for Jobs

Employment Programme	Who the scheme aims to support	Start and end date
Kickstart	16–24 year olds on Universal Credit (UC)	Sep 20 – March 22 (The final young people started their Kickstart jobs on 31 March 2022 and will complete their postings at the end of September 2022)
Restart	Long-term unemployed (9 months +)	July 2021 – Jun 2024
Jobs Entry: Targeted Support (JETS)	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 13 weeks.	Oct 20 –Sept 22

Support offered	Progress in 2021-22
The Kickstart scheme funded the creation of additional jobs for young people to reduce the risk they would be scarred by long-term unemployment. By bringing together employers and young people in our Jobcentres, and an expedited job application and interview process we could speed up the process of getting young people into work, giving them the chance to build their confidence and skills in the workplace, and to gain experience to improve their chances of progressing to find long-term, sustainable work. Employability support that provided employment for at least 25 hours per week for six months. Offered in England, Scotland and Wales.	In October 2021 the Chancellor announced a Kickstart run-on which extended the window for young people to benefit from the opportunity to take part in the scheme. As of 31 March, around 160,000 young people had started a Kickstart job. We will continue to evaluate the longer-term outcomes and impact for Kickstart participants after they have completed their six month job roles.
The Restart Scheme is providing intensive and tailored support to claimants for 12 months. Through regular contact with participants, providers 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. Offered in England and Wales.	The first referrals were in July 2021 with an initial focus on those who had been on Universal Credit in the Intensive Work Search Regime for between 12 to 18 months. From January 2022, the focus has been expanded to provide an increased opportunity for more claimants to benefit from the scheme. Universal Credit claimants will be considered for the Restart Scheme after nine months and with no upper limit. From late April 2022, eligibility criteria was expanded so that claimants in receipt of Income Based Jobseekers Allowance (JSA IB) can also be referred.
Personalised support for up to six months and helps 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 into a new sector where appropriate. Providers use their links with local employers to provide support. Offered in England and Wales, with a separate scheme in Scotland.	To the end of August 2021 there have been 160,020 starts for England and Wales and 8,440 for Scotland. In Autumn 2021, it was agreed to extend referrals to JETS to September 2022.

Employment Programme	Who the scheme aims to support	Start and end date
Sector-based Work Academy Programmes (SWAPs)	Sector-based Work Academy Programmes (SWAPs) help employers with immediate and future employment needs by upskilling benefit claimants to fill local job vacancies.	Originally launched in 2011 but revamped in Jul 2020. No end date currently
DWP Youth Offer (covers Youth Employment Programme, Youth Hubs and Youth Employability Coaches)	18–24 year-old UC claimants within Intensive Work Search (IWS) regime 16-17 year-olds can access youth hubs on a drop-in basis.	Sep 2020 – ongoing
Job Finding Support	People out of work for up to 13 weeks	Jan 2021 – Feb 2022

Way to Work

Way to Work is a campaign to move 500,000 job-ready claimants into work by the end of June 2022. Using the strength of the jobs market and building on the success of Kickstart, we are working closely with employers to help claimants into jobs quicker, as well as strengthening our core support for jobseekers.

Aimed at job-ready claimants on Universal Credit and New Style Jobseeker's Allowances claimants in England, Scotland, and Wales, the campaign comprises various activity, including:

- transforming the offer to claimants in our jobcentres, giving them more time with their work coaches and moving to an 'ABC' approach ('Any Job, Better Job, Career') and doing more to move job-ready claimants into work quicker
- working with employers of all sizes to proactively match them with claimants who can rapidly move into jobs
- using data and insight to respond to the needs of sector and areas of the country where vacancies are particularly high and need filling quickly

Support offered	Progress in 2021-22
Up to six weeks support during which the person will be given pre-employment training; a work experience placement; and a guaranteed job interview to fill a current job or apprenticeship vacancy. Offered in England and Scotland.	DWP pledged to increase the number of SWAP opportunities to 80,000 in 2021-22, particularly in priority areas such as adult social care, construction, hospitality and freight transport. Jobcentres delivered 81,980 starts in 2021-22 building on the 64,500 starts delivered in 2020-21.
Youth Employment Programme offers 13 weeks of labour market support. It provides more intensive support for young people, focused on finding work and accessing work-related support. Working together with local partners, Youth Hubs offer an environment that is suited to engaging with young people and provides skills, training and help to find a job, as well as support to overcome other barriers to work like mental health or housing. Youth Employability Coaches flexibly support young people with significant complex needs and barriers to help them move into employment. Offered in England, Scotland and Wales.	We have extended the DWP Youth Offer to 2025 and in December 2021 we expanded eligibility to include 16- and 17-year-olds, in addition to 18 to 24-year olds, who are claiming Universal Credit and in the Intensive Work Search group. The Youth Offer has been successfully embedded within Jobcentres and DWP now has over 160 Youth Hubs open across Great Britain.
Job Finding Support (JFS) was designed to operate for one year, to help those who had lost their jobs due to the pandemic, providing support to increase their employability and provide links with suitable employers. Offered in England, Scotland and Wales.	Over its lifetime JFS helped over 50,000 people, with 98% of participants reporting they were satisfied with their provision.

As of 22 May 2022, at least 347,300 unemployed Universal Credit (UC) claimants moved into work during the Way to Work Campaign between 31 January and the end of 22 May 2022.

In-Work Progression

The In-Work Progression Commission, led by Baroness Ruby McGregor-Smith, published its report in July 2021. The report made recommendations to the Department, wider government and other relevant stakeholders on improving progression in low-paid sectors. The Government is carefully considering the Commissions' recommendations and intends to respond shortly.

We have continued to build the evidence base on progression through a Proof of Concept on in-work support in the South Yorkshire District from May 2021 to March 2022.

In October 2021, the Chancellor announced that the Department would invest £99 million over the next three years, enhancing its programme of support for working Universal Credit claimants through a new In-Work Progression offer. This offer rolled-out from April 2022, with around 2.1 million low paid benefit claimants eligible for support from work coaches to progress into higher-paid work.

A network of 37 Progression Champions across Great Britain will spearhead the scheme, supporting jobcentres in this new role. Progression Champions will work with key partners, including local government, employers, and skills providers to identify and develop local progression opportunities.

Our approach to key sectors

In addition to the broad support available to all jobseekers and applicable to many occupations, there are certain sector specific challenges which government and industry must overcome together if we are to ensure labour market success in all areas. DWP works closely with sector facing departments, the Department for Education, employers and other sector organisations to understand these barriers to employment and jointly address them. In the past year, for example, DWP has supported Government and industry efforts to address a shortage of HGV drivers, challenges in the social care sector, supported the Green Jobs Working Group and the Government's Net Zero Strategy. Within DWP we work to ensure that, where appropriate, our activity is conscious of the in-demand and thriving sectors where opportunities for good quality work lie and is also supporting those sectors which are struggling to attract labour to address the reasons for this.

Levelling Up

The Levelling Up white paper was published in February 2022 and set out twelve bold cross-government missions to narrow geographical inequality across the United Kingdom. DWP will help to reduce geographical disparities on key outcomes, particularly those set out in the Living Standards Mission, which states "by 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing". DWP set out its offer in the white paper which highlighted the following themes: in-work progression, employment and skills support, and support for disabled people and those with health conditions. The white paper also set out how the UK Shared Prosperity Fund (UKSPF) will succeed European structural funds (such as the European Social Fund) and target funding where it is needed most.

Working across Government

Working effectively with other departments has been a key element of getting people into employment. The Labour Market Steering Group is a cross-government forum that oversees this outcome and the group is used to identify shared priorities and set goals for our cross-cutting work. The board is now co-chaired by the Department for Work and Pensions and the Department for Education to bring greater alignment to our work on the jobs and skills system. A working level forum has also been set up underneath the group to create further opportunities for collaboration.

Key areas where we have collaborated across government include:

- working closely with the Department for Education to ensure that our skills and employment offers work together effectively, equipping learners of all ages with the necessary skills to fulfil their potential
- working with the Department for Business, Energy and Industrial Strategy as they develop our employment framework to keep pace with the needs of modern workplaces and provide support for people facing particularly challenging circumstances
- working with the Department for Levelling Up, Housing and Communities and other departments on the development of the UK Shared Prosperity Fund to address inequality within and between the regions so that wraparound employment, skills and social inclusion provisions are targeted to reflect the needs of people and organisations in local areas

Further details can be found in departments' Outcome Delivery Plans.

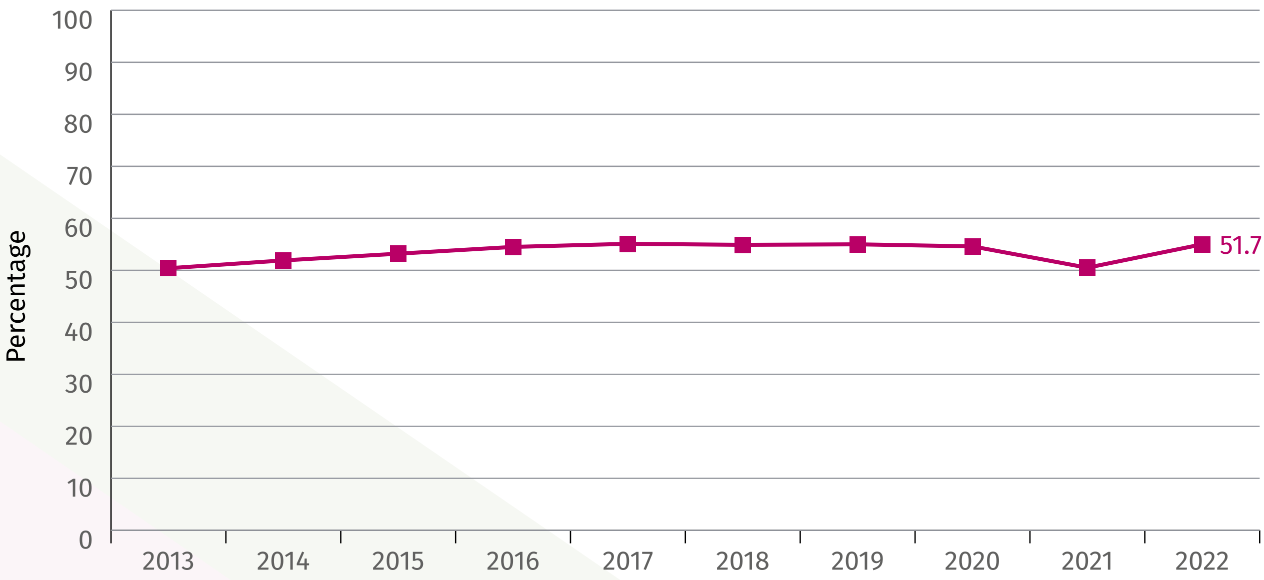
Our performance

Employment rate ages 16 – 64 (UK and Regional)

The latest available data, covering February to April 2022, shows the UK employment rate at 55.0%. The rate has increased by 4.5 percentage points on the year, but remains 0.5 percentage points lower than December to February 2020 (prior to the impact of COVID-19).

At a regional/nations of UK level, the majority saw an increase in their employment rate on the year.

UK Employment rate – 16 - 24 years (Jan-Mar)



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North East	42.8	49.2	44.5	51.6	58.1	49.6	50.2	56.3	51.1	54.1
North West	52.0	51.1	55.8	52.4	58.1	52.2	50.8	56.1	50.1	52.2
Yorkshire and the Humber	49.3	52.6	49.3	50.7	52.9	55.3	52.0	56.3	48.5	52.4
East Midlands	50.4	56.1	54.9	54.3	55.9	57.3	57.4	57.2	51.8	57.8
West Midlands	45.3	49.6	48.5	49.7	48.4	49.2	49.5	47.2	47.3	57.2
East of England	53.2	53.2	55.9	58.8	58.4	59.1	59.6	59.1	54.6	58.0
London	40.7	44.1	44.4	46.7	45.2	44.7	42.2	45.1	40.5	44.1
South East	52.2	51.7	55.3	59.7	55.7	56.4	59.5	57.1	53.8	56.7
South West	53.9	56.6	58.0	57.3	61.5	61.9	64.4	57.4	55.1	60.7
Wales	48.4	48.3	47.7	51.1	49.6	58.0	55.4	53.1	49.3	57.3
Scotland	57.3	51.8	59.7	55.6	57.0	56.3	59.4	53.7	54.2	59.7

Figures used are from the February – April period of each year.

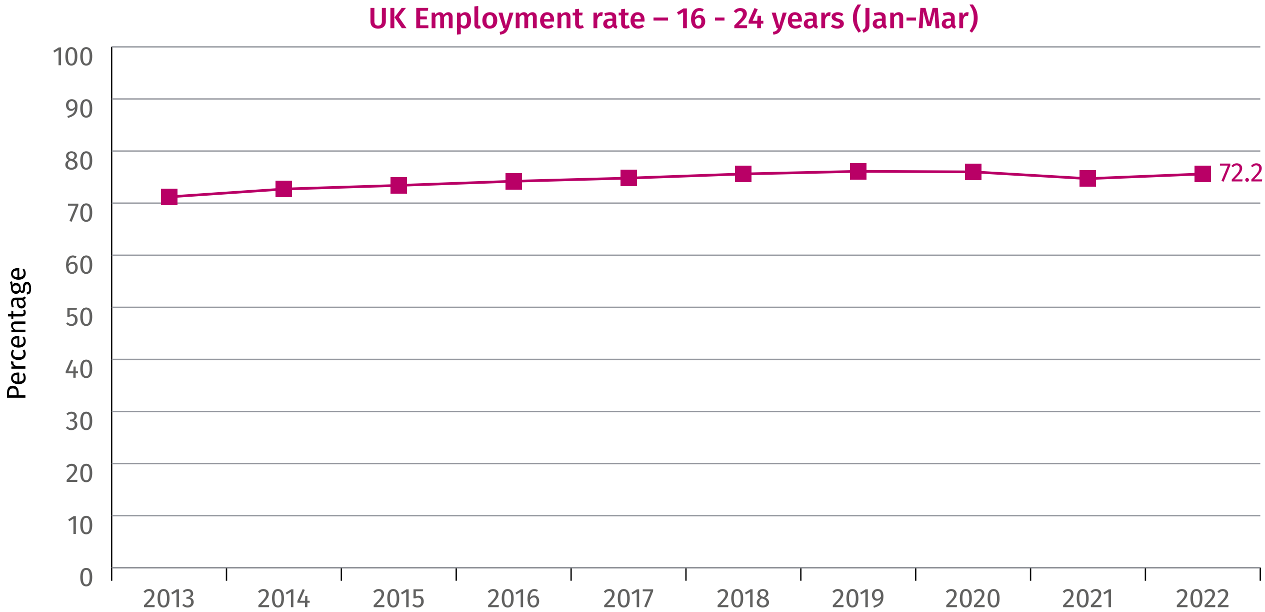
*UK figures are seasonable adjusted whilst the regional figures are not.

Source: X01 Regional labour market: Estimates of employment by age - Office for National Statistics (ons.gov.uk) and A06 SA: Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted) – Office for National Statistics (ons.gov.uk)

Employment rate age 16 – 24 (UK and Regional)

The latest available data, covering February to April 2022, shows the UK employment rate at 75.6%. The rate has increased by 1.0 percentage point on the year but remains 0.9 percentage points lower than December to February 2020 (prior to the impact of COVID-19).

At a regional/nations of UK level, the majority saw an increase in their employment rate on the year.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North East	66.6	69.4	69.0	70.5	72.2	73.1	70.7	73.3	71.5	71.2
North West	69.3	69.8	71.7	72.8	74.0	73.5	75.0	75.6	72.8	73.9
Yorkshire and the Humber	70.1	71.7	71.3	72.2	73.4	74.1	73.8	73.3	72.6	73.0
East Midlands	71.0	73.7	74.5	74.8	74.4	75.7	76.3	77.5	75.0	75.6
West Midlands	69.4	70.0	71.0	71.6	71.8	74.0	74.0	74.1	73.2	75.9
East of England	74.6	75.9	76.9	77.6	77.3	78.5	79.2	77.8	77.7	77.8
London	69.4	71.7	72.0	73.4	73.3	74.7	74.9	76.0	74.5	75.1
South East	74.9	76.3	76.8	78.0	78.6	78.8	79.4	79.2	78.4	78.5
South West	74.5	76.0	77.2	77.0	78.9	79.4	80.2	78.7	76.5	79.3
Wales	69.5	70.0	70.4	72.1	73.0	73.7	75.5	73.9	73.8	74.0
Scotland	72.2	73.4	74.7	73.4	74.3	75.2	75.9	74.0	73.9	75.5

*Figures used are from the February – April period of each year.

Source: HI00 Regional labour market: Headline Labour Force Survey indicators for all regions - Office for National Statistics and A01: Summary of labour market statistics – Office for National Statistics (ons.gov.uk)

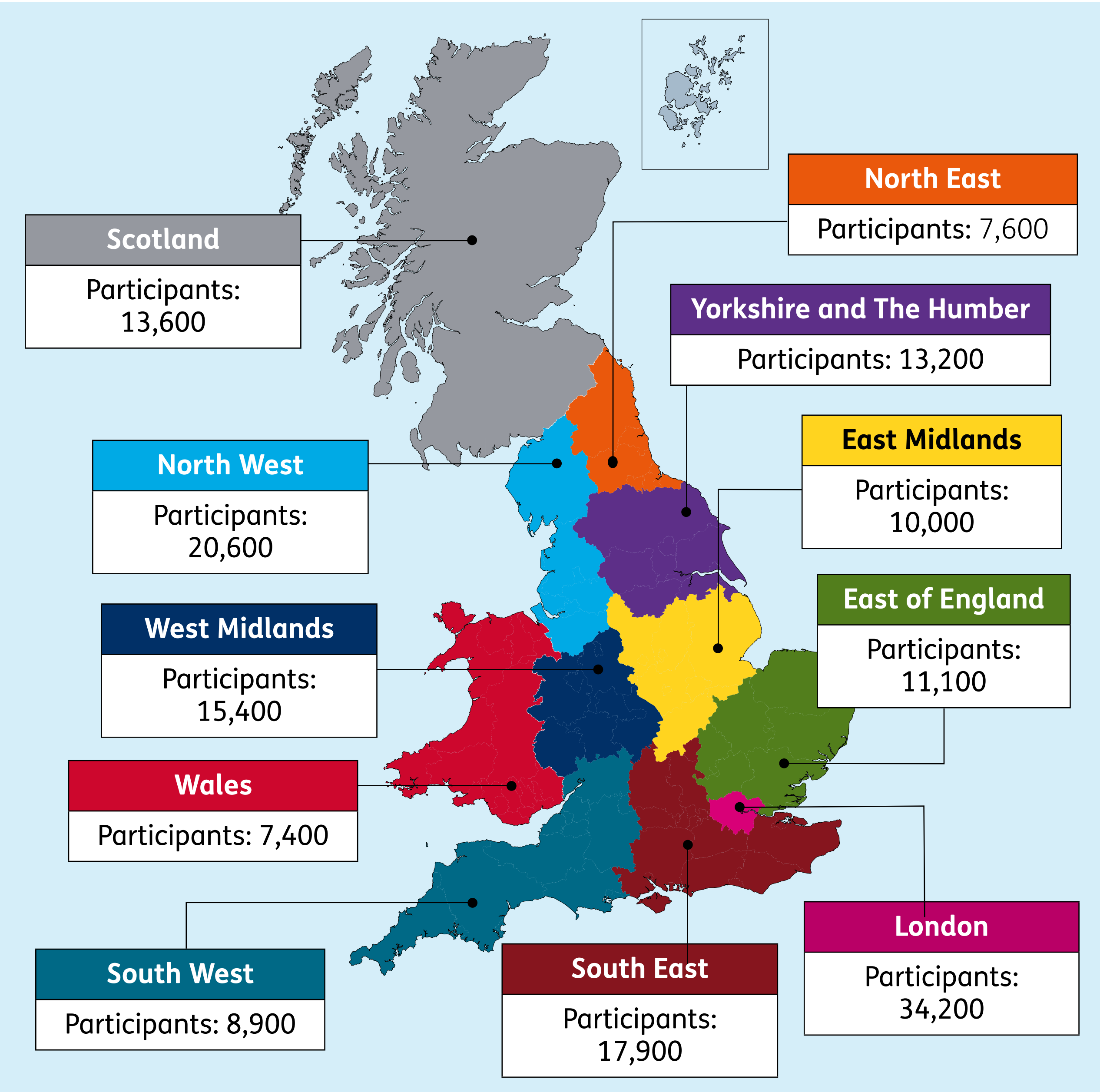
Number of Kickstart participants (GB and regional)[3]

Since November 2020, when the first participants started their postings, and the end of March 2022 the overall number of participants in Kickstart is 160,000.

There were around 149,000 participants between April 2021 to end March 2022. The final young people started their Kickstart jobs on 31 March 2022 and will end their postings at the end of September 2022.

As the scheme launched in September 2020, we have no comparable data available for previous years.

Below are the participants in the scheme by region/nation.



Source: Internal MI

3 The table shows the number of starts broken down by region. The data in the table has been rounded. 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

Introduction

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 affected, so it is vital to ensure everyone that is able to, has the opportunity to enter and progress in work.

We provided extensive services, including Individual Placement and Support, which co-locates employment specialists across health teams, and Intensive Personalised Employment Support. We have continued to work closely with employers across the country through the Disability Confident scheme, with over 19,000 member organisations and over 11 million employees.

DWP works closely with the Department of Health and Social Care through the Joint Work and Health Unit to identify effective models of health and employment support. This year we published our response to the joint DWP/Department for Health and Social Care Health is Everyone's Business consultation and set out some of the measures the joint unit will take to protect and maintain progress made to reduce ill-health related job loss. The latest figures (May 2022) show that in Q1 2022 1.3 million more disabled people were in employment than in Q1 2017, meeting and exceeding a government goal to see one million more in work by 2027. We have continued to listen and be informed by our external partners and organisations to ensure that everyone has access to effective employment support regardless of their location or personal circumstances.

In addition, DWP has provided support for groups that are under-represented in the labour market. For example, prison work coaches work with local partners and employers to help secure training, work experience and employment opportunities for prisoners. They also provide benefit advice before release including booking an appointment at the local jobcentre on or after the day of release. More generally there is priority early access to the Work and Health Programme and a range of tailored support provided by DWP's Work and Health Services.

Our support helps people engage with the benefits system, such as care leavers preparing to claim Universal Credit, or specific provisions within the benefit system such as exemptions to the Shared Accommodation Rate for care leavers or those who are homeless. It also helps people to receive employment-related support through the tailored approaches and local flexibility of work coaches, for example through signposting to local services.

Delivering the Work and Health Programme to help disabled people or disadvantaged groups to enter into and stay in work

The Work and Health Programme (WHP) provides support to predominantly disabled people including individuals with other health conditions; the long-term unemployed and certain priority group to enter into and stay in work.

The WHP uses the expertise of private, public, voluntary and community sector providers to help participants with multiple barriers to work to receive coordinated and holistic support. This includes agencies working with families, ex-offenders, care leavers, refugees, drug and alcohol users and veterans, amongst others.

By the end of November 2021, 200,000 people had started the programme with 74,000 starting work and 40,000 reaching the job outcome earnings threshold or six months of being in self-employment. Around three quarters of people starting and achieving job outcomes on the Work and Health Programme are disabled people. 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.

The Department has devolved the WHP to our Local Government Partners (LGPs): London (in 4 sub-regions) and Greater Manchester Combined Authority. The LGPs have full control of delivery, are responsible for performance management and are free to prioritise specific customer groups in their areas.

Deliver and improve Access to Work supporting disabled people to start or stay in work

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

To support disabled people to work both from home and in the workplace, Access to Work has introduced a flexible offer. The offer complements support provided by employers and offers a combination of support that can be tailored to meet the individual's 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 working at home or returning to workplace

Since 1994, Access to Work has been delivering support for disabled people to move into and sustain employment. To improve the customer experience and deliver a more efficient service, AtW has secured funding in DWP's SR settlement to deliver a digital transformation programme which will enable AtW to move from an old outdated legacy system, to a new more efficient and quicker operating platform, improving the service disabled people receive. The digital improvement work commenced in 2021, with the first, phase a new digital payment solution due to be delivered this year.

Disability Confident

The Disability Confident scheme is continuing to work closely with employers across all sectors and locations to support and promote the employment of disabled people and people with a health condition in the workplace. In December 2021, we celebrated best practice at the inaugural Disability Confident Awards, in collaboration with the Business Disability Forum, recognising those employers that have underlined their commitment to the scheme and actively encouraging the employment of disabled people.

Disability Confident, provides employers with advice, support, and access to free resources to attract, recruit, retain and develop disabled people in the workplace. The scheme was designed by disabled people, employers and disabled people's representatives to help businesses to develop inclusive recruitment and retention practices which support the employment of disabled people.

As of 31 March 2022, there are approximately 19,000 members of the Disability Confident scheme, and they estimate over 11 million employees working in their businesses.

We continue to promote the scheme through a variety of mediums including communication campaigns, newsletters, social media channels, and through GOV.UK. We are also working closely with the Disability Confident Business Leaders Group, which includes senior representatives of major businesses throughout the UK, to promote sign-up to the scheme. During the COVID-19 pandemic we continued to reach a large number of employers through webinars, focusing on topics such as remote working, mental health support and safe return to the workplace.

Joint Work and Health Unit (JWHU)

The Joint DWP/Department of Health and Social Care (DHSC) Work and Health Unit (JWHU) was established in 2015 in recognition of the significant link between work and health. The JWHU focuses on helping disabled people and people with health conditions to get in, stay in and thrive in work, enabling them to live healthier more independent lives. We are working to promote a greater focus on health benefits of work through local and health systems.

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. These include Individual Placement and Support, see section below, and 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 2021-22, due to ongoing disruption to the labour market caused by COVID-19 and the anxiety this has caused IAPT clients, we have continued to see increased demand for employment support. The initiative has provided this support remotely in compliance with COVID-19 requirements. In the 2021-22 financial year, Employment Advisers in IAPT services have seen 34,850 people starting employment support, an increase of 20% on 2021-22.

Health is Everyone's Business

The Government's response to the joint DWP/DHSC Health is Everyone's Business (HiEB) consultation was published in July 2021 and set out some of the measures the JWHU will take to protect and maintain progress made to reduce ill-health related job loss and see one million more disabled people in work from 2017 to 2027.

The COVID-19 pandemic has further highlighted the importance of Occupational Health (OH) services and advice. Increasing access to OH services was a key part of the consultation response. We are currently undertaking further exploratory work and initiating developmental work around proposals outlined within the consultation. This includes exploring the potential to support innovation and build capacity in the OH market as well as undertaking limited testing of the potential for a financial incentive for small and medium enterprises (SMEs) and the self-employed.

Working with the JWHU, the Health and Safety Executive (HSE) is developing a set of clear and simple 'principles' that employers would be expected to apply, to support disabled people and those with long-term health conditions in the work environment. In addition to this non-statutory guidance, HSE is also exploring whether statutory guidance is needed. The principles will be delivered by the end of Q3 2022-23, with promotion and engagement of the guidance completed by end of Q4 2022-23.

Statutory Sick Pay

To help mitigate the impacts of the COVID-19 pandemic, SSP was made payable from the first day of sickness absence from work, rather than from the fourth day, and eligibility was extended to those who were self-isolating due to COVID-19 (the usual SSP eligibility conditions apply). Small and medium employers with fewer than 250 employees were able to reclaim up to two weeks' of SSP for absences related to coronavirus. These temporary SSP provisions ended on 25 March 22 in line with the Government's "Living with COVID" plan.

Information and Advice for Employers

Feedback from the HiEB consultation showed that although there is a range of information available on managing sickness absence and supporting disabled employees in the workplace, employers find it fragmented, difficult to navigate and hard to apply in practice.

The JWHU is working with small businesses and disability organisations to develop a national information and advice service for employers which provides better integrated and tailored guidance on supporting and managing health and disability at work. This will include advice on legal obligations, including reasonable adjustments and on creating inclusive workplaces.

An early version of the service is currently in private live testing. Subject to findings and assessment, we expect to continue to develop and test the service throughout 2022-23.

The Fit Note

Doctors issue fit notes to people to provide evidence of the advice they have given about their fitness for work, recording details of the functional effects of their patient's condition. The Government wants to see the fit note become an enabler for better health and work conversations in all relevant healthcare settings, facilitating healthcare professionals (HCPs) to support people to remain in or return to work. To deliver this, three main elements were committed to as part of the HiEB response (July 2021):

- Regulations were enacted on 6 April 2022 that remove the requirement for fit notes to be completed and signed in ink. This removes the barriers to fit notes being digitally completed, signed and issued to patients, improving the process for doctors, patients and employers
- Further update regulations, at the earliest opportunity, to extend the ability to sign fit notes to a wider group of HCPs. Currently, certifying fit notes is restricted to doctors
- Embedding fit notes in secondary care systems, which currently use paper pads of fit notes ordered from DWP. This removes barriers to issuing fit notes in secondary care systems and will reduce the flow of patients into general practice to secure a fit note following hospital treatment or discharge. This is due to be completed by October 2023

To support the government's response to the COVID-19 pandemic we continued working with the Department of Health and Social Care and the NHS to maintain the isolation note service; a bespoke form of evidence to support those who need to self-isolate due to COVID-19.

Continue to offer IPES (Intensive Personalised Employment Support) for disabled people and people with health conditions

Intensive Personalised Employment Support (IPES) 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.

The IPES programme started in December 2019 to help people with both disabilities and complex barriers to employment who are considered by DWP 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 originally had 10,000 places available to support disabled people to find work over four years. However, from January 2022 we increased the number of places available by 25%.

Provision of Individual Placement and Support (IPS)

The Individual Placement and Support (IPS) model works by co-locating Employment Specialists across health teams to work collaboratively with clinicians and carers to support clients into meaningful and sustainable employment.

Between 2018 and 2020, a large-scale trial was run in two Combined Authority areas (South Yorkshire and West Midlands) to test the effectiveness of IPS support in primary care for people with common mental and/or physical health conditions. In addition to the trial sites in South Yorkshire and the West Midlands, we worked in partnership with the Welsh Government to co fund and deliver a smaller trial in North Wales. Following the trials, we have continued to fund services in all three areas in order to protect the local engagement, expertise and momentum around the work and health agenda developed in the sites over the trial period, in advance of any decisions around future expansion of IPS for people with common physical/mental health conditions.

Individual Placement and Support for Drug and Alcohol Dependency (IPS-AD) provides employment support alongside clinical treatment for substance dependency; enabling individuals to overcome barriers that often limit participation in the labour market. In response to Dame Carol Black's recommendation in her 2016 independent review into the effects on employment outcomes for those with a drug and alcohol addiction, IPS was initially trialled by the JWHU across 7 Local Authority areas in England.

At the 2020 Spending Review, funding was secured to expand the programme from the initial trial areas to a total of 46 Local Authority areas in England by the end of March 2022. IPS teams have been successfully implemented in all 46 local authority areas and the programme has been delivering promising results. As recommended in Dame Carol Black's 2021 independent review of drugs and announced in the Government's drug misuse strategy on 6 December 2021, IPS for Drug and Alcohol Dependency will now be rolled out to all local authority areas in England by 2025.

50Plus: Choices

50 Plus: Choices aims to increase the retention, retraining and recruitment of older workers. DWP continues to support older claimants to return to work, through the network of 50 Plus champions in each of the Jobcentre Plus districts. The champions continued to raise awareness of the benefits of employing older people with Jobcentre Plus work coaches and employers. The Business Champion for Older Workers supports this work by engaging with employers, including through a roundtable co-chaired with the Minister for Employment.

In the quarter December 2021 to February 2022 the number of people aged 50 years and over in employment was 10.5 million, an increase of 2.21 million over the last 10 years. Over the past two years, the employment rate of people aged between 50 and 64 years has fallen from 72.6% in December 2019 to February 2020 to 70.9% in December 2021 to February 2022. The employment rate gap between people aged 35-49 years and 50-64 years has seen an increase from 13.2% in December 2019 to February 2020 to 14.4% in December 2021 to February 2022.

Prison Work Coaches in every prison

Before COVID-19 we had 170 prison work coaches based in prisons across Great Britain all of whom were redeployed to DWP sites during the outbreak. To meet the manifesto commitment, we have increased the number of prison work coaches over 2021-22 to 200, with all gradually returning to prisons as the COVID-19 restrictions have lifted. Prison work coaches provide training and employment support during sentence and benefit support before release.

Support from Work and Health Services

A range of support for those with complex and/or multiple disadvantages is delivered by colleagues in DWP's Work and Health Services group. A variety of initiatives and the allocation of single points of contact or subject experts means that DWP is able to tailor support to meet the needs of this customer group.

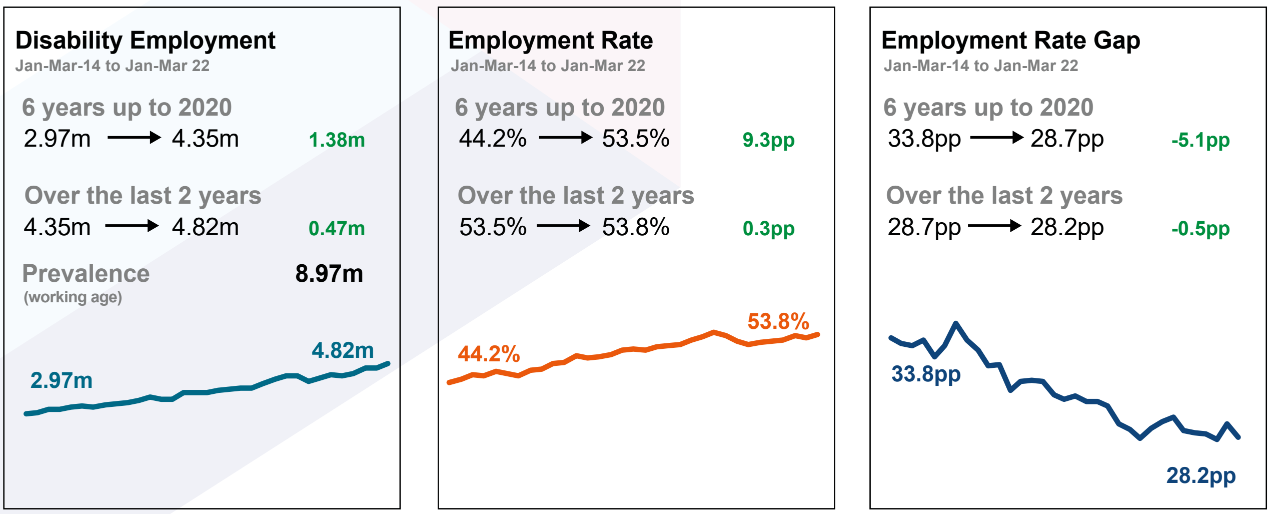
People with complex needs and/or multiple disadvantages also have priority access to DWP Work and Health Programme.

Cross-government work

DWP also continues to work closely with other government departments to shape policy responses that provide support to those with multiple or complex disadvantages. For example, DWP is working closely with the Home Office on the Refugees Transitions Outcomes Fund and has been bringing together teams across DWP and working with other government departments to support Afghans displaced after the fall of Kabul in August 2022 and those people fleeing the war in Ukraine.

Our performance

Disability employment rate gap



Source: Labour market status of disabled people – ons.gov.uk

Between Q1 2017 and Q1 2022 the number of disabled people in the UK in employment increased by 1.3 million – meaning the government goal to see a million more disabled people in employment between 2017 and 2027 has been exceeded after only five years.

In addition to the employment rate, we continue to monitor the employment rate gap; the gap between disabled and non-disabled people in employment. The gap has decreased by 5.6 percentage points over the last 8 years, from 33.8 percentage points in January – March 2014 (the earliest comparable date), to 28.2 percentage points in January to March 2022. It has also decreased by 0.5 percentage points over the last 2 years, from 28.7 percentage points in January - March 2020 (the last pre-pandemic data).

These measures are 'outcome measures' reflecting the real-world improvements the Government wants to see, rather than direct measures of DWP performance. They are affected by external factors such as the size of the underlying disabled population and overall labour market performance, as well as DWP activity.

Priority Outcome 3 – Address poverty through enabling progression in the workforce and increasing financial resilience

Introduction

Working across government to deliver on this cross-cutting priority outcome, we are committed to a sustainable, long-term approach to tackling poverty and supporting people on lower incomes. We spent around 217 billion through the welfare system in 2021-22 including £87 billion on people of working age and over £128 billion on pensioners. Of the total amount, around £63 billion is spent on supporting disabled people and people with health conditions in Great Britain.

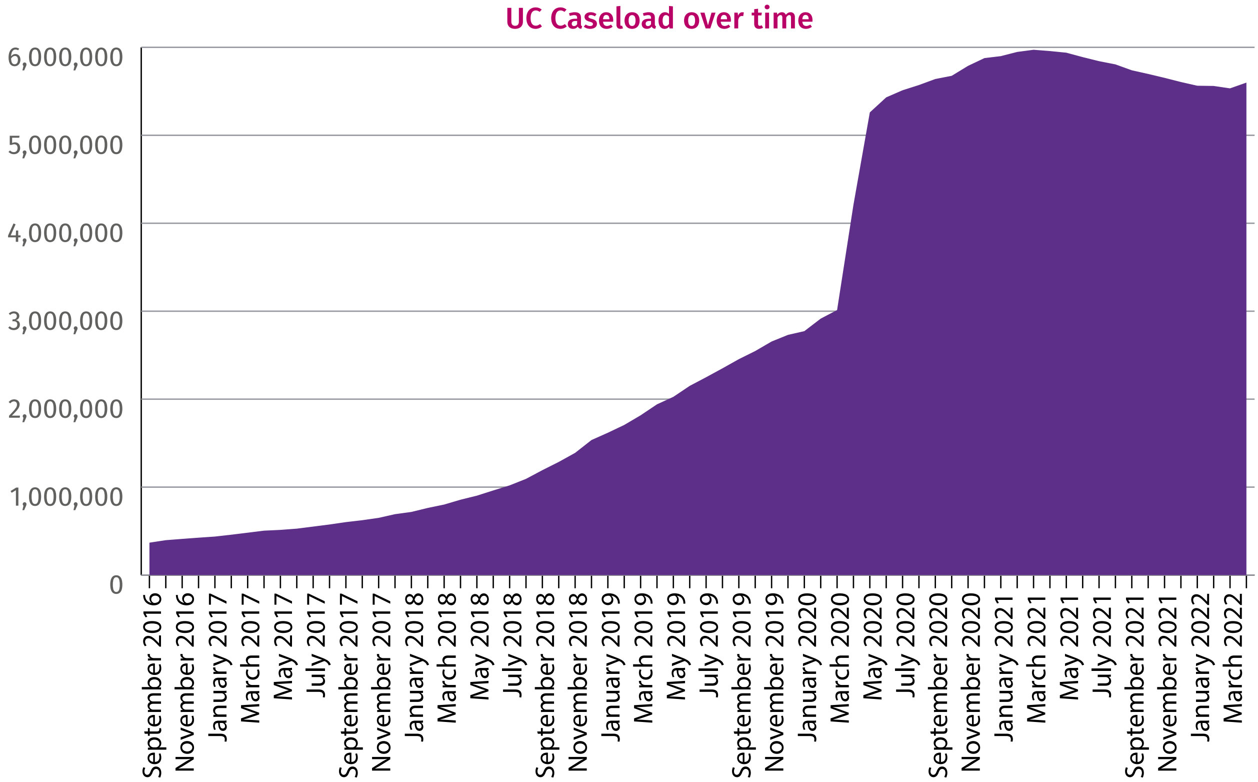
In addition to the direct payment of benefits we also play an important role in ensuring that people have the stability of a safe and secure home, itself an important steppingstone to finding employment. To help people with their housing costs, we have ensured the administration of around £29 billion in 2020-21 of housing support through Housing Benefit and Universal Credit.

Continuing to support disabled people and those with health conditions is also crucial to the effective delivery of Priority Outcome 3. Our Health and Disability Green Paper published last year set out proposals in supporting people to live more independent lives and reach their full potential, and our Health Transformation Programme continues to ensure health and disability assessments are delivered in a more effective way.

More broadly, this Priority Outcome also captures the work DWP does in supporting people in retirement, through improving the financial wellbeing and resilience of our citizens in retirement. Throughout the last year, we have continued to take important steps including new legislation through The Pension Schemes Act 2021, as well as introducing new measures to ensure we protect pension savers. We also continue to work closely with our Arm's Length Bodies who assist in the delivery of this Priority Outcome, ensuring there is a wide range of support available for people in increasing financial resilience.

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.



Latest statistics published in April 2022, show there were 5.6 million people claiming UC on 13 January 2022 and of these 40% were in employment. This compares to 3 million people in March 2020 which had 35% employment. Even as the caseload has grown, service delivery has remained strong: for example, the latest published figures show payment timeliness for new claims remained high, at around 87% being paid in full and on time[4]. Payment timeliness was higher at the beginning of the coronavirus pandemic because of temporary operational and policy changes. This includes redeploying staff within DWP to handle Universal Credit claims, and changes to some verification processes due to the closure of jobcentres.

Payment timeliness has remained high due to operational focus, ways of working and resource deployment based on caseload forecasts, to enable DWP to pay people in full and on time. Declarations within 2021-22 have remained more consistent than the early months of the pandemic and this will enable the business to deliver the operational demands within resource deployed. Capability of new staff will have also grown during this reporting period as there has been no wide scale recruitment that has taken place supporting payment timeliness.

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. 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 over 6.4 million claims to PIP; 4.4 million are new claims and 2 million are reassessments. During the COVID-19 pandemic we introduced a range of operational measures to comply with public health guidance whilst ensuring that new claims and changes of circumstances were prioritised. We also introduced, for those who want it, an electronic service for the PIP2 questionnaire 'How

[4] Universal Credit statistics, 29 April 2013 to 13 January 2022 – GOV.UK (www.gov.uk)

your disability affects you', a form which asks about a claimant's condition, and have started a private beta of a digital PIP channel.

Health Transformation Programme

The Health Transformation Programme (HTP) will transform services for people with disabilities and health conditions who require a health assessment as part of their claim to benefits through an integrated, DWP-developed Health Assessment Service (HAS) and transformation of the end-to-end PIP journey. We have created a second Health Transformation Area (HTA) and from early 2023 we intend to expand the number of additional sites in England where we will continue to work with agreed stakeholders to test and develop the new Health Assessment Service.

We have started to procure contracts for assessment services covering the period 2023-2028, following an extension to existing contracts. These will combine the current Health and Disability Assessment Services and PIP assessments.

We have continued to develop an electronic PIP2 claim form, launching small-scale Private Beta testing launched in early 2022, offering a small number of claimants the opportunity to make their claim online. We will move to a full online service following a period of evaluation that provides assurance and evidence that will allow us to complete the roll-out of this transformative service.

Health and disability Green Paper and upcoming White Paper

The Government has a clear objective to make sure that disabled people and people with health conditions can lead the most independent lives possible and reach their full potential.

Shaping Future Support: The Health and Disability Green Paper was published on 20 July 2021 and the consultation ended 12 weeks later on 11 October 2021. We received more than 4,500 responses to our Green Paper proposals and detailed proposals will be brought forward in a white paper later this year.

Providing housing support

Local Housing Allowance (LHA) determines the maximum financial support available for renters in the private rented sector in receipt of Housing Benefit or the Universal Credit housing costs. 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. For 2021-22 we maintained the LHA rates in cash terms, ensuring no rates reduced.

Due to the impact of COVID-19 on young people, the changes to the care leavers and homeless exemptions were fast tracked to June 2021 this was announced at Spring Budget 2021. These changes benefit around 6,000 people by an average increase of around £34 per week. As announced at Autumn Budget 2021, the new exemptions for victims of domestic violence and modern slavery will now be introduced a year earlier than planned in October 2022. The additional exemptions will benefit around 11,000 people per year.

For 2021-22 the government made available £140 million in Discretionary Housing Payments funding for local authorities in England and Wales to help support vulnerable people with housing costs. We continue to provide help through Support for Mortgage Interest (SMI). As of November 2021, over 23,000 claimants had taken an SMI loan since they were introduced.

The £421 million Household Support Fund, in place from 6 October 2021 to 31 March 2022 provided extra support, through local authorities in England, to vulnerable households with essential household costs over the winter as the economy recovered.

DWP is working across government on cross-cutting priorities, including work to support the Rough Sleeping Strategy and the recently published Levelling up White Paper, which explores options to improve the quality of rented accommodation funded through the benefit system, increase the supply of affordable homes, and tackle the stigma faced by some claimants when looking for a home to rent.

Supporting children and families

Child maintenance

Child maintenance can play an effective role in enhancing the life outcomes of children in separated families. We estimate around £2.4 billion was transferred between parents each year on average over the financial years ending 2019 to 2021 through family-based or statutory arrangements for the benefit of children. Our analysis shows that child maintenance payments help to reduce the chances of children being raised in poverty; approximately 140,000 children were moved out of absolute low-income annually as a result of child maintenance payments over the three years to 2021.

Over the course of 2021-22, we have been delivering a transformation programme to enable parents to set up and manage child maintenance arrangements in ways to suit their own circumstances. We have introduced web chat functionality so customers can ask questions in real time and we have made improvements to our telephony service. These improvements allow vulnerable customers to have their calls sent directly to their own case team as well as functionality being provided to allow customers to make payments in a secure manner over the phone 24/7.

A new online service, Get Help Arranging Child Maintenance has also been developed for separated parents for guidance and support in making a maintenance arrangement. The service is non-biased which gives citizens information about what options are available, enabling them to decide what is best for their circumstances.

Running an effective statutory child maintenance scheme

The Child Maintenance Service (CMS) 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, the CMS administers a statutory scheme for those who really need it, which incurs charges.

The latest statistics (as of December 2021) show that:

- by December 2021 there were 803,000 children covered by CMS statutory arrangements
- in the quarter ending December 2021, 68% of Collect and Pay service cases were paying some child maintenance
- in the quarter ending December 2021, £210.2 million due to be paid through direct pay arrangements and £46.6 million paid through the Collect and Pay service

Reducing parental conflict

DWP has continued to build the evidence base on what works to reduce parental conflict, testing several specialist interventions across 31 local authorities; around 4,300 parents have started an intervention, with around 2,150 completing so far as of February 2022. We also funded Innovation Fund projects in nine areas through the Children of Alcohol Dependent Parents programme run jointly with the Department of Health and Social Care and are sharing learning on how to most effectively address parental conflict when combined with alcohol misuse. We also shared the learning from ten Challenge Fund projects run by Voluntary, Community and Social Enterprise (VCSE) providers to explore how to support cohorts of parents facing particular pressures.

We have also helped equip local authorities and their partners to integrate support to reduce parental conflict in their local service offer to parents, in England. In 2021-22 we funded 147 local authorities to build capacity in a range of local workforces who work with families so practitioners can spot parental conflict, offer support and refer to more intensive support.

Supporting financial resilience and developing the mid-life MOT

The Money and Pensions Service (MaPS) came into operation in January 2019 with a mission to help people – particularly those most in need – improve their financial wellbeing and build a better, more confident future.

In June 2021, MaPS launched its new consumer-facing brand MoneyHelper which provides free and impartial debt advice in England, money guidance and pensions guidance to members of the public. MaPS has also been developing a finance-only, digital mid-life MOT offer, which is targeted to launch in 2022.

MaPS has also been working closely with the Department to expand the Money Adviser Network service into DWP service delivery channels. By providing this direct support in regulated debt advice, customers are able to address and better manage their debt, which improves their financial resilience.

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

We administer and make State Pension payments to around 12.4 million people: approximately 10.2 million who reached State Pension age before 6 April 2016 and around 2.2 million on the new State Pension system which was introduced on that date.

As a result of exceptional circumstances following the pandemic, the Government passed the Up-rating of Benefits Act 2021, to remove the link to earnings up-rating for the basic and new State Pensions and Pension Credit for one year. State Pensions and other benefits were increased by the Consumer Price Index (3.1%) for 2022-23.

Our digital services continue to play an important role in helping people understand how much State Pension they can expect to receive as well as make a claim online. Since its launch in February 2016, over 26.7 million digital forecasts have been viewed on our 'Check your State Pension' digital service up to February 2021. During 2021-22 we have continued to transform the Get Your State Pension service and there are now over 530,000 claims maintained on it. Similarly, we have continued to evolve the Apply for and Manage Your Pension Credit service. During 2021-22 we continued to improve the online claims service so that more citizens can apply online without needing to call DWP; as of 1 May 2022, we have received over 184,000 claims through the new service.

In December 2021 the Department launched the second review of State Pension age. This will assess whether the rules on State Pension age remain appropriate.

Supporting pensioners on a low income

Pension Credit protects pensioners on a low income by topping up their State Pension or other retirement income to a standard minimum amount. Additional amounts are available for pensioners with a severe disability, with caring responsibilities or those responsible for children or young persons. As of August 2021, there were over 1.4 million Pension Credit claimants.

In 2021-22 we continued to provide additional support to pensioners through Winter Fuel Payments helping pay the cost of heating their homes. Cold Weather Payments are also available for periods of extremely cold weather.

Opportunity to save into a workplace pension

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 which was phased in from 2012, starting with the largest employers. Over 10.6 million employees have been automatically enrolled into a workplace pension since 2012 and over 2 million employers had declared compliance with their automatic enrolment duties at the end of February 2022. In 2020, an estimated additional £28.4 billion was being saved into workplace pensions compared to 2012.

The greatest impact has been seen among younger workers, lower earners, and women. Participation rates in workplace pensions for eligible female workers in the private sector increased from 40% in 2012 to 86% in 2020, which was equal 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 2020, this increased to 84%, a 60-percentage point increase.

Increasing pensions savings amongst self-employed

We remain committed to developing effective durable retirement solutions for the self-employed and continue to build the evidence base to find ways to make retirement saving easier for self-employed individuals.

We are working with HM Revenue and Customs to explore the opportunities presented through Making Tax Digital and software suppliers. This has included running a trial with HM Revenue and Customs and Money and Pensions Service, through introducing a prompt into the existing self-assessment tax system that signposts self-employed people who declare they are not paying into a pension, to MoneyHelper guidance.

In addition, we continue working with NEST Insight and our partners, to test a range of approaches and interventions aimed at improving retirement saving for the self-employed. We launched the next stage of these trials in December 2021 using financial digital platforms and money management apps to test the role of technology-based nudges and the value of flexible saving mechanisms.

Providing pension savers with better access to information, support and protection

The Government, with industry, is helping consumers with both keeping track of their various pensions, including small pots, and retirement planning through Pensions Dashboards and Simple Annual Benefit Statements which may support member-led consolidation.

Deferred scheme members with small pensions pots – We remain committed to making the automatic enrolment system work better for scheme members with deferred small pots. Scheme members should be able to realise the best possible outcomes from their workplace pension savings. Consolidation of deferred small pots in the automatic market is a key part of this, but it will take time to develop and implement effective and durable solutions.

The Pensions and Lifetime Savings Association and the Association of British Insurers who jointly convened an industry coordination group (launched March 2021) to look at this issue published a report on 30 September 2021. This showed the progress that is being made, including a member exchange feasibility study ahead of a potential pilot. We are working with industry as part of this group.

Simpler annual benefits statements – We have recently introduced regulations to make Annual Benefit Statements for defined contribution schemes used for automatic enrolment much simpler and easier for members to understand. These regulations will come into force in October 2022. This will help increase engagement with pensions, and prompt people to seek further information and guidance.

Pensions costs and charges – To limit the risk of member's pension savings being eroded to zero by charges, we have introduced legislation so members who are automatically enrolled into a qualifying, defined contribution pension scheme, cannot be charged a flat fee against pots with a value of £100 or less.

Stronger Nudge – We have continued to work closely with the Financial Conduct Authority, The Pensions Regulator and the Money and Pensions Service to fulfil the requirements set out in sections 18 and 19 of the Financial Guidance and Claims Act 2018. Following a consultation in July 2021, the Stronger Nudge to pension guidance came into force on 1 June 2022 and requires occupational schemes to offer to book a Pension Wise appointment for the member when accessing their defined contribution pension savings.

Pensions dashboards will enable individuals to see their pensions information online in one place, creating an opportunity for millions of UK citizens with pension savings to engage with them in a safe, secure and convenient way. Following the successful delivery of the Pension Schemes Act 2021, DWP consulted on draft regulations which will support the operation of pensions dashboards – including the requirements on schemes to connect and provide data to dashboards; and the requirements that dashboard operators will need to satisfy in order to connect. The consultation closed with 100 responses. We plan to publish a response in summer 2022 and to lay draft regulations as soon after that as we can and when parliamentary time allows.

Value for money – We are continuing to champion and promote the benefits of consolidation in the defined contribution market to drive better outcomes for all members through better governance and by facilitating investment in a diverse portfolio of assets.

On 30 March 2022, DWP published a summary of the responses we received to the call for evidence on the future of the defined contribution market which sets out our plans to take the consolidation agenda forward. This year DWP will be taking steps to help defined contribution savers maximise their future retirement income by ensuring the scheme they contribute to delivers 'value for money'. We will see defined contribution schemes disclosing their investment performance for the very first time and small schemes will be required to go through a rigorous assessment to determine whether they offer value to their members, and we will be assessing the impact this has.

Pension Schemes Act 2021

The Pension Schemes Act 2021, which received Royal Assent on 11 February 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.

Over 2021 we continued to develop secondary legislation to provide more detail in these areas including to strengthen safeguards which protect defined benefit pensions. The scheme funding and investment regulations will provide detail on our expectations for trustees and schemes on setting plans and manage the funding of their defined benefit schemes over the long-term. The notifiable event regulations will complete the package of measures which enhance The Pensions Regulator's powers to identify and take action against events which put member's benefits at risk.

In 2021 we consulted on regulations that would complete the legislative framework for Collective Money Purchase Schemes (also known as Collective Defined Contribution (CDC) Schemes). This legislation is now in place and from August 2022 provides single and connected employers with an alternative to the traditional defined contribution or defined benefit schemes. These new schemes have the potential to provide, on average, better outcomes for savers than traditional defined contribution schemes and predictable costs for employers.

Protecting pension savers

Climate

UK pension schemes have a leading role to play in tackling climate risk and DWP is committed to helping the UK government deliver net zero and raise ambition on climate change globally. Climate change threatens investments, employers' funding plans and ultimately the retirement outcomes of hard-working savers.

In 2021 DWP introduced regulations aligned with the Taskforce on Climate-related Financial Disclosures (TCFD), which require trustees to consider, assess and report on the financial risks of climate change within their portfolios. These requirements are the first of their kind to be introduced anywhere in the world. This year over £1 trillion of pension savings will be assessed and in time published for all to see.

In addition to this, we are also proposing to require schemes to calculate and report a metric setting out the extent to which their investments are aligned with the Paris Agreement goal of pursuing efforts to limit the global average temperature increase to 1.5˚C above pre-industrial levels.

Scams

To protect pension scheme members and make it harder for criminals, we have introduced, from 30 November 2021, new transfer regulations to help protect people from fraudsters trying to trick them into moving their pension pots into scam accounts. These regulations strike the right balance between providing necessary protections for pension savers against scams while ensuring they still have freedom and choice about where their savings are invested.

In response to a court ruling in November 2020, which found that as a result of pension liberation fraud some pension schemes were eligible to claim from the Fraud Compensation Fund, we introduced The Compensation (London Capital and Finance plc and Fraud Compensation Fund) Act, which received Royal Assent in October 2021. The Act provides the Secretary of State the power to make a loan to the Pension Protection Fund (PPF) for the purposes of the Fraud Compensation Fund (FCF). The loan, which will be drawn down on the basis of need, will ensure that the PPF has sufficient resources to meet eligible claims against the FCF in a timely manner. The loan will be recovered through the Fraud Compensation Levy on pension schemes.

Debt Management

Recovery totals

DWP's Debt Management has a good track record in recovering debt when it is identified, including benefit overpayments, Tax Credit debt and Social Fund loans.

Debt Management also continues to recover money from insurance companies (where people have received compensation for an accident, injury or disease having already claimed benefits) and on behalf of the NHS (where ambulance or hospital costs have been incurred in connection with an accident).

Our policy is to recover debts as quickly and cost effectively as possible without causing undue financial hardship to debtors.

Where debt does occur, we have a long-standing and cost-effective debt recovery process in place. It enforces an obligation to repay but seeks to avoid causing hardship.

Debt Management's total recovery 2021-22 amounted to £2.74 billion (excluding Housing Benefit recovered by local authorities but including £48 million benefit debt recovered by DWP). This figure is up from £2.3 billion in 2020-21 and £2.2 billion in 2019-20.

The following provide more information on our 2021-22 recovery.

Debt Type	Definition	Value (£m)	
		2020-21	**2021-22**
Advances	Recovery of UC Advances – including Budgeting Advances, New Claim Advances and Benefit Transfer Advances	1,092	882
Overpayments	DWP benefit overpayments including UC and non UC	308	610
Tax Credit	Recovery of Tax Credit debt that has migrated from HM Revenue and Customs	229	520
Social Fund	Recovery of Crisis and Budgeting Loans, including Funeral Payments	290	367
Compensation Recovery	Recoveries from insurance companies for compensation claims made by benefit recipients	326	295
Housing Benefit	Housing Benefit overpayments	28	48
Recoverable Hardship Payments	Repayment of loans associated with sanction activity	10	6
Other	Includes administrative and civil penalties. Also includes sums held in suspense awaiting allocation at the time the data was collected	4	7
Total		**2,287**	**2,735**

Working with debtors

We recognise the importance of safeguarding the welfare of claimants who have incurred debt. Deductions are made to ensure claimants avoid the consequences of not paying priority debts, for example, eviction and ensuring social obligations are met, such as child maintenance payments.

Regulations protect claimants from excessive deductions, which could lead to financial difficulty. There are limits set for individual deduction items; for example, for Universal Credit an overall deduction cap is set at 25% of standard allowance, although where necessary to support the claimant, this can be exceeded for rent and fuel debts.

Since its introduction the cap on the maximum amount deducted (from Universal Credit) has changed twice, from 40% of the standard allowance originally, to 25% in April 2021. This better strikes a balance in ensuring priority debts and other debts are repaid, whilst enabling claimants with significant debts to retain more of their monthly award for their day-to-day needs, such as paying off their utilities bills or housing costs.

All customers can contact Debt Management if they are experiencing financial hardship in order to negotiate a reduction in their rate of repayment, or a temporary suspension of repayment, depending on financial circumstances. We also remain an active participant in Breathing Space, launched in May 2021 as part of The Debt Respite Scheme to support debtors struggling to cope with problem debt. The initiative allows individuals time to seek accredited debt advice and identify an appropriate debt solution.

We are in addition working in partnership with the Money Advisor Network, who offer free independent and impartial money and debt advice, to routinely refer indebted customers to their service.

In exceptional circumstances, and in line with HM Treasury guidance, consideration can be given to waiving our right to recover a debt. However, before any debts are written-off, they are scrutinised to ensure they are no longer worth pursuing.

Means of recovery

Last year, we reported on the efficacy of our recovery processes. Whilst we aim to recover all debt as quickly as possible, we seek to balance our responsibilities to the taxpayer and to those who may be struggling with debt repayments and look to ensure that repayment plans are affordable and sustainable.

Recovery from benefit remains the most efficient source of recovery, with 90% of debt recovered this way in 2021-22. The overall amount we can recover by deduction from benefit is set by regulations, and priority is given to a number of other deductions above those for overpayment recovery.

We also launched a secure self-serve portal, which customers can use to make payments and manage their outstanding debt online. The initial phase of this delivery, for off-benefit customers, was launched in September 2020 and has been gradually extended. To date, we've invited over one million debtors to access the online service, with payments in excess of £43 million received. A further £10 million is in the process of being recovered by Direct Debits set up as a result of accessing the service.

The table below provides a breakdown of recovery by the method of recovery.

2021-22 Recoveries by Method	**Value (£m)**
From Universal Credit	1,492
From Other Benefits	173
Direct Earnings Attachment	116
Private Sector Suppliers	3
Voluntary Repayment Plans	357
Social Fund Computer System	301
Compensation Recovery Unit	295
Total	**2,737**

Customers circumstances can change and sometimes a rate of repayment may need to be renegotiated if it is to remain sustainable.

Debt stock

We are improving our ability to detect overpayments of benefit and our total debt stock (money we still have to collect) has increased by £1.3 billion. (Note that this is actual money recorded as outstanding for collection, as opposed to the estimated figures itemised in our fraud and error publication.) At the end of 2021-22 there were 4.9 million accounts held by Debt Management with a balance totalling £8.1 billion (this also includes outstanding UC Advances of £1.3 billion), and 0.3 million accounts on the Social Fund system with a balance of £0.1 billion.

The tables below provide a summary of new debt referrals received by Debt Management and summarises the value and volume of debts held.

New Debts Referred						
Financial Year	**2019-20**		**2020-21**		**2021-22**	
	Debts	**Values**	**Debts**	**Values**	**Debts**	**Values**
Debt Mgt. Core Recovery	5.3m	£3.2bn	5.1m	£2.7bn	5.5m	£3.8bn
Social Fund	0.7m	£0.1bn	0.5m	£0.08bn	0.2m	£0.03bn
Total	**6.0m**	**£3.3bn**	**5.6m**	**£2.8bn**	**5.6m**	**£3.8bn**

Debt Stock Actuals						
Financial Year	**2019-20**		**2020-21**		**2021-22**	
	Debtors	**Values**	**Debtors**	**Values**	**Debtors**	**Values**
Debt Mgt. Core Recovery	3.6m	£5.9bn	4.7m	£6.8bn	4.9m	£8.1bn
Social Fund	0.5m	£0.2bn	0.4m	£0.1bn	0.3m	£0.1bn
Total	**4.1m**	**£6.0bn**	**5.1m**	**£6.9bn**	**5.3m**	**£8.2bn**

Debt Stock Breakdown			
Financial Year	**2019-20**	**2020-21**	**2021-22**
Debt Type	**Value (£bn)**	**Value (£bn)**	**Value (£bn)**
Overpayments	£2.6bn	£2.8bn	£3.6bn
Advances and Hardship	£1.0bn	£1.2bn	£1.3bn
Tax Credit	£1.8bn	£2.2bn	£2.7bn
Housing Benefit	£0.2bn	£0.3bn	£0.3bn
Social Funds (DM)	£0.3bn	£0.2bn	£0.2bn
Social Fund (SFCS)	£0.2bn	£0.1bn	£0.1bn
Total	**£6.0bn**	**£6.9bn**	**£8.2bn**

Notes:

Figures relate to the end of each financial year (i.e. March)

Figures rounded to one decimal point – total figure may not tally exactly

Figures for 2020-21 impacted by a 3-month suspension in debt collection (Apr-Jun) as a result of the COVID-19 pandemic, with a similar pause in overpayment referrals.

Data Source: AID BO Reports and SF Dashboard Excludes DfC/N Ireland Data is up to the end of March 2022 Individuals may be on both Debt Management and Social Fund systems, meaning that the total number of debtors is an over-estimate

Our Response

Modernising and Improving the Service

We have introduced increased automation to clear non-complex work, for example the insertion of deductions and how deductions are allocated in cases with multiple or shared debts. This has freed up staff to tackle more complicated cases and deal with customer calls.

To better support callers, we have improved the message relayed to customers when they call, which directs them more effectively and ensures that high call volumes are managed effectively. A Rapid Response team remains in place to help manage peak call times.

Future plans

We have procured an improved digital DWP Debt Manager IT system. The Minimum Viable Product for this was launched in October 2021. Ongoing enhancement is underway to build a scalable service; exact timescales are to be confirmed and will include the continued development of our self-serve capability.

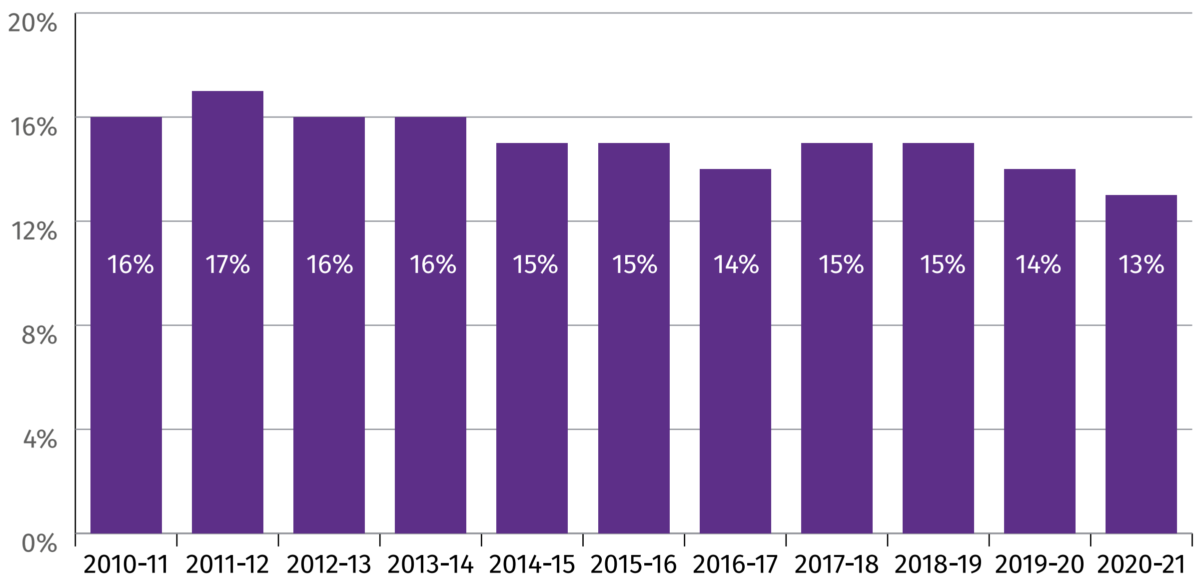
Additional investment funding awarded December 2021 will also help us establish a debt enforcement function, which will target hard to recover debt. We aim to target those debtors who can repay but decline all requests to do so. The design will also use data to identify and exclude the vulnerable and those unable to repay.

This function went live in February 2022, with a small number of cases, which will be micro-managed through the process, with the function then expanding in terms of volume and types of debt processed.

Our performance

Absolute poverty before housing costs

The latest statistics show that: in 2020-21 there were 1.2 million fewer people in absolute poverty, before housing costs than in 2009-10; and that the number of individuals in absolute poverty (before housing costs) fell by 400,000 between 2019-20 and 2020-21.



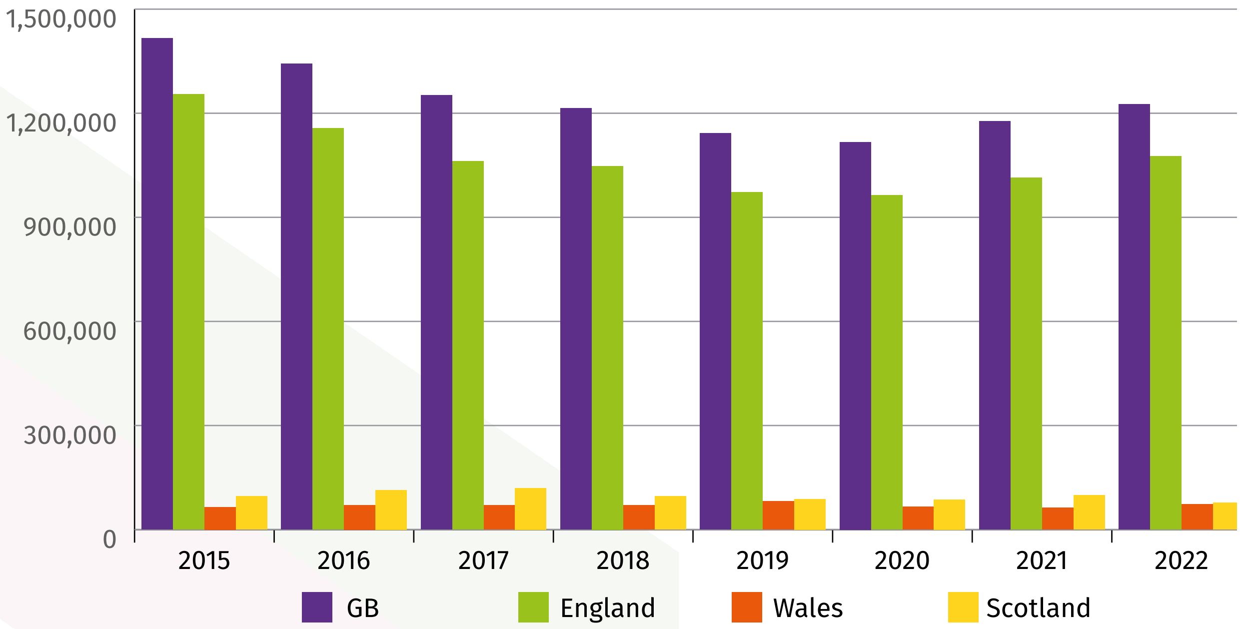
Source: Households below average income statistics – GOV.UK

Number of children in workless households (GB and National)

In the quarter January to March 2022 (from household Labour Force Survey), the number of children in workless households in Great Britain was 1.23 million, this is an increase of 50,000 when compared with the same period in 2021 when 1.18 million children lived in workless households.

Since January to March 2015 there has been an overall decline of 190,000 when 1.42 million children lived in workless households.

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



Source: Children in households GB and National – ons.gov.uk

New claims processed within planned timescales

In 2021-22, 61.8% of new claims for Universal Credit (UC), Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), State Pension (SP), Pension Credit (PC), Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Child Maintenance (CMG) were processed within planned timescales.

In 2020-21, in response to the Covid-19 pandemic the department made a positive choice to prioritise the rapid processing of high volumes of UC and JSA claims. The department's response to this unprecedented surge of UC and JSA claims led to a material change in the composition of the claims which make up this measure and led to a significant increase in the proportion of claims processed within planned timescales.

As the volumes of new claims to UC and JSA reduced through 2021-22 the balance of benefit claims that make up this measure has changed. This reflects both a reduction in JSA and UC new claims, and the processing of a backlog of more complex benefit claims which were delayed due to the prioritisation choices during the pandemic. That is, the reduction in 2021-22 in part reflects the rebalancing of claims and resource towards more complex and time-consuming work.

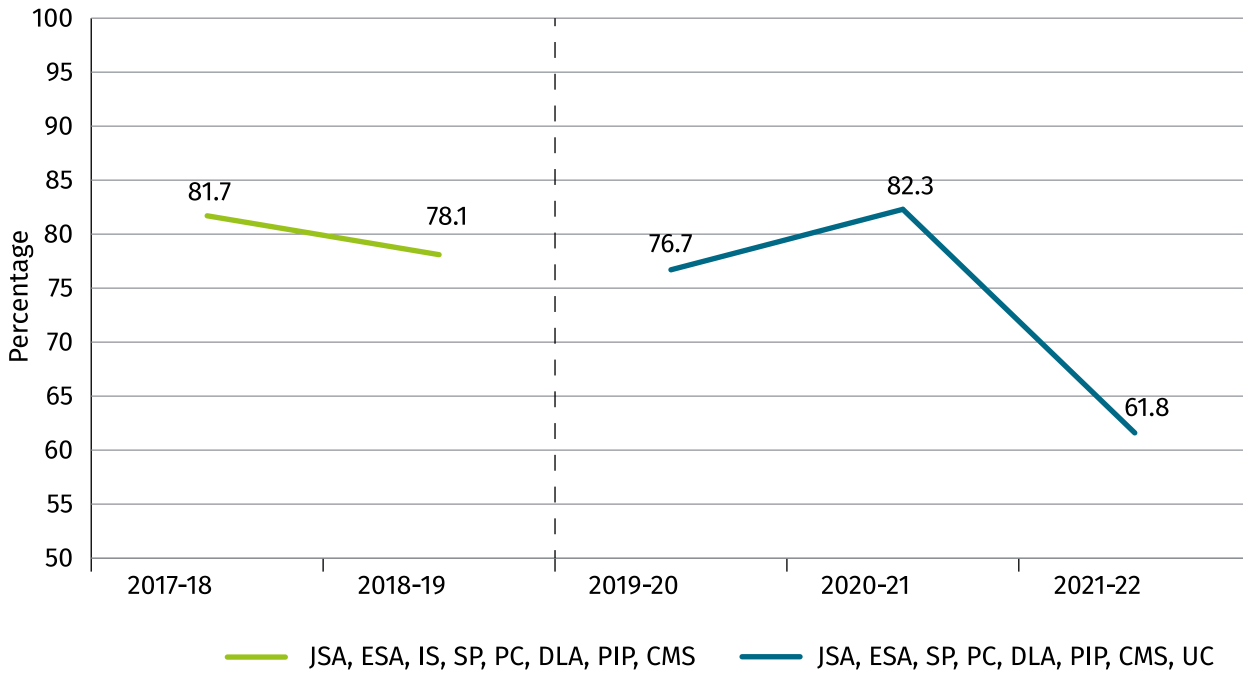
One example of this is the reintroduction of labour market conditionality to the claims processes. It also reflects other pressures on Service Delivery in 2021-22 such as the impact of the SP correction exercise, and dealing with Covid-related backlogs, which created significant resource challenges.

Although claim volumes have reduced in 2021-22 from the previous year, they are still 23% higher than they were in 2019-20.

To ensure optimal value and experience, several customer journeys are also different to the pre-2020 versions, which has initially resulted in increased waiting times. For example, changes to the ESA customer journey, with eligibility being determined before the completion of a claimant commitment, led to reduced productivity. Meanwhile, in PIP, additional time has been allowed to complete and return forms at the start of the claim process. These are active choices to improve the quality of the customer experience but do have implications for overall processing times.

Delays in adjudicating new claims can be out of the direct control of the department, for example, with responsibilities held by Assessment Providers or customers. PIP Assessment Providers have prioritised oldest cases which has increased the challenge of achieving our expected clearance times. Analytical evidence is being considered to review existing expectations to reflect some of the customer journeys more accurately.

New claims processed within planned timescales



Source: Internal MI

Data for 2017-18 and 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.

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

Introduction

As part of its response to the pandemic in 2020-21, the Department redeployed 8,400 staff from its Service Excellence Group and a further 2,000 from across the rest of the Department and elsewhere in government, to successfully manage the upsurge in benefit applications. While this enabled the Department to successfully manage claims and make quick payments, it resulted in backlogs across several areas of work, impacted further by increased and deferred demand, as well as high staff absence rates.

During 2021-22 as lockdown restrictions eased, we increased our face-to-face services and introduced hybrid working arrangements for colleagues working in corporate roles. As we emerged from the most acute phase of the pandemic, we carefully balanced resource across business areas, redeploying resources to those areas of greatest need to support our work on backlogs.

At the beginning of the COVID-19 pandemic, DWP introduced operational adjustments to delivery of DWP services (easements). These easements were necessary to provide immediate financial support to millions of out-of-work, employed and self-employed people who had been impacted by the pandemic. Of the circa 200 easements originally introduced, there were approximately 100 easements in service delivery in place at the beginning of this year. A large proportion of these have now been closed, or new processes put in place meaning only 25 remain as of March 2022.

Transforming the delivery of State Pension

We are continuing to transform how we deliver State Pension through the new Get Your State Pension service. Currently a variety of IT systems are used by agents to administer State Pension. Agents are required to manually check multiple systems and to manually set case controls. This complex control activity has been a delivery challenge and the biggest factor contributing to error being addressed by the State Pension Legal Entitlements and Administrative Exercise (LEAP) that started in January 2021. Through the strategic transformation of the modern Get Your State Pension service, we will be removing reliance on older systems. Information relating to citizens will be visible to agents in one place, so that for many core processes agents are no longer required to manually check multiple systems.

All new claims to State Pension will be maintained on Get Your State Pension and not Pension Strategy Computer System (PSCS) legacy IT. Customer interaction will continue to be shifted to the online channel, reducing workloads for agents by automating processes and enabling citizen straight through processing (no agent intervention) for reporting online change of circumstances, or through process efficiencies reducing the time for agents to work on simple changes and business events. A new capability will be delivered to manage the migration of PSCS legacy IT caseload data into our new digital service.

Simplifying the user journey

The Check Your State Pension Forecast service will be extended further to include telephony IDV to enable citizens to self-serve. State Pension information will be provided to Pension Dashboard so that citizens can view their State and Private pensions in one place.

The Apply for and Manage Your Pension Credit Service, will continue to be simplified and improved enabling customers to complete their Pension Credit claim online. The service will deliver a reduction in avoidable contact, less costly transactions with reductions in processing times, maximising automation and reducing agent activity and interventions. All new Pension Credit claims will eventually be retained and maintained on the new service removing reliance on PTP CAM and ISCS Legacy systems.

Seasonal Payments Service will continue to add and enhance functionality within the Winter Fuel Payment Service. The service will be at the forefront of supporting pensioners with the cost-of-living crisis this year.

How we gather and reuse data will allow us to continue to simplify and transform the Carer's Allowance Service. This will reduce workloads for agents by automating processes and enabling some citizens claims to be processed without any intervention.

We will build on the successful introduction of the online Bereavement Support Payment service. We are exploring opportunities to fully automate processes and enable citizen straight through processing, with no intervention, for those claiming Bereavement Support Payment.

Improving the appeals process

We have introduced the automation of appeals bundles to enable submission to Her Majesty's Courts and Tribunals Service (HMCTS) digitally to speed up the process and improve the customer experience. This supports HMCTS digital improvements to enable sharing of Appeals documents between departments and improve the speed customer Appeals are handled. Disputes Modernisation Programme are also working closely with HMCTS implementing the use of judicial method of questioning to gather relevant evidence earlier in the dispute process to support DWP decision makers.

Increasing the use of customer insight

The Department undertakes a vast amount of customer insight and research and uses this feedback in the development and tracking of new and existing interventions. Customer insight and research are extremely important to the Department – a new Customer Experience analytical function has recently been established in Service Excellence Group, to ensure the voice of the customer feeds into the process to help ensure services are better tailored to customer needs.

Encouraging and supporting customers to convert their payment method to a standard account

The contract with Post Office Limited, which enables customers to receive benefit payments into a Post Office card account (POca), comes to an end in November 2022. In advance of this we are asking POca customers to provide details of a transactional account of their choice. For those who do not have a transactional account and are unable to open one we are transferring their payments to the new Payment Exception Service (PES). We began transferring POca customers to PES in September 2021 and the remaining POca customers will have transferred to either a transactional account or PES by summer 2022.

Working with the Scottish Government to devolve benefits as set out in the Scotland Act 2016

The DWP Scottish Devolution Programme and Scottish Government colleagues are working closely together to agree processes to support the devolution of benefits to Scotland. This includes enabling Social Security Scotland to take new claims, the transfer of existing cases and any subsequent impacts on other benefits such as payment of premiums.

Child Disability Payment (CDP) was launched successfully during 2021. The transfer of the existing DLA for Children caseload to CDP is in progress and is expected to be completed by the end of 2022. Adult Disability Payment went live for pilot post codes on 21 March 2022 and work is also under way to commence a pilot programme to start to transfer cases in the summer of 2022, with the benefit set to be rolled out for the whole of Scotland and the natural case transfer process to commence from the end of August.

Reducing and preventing fraud and error in benefit expenditure to deliver value for money for the taxpayer and improve the customer journey

The Department continues to fight fraud against the welfare state and has plans to build on our long-standing and successful principles to prevent, detect and deter benefit fraud. Our fundamental approach has always been to prevent fraud from entering the system in the first place, to detect and root out fraud when it does occur, and to deter would-be fraudsters through a robust penalty system, including recovering the debt owed. These principles were bringing down losses due to overpayments before the pandemic and will continue to underpin the way we work.

However, we know there is more to do, which is why last autumn, we announced a 75% increase in funding to combat fraud and error, taking our funding to £1.4 billion over the next three years. We believe this will secure significant savings for the taxpayer and provide a framework against which our future fraud and error performance can be judged.

Our performance

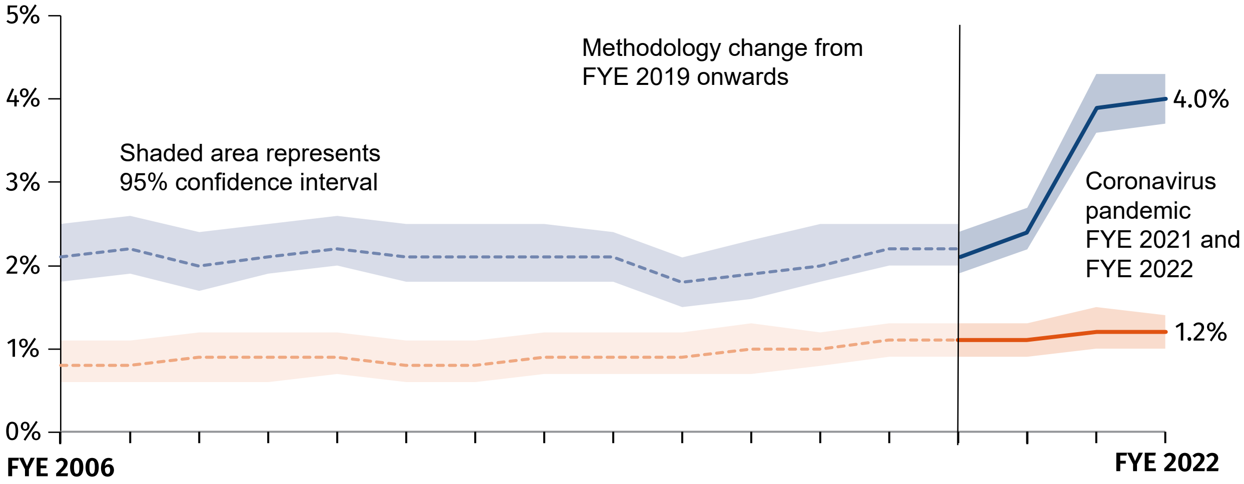
Fraud and error (gross monetary value as a percentage of total expenditure)

Benefit expenditure in 2021-22 totalled £216.0 billion, this was around £3.5 billion more than in 2020-21. Estimates published May 2022 show that in 2021-22, 4.0% of benefit expenditure was overpaid due to fraud and error (£8.6 billion), compared with 3.9% (£8.2[5] billion) in 2020-21.

The estimate of the total rate of underpayments in 2021-22 was 1.2% (£2.6 billion) compared with 1.2% (£2.5 billion) last year. Underpayments are calculated on cases that are in payment. Note that there are 3 categories of error that were recorded for the first time this year on State Pension. If those newly recorded errors were excluded, then the global underpayment rate would have fallen to 1.1%.

5 Figures for 2019-20 and 2020-21 overpayments were revised in the 2021-22 Fraud and Error National Statistics publication. This was due to an issue identified with Housing Benefit expenditure along with some other small methodology changes made to Employment and Support Allowance and Pension Credit.

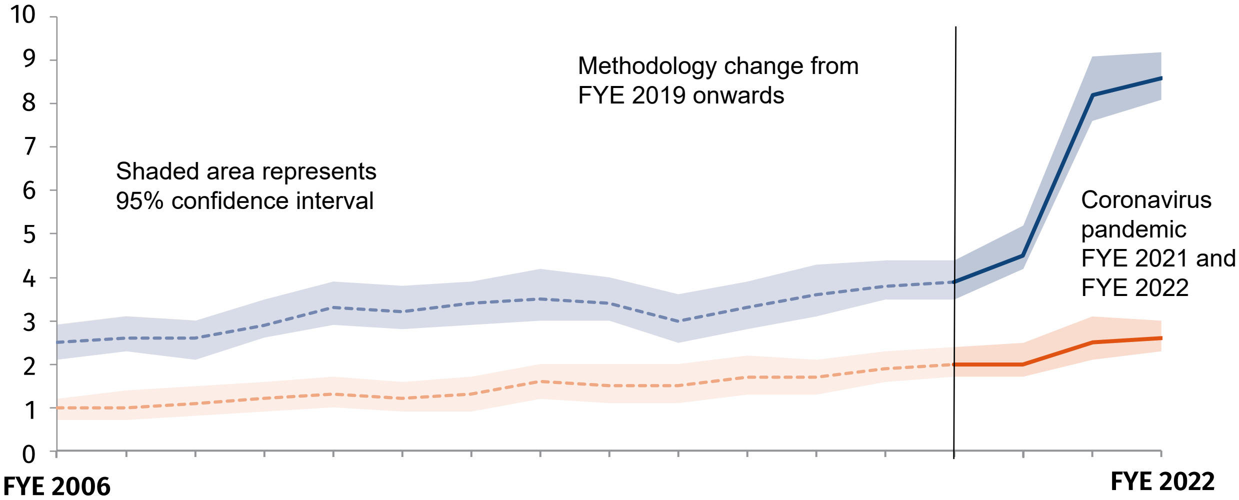
Overall overpayments and underpayments as a percentage of expenditure



Source: Fraud and error in the benefit system – GOV.UK

	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
2021-22	4.0	1.2

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



Source: Fraud and error in the benefit system – GOV.UK

	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	4.5	2.0
2020-21	8.2	2.5
2021-22	8.6	2.6

Claimant satisfaction with DWP services

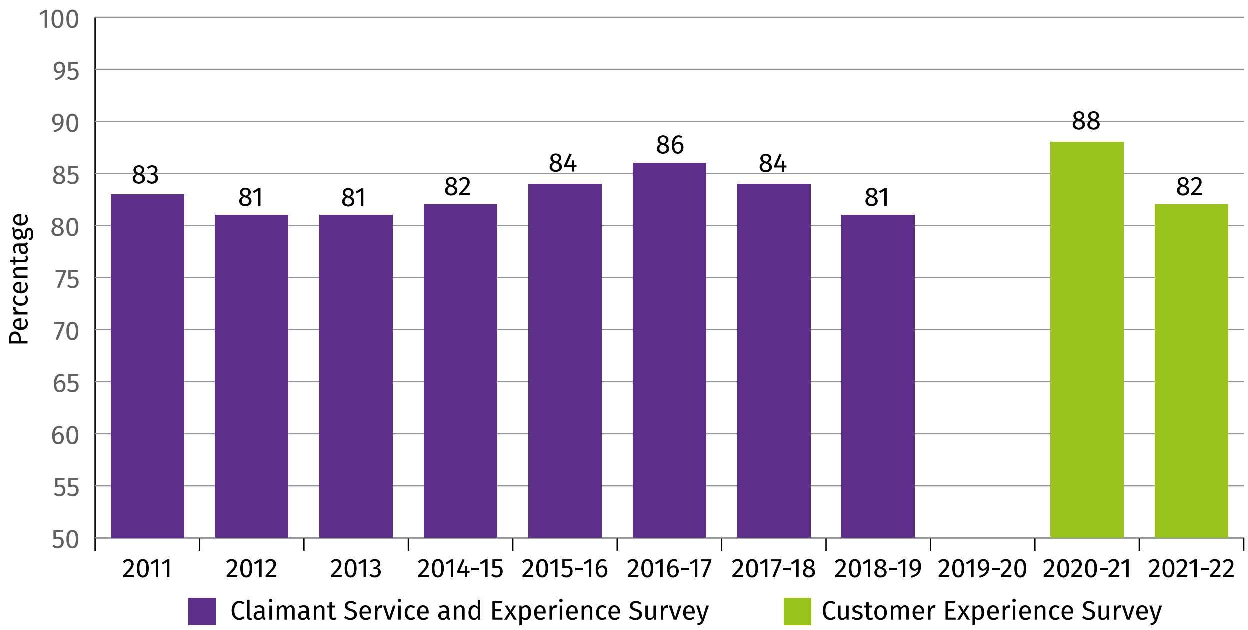
In 2021-22 82% of benefit customers said they were satisfied with DWP services. This figure is taken from the first three quarters of the Customer Experience Survey (CES), which measures customers' satisfaction and experiences with DWP services.

In 2021-22 the Customer Experience Survey fieldwork was conducted on a quarterly basis. This indicator covers benefit customers who were in contact with DWP between April – December 2021 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.

In 2020-21, due to the COVID-19 pandemic and the increase in new Universal Credit claims a number of easements were put in place that streamlined service delivery processes. This is reflected in the high annual customer satisfaction score for 2020-21 (88%). As these easements have been removed, in 2021-22 we see customer satisfaction returning to levels more in line with previous years.

The chart below presents these figures, along with data from the Claimant Service and Experience Survey (CSES), which preceded CES. However, significant methodological changes took place between the CSES and CES, meaning that results are not directly comparable across the two surveys. Moreover, COVID-19 prevented the completion of fieldwork for CES 2019-20, meaning there is no annual level data to report for that year.

Customer satisfaction of DWP services



Source: Internal MI

Auto-enrolment volumes

Over 10.7 million employees were automatically enrolled as of May 2022 with over 2 million employers now confirmed they have met their automatic enrolment duties. These numbers continue to grow and despite COVID-19, employee pension contribution rates remained stable throughout 2020-21. Data from ONS shows employee contributions are higher than pre-pandemic levels (10% higher in 2021 compared to the same point in 2019).

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
607,000	3,633,000	5,247,000	6,299,000	7,997,000	9,735,000	10,089,000	10,299,000	10,487,000	10,708,000

Source: Automatic enrolment – The Pensions Regulator

Fraud and error in benefit expenditure

Fraud against the welfare system

The nature of fraud has changed over the last 20 years and is now the most commonly experienced crime in the UK, accounting for 42% of all crimes. Whilst these are mainly offences against individuals and businesses, fraud is also an increasing challenge in public sector, with reported losses estimated to have been at least £29 billion a year in 2019-20[6]. This section talks through the Department's findings where it has been able to estimate the levels of fraud and error from its sampling work, explains what actions we have taken and are planning to take to reduce those levels and sets out our estimates of the savings that we have achieved so far from our fraud and error activities.

When considering the trend of fraud and error levels in DWP over the past several years, we need to take into account that, as the Tax Credits system gets replaced by Universal Credit, much of the fraud and error previously observed in Tax Credits will now be expected to occur within Universal Credit; and that, furthermore, some types of claimant interactions that would not be considered as contributing towards fraud and error when they occur within Tax Credits are considered as contributing towards fraud and error when they occur within Universal Credit.

In the Tax Credits system, entitlement is only fixed at the end of the financial year. "Fraud and error" can therefore only occur when that entitlement calculated at year end is based on incorrect information. Prior to that point, throughout the year, Tax Credits is paid to the claimant based on an estimate of what their final entitlement is likely to be at the year end. Claimants who report changes of circumstances late may therefore end up being overpaid Tax Credits during the year, but so long as HM Revenue and Customs are in possession of the correct information at the end of the year, when the entitlement for that past year is finalised, those in-year overpayments will not be considered as either fraud or error. (The in-year overpayments do nevertheless result in lost AME expenditure, because a significant proportion of them end up not being fully recovered from the claimants.)

Within Universal Credit, in contrast, entitlement is fixed each month when the claimant gets paid their benefit. Therefore, if the claimant receives an amount of benefit which is not in accordance with their circumstances at the point they are paid their monthly benefit, it will be considered as "fraud and error". Hence, changes of circumstances that are not notified or identified by that point each month will result in fraud and error.

Consequently, the late reporting or identification of changes of circumstances, which would only lead to "in-year overpayments" but not "fraud and error" were they to occur in Tax Credits, would lead to "fraud and error" were they to occur in Universal Credit.

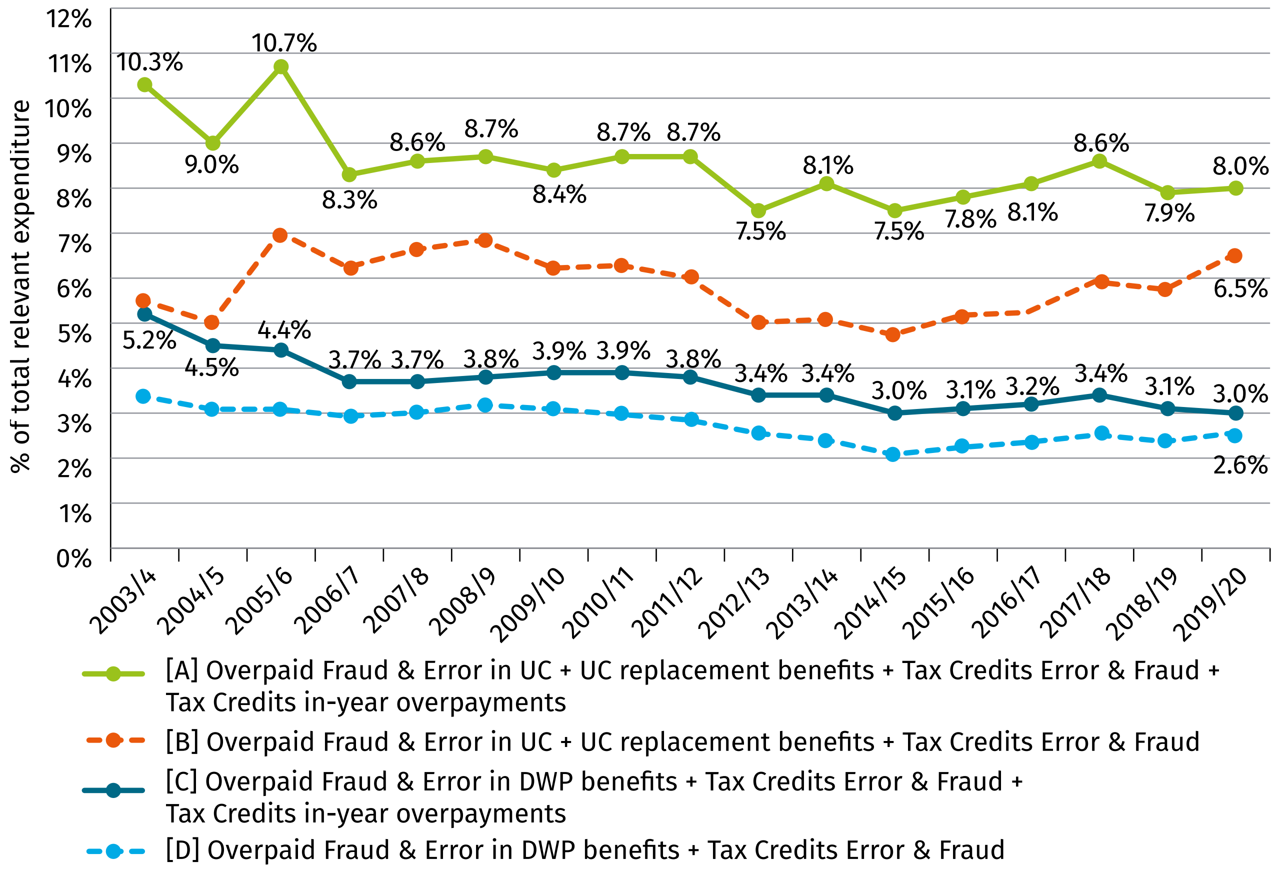
This means that we would naturally expect the level of fraud and error within DWP to increase over the years that Universal Credit is expanding and replacing Tax Credits. Therefore, when considering whether recent levels of fraud and error should be considered unusually high, we need to assess the level against the wider picture, which incorporates not only DWP benefits but also Tax Credits - both the Tax Credits Error and Fraud and the Tax Credits in-year overpayments.

6 2609-Executive-Summary-Fraud-Landscape-Bulletin-V7.pdf (publishing.service.gov.uk)

The chart below shows the overall level of fraud and error and in-year overpayments – incorporating the overpayments due to Fraud and Error in DWP benefits plus Tax Credits Error and Fraud in favour of the claimant plus Tax Credits in-year overpayments, as a percentage of total expenditure (i.e. DWP plus Tax Credits). It also shows the overall level for Universal Credit and those benefits which are being replaced by Universal Credit (i.e. the working-age benefits), again including both Tax Credits Error and Fraud in favour of the claimant and Tax Credits in-year overpayments.

Incorporating the full effects of Tax Credits in-year overpayments when considering trends over time shows the full system effect of the introduction of Universal Credit. But the chart also shows (dotted lines) the effect that excluding those in-year overpayments would have on the trends.

Trends prior to the Coronavirus pandemic of F&E across DWP and Tax Credits with and without Tax Credit in-year overpayments



Trend of fraud and error overpayments in DWP as whole plus Tax Credits error and fraud in favour of the claimant plus the Tax Credits in-year overpayments; and within just Universal Credit and the benefits and Tax Credits that it is replacing. The chart also shows what the trends would look like if we exclude the Tax Credit in-year overpayments.

There have been several changes in the methodology used to measure fraud and error over the period shown in the chart. This means that it is not always accurate to compare the precise level in later years to that of earlier years. Nevertheless, the figures are based on published statistics which were the government's best estimate at the time.

The chart shows that in the two years prior to the onset of the pandemic in March 2020, as Universal Credit started to replace Tax Credits at scale, the increasing trend observed over the three years prior to that was reversed – despite a backdrop of fraud in society significantly increasing over this period, with fraud now the most commonly experienced crime in the UK. Across welfare as a whole, the overall level of fraud and error plus in-year overpayments returned to the lowest level on record (3.0%). For Universal Credit and its legacy benefits, the level was around 8.0% – which, we do not view as unduly high when compared to previous years.

We believe that one of the primary reasons for this shift in the trend in those last two years prior to the pandemic was a consequence of Universal Credit replacing the legacy benefits and Tax Credits to a greater scale than previously, due to the differences in design of Universal Credit compared to the legacy system. As claims most prone to undergoing changes of circumstances, which need to be identified and processed and are therefore at most risk of overpayment, moved from legacy benefits to Universal Credit, there was an overall drop in losses. Although the rate of overpayments within Universal Credit itself was going up over that period, that increase was less than the corresponding drop in the rate of overpayments occurring in the legacy benefits and Tax Credits (Error & Fraud and in-year overpayments), suggesting that the overall move to Universal Credit had a positive effect on losses overall.

Both fraud and error and Tax Credits in-year overpayments can lead to losses to AME expenditure. The trend shown in the chart therefore indicates that, through the introduction and roll-out of Universal Credit, we succeeded in reducing some of those AME losses in the years immediately prior to the pandemic.

Final figures for Tax Credits for 2020-21 and 2021-22 have yet to be published. However, for DWP fraud and error increased significantly in 2020-21 during the coronavirus pandemic. The system of easements we introduced were one of the reasons for the huge increase in fraud that year, but we consciously prioritised payments over losses to fraud by getting money to those who needed it as quickly as possible, by streamlining our checks, which allowed us to help an extra three million people who needed our help in 2020-21. But, as previously reported, unscrupulous fraudsters, including sophisticated organised crime groups, chose to take advantage of the situation.

We can see this trend if we break down the fraud and error figures for 2020-21 (see table below) with the bulk of Universal Credit overpayments clearly arising post March 2020.

Universal Credit – Total Overpayments

		2020-21		
	2019-20	Pre-COVID (claims that started before 17 March 2020)	COVID (claims that started after 17 March 2020)	Total
Expenditure	18,405	26,977	11,185	38,162
Overpayments (% of expenditure)	9.4%	9.8%	25.8%	14.5%
Overpayments (£m)	1,728	2,649	2,888	5,537

Last year's accounts[7] set out exactly what we put in place to prevent losses occurring and, although COVID-19 and an increasing propensity to commit fraud continue to cause high levels of fraud and error, our resolve remains unchanged.

In summary, exploitation of the benefit system is simply unacceptable, which is why we have continued to invest in fighting fraud now and developing new policies to tackle fraud in the future. This has been set out in 'Fighting Fraud in the Welfare System', published on 19 May 2022[8].

7 DWP Annual Report and Accounts 2020 to 2021 – GOV.UK (www.gov.uk)
8 Fighting Fraud in the Welfare System – GOV.UK (www.gov.uk)

Fraud and error in DWP 2021-22

For 2021-22, DWP measured the levels of fraud and error in Universal Credit, Pension Credit, Employment Support Allowance, and Housing Benefit (standard working age only). Additionally, the Department measured Attendance Allowance (for the first time) and State Pension in full (including Claimant Error and Fraud) for the first time since 2005-06. Between 2006-07 and 2020-21 only official error was measured for State Pension. The actual measurement periods varied dependent on the benefit. For Universal Credit, the sample covered January 2021 to November 2021, which covers a period impacted by the pandemic.

DWP's estimates – published May 2022[9] – show that the overall level of overpayments in 2021-22 due to fraud and error was 4.0%[10] (£8.6 billion) of expenditure, compared with 3.9% (£8.2 billion) in 2020-21, which is not a statistically significant increase.

The estimate of the total rate of underpayments in 2021-22 was 1.2% (£2.6 billion) compared with 1.2% (£2.5 billion) last year. Underpayments are calculated on cases that are in payment. Note that there are 3 categories of error that were recorded for the first time this year on State Pension. If those newly recorded errors were excluded, then the global underpayment rate would have fallen to 1.1%.

Further detail can be found in the Incorrect Payment Note at page 301, or in our annual statistical publication 'Fraud and error in the benefit system (2021-22)'.

At a granular level, the 2021-22 fraud and error estimates show that fraud overpayments were the single biggest cause of loss, totalling 3.0% (£6.5 billion) compared to 2.9% (£6.2 billion) in 2020-21. Claimant Error overpayments increased slightly from 0.6% (£1.3 billion) to 0.7% (£1.5 billion); Official error overpayments decreased from 0.4% (£0.8 billion) to 0.3% (£0.7 billion).

Overall, 75% of DWP's overpayments were the result of fraud. We are not willing to accept this, which is why we have invested in a range of measures which will, over time, reduce the amount we lose to unscrupulous fraudsters.

Tackling Universal Credit fraud and error 2021-22

Universal Credit – fraud and error numbers

Overpayments in Universal Credit – accounted for almost 70% of the overall DWP overpayment level in 2021-22. Within Universal Credit, the overpayment rate was broadly similar to last year, increasing slightly from 14.5% (£5.5 billion) in 2020-21 to 14.7% (£5.9 billion) in 2021-22. This was in line with our own internal forecasts.

Universal Credit underpayments were at their joint-lowest level, 1.0% (£410 million), compared with 1.4% (£540 million) in 2020-21.

Universal Credit accounts for a high percentage of overall benefit expenditure and therefore has a much greater impact on the overall DWP fraud and error rate than other benefits. The caseload has increased by 90% over the last two years, which is indicative of just how many people we have been able to help during this period. It also demonstrates that whilst managed migration to Universal Credit was temporarily

9 Fraud and error in the benefit system: financial year 2021 to 2022 estimates – GOV.UK (www.gov.uk)

10 We can recover overpayments from people, which means that not all of the £8.6 billion is lost. In 2021-22, we recovered £1.0 billion of overpayments (£0.4 billion Housing Benefit and £0.6 billion other DWP benefits). The net fraud and error loss – after benefit debt recovery is factored in – was 3.5% or £7.6 billion. This reduced the overall loss to the Exchequer. Note that most 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.

paused, a significant number of people, particularly former Tax Credit claimants, have moved to Universal Credit.

This has meant that, in addition to the size of the caseload, the nature of the Universal Credit caseload has also changed, and there is now an increased proportion of higher-risk claimants for us to manage (such as the self-employed and those with capital), which helps explain the higher levels of fraud and error.

As forecast, COVID-related fraud also continues to impact the caseload, with the growth in fraudulent behaviour across the economy a contributory factor. The charts below show the split of both the 2020-21 and 2021-22 overpayments in Universal Credit between those cases that came on prior to COVID-19, those that came on during the height of COVID-19 (defined as between 17 March 2020 and 2 June 2020); and those that have come on to Universal Credit since the height of COVID-19.

Chart 1 shows that the cohort of new cases which came on to Universal Credit during the height of the pandemic had very high levels of overpayments in 2020-21 which was only slightly reduced in 2021-22. Chart 2 shows that as a result these cases contributed almost twice their proportion of expenditure to the overall Universal Credit overpayments level.

Chart 1: Rates of overpayment in Universal Credit within three cohorts of the caseload – split based on when the initial claim was made.

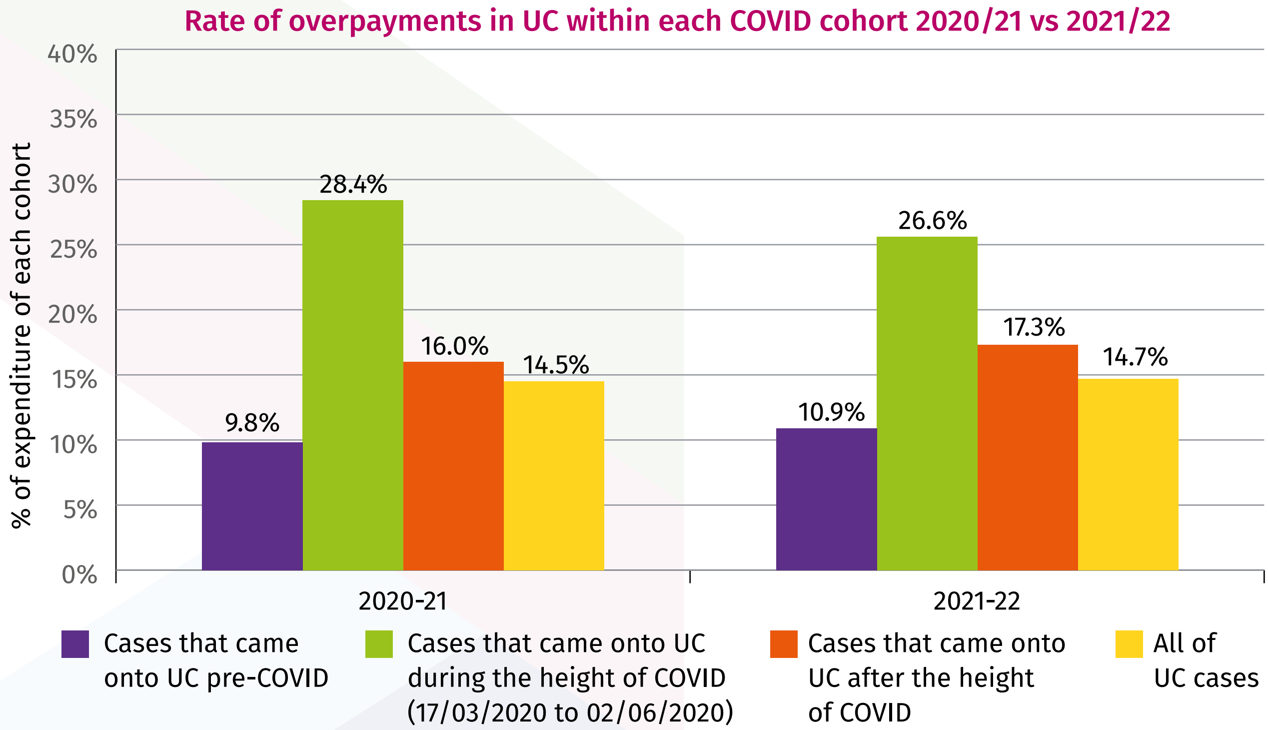
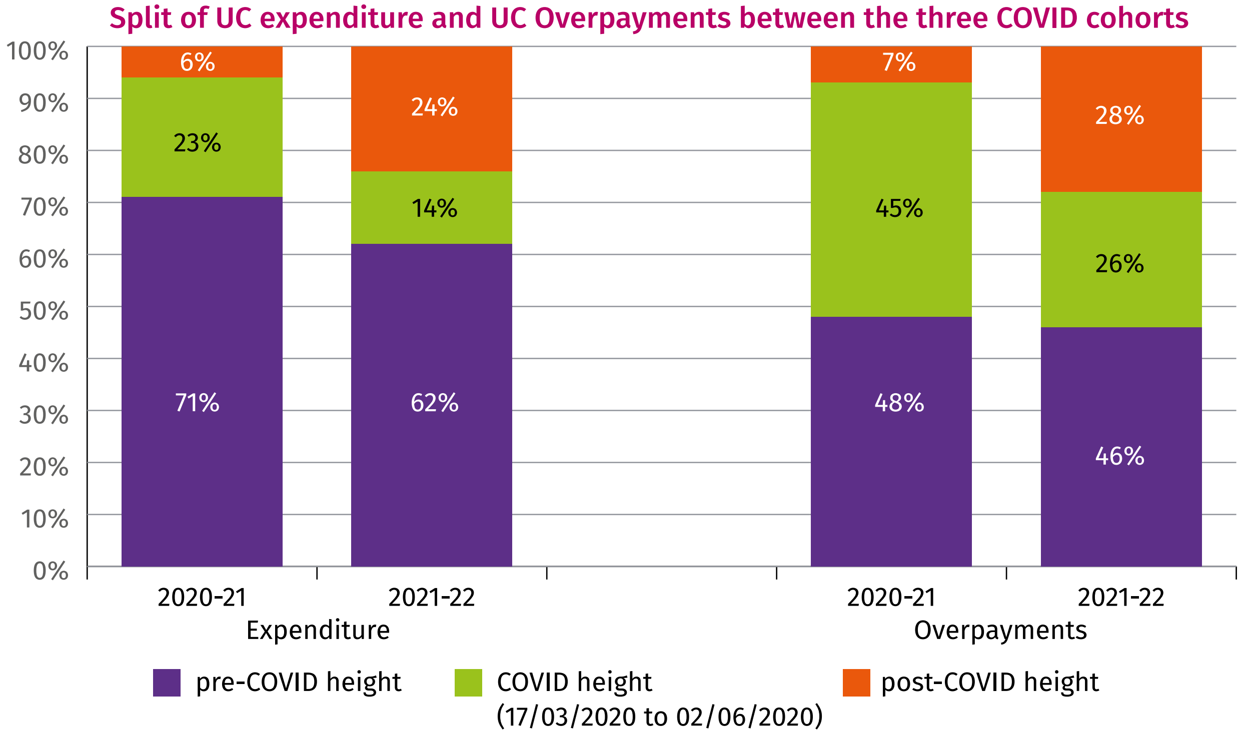


Chart 2: Proportion of the Universal Credit expenditure and the Universal Credit overpayments coming from each of the three cohorts.

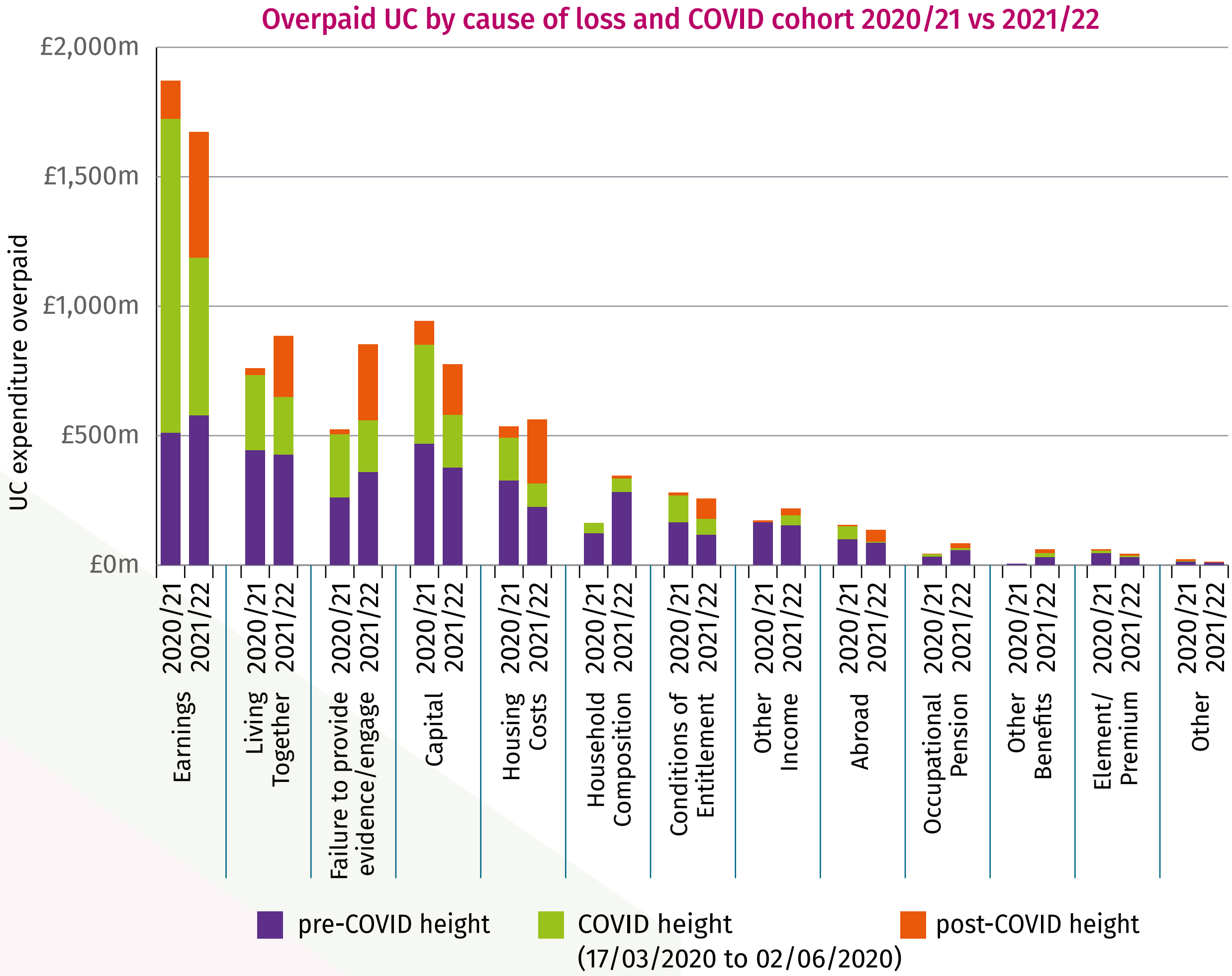


The cases that came on during the height of COVID-19 were revisited during 2021 to verify any information that had not been verified at the claim start, due to the verification easements that were in place at the time, and yet they are still showing very high levels of fraud and error. We know that, once fraudsters get into the caseload, they are unlikely to leave without being pushed out and so, whereas honest claimants are coming off the benefit system once their circumstances improve, fraudsters will stay.

We also believe that many claimants who started claiming Universal Credit as a result of the economic downturn arising from the pandemic have since seen their circumstances improve, but they have not notified us of those changes despite returning close to the income level they had prior to the pandemic. A further factor to consider is the evidence from the Office for National Statistics that there is an overall trend of fraud increasing in all areas of society and the welfare system is no exception.

These factors can explain why we are still seeing an increase in fraud and error in the cases that have come on since the pandemic started as well as many of the other trends observed in the causes of the fraud and error in Universal Credit, shown in Chart 3 below.

Chart 3: Overpayments in Universal Credit by cause of loss, showing the split by the three COVID cohorts



Collectively, this helps explain why we will be revisiting the caseload (Targeted Case Reviews – see page 74) and why we need additional powers, as outlined on page 74.

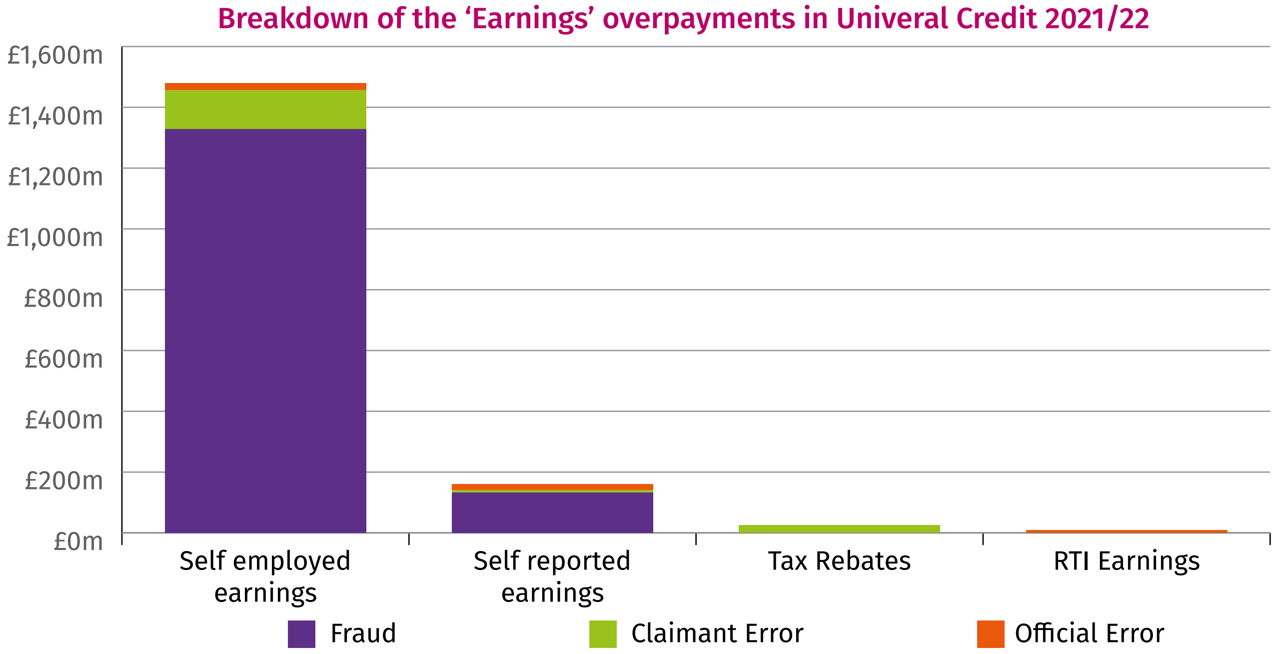
Earnings overpayments

We knew that many of the factors that impacted last year's figures would still be present this year. The makeup of the Universal Credit caseload continues to change, with self-employed claimants increasing as a proportion of the overall live load. DWP cannot currently verify self-employed earnings in the same way it can with PAYE earnings, where we have access to a HM Revenue and Customs Real Time Information (RTI) feed.

This is a problem, with fraud and error identified in almost half of self-employed claims, due to under-declared income and/or inflated expenses.

As a result, 'Earnings' continued to be by far the biggest cause of overpayments within Universal Credit in 2021-22. As Chart 4 below shows, this was dominated by fraud due to undeclared or under-declared self-employment.

Chart 4: Split of the 'earnings' overpayments between income types



To combat this, we are working closely with HM Revenue and Customs on possible future policy changes that could help align and simplify the cross-government landscape for self-employed people and therefore reduce the level of fraud and error.

DWP re-introduced the Gainfully Self-Employed (GSE) interviews for all new self-employed claimants in August 2021, which will help drive behaviours in terms of reporting earnings correctly. This includes the re-introduction of the Minimum Income Floor (MIF) – an assumed level of earnings used in the monthly Universal Credit payment calculation. DWP has also sought to re-engage with self-employed claimants who made a claim before this point, and these actions should reduce the level of overpayments in future figures.

For example, we estimate that the Universal Credit overpayment rate would have been between 13.8% and 13.9% rather than 14.7% had the MIF not been suspended.

Further work is underway to test and trial different interventions to help reduce the levels of fraud and error for self-employed expenses and earnings, including work with HM Revenue and Customs to identify self-employment at the pre-payment stage. We will also look to review self-employed cases as part of our Targeted Case Review, which we outline on page 74.

Living Together

Living Together fraud occurs where claimants receive a financial gain by either misrepresenting or failing to declare that they are living together as a couple. The majority of Living Together fraud is a consequence of claimants undergoing changes of circumstances during the lifecycle of their claim which do not get reported in a timely fashion.

In 2021-22, Living Together fraud accounted for 2.2% (£890 million) in Universal Credit overpayments. As Chart 3 above showed, that was an increase from the 2020-21 position. This could also be a consequence of the lifting of lockdown restrictions after the pandemic as household composition changed.

A review of potential Universal Credit Living Together cases is underway following legal advice, which will see cases being referred down the appropriate route for further action, including, where appropriate, investigation. Additionally, we are looking at how we can utilise data and analytics to help identify undeclared Living Together within the first assessment period so that we can conduct interventions and prevent overpayments. As with other loss areas, our Targeted Case Reviews (see page 74) will help any claim anomalies in our Universal Credit caseload, including potential Living Together scenarios.

Failure to provide evidence/engage

The fraud categorised in our statistics as being due to 'failure to provide evidence/engage' occurs when the claimant does not comply with the fraud and error measurement process, and we have good reason to suspect it is because they are attempting to conceal the fact that they have been claiming the benefit fraudulently. These are cases where the claimant did not respond at all to our request to review their claim or refused to provide some of the documentation needed to substantiate their entitlement. In all cases, we follow a set of procedures before concluding that the likely reason is because of fraud. The fraud in this category increased between 2020-21 and 2021-22, accounting for 2.1% (£850 million) of expenditure.

Capital

Claimants do not have to report capital or capital changes when making a claim to Tax Credits. This is not the case in Universal Credit as capital can affect entitlement and changes need to be reported as they arise. Capital fraud in Universal Credit accounted for 1.9% (£780 million) in 2021-22, which is why we are taking steps to increase our ability to root out this type of fraud.

For example, in December 2021, we improved the claim process for capital declarations, breaking down what makes up a claimant's capital, which saw a significant increase in capital declarations in the period following its immediate introduction.

In addition, work is underway to explore whether we can validate capital declarations via bank statements and to see how we might identify possible incorrect capital cases for validation, using data sources from across and outside Government, as set out in the Fraud Plan, 'Fighting Fraud in the Welfare System'.

Housing costs

Universal Credit Housing Costs losses total £560 million in 2021-22. As part of the Annual Rent Changes in the Social Rented Sector (SRS) (April 2022), changes to Universal Credit have ensured that any claimant reporting a change in their housing costs (circa 1.5 million SRS claimants) will have their costs verified by the social landlord before we make any changes to payments.

We have in addition reviewed all the claims where Privately Rented Sector housing were accepted under Trust and Protect – temporary verification easements applied to Universal Credit claims at the height of the pandemic – and in summer 2021 we introduced a rule into the service to trigger an agent intervention (for our Enhanced Checking Service) where certain claim characteristics are present. Additional work is planned to iterate and improve the existing interventions to further reduce fraud and error in the housing space.

Household composition

One of the other categories of fraud and error that increased between 2020-21 and 2021-22 is 'household composition', which is incorrectness relating to the number of children recorded as being part of the household. In particular there was a rise in the number of cases where children had left the household and the claimants had not reported the change in circumstances to us. This could be a consequence of the lifting of the severe restrictions in movement that were imposed during lockdown.

Reversing easements and lessons learned

As we said last year, when the pandemic struck, the Department faced an unprecedented challenge in meeting the surge in new Universal Credit claims, which at their peak reached 10 times the levels we would expect during normal times.

DWP's considered judgement was to get money as quickly as possible to those who needed it. To do this, the Department took the decision to streamline our processes to ensure that people could make a claim and still stay at home, save lives and protect the NHS. This decision meant that the Department could successfully pay an additional 2.4 million claims during the early months of the pandemic, at the peak of the surge in claims.

The majority of these easements have now been reversed or are in the process of being reversed. There were approximately 100 easements in service delivery in place at the beginning of this year; most have now been closed, or new processes put in place, meaning only 25 remain as of March 2022.

However, we are not automatically reverting to pre-pandemic processes in all cases. There are several easements which we plan to keep in place permanently. This will ensure that the improvements and smarter ways of working established during the pandemic are not lost.

In Universal Credit, one example of this is the way we completed virtual learning so that people could be trained quickly as a means of managing a much bigger caseload of up to 6 million claimants with 40% fewer staff. Having established suitable consolidation frameworks, we now expect this transition to become the new normal.

The Department continues to ensure that fraud and error considerations play a part in decisions to continue, reverse or transform easements. In short, we are approaching the transition of remaining easements in the same way we entered into them, by using agile ways of working to design optimal solutions that best reflect the current climate.

We continue to review lessons learned, building these into future contingency planning. In the event of a similar emergency, the Department would look to utilise the type of re-deployment options that worked so well in the early months of the pandemic. We would at the same time draw on our analysis of the way different COVID-19 related relaxations of standard processes impacted fraud and error to ensure we kept the tightest possible grip on potential risks.

Retro checks

Retro checks provide a good example of how reviewing easements led to new ways of working. We reported last year on how we were reviewing cases paid under Trust and Protect – temporary verification easements applied to Universal Credit claims at the height of the pandemic – and were re-applying these specific checks.

Our Integrated Risk and Assurance Service (IRIS)[11] identified the riskiest cohorts of the 2 million cases paid under Trust and Protect and we initially targeted the circa 900,000 highest risk cases still in payment first. Where incorrectness was established, we took the appropriate corrective action; where fraud was suspected we raised a referral. This phase of the exercise found incorrectness on approximately 12% of cases, generating savings of circa £500 million. We are now completing the review of the circa 230,000 lower risk cases still in payment with incorrectness established in 7%. We estimate this will generate £89 million AME savings on completion.

We have also conducted a data review on a representative sample of the circa 800,000 ‘closed’ Trust and Protect cases and are considering how best to tackle this cohort.

Tackling cases in this way has helped inform the Targeted Case Review exercise outlined elsewhere in this section. Other examples of learning from the pandemic include the retention of our very successful Enhanced Checking Service Teams and the way in which our Serious and Organised Crime Teams have evolved to meet the very real threat posed by criminal gangs.

Hijacked Identity

We explained in last year’s Annual Report how we had thwarted a significant attack by criminals on the benefit system in May 2020. We have continued to suspend suspect claims in relation to this attack, with 172,000 claims suspended to date. This has prevented an estimated £2.0 billion in fraudulent payments from being made.

Our Risk Review Team, created in May 2020 in order to provide the operational response to the threats identified by IRIS, has responded quickly to new and emerging scams, frustrating organised attacks by developing new methods and tactics to the ever-evolving complexity and resilience of the criminals seeking to defraud us. Whenever a claim is suspended as a result of this activity, the claimant is notified and told what is needed to put the claim back into payment.

Whilst the IRIS and the Risk Review Teams tackle a large number of fraudulent claims, it is believed that the number of people responsible for those claims are relatively small. Pursuing those behind the attacks and focusing our energy on intelligence led investigations, is the most equitable use of our resources.

DWP’s ‘Stolen ID Team’ – established June 2020 – supports genuine claimants who have had their benefits stopped as a result of a fraudulent Universal Credit claim. The team also handles cases where citizens are notified of a debt which they believe is not theirs.

11 IRIS is a joint team comprising our Risk and Intelligence Service, our Cyber Resilience Team and our Serious and Organised Crime investigators.

New instances of fraudulent claims which arise from the use of a hijacked identity have fallen in numbers in the last 12 months. Based on the numbers we identify we have seen a decrease in attempts since December 2021 when ID verification was strengthened. Our detection methods continue to identify these claims as well as more historic cases which could have occurred within the past 2 years. As we improve detection methods, we would expect more historic cases to come to light. We would also expect to deter third parties from making fraudulent claims with an increase in face-to-face engagement, including mandatory face-to-face appointments where the Service identifies that the identity has been used previously to make a fraudulent claim.

Universal Credit Advances

We reported last year that whilst Advances fraud had resurfaced under COVID-19, we were confident that we had brought it under control. For 2021-22, we have estimated the potential fraud and error on Universal Credit Advances for cases that stay on benefit after receiving an advance. We have in addition provided a wide-range estimate for cases that do not stay on benefit.

We estimate that total overpaid Advances for 2021-22 is in the range of £20-85 million. Of this up to £65 million is estimated to be from cases where the claimant received an Advance and then cancelled their claim. We have developed a strategic risk model on advances fraud that is able to identify fraud characteristics and highlight suspicious claims. Due to our verification processes, and as reported last year, Advances fraud is now at a lower level than pre-COVID-19; we do not plan to return to previous COVID-19 arrangements here.

Tackling outstanding work

As you might expect, the increased caseload, allied to the demands of COVID-19, impacted our counter fraud work. At the start of the pandemic in March 2020, Counter Fraud, Compliance and Debt (CFCD) redeployed approximately 6,000 of their 8,000 staff to support the primary DWP objective of paying millions of new customers. These colleagues started to return to CFCD on a phased basis from July 2020. Huge progress was made in clearing outstanding work, and this has continued in 2021-22, with Enhanced Checking Service, Interventions, Serious and Organised and Universal Credit Advances fraud referrals all up to date by autumn 2021. We achieved this whilst simultaneously establishing a new delivery function to disrupt serious and organised attempts to claim benefits fraudulently.

Case Preparation, Compliance, IRIS Interventions and Investigations teams continue to clear outstanding work. This has been more complex due to a number of issues, including social distancing measures, which have constrained our ability to carry out face-to-face Interviews Under Caution. However, we are forecasting that we will clear these cases during 2022-23. We expect to see the level of prosecutions increase over the coming years as a result.

Estimating the impact of corrective and preventative action

We have developed a method for estimating the impact on AME expenditure of our Fraud and Error activities. This includes the detection and recovery of all overpayments, and savings associated with the prevention of the future duration of that error, as well as targeted campaigns in response to serious threats that we have prevented. Most of these savings are attributed to our dedicated fraud and error function, but wider DWP operational teams also identify overpayments, and we are also including detection of Housing Benefit overpayments.

To estimate the average length of time that those overpayments would have continued for, had they not been stopped by our activity, we apply a weekly/monthly multiplier to each of those adjustments to entitlement. We choose from a suite of different multipliers, depending on the benefit; the element of the claim that is adjusted; and the age of the overpayment found. To evaluate the savings arising from the recovery of past overpayments, we apply a recovery rate to the value of all the past overpayments that were detected.

Some of the ongoing overpayments that were prevented would otherwise have continued into future years. The AME savings are attributed to the year in which the prevention activity occurred, rather than the year in which the AME saving is realised.

All figures rounded to the nearest £1bn	19-20	20-21	21-22
Savings from correction and prevention of fraud and error	£2bn	£4bn	£2bn

This estimate is built up from a wide range of management information and modelling assumptions, about the compliance activities that find overpayments due to fraud or claimant error, and we will continue to refine and develop the estimation methodology. The one-off increase in 2020-21 relates to our success in thwarting a large organised-crime attack in that year.

We are also in the process of developing a methodology to estimate the full extent of the savings attributable to our purely preventative activity, such as the processing of changes of circumstances reported by claimants on time or identified through the automated use of real time earnings information from HMRC, and we are looking to also include the savings from our verification of new claims, including the application of our medical testing during our assessment of disability benefits. We have yet to fully develop the methodology to estimate the impact of these, but preliminary indications are that this is likely to exceed £10bn per year.

Other benefits

State Pension

As stated, for 2021-22 we measured State Pension in full. This included Fraud and Claimant Error for the first time since 2005-06. Total overpayments remained at 0.1%, whilst expenditure on State Pension increased from £101.2 billion in 2020-21 to £104.7 billion in 2021-22.

Total State Pension underpayments increased from 0.3% (£310 million) to 0.5% (£540 million). This is the highest recorded rate for State Pension underpayments, but it does not represent a deterioration, as the increase has been driven by our measurement team making direct contact with customers for the first time and capturing new types of errors. If the errors recorded for the first time this year were excluded, then the official error and total underpayment rates would have been 0.3% the same as in 2020-21.

There are high numbers of incorrect cases due to Graduated Retirement Benefit uprating errors causing both underpayments and overpayments. However, these errors have a very small financial impact, with 98% of uprating errors being 2 pence or less and all of them being 10 pence per week or less.

Official error is the main cause of underpayments, with ‘Control Activity’ the biggest factor. These errors include three cohorts that are currently within the State Pension Legal Entitlements and Administrative Practice (LEAP) that started in January 2021.

These groups are:

- People who are married or in a civil partnership who reached State Pension age before 6 April 2016 and may be automatically entitled, to a Category BL uplift based on their spouse or 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
- People who have not been automatically paid Category D State Pension uplift as they should have been from age 80.

The second largest reason for State Pension underpayment is primarily attributable to historic periods of Home Responsibilities Protection (HRP) not being recorded accurately on National Insurance records. For people reaching State Pension age before 6 April 2010, HRP reduced the number of qualifying years needed for a basic State Pension where someone stayed at home to care for children for whom they received Child Benefit or a person who was sick or disabled. For people reaching State Pension age since 6 April 2010, previously recorded periods of HRP were converted into National Insurance credits.

Errors have occurred where periods of HRP were due but not accurately recorded on someone's National Insurance record. State Pension payments are calculated and administered by the Department, based on the National Insurance records supplied by HM Revenue and Customs, these errors may therefore have impacted an individual's State Pension award. Activity has been underway in HM Revenue and Customs, supported by the Department, to understand more about the scale, potential causes and options to correct these cases. Investigations are complex, involving the use of tailored data reports. The potential numbers of people affected and estimates of cost are unlikely to be available until autumn 2022 at the earliest.

Information on the corrective action we are taking on State Pension underpayment cases can be found on pages 76 and 147.

As part of the full reviews for fraud and error of State Pensions, we have introduced a more systematic approach to scrutinising all error cases. Our formal measurement process also sees us share 'early indicator Management Information' with stakeholders across the Department.

Attendance Allowance

Attendance Allowance is intended to help those with a severe disability who have long-term care or supervision needs where those needs arise after reaching State Pension age. Attendance Allowance doesn't cover mobility needs and is paid at two different rates. The level of payment depends on the level of care required.

We had not previously measured Attendance Allowance for fraud and error prior to 2021-22, opting instead to apply a 'proxy' rate based on other benefits. Our results show that the percentage of Attendance Allowance Expenditure overpaid is 2.2% (£120 million). Just over 80% of all overpayment expenditure is attributed to claimants either being in hospital or residing within a Registered Care Home that is funded by the local authority and failing to notify the DWP of a change in their circumstances.

The percentage of Attendance Allowance underpaid is 4.3% (£230 million) – comprising Claimant Error of 4.2% and official error of 0.1% – replacing the 2.5% proxy estimate used previously. Most (97%) Attendance Allowance underpayments are a result of change in Functional Needs, where a claimant's health has deteriorated such that, they are due higher rate, but the change has gone unreported.

Employment Support Allowance

Employment Support Allowance (ESA) overpayments have risen slightly from 3.9% (£520 million) in 2019-20 to 4.0% (£500 million) in 2021-22. Underpayments decreased from 2.8% (£370 million) in 2019-20 to 2.5% (£320 million) in 2021-22, with official error underpayments reducing from 1.6% to 1.1%.

The Department has been correcting underpayments of ESA, which arose while reassessing Incapacity Benefit claims, through an exercise that commenced in December 2017 and was completed in June 2021. Separately, we are currently taking action to ensure that any claims with entitlement to additional premia, are identified and updated.

Pension Credit

Pension Credit was also measured in 2021-22 and the estimates show that overpayments have increased from 5.3% (£270 million) in 2019-20 to 7.3% (£350 million). The removal of the Assessed Income Period (AIP) – it was phased out in 2019 – may be impacting. Formerly, under the terms of an AIP, a Pension Credit claimant did not have to advise the Department about changes to their pensions, savings and investments. This is no longer the case, and all changes should now be reported, creating increased opportunity for incorrectness.

Fraud Overpayments in Pension Credit increased from 2.4% in 2019-20 to 2.9% in 2021-22, primarily as a result of Abroad Fraud. The pandemic may have impacted Abroad Fraud, with some claimants unable to return home. However, they still had an obligation to report absences, particularly those greater than 4 weeks that would affect Pension Credit payment. We continue to look at how cross-government data can help detect these losses.

Total Pension Credit underpayments decreased from 2.3% (£110 million) in 2019-20 to 2.1% (£100 million) in 2021-22.

Housing Benefit

Housing Benefit was last reviewed in 2019-20. It was not reviewed in 2020-21 due to the pandemic. Housing Benefit fraud and error was measured in 2021-22.

Previous fraud and error rates (for Housing Benefit for 2019-20 and 2020-21) have been recalculated due to a reattribution of the expenditure across the Housing Benefit claimant groups, which has resulted in lower rates of Housing Benefit losses, with the 2020-21 rate restated.

This year's figures show that Housing Benefit overpayments decreased from 5.5% (£950 million) in 2020-21 to 5.2% (£860 million) in 2021-22. Total Housing Benefit underpayments decreased from 1.4% (£250 million) to 1.3% (£210 million).

Existing Housing Benefit claims for the majority of working age claimants (except those in supported/temporary accommodation) are currently naturally migrating across to Universal Credit as people have changes in circumstances and/or make a claim that includes housing costs. We anticipate this will be complete by Financial Year End 2024/25. The new claim gateway for Housing Benefit is now only open to those in supported/temporary accommodation.

The Department successfully obtained additional funding as part of the 2022 Spending Review to provide additional capacity for actioning Verify Earnings and Pensions alerts and has secured investment to continue its use of data matching as part of a targeted approach to identifying 'high risk' claims.

Fighting Fraud in the Welfare System

Overview

Our fundamental approach has always been to prevent fraud from entering the system in the first place, to detect and root out fraud when it does, and to deter would-be fraudsters through a robust penalty system, including recovering the debt owed. However, we now face a much greater fraud challenge than before the pandemic.

Our Fraud Plan ('Fighting Fraud in the Welfare System') published 19 May 2022[12] sets out our commitment and determination to reducing and minimising the ongoing risk of fraud and error and our long-term plans to fighting fraud against the welfare state. It focuses our firepower on three fronts:

a. Investing in DWP's frontline counter-fraud professionals and data analytics

b. Creating new legal powers to investigate potential fraud and punish fraudsters (subject to legislation)

c. Bringing together the full force of public and private sectors to keep one step ahead

Investment

We have increased our investment in our fraud defences by £613 million over the next three years. We are investing this in; creating new targeted case reviews of existing Universal Credit claims; boosting our existing counter-fraud teams; and making better use of data and analytics. In total, we believe that this additional funding will reduce fraud and error by £2 billion over the Spending Review (SR) period ending 2024-25, of which around £0.5 billion comes from our new Targeted Case Review initiative. If we continue the activity beyond this spending review period, we expect it to save a total of £4 billion across the next five years, with around £2 billion coming from the Targeted Case Reviews. We set out more details of how this investment is spent and the returns it drives below.

This funding includes money for an additional 1,400 staff across our counter-fraud and compliance staff and enables us to scale up work across a number of different areas. It will save an additional £720 million over the three-year SR period. Two core areas include:

1. **Fraud Investigation Teams** who disrupt fraud and stop it in its tracks alongside investigating both ordinary and 'serious and organised' crime. These teams use surveillance techniques, conduct criminal investigations into major fraud rings, undertake detailed financial investigations into assets and money laundering and even apply sophisticated digital forensics.
2. **Compliance Officers** who conduct robust and challenging interviews to establish whether a referral (which can be from a variety of sources including allegations, staff referrals or data matching) has substance and whether benefit entitlement is correct, both currently and retrospectively.

Enhancing our data and analytics. £145 million of our £613 million investment is to further enhance our data, analytics and investigative techniques to prevent and detect fraudulent attacks. This investment returns £840 million in savings over the next three years, £1.5 billion of savings over the full five-year scorecard period if we continue this activity in the next SR period. This includes:

12 https://www.gov.uk/government/publications/fighting-fraud-in-the-welfare-system

1. **Integrated Risk and Assurance Service**, who continue to develop Transaction Risking (a pre-payment 'risk engine' which uses advanced analytics to target potentially incorrect benefit claims before they go into payment) and better data matching (which provides us with the ability to identify potential fraud and error when a claim is made).
2. **Enhanced Checking Service and Disrupt team**, a team of trained fraud specialists, who look at suspicious cases referred to them by benefit processing staff, which helps prevent fraud from occurring at the outset of a claim. In 2021-22, the ECS team actioned 485,000 cases and saved £671 million.

It is this type of approach which allows us to bring organised criminals to book, as with one such operation in 2021, where we conducted a wide-ranging investigation into a large criminal network, which led to the arrest of potential suspects linked to approximately 16,000 false claims and 12,500 hijacked identities.

Targeted Case Review (TCR)

We are introducing a new initiative which will create 2,000 reviewer roles to do a whole case review of Universal Credit claims, to check that the claimants are being paid the correct Universal Credit payment. If fraud and error is found then claims will be corrected, over- or underpayments generated, and where needed, any follow up prosecution or penalty actions will be taken. By doing so, we will be cleansing the caseload to remove any fraud and error.

As part of the review, we will preview declared claimant circumstances and request evidence from the claimant to help verify their circumstances. This will be followed up by reviewers asking probing questions to determine whether the claimant has provided incorrect information. Failure to comply may result in the Universal Credit claim being closed.

We are going to document outcomes and use what we learn to inform changes to the policy, design and processes to further prevent fraud and error in the Universal Credit system. This will be part of our broader agenda to continue to find innovative ways to reduce the levels of fraud and error in Universal Credit.

The Universal Credit case reviews will be designed to be similar to the reviews performed by the Performance Measurement (PM) team, who sample cases for the Monetary Value of Fraud and Error (MVFE) measurement. They would therefore be expected to find all the same types of fraud and error as appears in the MVFE statistics. We have used the evidence from the PM reviews to model the expected savings from these Universal Credit case reviews; we expect to review over 2 million cases over the next five years and stop around £2 billion of losses due to fraud and error over the next five years.

Creating new legal powers

The legislative framework to fight fraud was last updated 20 years ago in some areas, which means the powers we have no longer fully reflect the newer challenges we see today. We plan to modernise and strengthen our legislative framework when parliamentary time allows to ensure it gives those fighting fraud the tools they need and so that it stands up to future fraud challenges.

Introducing powers to boost access to third-party data

We want to legislate for powers to require the transfer of data from third parties to enable the Department to identify potential fraud more proactively, such as where claimants might have savings above the capital limit. We hope to focus initially on working with banks, as we think this will generate the greatest impact.

We believe this measure is necessary and proportionate to protect taxpayers' money and prevent crime, but we recognise that we must balance this with people's right to privacy. We will therefore ensure the power is appropriate and no more than necessary to address the problem.

Modernising our information-gathering powers

In the main, our information-gathering powers are over 20 years old and are relatively inflexible. We want to widen the range of organisations from whom we can obtain information and enable access to information as soon as suspicion arises. We also want to extend information-gathering powers to all DWP payments, including grants and require third parties to comply with DWP's information powers.

Giving DWP investigating officers the powers of arrest and search and seizure

To enable us to investigate and disrupt serious and organised fraud activity more decisively and quickly, we plan to create new powers so our officers will be able to undertake arrests and apply to search and seize evidence in criminal investigations. Investigators would be required to make the same decisions and comply with the requirements as the police currently do, ensuring that action taken is in accordance with the law.

Introduce a new civil penalty to make more fraudsters pay for their crime

We want to ensure there is a consequence for every action. We plan to introduce powers so that we can impose a new civil penalty in appropriate circumstances where an investigation establishes fraud has taken place and that the new burden of proof (for a civil penalty) has been met. This will be a percentage of the overpayment incurred. We also want to expand the scope of the penalties system, so that it goes beyond people in receipt of benefits and covers those, both individuals and organisations, who receive other types of taxpayer funds from DWP or who seek to defraud the system.

Bringing together the full force of public and private sectors to keep one step ahead

We will work closely with the new Public Sector Fraud Authority announced at the Spring Statement, which – along with the accompanying investment of £48.8 million over three years – will enable government to bring fraudsters to justice and recover millions of pounds. We will also establish a new Fraud Prevention Advisory Group, which will bring together key government and external experts to collaborate on shared issues, including sourcing data more flexibly and proactively in order to fight fraud.

Our Fraud Prevention Fund will in addition allow us to invest in innovative and evidenced based solutions to fraud and error problems, as well as carry out research into areas such as policy development, behavioural change, digital discovery and communications.

Targets

The Government has committed to publishing a target for reducing fraud and error in the benefit system, and on Universal Credit in particular, to set out how we are moving towards a more sustainable level of fraud and error.

In setting a target, we need a stable baseline, to provide the clarity about the starting point against which we will deliver these savings. However, there remains considerable uncertainty about the baseline level of fraud for post COVID-19 benefit claims. Universal Credit claims made since the start of the COVID-19 period have much higher levels of fraud and error than the pre-COVID claims and that remains the case even for those claims that were made after we reversed the verification easements introduced during the height of the pandemic. There is therefore still a wide range of possibilities for the likely future baseline fraud and error level. At the Spring Statement the OBR made an assumption that it would settle to 10.5% for those claims coming onto Universal Credit post-COVID, but while doing so stated:

> *"A key uncertainty in this instance relates to the baseline level of F&E prior to these interventions – in particular, whether and how the spike in recorded F&E during the pandemic would have subsided in their absence."*

There is also uncertainty about the underlying growth in propensity for fraud across the economy. These conditions do not represent a stable baseline for the Department against which to set a target and run the risk that given the uncertainty in factors beyond our control we would set the wrong target, either too high or too low. We continue to work with HM Treasury and Cabinet Office to develop a public target including when would be a suitable time to set it, and of course we continue with our plans to drive down fraud and error.

Although it is not the right time to set an external target now, we continue to closely monitor our performance in reducing fraud and error through the publication of our annual MVFE statistics, tracking the level of fraud and error in the system, and through our range of management information about fraud and error, our operational activity and customer outcomes.

Underpayment of State Pension

The Department commenced a formal Legal Entitlements and Administrative Practice (LEAP) exercise in January 2021 to address State Pension cases where people were being underpaid.

The cases fell into three 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 (CAT 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 (CAT D) State Pension uplift as they should have been from age 80. This is an issue that dates back in some cases to the 1990s.

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 scans of legacy computer systems that analysed many millions of State Pension records. Analysis of those scans identified around 400,000 cases that required further investigation, with an estimated 132,000 affected customers at that time.

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

In late 2021, once system upgrades on the Pension Strategy Computer system (PSCS) were completed, we were able to run an updated scan on 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 (Missed Conversions), and people who have not been paid Category D State Pension uplift as they should have been from age 80.

This updated scan has allowed the Department to identify more customers within the system for review to determine if they have been underpaid their state pension and will be due a correction. The overall number of customers to be reviewed has therefore increased from around 400,000 cases to approximately 700,000.

In 2020-21 we estimated that a total of 79,000 customers were likely to have been affected by Missed Conversions and CAT D errors, the revised PSCS scan data shows this estimate has increased to 180,000 customers. The revised PSCS scan has been able to capture additional data fields that were not available through the limited scans initially run on the General Matching Service (GMS) in 2020-21.

Corrective action through a Legal Entitlements and Administrative Practice (LEAP) exercise commenced in January 2021. At the end of 2021-22 the Department had 473 staff working on the correction activity, we had reviewed 54,000 customer State Pension entitlements during the period and paid arrears in 15,743 cases amounting to £106 million at the end of March 2022.

The following table breaks down the payments made by category from the start of the LEAP exercise to 31 March 2022.

	CAT BL	CAT D	Missed Conversions	Total
Underpayments Identified	5,929	5,697	4,117	15,743
Arrears paid £m	44	23	39	106
Average arrears	£7,360	£4,101	£9,521	£6,736

As stated in last year's ARA we aim to complete the exercise for CAT BL and CAT D by the end of 2023. We have not yet fully impacted and assessed all the factors that will impact upon the completion of the increased volumes relating to Missed Conversions. Whilst the aim is to complete as soon as we can, a preliminary assessment of the risks to delivery could take the exercise through to late 2024 and the associated provision of arrears in note 16 to the financial statements is based on this estimate.

These risks include the use of digital techniques to analyse and help manage the increased caseload as well as reviewing and updating our training, productivity and recruitment profiles. When these options have been fully assessed the delivery timeline for Missed Conversions cases can be completed.

Backlogs within Service Delivery

Progress in 2021-22 and forward look 2022-23

When the pandemic hit, the Department responded very quickly and effectively. This meant prioritising and ensuring people had the financial support they needed by introducing easements to our processes and re-deploying staff from other areas of the business to support. While this enabled the Department to successfully manage claims and make quick payments, it resulted in backlogs across several areas of work. Across the Department we sit with an acceptable level of work to enable efficient use of resource; balancing the cost to the public and level of customer service offered. Any significant heads of work over this acceptable level is considered a backlog.

Whilst these backlogs represent a significant challenge to the Department, considerable progress has been made over 2021-22 to manage many of these down. This has been achieved through a combination of automation, recruiting additional resource and re-balancing, redeployment, and other efficiency improvements. In addition, the relaxing and lifting of COVID-19 restrictions has enabled the Department to recommence key face-to-face activities, particularly relevant for National Insurance Number allocations and fraud and error activities.

The Department has consistently monitored and updated information on the backlogs it holds since March 2021, with four high priority aspects reported to the government's National Economy and Recovery Taskforce (NERT) *(now known as Domestic and Economic Committee)*. The aspects reported to NERT were deemed to have been either created, exacerbated, or paused activity as a direct consequence of COVID-19. Table 1 below provides information on progress to date against these four: Debt referrals, National Insurance Numbers, Personal Independence Payments (PIP) outstanding with Assessment providers, and Universal Credit Retro action.

NERT 4 Table

Area	Cleared 21/22
Debt referrals	✓
National Insurance Number (NINo) applications	✓
Universal Credit Retro (and Claimant Commitments)	✓
Personal Independence Payments outstanding pre-assessment	In Progress

Since March 2021, the Department has also internally monitored 12 other indicators called 'Wider NERT'. Three quarters of these backlogs have now been cleared (see Table 2 below).

Wider NERT table

Area	Cleared 21/22
Universal Credit and Employment and Support Allowance claims outstanding with CHDA	✓
(Economic) Serious and Organised Crime	✓
Compliance (Fraud and Error)	✓
Interventions (Fraud and Error)	✓
Integrated Risk & Intelligence Service Interventions (Fraud and Error)	In Progress
DLA Renewal Invitations	✓
Pausing of Personal Independence Payment LEAP exercise	In Progress
Child Maintenance Mandatory Reconsiderations	✓
Child Maintenance Non-Paying cases	✓
Employment and Support Allowance Claims	✓
Job Seekers Allowance Claims	✓

In addition, in June 2021, the Department identified a backlog of State Pension claims where payment was overdue to the customer – arising as a result of earlier redeployment, and under-resourcing. Priority was given to address these claims as well as protecting any future claims approaching their first payment date. At the end of December 2021, over 99% of these claims had been cleared and all customers contacted. We ended the year with the backlog cleared.

Backlogs in 2022-23

The clearance of backlogs remains a priority for the Department in 2022-23. Substantial progress has been made in clearing backlogs in 2021-22 with most backlogs being effectively managed down.

For areas where the backlogs are not expected to fully recover this fiscal year, options are being explored. Some of these present a greater challenge than others for the Department in terms of recovery time, such as PIP, where there is a dependency on external provider capacity alongside unprecedented levels of demand in recent periods.

Legal Entitlements Administrative Practice (LEAP)

A LEAP exercise follows a systemic or systematic error on the part of a government department, and the error could have deprived individuals of their legal rights. Broadly there are two ways in which LEAPs are identified. These are:

DWP recognises the priority of LEAP work. A senior board meets bi-monthly and a DWP Senior Responsible Owner (SRO) for LEAP has been appointed. In addition, all LEAP exercises have an SRO, accountable to the board and the Accounting Officer for their exercise.

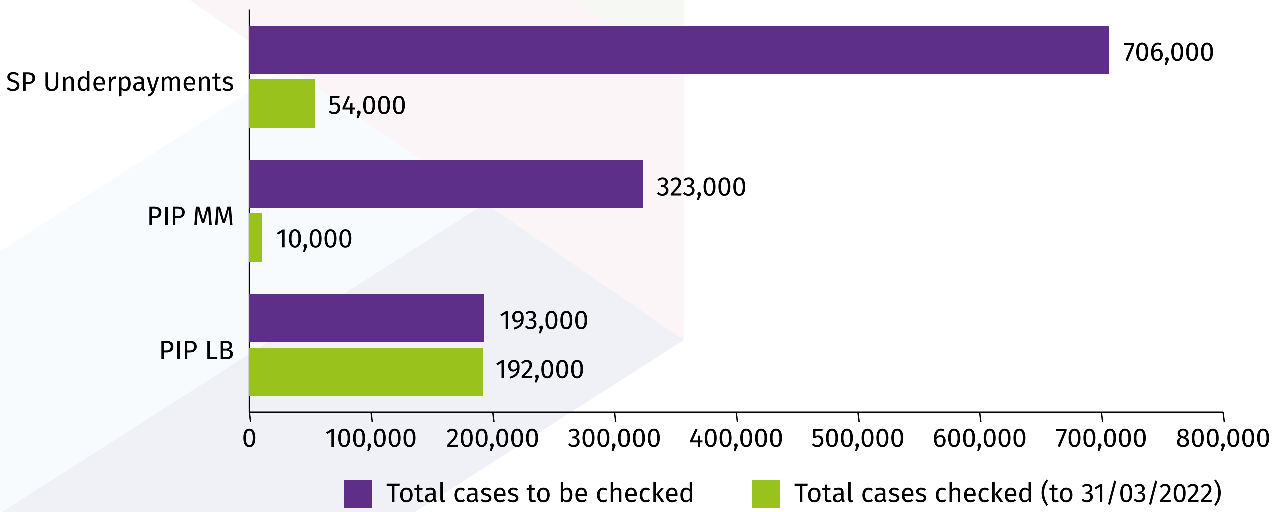
A comprehensive DWP LEAP Framework, including LEAP Lifecycle, lessons learned and an SRO Guide is maintained and available to all colleagues in DWP.

2021-22

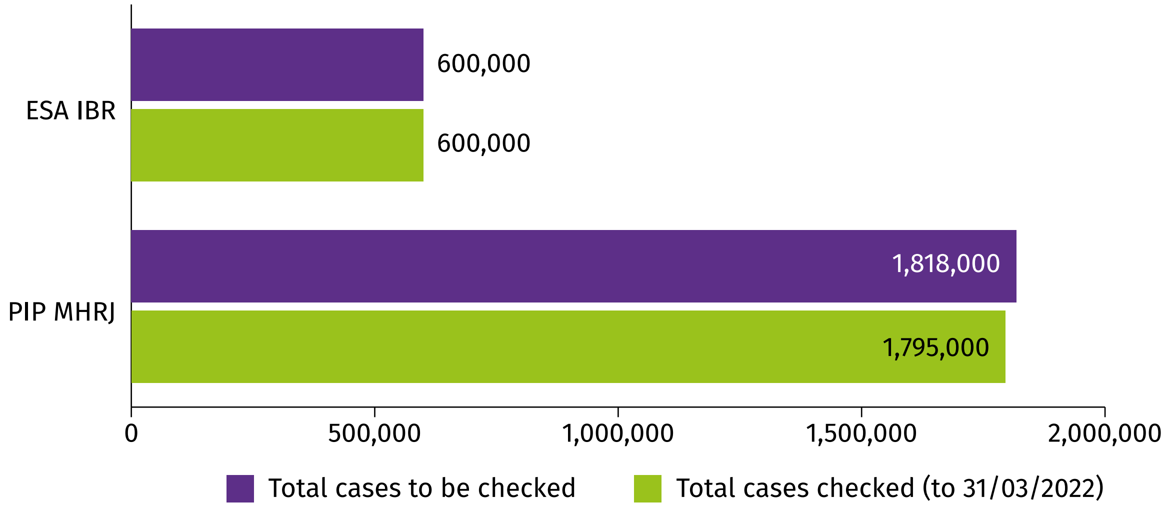
£129m arrears paid to customers in 2021-22.

1.2m cases checked in 2021-22.

LEAP case volumes



LEAP case volumes



ESA IBR	PIP MHRJ
600,000 reviewed in total. **£613m** arrears paid.	**1,795,000** cases reviewed so far. **£43m** arrears paid.

DWP also have ongoing activity aimed at finding and correcting cases where there may be errors that result in the Department underpaying customers. Up to and including March 2022, we have paid arrears of £165 million since the commencement of these exercises.

LEAP Exercises 2021-22

Exercise	Description
Employment Support Allowance (ESA): Incapacity Benefit Reassessment (IBR) Underpayments	Around 600,000 people migrated from incapacity benefits to ESA were not assessed for income-related benefit. This exercise is now completed.
Personal Independence Payment (PIP): Mobility Activity 1 (MH)	A decision of the Upper Tribunal regarding the effect of overwhelming psychological distress when planning or following the route of a journey.
PIP: Safety/Supervision (RJ)	A decision of the Upper Tribunal requires us to consider the severity of potential harm in deciding whether harm is "likely" when claimants are carrying out activities.
PIP: Daily Living Activity 3 (LB)	A LEAP exercise relating to whether medication and monitoring could constitute 'therapy'. The LEAP will also consider whether claimants who need additional help with a prescribed diet are eligible for the higher scoring 'therapy' descriptors.
PIP Daily Living Activity 9 (MM)	LEAP exercise following a Supreme Court judgement in PIP concerning the definition of 'social support' in activity 9 of the PIP regulations, and how far in advance that social support can be provided.
State Pension underpayments	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 National Insurance contributions. The three categories are: • CAT BL – 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 • 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

Total forecast DEL Costs (life of exercise)	Total AME arrears paid (whole exercise to date)
£46.3 million (exercise complete)	£613 million (exercise complete)
Joint estimate with safety/ supervision (above)	
£27.5 million Joint costs with PIP Mobility Activity 1 (see below)	The total amount of arrears payments the Department has paid out is around £43 million; of this: • £22 million has been paid from the application of the MH decision alone • £21 million has been paid from the application of the RJ decision alone • less than £1 million has been paid from the application of both decisions
£1.1 million	£0.1 million
£13.6 million (initial estimate – awaiting final volumes, award rate and process design)	£8.7 million
£44.2 million	£105.8 million

Complaint data

Customer Complaints

Over the course of 2021-22, we have been continuing our work to improve customer experience of the complaints process. This work started in July 2020, when we implemented a single tier for complaints (moving away from the two-tier model we used previously).

Our work since then has informed a new internal operating model for complaints, following the temporary changes we introduced as a result of COVID-19. This has included moving away from the single centralised team of complaint handlers we introduced in 2020, meaning complaints are now investigated by specialist complaints teams within the area of the business where the service failure arose.

To strengthen our approach to complaints across the business, and to ensure that customer experience is consistent across product lines, we have also introduced several centralised functions to lead aspects of the complaints process. This includes:

- entry and triage of complaints
- complaints policy and standard operating procedures
- quality standards
- liaison with the Independent Case Examiner and Parliamentary and Health Service Ombudsman
- delivery of high value special payments
- insight, performance and learning

This model retains the single tier approach, making the customer journey quicker and simpler, and the internal changes we have introduced have not affected how customers access or use the service.

We continue to identify further improvements we can make to improve the complaints service, and as part of this we are working with the Parliamentary and Health Service Ombudsman on new complaints standards for government organisations, which launched for public consultation in March 2022.

Statistical data on complaints, including those considered by the Independent Case Examiner and the Parliamentary and Health Services Ombudsman, follows information on State Pension age complaints below.

Complaints about State Pension age changes

The Parliamentary and Health Service Ombudsman is investigating six sample complaints around maladministration in the Department's communication of State Pension changes affecting 1950's born women. This is potentially a three-stage process of which only one stage has concluded. The published findings are available at ombudsman.org.uk.

The Department is cooperating with the investigation and will fully consider the Ombudsman's report when received. The continued investigation remains confidential – section 7(2) of the Parliamentary Commissioner Act 1967 requires that investigations shall be conducted in private. Additional details are not provided as the Department must comply with the Act.

Customer complaints data

DWP Complaint Data	2019-20	2020-21	2021-22
Tier 1 (Complaint Resolution)	36,308	19,548	19,175
Tier 2 (Complaint Review)	3011	619	11
Total	**39,319**	**20,167**	**19,186**

DWP introduced a single tier complaints process on 9 July 2020. Any complaints received or closed prior to this date have been handled under the previous two-tier complaints process. As expected, the numbers recorded against Complaints Review (Tier 2) have steadily decreased, with none being recorded in the final quarter in 2021-22. All complaints handled under the single tier approach are included in Complaints Resolution (Tier 1) figures.

The number of complaints decreased substantially in 2020-21 due to the impact of COVID-19. This year, the total figure has remained broadly similar, which indicates a residual impact from the pandemic. The number of complaints about our service continue to represent less than 1% of our customer base but they provide important insight and we use the feedback to inform improvements to our services.

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. However, many of the cases referred to the ICE are complex and require a full investigation. If the complaint cannot be resolved, evidence is requested, and the complaint is allocated to an Investigator. Following a full examination of the evidence it may be possible for the Investigator to reach a settlement agreement between the complainant and the relevant business area. If this cannot be achieved the ICE will adjudicate on the merits of the complaint.

The Department has continued to provide the ICE Office with additional funding in the 2021-22 reporting year to increase the number of Investigators and reduce the time complaints wait to be brought into investigation. The recruitment and training of new staff continues. 82.6% of customers were satisfied with the service they received from the ICE Office.

Complaints about DWP:	2019-20	2020-21	2021-22
Received by ICE	3,285	3,926	4,740
Accepted for examination by ICE	835	889 (294)	1,642
Cleared by ICE	891	932 (57)	1,407

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. DWP replaced its two-tier complaint process with a single tier process in July 2020. The numbers in brackets denote the number of cases that were dealt with under the single tier process. All data for 2021-22 relates to the single tier process.

In 2021-22 ICE cleared 1,407 DWP complaints. Of these:

- 25 were withdrawn by the complainant
- 372 were resolved or settled with the agreement of the complainant
- 602 were upheld, fully or partially, by the ICE
- 408 were not upheld by the ICE

Complaints investigated by the Parliamentary and Health Service Ombudsman

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)	**2018-19**	**2019-20**	**2020-21**
Number of complaints investigated	30	15	17
Number/% of complaints not upheld	21 (70%)	8 (53%)	9 (53%)
Number/% of complaints partly upheld	4 (13%)	3 (20%)	5 (29%)
Number/% of complaints upheld	0 (0%)	2 (13%)	0 (0%)
Number/% of other outcomes	5 (17%)	2 (13%)	3 (18%)

Complaints to the Parliamentary Ombudsman in 2020-21

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)**
Child Maintenance Service	3	1					
DWP (corporate)	10	1	10	3	5	2	7
Independent Case Examiner	3		5	2	2	1	2
IAS	1						
Capita	1		1		1		
Health and Safety Executive	2		1		1		
Pensions Ombudsman		1					
Total	**20**	**3**	**17**	**5**	**9**	**3**	**9**

Special Payments

In 2021-22, we authorised 9,585 ex-gratia payments totalling £1.20 million (£1.09 million in 2020-21) for maladministration. The figure excludes financial redress paid for loss of statutory entitlement (LOSE). The total cost of LOSE in 2021-22 was £0.48 million (£0.44 million in 2020-21). This money is excluded as it is not an extra cost arising from maladministration, but payment of benefit that should have been made anyway. The figures also exclude payments to residual cases identified after a special exercise is completed, to address cases where legislation did not allow for payments intended by Parliament or Ministers. The total cost for that in 2021-22 was £0.036 million (£0.004 million in 2020-21).

Equality Objectives

We are committed to progressing the Equality Objectives as set out in the 2021-22 Outcome Delivery Plan. This section sets out activity undertaken over the course of 2021-22 against each objective.

Ensuring our customers have access to reasonable adjustments or additional support to enable them to access benefits, use our services and meet their individual responsibilities

Information on activities and achievements relating to this objective can be found in the Public Sector Equality Duty – DWP Customers section on page 88.

Embedding a consistent approach to equality analysis in the design and delivery of change ensuring informed consideration of how equality legislation impacts on customers

Information on activities and achievements relating to this objective can be found in the Public Sector Equality Duty – DWP Customers section on page 88.

Strengthening implementation of the Family Test assessment

In 2021-22, the first key milestone was the publication of the refreshed Family Test guidance in May 2021, The Family Test – GOV.UK (www.gov.uk).

To strengthen the implementation of the Family Test assessment in all our domestic policy areas, there has been an increased focus on raising awareness and engagement both internally and across government.

Positive progress has been made to strengthen the implementation of the Family Test across government. Over the course of 2021-22;

- The Family Test Cross-Government Network has increased its membership, with quarterly meetings to discuss engagement and activity
- DWP has hosted Teach-in sessions for cross-government colleagues and supported network members to provide Lunch and Learn and full training sessions
- DWP has supported the delivery of Family Test training sessions during induction events
- the learning offer available on Civil Service Learning platform has also been reviewed with timings refreshed

As part of our commitment to build back better we will take targeted action to support those who are under-represented, or who face additional barriers, to fully engage with the labour market and have access to support including:

Levelling up employment outcomes for underrepresented groups

The Government's commitment to supporting people into and to progress in work applies to everyone irrespective of gender.

Our approach is based on clear evidence about the importance of employment, particularly where it is full-time, in substantially reducing the risks of poverty. Further information on Plan for Jobs, Way to Work, In-Work Progression Commission can be found under Priority Outcome 1 on page 22.

Our Sector strategy ensures that where a sector has a clear under-representation, or over-representation of a specific group, including women – we will work with that sector to promote inclusive recruitment and workforce practices within the industry, to ensure that every individual can reach their potential. For example, DWP's partnership with Women into Construction has supported over 1000 women into the construction sector.

Tackling employment gap inequalities by levelling up the employment outcomes of ethnic minority jobseekers

Our strategy for increasing ethnic minority employment has been based on providing access to mainstream services that are designed to be flexible to meet local needs and circumstances as well as taking targeted action in local authority areas by providing tailored support to meet the needs of local areas.

At the end of 2021* the ethnic minority employment rate was at an all-time high, with a record 4.26 million people from an ethnic minority background in work. For the last quarter of 2021** the ethnic minority unemployment rate was down to 7.7%. As we start to emerge from the pandemic this is a decrease of 2.1 percentage points on the year.

We remain committed to doing more through our Way to Work jobs push and levelling up through the 70 actions in our Inclusive Britain*** plan, including boosting employment prospects by supporting ethnic minority students to access the right higher education for the job they want.

* latest available figures, next quarter figures, Jan-Mar 2022 due towards the end of this month.

** latest available figures, next quarter figures, Jan-Mar 2022 due towards the end of this month.

*** Published in March 2022, Inclusive Britain is the Government's response to the report by the independent Commission on Race and Ethnic Disparities.

Work to ensure that employers have the support and confidence to create healthy and inclusive workplaces, including through the Disability Confident campaign

Information on activity undertaken throughout 2021-22 to progress this objective can be found under Priority Outcome 2 on pages 31 to 37.

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.

We are also committed to making improvements to services and products, so they are as accessible as possible.

Over the 2021-22 operational year, our key achievements with regard to providing reasonable adjustments include:

- improving the accessibility of 36 clerical forms available on GOV.UK. This is part of an ongoing programme to improve the accessibility of all DWP products working and includes the creation of products with other design features such as BSL video and Easy Read
- establishing a Cross-Government Accessibility Network. This network enables a wide range of Government departments to discuss and share areas for improvement in the provision of reasonable adjustments, including accessible communications for our customers. The forum met for the first time in January 2022 and as it develops, it will generate discussion to enable us all to examine at our low-level processes; what works, what doesn't, what problems do we have, what lessons have we learnt and highlight good practices that can we share, adapt or improve
- continuing to regularly engage with a range of external customer support organisations of and for disabled people through a Reasonable Adjustment Forum. The forum enables external stakeholders and disability organisations to share insight and to help identify, test and recommend improvements to services provided for those with accessible communication needs

Public Sector Equality Duty – DWP staff

We take our responsibilities under the Public Sector Equality Duty (PSED) very seriously.

We have updated the DWP Equality and You guidance and all staff will be required to complete a new PSED learning module by autumn 2022. This mandatory learning is focused on building everyone's equality knowledge and increasing understanding of their personal accountabilities both at individual and customer level.

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

Employment (Equality)

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

Characteristic	Employment Gap Jan-Mar 2021	Employment Gap Jan-Mar 2022	Change (percentage points)
Gender (16-64) (between males and females)	6.2ppts	6.7ppts	**+0.5ppts**
Disability (16-64) (between those who are declared non-disabled and disabled)	28.5ppts	28.2ppts	**-0.2ppts**
Ethnicity (16-64) (between those who are white and those from a BME background)	8.5ppts	8.7ppts	**+0.2ppts**
Age (between those aged 35-49 and those aged 50-64)	13.8ppts	14.5ppts	**+0.6ppts**

Totals may not sum due to rounding.

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

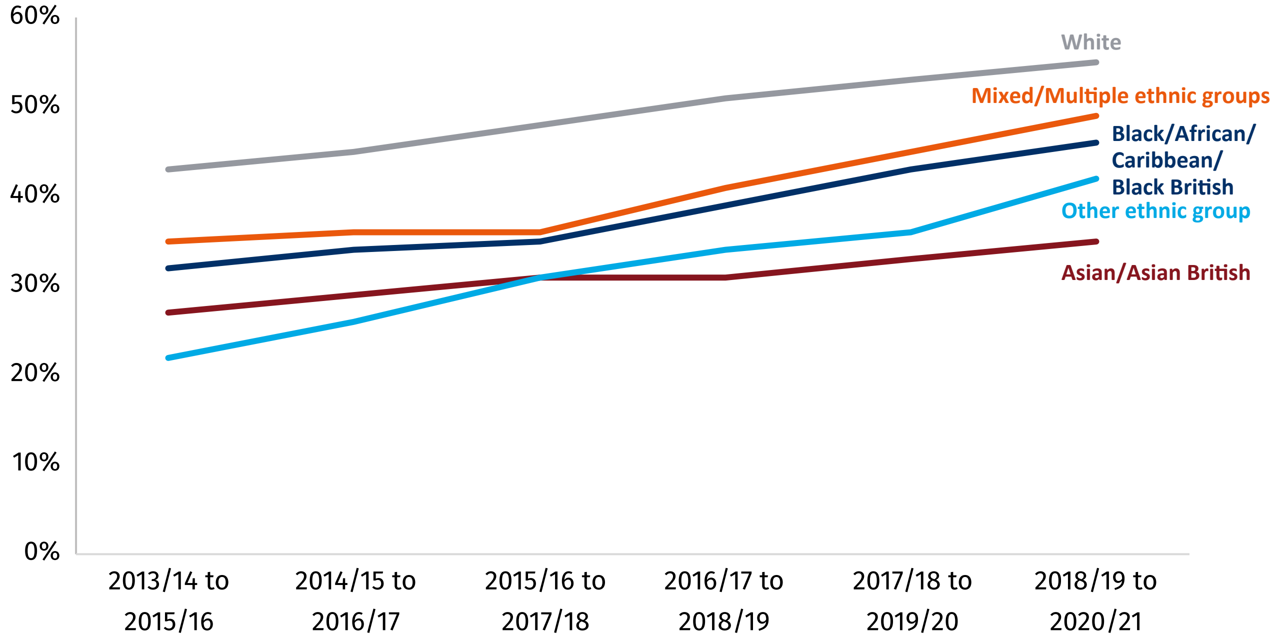
Pension Participation (Equality)

Through automatic enrolment, with the State Pension system and initiatives to enable longer working lives, we aim to ensure financial security for future pensioners. 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.

Workplace pension participation among employees aged 22 to 29 has increased from 31% in 2012 to 81% in 2021, 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 4 in 2021. 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 2021. Among full-time employees in the private sector, the workplace pension participation rate for both male and female employees in 2021 was 84%. In the public sector, the participation rate for full-time female employees in 2021 was slightly higher than male employees (94% compared to just under 94%). 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 7 percentage points.

Participation in any pension among all working age adults has risen for all ethnic groups but gaps persist. Between 2013-14 to 2015-16 period and the 2018-19 to 2020-21 period, the white ethnic group consistently had the highest participation rate with a rate of 55% in the latter period, compared to the Asian/Asian British ethnic group who had the lowest participation rate at 35%. 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 2018-19 to 2020-21 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 35 and 26 percentage points respectively, and the participation rate for disabled eligible employees in 2018-19 (88%) was slightly higher than for non-disabled employees (82%).

Percentage of working age adults participating in a pension by ethnicity, United Kingdom

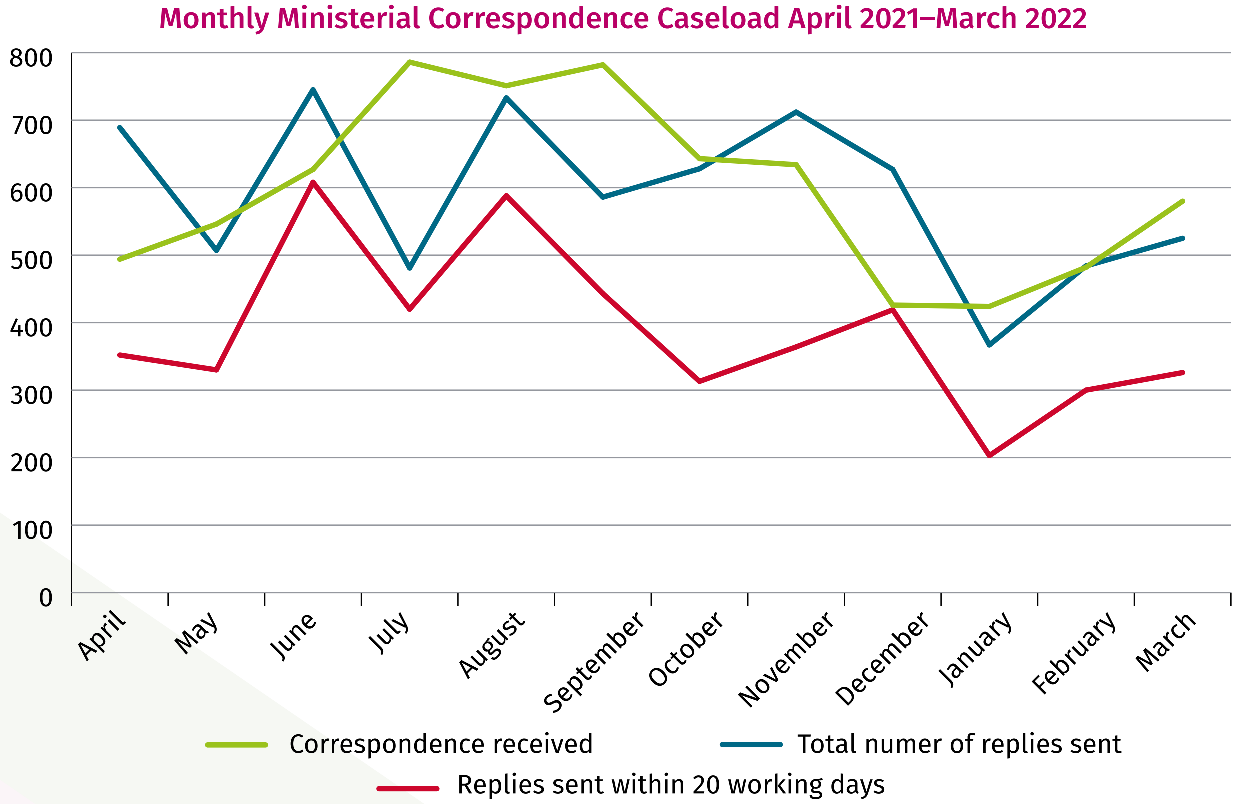


Ministerial Correspondence

Cabinet Office guidelines for handling correspondence expect that routine correspondence is replied to within 20 working days of receipt. For complex cases Departments should reply as quickly as possible and keep the MP updated on progress.

The dominant themes within the correspondence received varied throughout the year, often reflecting policy announcements, Operational Delivery and media coverage. Correspondence regarding the removal of the temporary Universal Credit (UC) uplift, State Pension payment delays and the Kickstart Scheme has been substantial throughout the year.

Correspondence intake



At the start of the financial year correspondence regarding delays in State Pension new claims processing continued to increase, peaking in the summer. State Pension (SP) Category BL top up correspondence remained consistent throughout the year, experiencing spikes in correlation with media articles. Differences between the new and old styles of State Pension also led to a proportion of correspondence being received. Just under 5% of all correspondence received for the Minister for Pensions and Financial Inclusion was on this topic.

Correspondence levels increased for the period July to September. This was driven by surges in correspondence on the women's state pension age, the issuing of National Insurance numbers and the removal of the Universal Credit uplift.

The breadth of correspondence relating to the Universal Credit uplift included concerns about impacts of ending the uplift, concerns relating to those on legacy benefits about the lack of an equivalent uplift for those benefits, implications for other benefits and a small campaign from MacMillan Cancer Support on the effects of the UC uplift removal for those living with cancer.

Kickstart Scheme correspondence remained high at the start of the year, with volumes reducing as the year progressed. However, the complexity of issues being raised increased, leading to fewer, but more protracted responses. Across the year, the Ministerial Correspondence Team received 244 pieces of correspondence relating to Kickstart.

Throughout the financial year, the Ministerial Correspondence Team has responded to a number of campaigns. Responses included a "Counting the Costs" campaign calling for support for disabled children and their carers, a campaign relating to the Parliamentary and Health Service Ombudsman interim (stage 1) report regarding women's state pension age and its findings released in July, and an Age UK campaign regarding Cold Weather Payment and Household Support Fund in December.

Communications and Publicity 2021-22

The DWP Communications Directorate continues to contribute to the successful delivery of major policy areas such as Universal Credit, Way to Work and Pension Credit, as well as supporting effective service delivery.

Communications are through a range of marketing activity, press and public relations, digital and social media, partnership activities and internal channels. All communication activities are insight-driven and robustly evaluated in line with Government Communications Service (GCS) standards. Public attention is drawn to important campaigns using a range of publicity and advertising.

The Communications Directorate continues to play a key role informing and supporting our people and customers as the UK economy recovers from the pandemic. Increasing public awareness of the help available through jobcentres and engaging employers with jobcentre recruitment services has been critical in establishing a secure post COVID-19 labour market. Delivering 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.

Campaigns during 2021-2022

The Universal Credit campaign raises awareness that Tax Credits are ending by 2024 and Tax Credit customers could be financially better off on UC. It encourages them to use an independent benefits calculator to prompt consideration of moving to UC sooner, voluntarily.

The Kickstart employer campaign in September 2021 raised awareness of the Kickstart Scheme, and successfully encouraged employers to register to offer opportunities for young people. The Kickstart campaign also targeted young people between November 2021 and February 2022 to encourage them to use Kickstart to find their next job.

The Way to Work employer campaign began in March 2022, with a focus on increasing the number of businesses working in partnership with Jobcentre Plus to fill vacancies with unemployed people.

The Job Help campaign ran throughout the year and focused on supporting unemployed people to improve their job search behaviours, and to improve the fit between the supply and demand for labour by encouraging people to consider vacancies in priority sectors facing staff shortages.

The Benefit Information campaign launched in direct response to the pandemic and directed new audiences to the financial and employment support that was available from government. It ran from April 2020 to October 2021.

The Communications Directorate has not entered into any sponsorship arrangements in 2021-22.

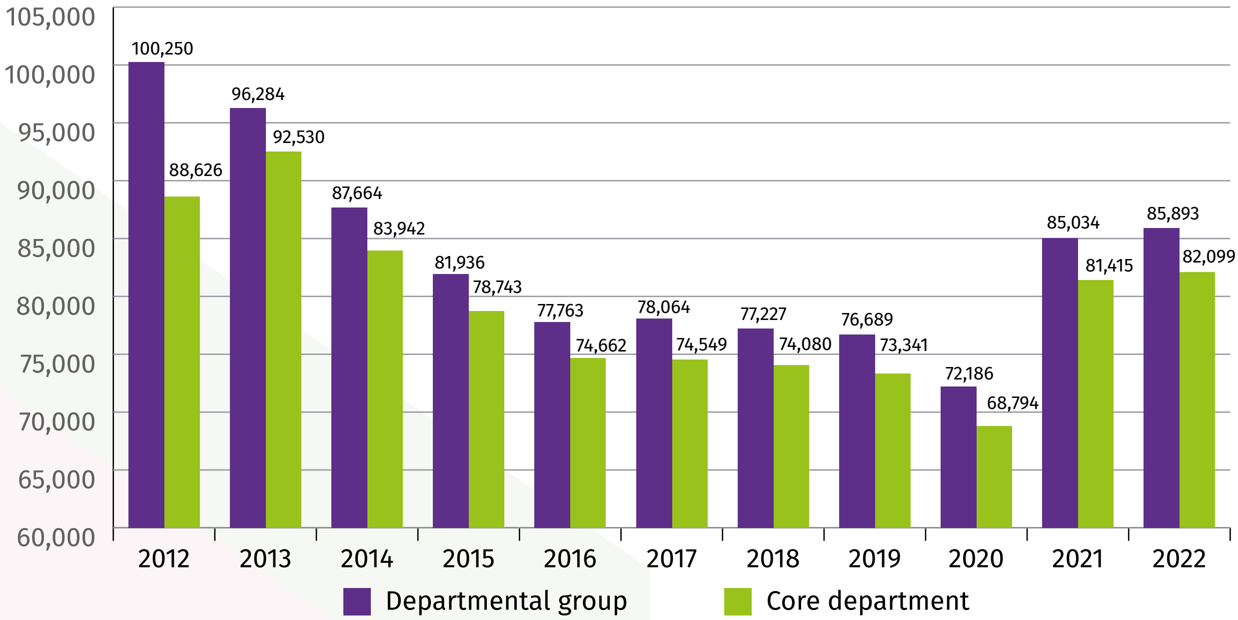
Strategic Enablers

Workforce, skills and location

Workforce

As at 31 March 2022 DWP had 82,099 FTEs (68,800 Permanent, 10,826 Fixed Term Appointments and 2,473 Temporary) this was supplemented at different levels through the year as required by use of contingent labour and outsourcing. The DWP workforce has been maintained at broadly the same level from March 2021 to March 2022 to support the delivery of the Government's Plan for Jobs and the additional demand for our services.

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



We have a new team dedicated to Diversity and Inclusion in resourcing to deliver on our commitments under our Race Action Plan and wider DWP commitments on Diversity and Inclusion. We have identified the stages of our recruitment where outcomes vary across different groups and are piloting a range of approaches to understand what delivers more diverse outcomes and an inclusive candidate experience.

Some key interventions:

- Completed pilot to test impacts of ethnic minority representation on panels at delegated grades, and we are implementing recommendations to promote opportunities and reduce barriers to participation for ethnic minorities
- We are also piloting using a shortened application form and sharing questions in advance, to support neurodiverse applicants and improve candidate experience, with evaluation to assess if this impacts diversity outcomes
- We have engaged a specialist Diversity jobs board to enable a wider reach for attraction, and target specific talent pools where evidence shows a gap, an approach which was successful in our earlier Work Coach campaigns
- Arrangements in place to progress our SCS talent pooling pilot, to address the challenges of building a diverse pipeline at this level

A talent inclusion offer will be launched in 2022. This will be open to colleagues from minority groups with the aspiration and potential to progress to more senior grades as part of the DWP talent pipeline. Those successful in gaining a place will receive tailored support to progress their careers in DWP.

The stabilisation of the DWP workforce will allow us to retain, where possible, the skills and maintain the positive cultural impact of bringing in talent from a diverse pool across communities.

Capacity constraints on estate, training and IT continued to be very real challenges in 2021-22, particularly while social distancing was in force. Our focus has remained on moving resource to the correct face-to-face location as new estate became available, particularly as colleagues returned to the workplace and to support delivery of face-to-face activities. Over the next five to ten years we will deliver an extensive estates strategy which will right size and improve our estate, realise savings and support DWP to develop great places to work, fit for current and future ways of working. Our future locational strategies will align with the Government Estates strategy including programmes such as Places for Growth.

Building Capability

In July 2021 DWP published our internal Capability Strategy which outlines the Department's approach to and priorities for building capability over the Spending Review (SR) period. It sets out a clear vision for achieving a culture of continuous learning and inclusivity to enable us to build flexible skillsets and respond to our ever-changing context. The strategy identifies six overarching themes of activity from growing talent to understanding skills gaps. It also lists the following four core skills as areas of priority focus for all colleagues across DWP:

- leadership
- adapting to change
- service to customers
- digital confidence and capability

Work is ongoing to support progress in all of these areas including our in-house leadership training, as part of the Service Modernisation Programme and via a comprehensive programme to build digital confidence. In addition we have focused on the Induction offer for all in DWP and now have a coherent, coordinated and accessible Departmental induction programme, aligned to lower level induction into specific business areas and to the higher level induction into the Civil Service led by Government Skills and Curriculum Unit.

The demand for learning in DWP specific technical skills remains high, as the Department continues to recruit, moves people around to meet critical resourcing needs, and catches up on learning that was paused during the pandemic such as supporting customers with mental health issues. We expect technical learning which is directly related to departmental transformation to continue to increase.

Leadership

Over the last twelve months DWP has continued to invest significantly in building the capability of leaders and managers at all levels. We have further developed our benchmark capability offer to increase accessibility, flexibility and scope in response to the challenges of change and service modernisation, continuing our support for new to role leaders, our continued focus on inclusive behaviour and the specific challenge of responding to the Neville-Rolfe report on complaints so that we can ensure that our staff and managers have the right skills and capability to provide targeted support to those customers who need it most.

In June 2021, DWP launched a fully accessible, flexible Leadership and Management development offer for all employees.

Additionally, during 2021-22 DWP has successfully piloted a coaching skills programme for its most senior leaders, continues to offer Leadership and Management apprenticeships supporting both capability and career development, is supporting the work of the Government Skills and Curriculum Unit as an early adopter of the new Civil Service wide leadership capability offer and has shared its leadership insight and offer widely across other government departments.

Digital Confidence and Capability

Building digital confidence and capability across the Department, to support transformation and change, and also as a driver of more effective and efficient ways of working, is a key departmental capability priority. Our programme of activity has been significant:

- A one-day (virtual) digital session has been delivered to 24,516 new recruits and shorter digital confidence and capability upskilling sessions have been delivered throughout the year to more than 4,500 attendees
- A Digital Confidence and Capability channel has been launched offering a more flexible approach allowing users to learn at their own pace
- An intranet site has been developed with a community of more than 12,000 colleagues encouraged to share learning and find out about the next innovations heading our way
- Digital Workplace Champions have been appointed to act as change advocates across the Department
- A Digital Confidence and Capability Framework has been developed as an online tool enabling colleagues and line managers to identify current levels of digital capability

Learning Design and Delivery

We are continuing to transform our learning journeys, moving away from lengthy, teach-all approaches to delivering upfront, modular learning, building on this through follow on learning, bite-sized and self-paced learning at the point of need.

We have developed our evaluation strategy utilising evidence-based feedback and management information to support the transformation of a range of learning products across Working Age, Retirement Services and Counter Fraud and Compliance working collaboratively in real-time with Design, Delivery and Learners.

	2021-22	2020–21	2019–20
Learning days	233,853	335,381	180,613
E-learning	38,946	38,206	37,812
Open Learning	5,511	4,087	4,972

Internal Process Review (IPR) / Serious Case Panel

Equipping our colleagues with the skills to effectively support our most vulnerable customers is vitally important, particularly in light of the general challenges our customers face. Learning Design and Delivery are members of the Department's IPRG (Internal Process Review Group) and have established effective relationships to continuously improve our learning offer as a result of IPR/Serious Case Panel reviews. Mental health learning has been of particular focus and we have completed a full review of our products, incorporating internal and external feedback, and re-launched a refreshed learning offer across service delivery for colleagues in customer contact roles.

Further information on the Serious Case Panel can be found on page 139 of the Governance Statement.

Apprenticeships

In support of the wider Civil Service aims, DWP continues to place apprenticeships at the heart of our long-term departmental capability build. We have 4,316 apprentices throughout the United Kingdom undergoing an apprenticeship in DWP of which 482 are Social Mobility Apprentices (SMAs), with a further 759 in the pipeline (including 13 SMAs).

DWP has 38 different apprentice schemes ranging from Level 2 (GCSE or equivalent) to Level 7 (Master's Degree). Our youngest apprentice is 17 and our oldest is 70.

The interim strategy for 2021-22 shifted the focus to improving quality in alignment with government reform and upskilling. As of 31 March 2022, we achieved 1,783 apprenticeship starts in-year, of which 1,381 were in England and 402 within Devolved Nations. A total of 772 learners successfully completed their apprenticeship.

Following on from the 2021-22 interim strategy, a new Civil Service Apprenticeship Strategy 2022-25 has been launched to further incorporate apprenticeships into our strategic plans for Government Reform and upskilling whilst continuing our aspirations to improve quality and provision of apprenticeship programmes. The strategy sets our commitment to apprentices making up 5% of the UK Home Civil Service workforce by 2025.

In 2021-22 we continued to build upon our Social Mobility Apprenticeships (SMA). We recruited 629 through the scheme during last year and remain keen to actively support our hardest to help groups committing to recruit a minimum of 250 Social Mobility Apprentices through next year with a specific focus on vulnerable groups (prison leavers, care leavers, veterans or their spouses, or a person who requires additional support to find work).

We are also exploring options for widening the scheme to school leavers which will support our inclusion and diversity agenda even further whilst strengthening our talent pipeline. As a result of our work DWP was recognised as 21st in the top 100 apprenticeship employers nationally, achieved 20th in the Social Mobility Index last year placing us in the top 10% and achieved highly commended for the organisation of the year in the UK Social Mobility Awards (SOMO) awards.

Movement to Work/Kickstart/Diversity Internships

In 2021 the Civil Service pledged to deliver 1,854 Movement to Work (MtW) placements by offering the opportunity to participate via a new virtual programme. In 2021 1,052 young people started a placement within the Civil Service, with 911 completing it. To date 56% of those participants have gone on to find employment since taking part in a MtW programme. 879 of these placements were completed within DWP – with 36 districts having participated. Although we achieved our DWP commitment, we only delivered 57% of our Civil Service pledge – there were a number of reasons for this including the impact of the pandemic and the pressure to deliver Kickstart.

Supporting the Department for Education with the Care Leaver Internship Programme DWP placed 57 Care Leavers in 2021 (five times more than in previous years). As in previous years DWP are looking at ways we can retain talent by converting the internships into permanent roles using the CSC exceptions.

During the summer of 2021 DWP welcomed three Autism Exchange interns who all completed their placements in London.

Keeping Our Colleagues Safe

2021-22 has seen us continue to experience 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 1,000 offices.

This has meant that our jobcentre network remained functional, 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 seven day a week response team to support leaders across DWP to respond to positive cases. 2021-22 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.

Wellbeing

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.

Recognising that some of DWP's customers are amongst the most vulnerable in society, a desire to deal with those customers with compassion, and believing that wellbeing and compassion naturally go hand in hand, we have, throughout the course of the past 12 months, significantly increased the wellbeing support available to our people.

DWP Values

Our values guide how we work with each other, customers and others. Understanding how we live up to them helps us learn for the future.

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.

We are using a three phase approach to assess whether we are embedding the values effectively.

1. Assess Awareness

A large campaign of communications, stories, engaging leaders and teams running over several months measuring engagement through surveys.

2. Assess Embedded in the way team work

Our statement that our values sit at the heart of everything we do starts with teams adopting them.

To help teams think about and talk about how the values show up in their day to day work, we have created a Values Team Progress Tool. This is a simple way for any DWP team to have a self-facilitated, structured conversation and agree actions on the values.

3. Assess Impact across DWP

Analysis, looking at a range of data sources, shows that the language and sentiment embodied within the values has penetrated the organisation to a deep level.

Talent

Throughout 2021-22 we have continued to promote and deliver our talent agenda and have taken the opportunity to expand it further. Our Summer School offer was opened virtually to all of our people in September 2021 with a week-long programme of events being attended by just under 7,000 people. This has complemented our face-to-face Summer School which ran for the first time in two years in March 2022 and which included the most diverse range of colleagues ever. The emphasis on diversity and inclusion in our talent offer was also reflected in our funding of 70 places on the new cross-government Beyond Boundaries programme focusing on colleagues with disabilities and from ethnic minorities. The emphasis on talent and inclusion will form the basis of our offer in 2022-23.

Support to future careers

We have this year supported a significant number of fixed term and temporary colleagues recruited during the pandemic with their next career steps. Our ambition has been to retain the skills and expertise recruited during this unprecedented time within the Department or wider Civil Service. In September, following insight from our skills assessment of fixed-term work coaches, we launched our Careers Hub. This is an online portal where colleagues can access information on finding and applying for permanent roles and careers in the Civil Service. Since its launch the Careers Hub pages have been viewed over 100,000 times by over 25,000 users; we have delivered career-focused sessions through our Careers Fayres to over 8,000 colleagues, job search sessions to over 4,000 colleagues and mentoring to over 3,000 colleagues.

Operational Delivery Profession qualifications

Operational Delivery Profession (ODP) qualifications form part of the comprehensive offer we provide to our colleagues. Currently, in total, we have approximately 6,000 learners progressing through the ODP qualifications.

People Performance

Work on people performance commenced again in late 2020 and the key focus areas throughout 2021 and into 2022 were reinvigoration, evaluation and assurance. The reinvigoration plan was delivered in collaboration with key stakeholders from across the Department, with a focus on communications and updates to core products and supporting information. In parallel to the reinvigoration work, evaluation and assurance activity was successfully carried out across the Department helping shape plans for 2022.

The plan for 2022 is continued evaluation, development of existing and new products and a bigger focus on embedding of people performance consistently across the Department.

Where we work

DWP is fully committed to supporting Places for Growth and has four explicit targets as agreed with Cabinet Office:

Places for Growth Targets		
Target 1	The majority (over 50%) of all SCS roles in DWP will be outside London and the SE by 2025.	We already have over 55.1% of our SCS based out of London and the South East in February 2022
Target 2	We will by December 2022 reduce our SCS in functional areas based in London to 40%.	In February 2022 39.3% of our functional SCS are based in Caxton House, London.
Target 3	DWP will consider locating a second HQ outside of London.	We have delivered on this target, and our second HQ in Leeds is now open.
Target 4	DWP has committed to the movement of 400 roles out of London.	In February 2022 88.3% of our total DWP workforce and 80.5% of our functional workforce are based outside of London.

DWP has also confirmed three additional hub locations in Glasgow, Treforest and in Birmingham to further support delivery of its Places for Growth targets and Government's wider Levelling Up Agenda. These hubs will house both corporate function and service delivery colleagues.

For information on **Engagement, Diversity and inclusion** and the **Gender pay gap** see the Remuneration and Staff report on page 157.

Innovation, Technology and data

This year our focus has been to sustain and build on the exemplary levels of service provided at the height of the pandemic, seizing the opportunity to apply lessons learned and drive forward with ambitious plans to further modernise service for DWP.

We have continued to explore how we can exploit new and emerging technologies, in parallel with enhanced data sharing, to better connect our services and ethically use advanced analytical tools to deliver step-changes in the products and services we provide.

Accelerating the digitisation of services at scale and pace to improve the citizen experience and increase efficiency.

Our key transformation deliverables include:

- Redesigned significant elements of our citizen-facing digital service, **My Child Maintenance Portal**, to provide more self-service capability and reduce avoidable contact
- Linking the **Kickstart** and **Find a Job** services, allowing for vacancy visibility on the GOV.UK based jobs board
- Enabling citizens who are not entitled to State Pension to access the **Pension Credit** service to make a digital application, thereby reducing telephony claims
- A feature of **Repay My Debt** went live, enabling customers to change their Direct Debit instalment amount without the need for agent intervention
- **Budgeting Loans** can now be claimed online, decisions issued digitally and offers accepted online by customers, in 80% of cases
- **Bereavement Support Payment** now provides an online journey substantiated by excellent citizen usage
- **Apply For and Manage Your Pension Credit** delivered changes required for registering interest and a triage service, enabling calls to be filtered faster and more efficiently
- **Extra Allowance for Severe Disability to Pension Credit** now reduces the amount of agent time required to process straightforward cases, enabling agents to focus on more complex cases to ensure accurate entitlement
- **Simplifying Employer Deductions Child Maintenance** now enables employers to send Deduction of Earnings Orders in a revised format enabling automated payment. To date, circa £0.5 million has been transferred to receiving parents on the same day of receipt, significantly reducing payment timescales which has a positive impact on families

Making better use of data to achieve DWP's priority outcomes

Key to achieving our priority outcomes, data modernisation continued at pace to better connect data services and platforms to support the citizen life journey. We're ensuring that all those who need it can make the best use of DWP data. Our statistical work programme has released around 120 publications to inform our understanding on DWP's benefits and programmes, and to support public scrutiny and Parliamentary debate. We have continued to deliver our benefit review programme and provide analysis that informs the Department's understanding of fraud and error.

The analytics platform for Universal Credit has been moved to the cloud enabling much more responsive analytics and understanding, such as better supporting Work Coaches to prioritise vulnerable claimants. This builds momentum towards moving all remaining data and analytics platforms to the cloud and aligning to our data principles of how we collect, protect, use, store and consume data.

Working with DWP's Security and Data Protection function, new security controls have been established and built into service development to establish a practice of secure by design across all digital services.

Other key achievements include:

- **Enterprise Reporting Service Team** have developed a Local Labour Market Intelligence Tool, providing job demand and candidate supply analysis for groups, sectors and geographies, informing analytical, policy and operational decision making for issues like COVID-19 recovery, levelling-up and devolution
- **Children's Analytics and Data Service Phase 1** delivery means that the data foundations are now in place for Child Maintenance Group to support critical decision making based on robust and accurate analysis and tooling
- **Citizen Income for Global Unique Identifier (GUID)** now provides accurate and timely income data straight from HM Revenue and Customs (real time) into DWP, which is critical to the reduction of fraud and error within DWP and across several services
- **Identity Verification** has been implemented and embedded within Employment Support Allowance Personal Independence Payment benefits for telephony with online equivalents in development, enabling self-service, straight-through processing and automation for citizens

Maintaining and continuously improving our digital services to maximise performance, protect data and reduce Technical Debt

We continue to effectively manage and reduce technical debt (the accumulation of ageing IT) through a blend of service modernisation and the regular maintenance of our existing services. DWP uses over 300 IT applications, underpinned by supporting infrastructure such as hardware, networks and datacentres. It is important that all these services meet or exceed the performance standards expected of them by those who use them and rely upon them.

Key achievements:

- **Provider Referrals and Payment system remediation** delivered an updated system offering acceptable levels of stability and security to DWP, whilst balancing the cost/benefit of investing in an ageing system of limited lifespan
- A new **Notifications (Text Messaging) Service** has already sent over 7.86 million messages. The platform gives far greater control of the type of notifications, and the look, feel and functionality of our messaging and currently has over 2,400 templates and 11,000 users. It better enables us to manage our increasing usage of SMS and as an in-house system also reduces reliance on external providers

Investing in the tools, processes, standards and frameworks needed to enable safe, secure data sharing across departments to support decision making and improve services

DWP is custodian of more than 200TB of data. That's the equivalent of approximately 67 billion single-spaced A4 pages of text, and this is growing in both volume and diversity at a rate of about 10% a year – including new data types such as voice and video.

To ensure the effective management of this, the Chief Data Office has been introduced, and a Data Board is held monthly with senior representation across DWP. These are beginning to strengthen and enable the conversations not just with Digital Group colleagues, but colleagues across the Department, to ensure that we maximise the potential that data can play.

Our plans to ensure that the right data is shared with the right people at the right time have progressed according to plan throughout the year.

Key achievements:

- NHS Free Prescriptions are being rolled out to pharmacies allowing for live calls to Universal Credit via the 'Service Award API'. This sharing of data will address the 11% of people who are claiming for, but are not eligible for, free prescriptions, leading to an estimated (by NHS) £212 million of fraud and error
- We are beginning to transform the way we acquire, digest and manage data to enable efficient and secure data sharing across the Department and with other government departments, to connect DWP to the wider welfare ecosystem

Commercial Digital

Our hosting strategy of using a 'cloud first' approach continues to embed. Moving production workloads from on-premise hosting to public cloud. By transforming services in this way, we are seeking to reduce the capital expenditure required to sustain and refresh on-premise hosting. Across all the teams, we continue to support increased demand and continuously evolve our Operating Model to support this in the most effective manner.

Through our sourcing and contract management activities the teams have achieved significant savings, delivering £45.70 million of which £20.51 million cash (realisable cash savings that can be released for other spend) and £25.19 million efficiencies (more for the same money or cost avoidance).

Delivery, evaluation and collaboration

Over 2021-22 we have continued to deliver on our commitment to improving our internal processes to ensure that we can deliver the strongest outcome to citizens and taxpayers.

Managing the planning cycle in such a way that it engages all staff in delivering priorities, through a well understood, efficient and transparent process

At the start of the year the Department Board approved the 2021-22 departmental plan, introducing the Strategic Objectives (and associated Priority Outcomes and Strategic Enablers as published in the Spending Review (SR20)). The Plan set out the activities that would be undertaken to deliver against these objectives and the measures used to report progress.

Progress on delivery is reviewed and reported to the Executive and Board on a quarterly basis. Each quarterly review process provides a backwards look at progress on delivering the key activities set out in the Departmental Plan, as well as a forward look on where a change in context, assumptions and risks could impact delivery in the next reporting period. A Single Department Plan Dashboard is also provided, showing a snapshot of key milestones and metrics progress against the strategic objectives. This gives the board an overall view of the Department's progress against plan to allow better decision making.

To help DWP colleagues understand their role in achieving our objectives, the Departmental plan was launched with a video from the Secretary of State and message from the Permanent Secretary. Communications encouraged colleagues to visit an intranet site with further information telling the high-level story of our departmental priorities and what they mean for them and our customers.

To ensure transparency and efficiency across the planning cycle, the plan itself was structured in such a way as to set out activities being undertaken across the Department, associated milestones and metrics, assuring delivery of the plan in relation to risk management and Governance. The level of detail, although not too granular, allowed DWP staff to understand clearly how their work supported delivery against the Strategic Objectives, Priority Outcomes or Strategic Enablers.

Looking forward, following the Spending Review 2021 (SR21) we developed a robust Departmental plan covering the SR period 2022-25 to be used internally by senior leaders as a 'living' document to support prioritisation decisions.

Strengthening functional expertise and delivery, ensuring adherence to functional standards and effective monitoring of performance

Our function leads provide an essential role in safeguarding and managing risk in the department and work closely with their counterparts in central functional teams to ensure that external learning is brought into the Department.

Further information is provided in the Governance Statement on page 148.

Providing transparent accountability through regular reporting, both within the Department, to the centre and Parliament

We regularly review our services through independent reviews as well as external reports to ensure we are delivering good value for money and robust services. We also report regularly to the Infrastructure and Projects Authority (IPA) on those programmes on the Government Major Project and Programme portfolio and Programmes engage with the IPA Gateway assurance reviews as appropriate.

Further information is provided in the *Assurance from other sources* section of the Governance Statement on page 151.

Sustainability

We are further embedding sustainability 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 activities are wide ranging and cover the whole of the country. A summary of some of the actions undertaken this year is presented below:

Initiative	Activity in 2021-22 includes:
Embedding sustainability	• We are building on the successful re-establishment of the Sustainability Champions network, with approximately 400 active Champions across the organisation. With a targeted calendar of monthly campaigns, we are raising awareness and engagement on key sustainability topics, such as green travel, recycling and digital • We established a director-led Sustainability Leadership Forum in summer 2021, which brings together senior leaders from across DWP to provide the governance, direction and demonstrable leadership needed to deliver on our sustainability commitments
Net Zero Carbon	• DWP Estates continues to review and update its Design Standards to ensure they align with our ambitious carbon reduction and sustainability targets, incorporating for example UK Green Building Council Energy Use Intensity requirements to align with Net Zero Carbon targets • We have implemented a heat decarbonisation and energy efficiency project funded via the Public Sector Decarbonisation Scheme at Quarry House, one of our largest sites • A series of Heat Decarbonisation Specifications have been developed for the estate, together with an overarching plan to inform lifecycle boiler replacement. This is to enable a low carbon solution to be implemented where feasible • We have delivered LED lighting and draught proofing projects at a number of buildings, to further increase the energy efficiency of our buildings, as well as to improve occupant comfort • We commenced delivery of a significant workplace transformation strategy which will, over the next ten years, help reshape how, where and when we deliver our services. We will transition to an estate that is smaller, greener, and better. This will deliver value for money for the taxpayer, deliver substantial business benefits and enable investment to improve the working environment for colleagues in our remaining buildings, while delivering on our sustainability ambitions • We have installed a number of electric vehicle charging points across the estate during 2021-22 and are now in the process of ordering vehicles to support the 2022 and 2027 ULEV and ZEV targets, with further charging point installations to follow in FY 2022-23

Initiative	Activity in 2021-22 includes:
Policy	• We have continued our commitment to help Government deliver net zero and raise ambition on climate change. Last year, we introduced world-leading regulations which require trustees to both meet the climate change governance requirements which underpin the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), and to report on how they have done so. Trustees of the largest occupational pension schemes and all authorised Master Trusts are required to comply with the climate change governance requirements from 1 October 2021 and to publish TCFD disclosures from 2022 onwards • Ahead of COP26 we launched a consultation on proposals to require schemes to calculate and report the extent to which their investments are aligned with the Paris Agreement goal of pursuing efforts to limit the global average temperature increase to 1.5˚C above pre-industrial levels. The consultation also seeks to address deficiencies in scheme governance in relation to stewardship and voting by proposing new draft guidance which sets out stewardship and ESG best practice
Climate change adaptation	• In 2020-21, we completed a climate change risk assessment and action plan across the estate. This highlighted the areas of the estate most at risk from climate impacts, and the actions DWP needs to take to make the estate more resilient. In 2021-22, we have been implementing these actions, including precise geocoding of all properties, investigation of site locations in the floodplain, establishing comprehensive Flood Plans at sites exposed to flooding, and capacity building and training of DWP staff in the use of UK Climate Change Projections • DWP Estates attends Defra's Climate Change Integrated Review Implementation Group (IRIG) – Adaptation Subgroup. This supports the response of government departments to the UK's 3rd Climate Change Risk Assessment (CCRA3), on which DWP Estates has provided comments
Nature Recovery	• DWP Estates are in the process of procuring the services of external consultants to prepare a Nature Recovery Plan. In addition, we plan to develop a reporting framework alongside the Nature Recovery Plan to help us report progress against the actions set out in the Plan
Sustainable construction	• DWP Estates' Design Standards are applied within construction projects. These require that we i) achieve BREEAM Excellent for new construction and Very Good for major refurbishment in accordance with Government Buying Standards, ii) reduce construction waste by following a series of requirements from WRAP and the voluntary code of practice on Site Waste Management Plans, iii) timber is supplied with a Chain of Custody from an appropriate forest certification scheme, iv) that UKGBC Energy Use Intensity performance is achieved, v) SuDS systems are considered to reduce surface water run-off, vi) flood resilience measures are employed in Flood Zones 2 and 3 or sites at risk of surface water flooding, vii) planting and grounds maintenance is cognisant of biodiversity and natural capital, viii) a low or Zero Carbon energy feasibility study is undertaken and its recommendations followed

Initiative	Activity in 2021-22 includes:
Rural proofing	• Jobcentre Plus districts apply a place-based approach which takes into account the demographics of their claimants and the local labour market, to help ensure our services are accessible to all claimants. Local jobcentres have the flexibility to work alongside national or local organisations to help meet the needs of their communities. For example, the employer and partnership teams closely with customers, employers, and partners to help fill vacancies for large scale employers and micro businesses in our rural areas. Poor transport links is a major contribution that affects employment
Waste management	• Following the successful implementation of new waste recycling bins in 2020-21, a second phase has been rolled out at 48 sites across the estate. The bins are accompanied with targeted signage to encourage segregation and recycling of waste • We are committed to the removal of Consumer Single Use Plastics from the Estate and we have been working closely with our catering supplier to maintain and monitor the removal of items such as plastic sauce sachets, cutlery and drinks stirrers • The internal DWP 'Swap Shop' scheme is used to share surplus equipment (primarily stationary) between staff to avoid waste and unnecessary cost. Where possible, larger items of furniture are advertised on the Cross-Government Clearing House and re-purposed
Sustainable procurement	• We are working to increase our expenditure with providers going to small and medium sized businesses; figures for 2020-21 show our total spend percentage was 15.6%, achieving an increase on previous years of 12.2% in 2019-20 and 11.9% in 2018-19 • Commercial Directorate are applying the new measure introduced in PPN06/21 to major procurements of over £5 million. Suppliers not providing a Carbon Reduction Plan demonstrating commitment to achieving Carbon Net Zero by 2050 will be excluded from bidding in the procurement. Commercial colleagues monitor the application of this measure and report to Cabinet Office quarterly • DWP Digital Group is also implementing the use of PPN06/21. They are triaging the contract pipeline to determine the maximum effect on reducing the carbon emissions from IT-based contracts • The Social Value policy, PPN06/20, went live in January 2021, with new procurements required to include 10% Social Value criteria. There are 5 key policy themes that support government objectives, including Fighting Climate Change. Commercial Directorate have been promoting the policy to wider stakeholders and ALBs including offering awareness sessions led by a Cabinet Office subject matter expert and mandating completion of Social Value eLearning to commercial staff and encouraging business stakeholders to complete • In November 2021, we published our first Modern Slavery Statement, demonstrating our commitment to eradicating the risk of slavery in our supply chains and setting out the steps we are taking to understand where slavery could occur in supply chains and actions to mitigate and manage this

Initiative	Activity in 2021-22 includes:
Digital	• During 2020-21, DWP Digital agreed to implement a Digital Sustainability Strategy. We will progress this in the coming year through better understanding our associated resources and considering how we best drive activities such as: – Benchmark Greenhouse Gases (GHGs) from the existing IT estate – Updating commercial contracts to support the Technical Code of Practise for sustainable IT – Supporting cross-government working to leverage government purchasing power to move suppliers to full disclosure of GHGs • The objective is to track current GHG emissions and actionable insight to reduce those emissions in future investment decisions
Arm's length bodies	• From 2021-22 onwards, DWP have become accountable for several additional arm's-length bodies within our sustainability reporting. We have engaged with these ALBs to make sure they are aware of the reporting processes. The ALBs themselves are doing a range of exciting work on sustainability

Procurement of food and catering

Food and Catering services remain under the remit of our Facilities Management contract. The DWP Estates Sustainability team meet with the catering supplier regularly to discuss how they can contribute to DWP's Sustainability goals. As an organisation they are signatories of the 'Step up to the Plate' pledge, UK Food Waste Roadmap and WRAP Courtauld Commitment 2025.

UN sustainable development goals

The Sustainable Development Goals (SDGs) were developed by United Nations (UN) member states and include 17 global goals for 2016 to 2030. UK government departments are required to look within their Outcome Delivery 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, the Department took the lead in co-ordinating Chapter 1 – No Poverty.

The Performance Analysis section provides information on how we supported delivery against some of the SDGs through the objectives in our 2021-22 Outcome Delivery Plan. The table below provides the link between Priority Outcomes and the relevant SDGs.

Priority Outcome	Link to SDGs
Priority Outcome 1	**SDG 1** – End poverty in all its forms everywhere (Target 1.2)
	SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (Targets 4.4, 4.5, 4.6)
	SDG 5 – Achieve gender equality and empower all women and girls (Target 5.4)
	SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Targets 8.5, 8.6)
Priority Outcome 2	**SDG 3** – Ensure healthy lives and promote well-being for all at all ages (Targets 3.5, 3.9)
	SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Targets 8.5, 8.6)
Priority Outcome 3	**SDG 1** – End poverty in all its forms everywhere (Targets 1.2, 1.3)
	SDG 5 – Achieve gender equality and empower all women and girls (Target 5.4)
	SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Targets 8.5, 8.6, 8.10)
Priority Outcome 4	**SDG 16** – Promote peaceful and inclusive societies (Targets 16.4, 16.6)

Our Outcome Delivery Plan also contains Sustainability as a Strategic Enabler. The work we have completed in 2021-22 supports the following SDGs in particular: SDG 7 – Affordable and Clean Energy, SDG 11 – Sustainable Cities and Communities, SDG 13 – Climate Action.

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 2017-18 and reports against the new government targets published in 2021. Note that this data excludes ALBs and is for DWP only. Our full GGC return to Defra includes both DWP and ALBs.

	2017-18 Baseline	2021-22 Performance	Reduction
Reduce greenhouse gas emissions by 45% from a 2017-18 baseline from the whole estate and business-related transport (TCO2e) by 2024-25			
Total Greenhouse Gas Emissions	107,984	78,543	-27%
Scope 1	41,345	44,631	+8% *Scope 1 gas emissions have risen due to estate growth and increased ventilation requirements, both resulting from the Covid19 pandemic*
Scope 2	50,839	29,757	-41%
Scope 3 *GGCs cover Scope 3 business travel + electricity transmission and distribution only*	15,800	4,156	-74%
Gas consumption kWh	196,603,589	239,458,080	
Electricity consumption kWh	144,511,209	139,594,282	
Purchased heat kWh via District Heat Networks	246,141	3,224,085	
Oil consumption kWh	4,579,998	2,542,519	
Gross Expenditure on the Purchase of Energy		£28,804,079	
Reported Areas of Energy Gas		£6,869,380	
Reported Areas of Energy Oil		£195,982	
Reported Areas of Energy Electricity		£21,464,200	
Reported Areas of Energy Heat		£274,517	
Accredited Offset Purchases		£0	
Official Business Travel		£6,233,777	
Fleet percentage categorised as Ultra-Low Emission Vehicle	0%	0%	
Fleet percentage categorised as Zero Emission Vehicle	0%	0%	
Reduce the distance travelled of domestic business travel flights by at least 20% from a 2017-18 baseline by 2024-25 (km)			
Distance travelled by domestic flights	848,927	164,998	-81%
Emissions from domestic flights (tonnes)	120.05	21.45	-82%
Distance travelled by international flights	272,062	44,861	-84%

	2017-18 Baseline	2021-22 Performance	Reduction
Reduce the amount of waste we generate by 15% from a 2017-18 baseline (T) by 2024-25			
Total Volume of Waste Produced (tonnes)	10,121	5,872	-42%
Volume of Waste Sent to Landfill (tonnes)	3,347	67	-98%
Volume of Waste Recycled/Reused (tonnes)	6,774	3,300	51%
Volume of Waste composted/food waste (tonnes)	No data	12	
Waste Incinerated for Energy (tonnes)	No data	2,505	
Waste Incinerated without Energy recovery (tonnes)	No data	0	
Percentage of Total Waste to Recycled	67%	56%	
Total Expenditure* on Waste (£)		£1,697,080	
Total Expenditure* on Waste Recycled (£)		£1,000,751	
Total Expenditure* on Waste Sent to Landfill (£)		£78,111	
Total expenditure* on Waste Incinerated (£)		£614,561	
Reduce the amount of paper used by 50% from a 2017-18 baseline by 2024-25			
A4 (Reams)	600,101	89,876	-92%
A3 (Reams)	2,165	179	-94%
Paper Costs (Inc Vat)		£362,429	
Reduce water consumption by at least 8% from a 2017-18 baseline (m^3) by 2024-25			
Total Water Consumption	676,727	562,911	-17%
Total Water Cost (Inc Water and Sewerage Costs)		£2,750,275	

* *Waste expenditure figures include waste disposal contracts, specialist waste arising and the purchase of licenses for waste*

Devolved Administrations

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. In Great Britain, most benefits are reserved. For Northern Ireland, Social Security is transferred.

Northern Ireland

We continue to work closely with the Department for Communities in Northern Ireland (DfC) respecting the parity principle with the respective social security systems.

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

Scotland

The Scotland Act 2016 devolved a number of significant social security powers to the Scottish Parliament allowing the Scottish Government (SG) to top-up existing benefits, pay discretionary payments and create entirely new benefits in areas of devolved responsibility. DWP has provided significant support the SG and Social Security Scotland on the implementation of devolved social security powers.

Taking into account delays and constraint on resources of the SG due to COVID-19 over the past two years, we have continued to support the SG and Social Security Scotland with the introduction and implementation of new Scottish benefits. We continue to provide existing benefits under Agency Agreements on behalf of the SG whilst the SG builds its capacity and capability to administer its replacement benefits. SG has asked for further extension of the Agency Agreement.

In the past year we have worked closely with the SG providing support with introduction of the first of its disability benefits, Child Disability Payment, which replaced DLA for children. This started with a pilot in July 2021 in a small number of local authority areas, followed by a full national introduction across Scotland in November 2021. Existing Scottish cases in receipt of DLA for children began to be transferred to Social Security Scotland from October 2021 and DWP continues to work with SG officials to complete the transfer of all remaining cases. DWP also provided support for the SG's extension to the Child Winter Heating Assistance to cover those under age 19 in receipt of Personal Independence Payment.

With ministerial agreement, the UK government has undertaken the necessary legislative changes to ensure the SG's Child Disability Payment will act as a qualifying benefit for the purposes of additional amounts within reserved income-related benefits as well as the Christmas Bonus.

DWP has worked closely with the SG with its delivery plans for Adult Disability Payment, which will replace Personal Independence Payment, with the pilot beginning on 21 March 2022. Over the past year, the UK government has worked to ensure the necessary changes to systems, process and legislation will be in place to enable the Scottish Government to achieve its planned delivery timetable.

As previously agreed between both governments, the reserved payments from the Regulated Social Fund Cold Weather Payments and Winter Fuel Payments continued to be paid to those eligible and living in Scotland for winter 2021-22. The SG has since requested an additional extension to Social Fund provision in Scotland and DWP Ministers have agreed to extend the provision of the Social Fund to include Scottish residents for a further year, until March 2023. Appropriate legislation is being taken forward to cater for this.

Wales

In Wales, welfare and benefits remain a reserved matter for the UK Parliament and changes are introduced in line with those in England. Ministers do engage on matters relevant to employment and skills.

Devolution Capability and Engagement

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

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 and also complete DWP's mandatory annual security and data protection e-learning.

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

Peter Schofield CB
Permanent Secretary

1 July 2022

Accountability report

Accountability report 2021-22

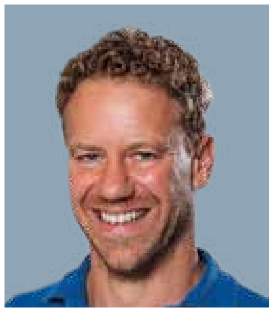
The Accountability report sets out how we meet the key requirements to Parliament. It is broken down into three areas:

- the corporate governance report which provides an overview of the Department's leadership and our risk management approach
- remuneration and staff report which details remuneration and staff expenses and policies
- Parliamentary Accountability which contains the Statement of Outturn against Parliamentary Supply, associated notes, and audit certificate

Corporate governance report

The purpose of the corporate governance report is to explain the composition and organisation of the Department's governance structures and show they support the achievement of the Department's objectives.

Lead non-executive member's report



During my second year as the DWP Lead non-Executive Director, the Department has been faced with the formidable task of contending with a continuing pandemic and navigating the road to recovery. The Department has largely risen to that challenge, making sure that benefits were paid on time and people were helped back into work. We all take pride in the key role the Department made in helping the country manage through the pandemic and back to full employment.

The focus of the board and non-executive directors during the last year has been to ensure that the Department has the correct level of resources, be that financial, human, or physical, working on the right priorities to support people through the pandemic and deliver the Departmental Plan. The board and its sub-committees have continued to meet throughout this last year and after a period of virtual meetings, are now pleased to meet face to face.

The non-executive directors have been providing supportive challenge and advice to ministers and the Executive Team, and fully utilising their expertise to assist with multiple initiatives both within and external to their roles on boards and committees. Examples include:

- David Holt as Chair of the Departmental Audit and Risk Assurance Committee (DARAC), has led the committee in undertaking a number of deep dives to manage performance risk, given the number of conflicting and emerging priorities facing the Department. This has included the need for ongoing resource to address backlogs, particularly with Personal Independence Payment. The progression on identifying and resolving issues within the State Pension will continue to be a standing agenda item and likely to remain as such in 2022-23. David also Chairs the Health Transformation Programme Board. This programme, carries significant risk for the Department as it looks to re-contract for new disability assessment providers and transform the service for those claiming disability benefits. The board provides oversight, assurance, decision making and support with escalation through to the Executive Team if necessary. It is making effective progress to ensure delivery of a vastly improved claimant experience, a more efficient service for the taxpayer and reduced demand for health assessments
- Ashley Machin as Chair of the Transformation Advisory Committee has focussed on strategic delivery risks, and the choices open to the team on how best to mitigate these. This has included deep dives into the Department's approach to data analysis, fraud and error and ensuring that the transformation initiatives are aligned. Ashley is also a member of DARAC

- Eleanor Shawcross has been working closely with the Secretary of State and relevant departmental leads to support the 'Way to Work' scheme launched by the government at the end of January 2022. This aims to see 500,000 people move into jobs by the end of June. Eleanor is also the board lead on the Union/ Devolution and as part of the Government Sustainability Leadership Forum, reports on the Department's contribution to sustainability goals
- David Bennett, who joined in February 2021, chairs the Serious Case Panel, which has focused on a three-step approach to supporting customers at risk. David also undertook a review of the launch of the Pensions Dashboard and attends the quarterly Pensions Dashboard Portfolio Committee. He also has an active role in supporting the Department's Data Capability Review, helping to accelerate the data and digital capabilities to provide an operational dashboard to monitor and drive performance
- Valerie Hughes-D'Aeth, who also joined in February 2021, chairs the Nominations Committee, where her extensive human resource experience has helped to influence and steer the scrutiny of the Department's plans for talent management, senior performance management, capability building and succession planning arrangements. Valerie also led The Independent Case Management Review with the Advisory, Conciliation and Arbitration Service and acts as an external challenger/adviser for the DWP Race Programme board

I, Nick Markham, have provided challenge and advice to the team to further the development of the three year Departmental Plan, firstly to assess the overall deliverability of the Spending Review settlement and then how to split the three year plan into six month chunks with milestones and key performance indicators to allow the board to track progress. I also chaired the Kickstart Programme Board for the last year of the programme which saw the Department deliver 160,000 jobs for young people. I am also a member of the Social Housing taskforce which includes representatives from DWP, HM Treasury, Department for Levelling Up and Communities and Homes England which is looking to maximise the effectiveness of our Housing Benefit spend. We have worked with consultants to propose a 'Benefit to Bricks' pilot scheme. This scheme will allow existing Housing Benefit spend to generate more homes from new and existing stock. The homes could qualify for Right to Buy in the future – turning benefits into bricks. The scheme was publicly announced by the Prime Minister on 09 June 2022.

I would like to take this opportunity to thank Eleanor for all her hard work during her two years as a non-executive director for the Department as she has now moved on to a new role with HM Treasury and wish her all the best.

2021-22 has seen immense cross-government and cross-department collaboration in response to the challenges that the current climate has presented. I am proud to have worked as part of a wide team of ministers, civil servants, and non-executive directors to achieve an effective response to the pandemic and pave the way to recovery. I look forward to the team continuing to work together as we move through 2022-23.

Nick Markham
Lead non-executive

Directors' report

Our ministers

Ministers at 31 March 2022

Rt. Hon Thérèse Coffey MP

Secretary of State for Work and Pensions
(from 8 September 2019)

Portfolio:

- overall responsibility for the business of the Department
- direct responsibility for departmental expenditure and departmental management
- departmental planning and performance management, including oversight of:
  - the Departmental Plan including tracking progress against manifesto commitments, and
  - other external reporting and governance requirements

Chloe Smith MP

Minister of State for Disabled People, Health and Work
(from 16 September 2021)

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 the Severe Disability Premium
- Work and Health strategy including sponsorship of the Joint DWP/Department of Health and Social Care Work and Health Unit
- Carer's Allowance
- Disability benefit reform
- Devolution framework
- COVID-19 response
- Serious Case Panel – (considers serious issues that affect the customer experience) public body responsibility: Health and Safety Executive

Guy Opperman MP

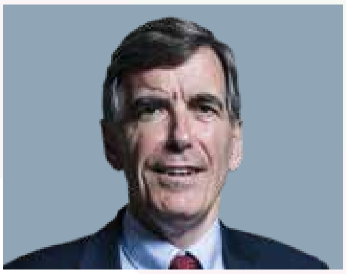
Parliamentary Under Secretary of State (Minister for Pensions and Financial Inclusion)
(from 14 June 2017)

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
- automatic enrolment into a workplace pension
- financial guidance, budgeting, saving and debt, including the Financial Inclusion Policy Forum
- methods of payment and Post Office card accounts
- Net zero (supporting a greener and a more sustainable future)
- Cross DWP spokesperson – Shadowing Lords

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

David Rutley MP



Parliamentary Under Secretary of State (Minister for Welfare Delivery)
(from 17 September 2021)

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, including Support for Mortgage Interest payments and supported accommodation
- Help to Claim service
- poverty and cost of living
- fraud, error and debt
- benefit uprating
- EU Exit oversight
- Jobseeker's Allowance and Income Support to the Benefit Cap
- Budgeting Loans

Mims Davies MP

Parliamentary Under Secretary of State (Minister for Employment)
(from 26 July 2019)

Portfolio:

- responsible for departmental strategy on the labour market including Plan for Jobs programmes
- work services and Jobcentre Plus partnership working including work coaches
- in-work conditionality including sanctions
- in-work progression
- European Social Fund
- National Insurance numbers
- Flexible Support Fund
- military covenant

Baroness Stedman-Scott OBE

Parliamentary Under Secretary of State
Minister for Work and Pensions (Lords)
(from 30 July 2019)

Portfolio:

- spokesperson for DWP business in the House of Lords
- Child Maintenance and Family Test
- parental conflict
- legislation and statutory instruments strategy
- Social Fund (Cold Weather Payments, Sure Start Maternity Grants and Funeral Expenses Payment scheme)
- Bereavement benefits
- Maternity Benefit
- departmental business, including oversight of:
  - departmental capability in commercial and digital affairs
  - commercial contracting policy
  - resourcing and estates
  - transparency/data-sharing issues
  - research and trialing

public body responsibility: Social Security Advisory Committee and Office for Nuclear Regulation

Our executives

Executives at 31 March 2022. Information on what each executive is responsible for can be found on page 133.

Peter Schofield CB

Permanent Secretary and Principal Accounting Officer

Appointment
January 2018

Departmental Board

Non-executive Directors and Executive Team Board

Executive Team (Chair)

Nominations Committee

Debbie Alder CB

Director General, People, Capability and Place Group

Appointment
January 2014

Departmental Board

Non-executive Directors and Executive Team Board

Executive Team

Nominations Committee

Neil Couling CBE

Director General, Change and Resilience Group

Appointment
October 2014

Non-executive Directors and Executive Team Board

Executive Team

Jonathan Mills[13]

Director General, Labour Market Policy and Implementation

Appointment
August 2017

Non-executive Directors and Executive Team Board

Executive Team

Nick Joicey CB

Director General, Finance Group

Appointment
July 2018

Departmental Board

Non-executive Directors and Executive Team Board

Departmental Audit and Risk Assurance Committee

Executive Team

Simon McKinnon CBE

Director General, Chief Digital and Information Officer Digital Group

Appointment
March 2020

Non-executive Directors and Executive Team Board

Executive Team

Transformation Advisory Committee

13 Jonathan Mills left the Department in June 2022 and has joined Department for Business, Energy and Industrial Strategy (BEIS). From June 2022, Kate Davies was appointed Interim Director General, Labour Market Policy and Implementation.

Amanda Reynolds

Director General, Service Excellence Group

Appointment
February 2021

Non-executive Directors and Executive Team Board

Executive Team

Transformation Advisory Committee

Katie Farrington

Director General, Disability, Health and Pensions

Appointment
March 2021

Non-executive Directors and Executive Team Board

Executive Team

Mel Nebhrajani

Director General, Employment with Economic Recovery and UK Governance Directorate

Government Legal Department

Appointment
October 2021

Executive Team

Karen Gosden

Interim Director General, Work and Health Services Group

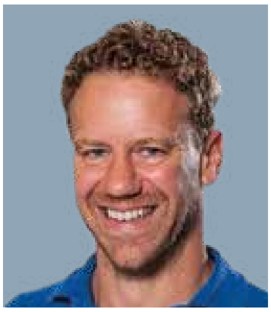
Appointment
January 2022

Non-executive Directors and Executive Team Board

Executive Team

Our non-executive board members

Non-executives at 31 March 2022



Nick Markham

Lead non-executive

Appointment
July 2020

Departmental Board

Non-executive Directors and Executive Team Board (Chair)

Nominations Committee

David Holt

Appointment
May 2019

Departmental Board

Non-executive Directors and Executive Team Board

Departmental Audit and Risk Assurance Committee (Chair)

Health Transformation Board (Chair)

Eleanor Shawcross

Appointment
June 2020

Departmental Board

Non-executive Directors and Executive Team Board

Ashley Machin

Reappointment
November 2020

Departmental Board

Non-executive Directors and Executive Team Board

Departmental Audit and Risk Assurance Committee

Transformation Advisory Committee (Chair)

David Bennett

Appointment
February 2021

Departmental Board

Non-executive Directors and Executive Team Board

Serious Case Panel (Chair)

Portfolio Board

Valerie Hughes-D'Aeth

Appointment
February 2021

Departmental Board

Non-executive Directors and Executive Team Board

Nominations Committee (Chair)

Other non-executives at 31 March 2022

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
John McGlynn	Universal Credit Programme Board (Chair) Appointment August 2021
Arabel Bailey	Transformation Advisory Committee Appointment September 2021
Simon Sear	Transformation Advisory Committee Appointment September 2021
Charlie Steel	Transformation Advisory Committee Appointment September 2021

Changes to our senior decision making forums in 2021-22

The following changes took place between 1 April 2021 and 31 March 2022:

Role	Name	Change
Ministerial changes		
Minister of State for Disabled People, Health and Work	Justin Tomlinson MP	left the Department 16 September 2021
Parliamentary Under Secretary of State	Will Quince MP	left the Department 16 September 2021
Minister of State for Disabled People, Health and Work	Chloe Smith MP	appointed 16 September 2021
Parliamentary Under Secretary of State	David Rutley MP	appointed 17 September 2021
Non-executive level changes		
Non-executive member	Keith Burgess	term ended 31 May 2021
Non-executive member	John Clarke	term ended 31 May 2021
Non-executive member	John McGlynn	appointed 21 August 2021
Non-executive member	Arabel Bailey	appointed 03 September 2021
Non-executive member	Simon Sear	appointed 03 September 2021
Non-executive member	Charlie Steel	appointed 03 September 2021
Executive level changes		
Director General, Legal Services	Mel Nebhrajani	appointed 04 October 2021
Director General, Work and Health Services Group	John-Paul Marks	left the Department 31 December 2021
Interim Director General, Work and Health Services Group	Karen Gosden	appointed 04 January 2022

Management 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 Department's Standards of Behaviour Policy and Procedures apply to employees at all grades.

It is mandated in the Department's internally published Standards of Behaviour Procedures that employees' 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. Our employees are specifically instructed in the Standards of Behaviour Procedures never to request special treatment from any client of the Department that would benefit their outside interests. Our 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, our employees must seek their manager's written permission to take up any non-executive directorship during their employment with the Department.

In addition to the Department's standing requirement for all staff to discuss potential conflicts with their manager before taking up an external appointment, our Senior Civil Servants and non-executive members are required to declare any interests which they hold to the Permanent Secretary on an annual basis. The information has been gathered during the year and has been reviewed by the Permanent Secretary. The returns were also scrutinised by our Departmental Audit and Risk Assurance Committee.

At the beginning of every Departmental Board meeting, all members are asked to declare any new potential conflicts of interest. These are noted in the minutes along with the appropriate action taken to manage them. Where a Board member declares a potential conflict at a meetings, it is recorded in the minutes and the Board member takes no part in any discussions relating to that matter. There were no conflicts of interests registered during board meetings in 2021-22. We are managing Nick Markham's interests with a legal agreement that defines the protocols to be followed to prevent, identify and remedy any conflict of interest or unfair advantage (whether actual, potential or perceived) that may arise from the Housing Support initiative.

None of our ministers held directorships that conflicted with their management responsibilities in 2021-22.

In addition, in line with the current Declaration of Interest policy for special advisers, all special advisers have declared any relevant interest or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns and relevant interests are set out in public.

A comprehensive list of directors and non-executive board members' interests as of 31 March 2022 is available on www.gov.uk/government/publications/dwp-register-of-interests.

Management of business appointments

Under the Government's Business Appointment Rules, published internally and on www.gov.uk, 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 two 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.

Our People, Capability and Place Group scrutinise countersigned applications 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 Government's 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 www.gov.uk.

During 2021-22 the number of requests made is contained in the table below.

number of exits where Business Appointment Rules applications were required	2
number of exits where Business Appointment Rules conditions were set	2
number of enforcement actions taken for breaches of the Business Appointment Rules	0

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 www.gov.uk.

The departmental group

Our departmental group includes the core department (DWP), 11 public bodies and one pension scheme (Remploy Pension Scheme Trustees Limited). 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, tribunal or advisory bodies and public corporations. They operate independently but are accountable to the Department. Collectively our public bodies employ around 4000 people (FTE) with a net expenditure of around £430.6 million in year.[14]

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.

The table below sets out our public bodies:

14 Excluding public corporations which fall outside our accounting boundary.

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[15] • Money and Pensions Service • BPDTS Limited[16]
Tribunal or advisory non-departmental public bodies	• The Pensions Ombudsman[17] • Pension Protection Fund Ombudsman	• Industrial Injuries Advisory Council • Social Security Advisory Committee
Other		• Remploy Pension Scheme Trustees Limited

Data Incidents

During 2021-22, we notified 14 Personal Data related incidents to the Information Commissioner's Office. The table below sets out the detail:

	Number of Breaches reported to the ICO		
Category	2019 – 2020	2020 – 2021	2021 – 2022
Alteration of personal data	0	2	2
Failure to use blind carbon copy (Bcc) to hide email addresses	1	0	0
Failure to redact	0	0	1
Loss/theft of paperwork or data left in insecure location	1	0	1
Verbal/written disclosure (including Postal Security Incidents)	9	4	3
Processing of wrong citizen's personal data	12	9	1
Unauthorised access (staff member)	1	0	0
Other	0	6	6
Total	**24**	**21**	**14**

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

16 The functions and staff of BPDTS Limited have transferred to DWP. The company is expected to be formally struck off in 2022-23.

17 The role of The 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, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored public bodies designated by order made under the GRAA by Statutory Instrument 2021 No. 1441, together known as the 'departmental group', consisting of the Department and sponsored bodies listed on page 128.

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 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 2021-22 as a whole is 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. It describes the accountability system in place for all the expenditure of public money through the Department's Estimate. This includes money made available to certain locally governed organisations, all public money raised as income, major contracts and outsourced services. It also sets out how the Department gains assurance about the satisfactory use of the money.

This governance statement sets out the Department's governance structure, risk management framework and internal control procedures. It reflects current arrangements and outlines the significant changes made to increase the robustness and efficacy of governance throughout 2021-22. Additionally, it provides assurance which the Permanent Secretary has received from his executive directors, risk management and internal audit colleagues 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
- the Permanent Secretary's responsibility, both to the Secretary of State and directly to Parliament, as the Accounting Officer for the Department's expenditure and management, 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.

Ministerial Direction

Treatment of Historical Institutional Abuse payments in means-tested benefits

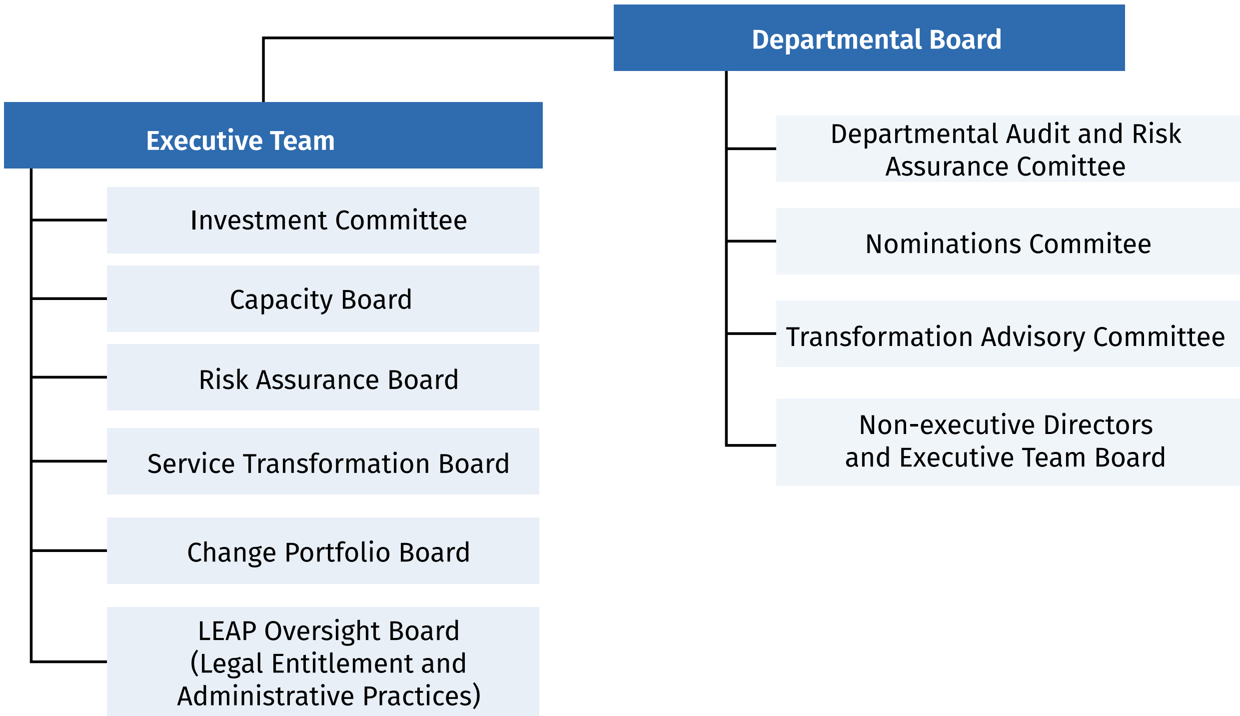
A key priority across all tiers of Government is to support victims of historic sexual, physical and emotional abuse in institutional settings. Prior to January 2022, our legislation required that certain payments from these schemes be taken into account when calculating means tested benefits, which would likely result in claimants receiving lower or no benefits. To address this, we introduced new secondary legislation from 1 January 2022 to disregard payments from these schemes when calculating means tested benefits.

In making a decision about how to treat these payments before the introduction of regulations to allow them to be fully disregarded, the Permanent Secretary sought an Accounting Officer Direction on 3 December 2021 from the Secretary of State and a reply was received on 7 December 2021 confirming the direction to disregard payments from Historical Institutional Abuse schemes in the calculation of means tested benefits.

Further detail about the Ministerial Direction is available on www.gov.uk.

Senior governance boards structure

The chart below sets out the structure of our senior boards as at 31 March 2022 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 are kept under regular review.



This chart does not include the additional boards that carry out management and assurance functions within the Department but report into the main boards above.

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 2021-22.

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 light of ministerial priorities, the Spending Review settlement and our Departmental Plan. The board receives a series of regular updates from across departmental business including, for example, updates on the discussions occurring at all senior boards, 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 focuses 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. For 2021-22, an external lead non-executive was selected to lead the board effectiveness evaluation. The review concluded with initial proposals and recommendations to take forward in 2022-23. These included optimum use of non-executive directors through practices such as aligning them with specific ministers and officials in order to be as efficient as possible and more effective use of the Departmental Plan including accurate reporting of the key performance indicators.

The board agenda supports focused discussions on key issues, compliant with the principles in 'Corporate governance in central government departments: code of good practice'. Board members sponsor agenda items and ensure the paperwork meets agreed standards. This ensures paperwork is of a similar quality and supports focused discussions on key issues.

The Departmental Board has several sub-committees, most of which are chaired by a non-executive board member:

- the **Departmental Audit and Risk Assurance Committee (DARAC)** provides support to the Accounting Officer on the comprehensiveness and integrity of assurances in the areas of corporate governance, risk management, audit, security, accounting and reporting. During 2021-22, as the Department's focus shifted from COVID-19 response to business as usual, DARAC has focused on areas of key business across the Department where the impact of COVID-19 continues to be felt, including fraud and error, and performance. DARAC has worked with the Department and external partners to embed a revised departmental annual reporting process. This will provide earlier insight and improved assurance to the Accounting Officer on the effectiveness of the controls that support business activities and delivery of the Department's policies and priorities
- the **Nominations Committee** provides advice on how to identify colleagues with high potential, develop leadership, our incentive scheme and succession planning. During 2021-22 the committee focused on workforce stabilisation and further organisational design across the Executive Team and the wider Department. It also provided steers on the work around diversity and inclusion and an overview of the health and safety work across the Department for people returning to the offices. This is to ensure that our people remain safe while working in jobcentres, service centres, hubs or at home
- the newly formed **Transformation Advisory Committee** held its first meeting on 29 October 2021. The committee's focus is on providing advice to realise efficiency benefits and optimise customer experience through service delivery transformation and digitisation opportunities. The committee has worked with colleagues in Service Excellence and Digital Groups to identify the key risks and mitigations to transformation delivery. Additionally, it has supported the Department to explore options for more efficient use of data to deliver outcomes and reduce fraud and error. The committee has provided guidance on delivery of the three year Service Transformation programme which will underpin the work to modernise and optimise services for the future

- in 2021, the Delivery Board was renamed the **Non-executive Directors and Executive Team Board**. It is chaired by our Lead non-executive director with the aim to support strategic, business and financial planning and our business strategy. Along with the chair, directors general and other non-executive directors review departmental performance and provide challenge and input to high priority work streams. During 2021-22, as well as reviewing the Departmental Plan and Spending Review bid, the board focused on the Department's Service Transformation agenda, specifically the 2021-22 plan and the leadership and culture change required to create a more joined up and efficient service for our customers; and how the Department (and Executive Team) can be better at adapting to change (in areas such as horizon-scanning, resourcing flexibility and encouraging innovation). In addition, the board provided a forum for reviewing progress on delivery of major projects such as the Data Capability Review, Way to Work engagement with employers and strategic ways of working, harnessing the external experience of the non-executive directors
- the **Digital Advisory Committee** held its final meeting on 26 May 2021 and was effectively superseded by the Transformation Advisory Committee. The committee provided independent expert advice, enabling the Department and its public bodies to explore the potential of digital design, data and emerging technologies securely to achieve outcomes prioritised by the Department

Department board and committee attendance 2021-22, by member, of meetings eligible to attend

Name of board	Depart-mental Board	Depart-mental Audit and Risk Assurance Committee	Nominations Committee	Trans-formation Advisory Committee	NED ET Board	Digital Advisory Committee
Number of meetings held	4	5	4	4	3	2
Ministers						
Rt Hon Dr Thérèse Coffey MP	4/4	-	-	-	-	-
Guy Opperman MP	2/4	-	-	-	-	-
Justin Tomlinson MP	0/1	-	-	-	-	-
Will Quince MP	2/2	-	-	-	-	-
Mims Davies MP	4/4	-	-	-	-	-
Chloe Smith MP	2/2	-	-	-	-	-
David Rutley MP	2/2	-	-	-	-	-
Baroness Stedman-Scott OBE DL	3/4	-	-	-	-	-

Name of board	Depart-mental Board	Depart-mental Audit and Risk Assurance Committee	Nominations Committee	Trans-formation Advisory Committee	NED ET Board	Digital Advisory Committee
Non-executive members						
Nick Markham	4/4	–	4/4	–	3/3	–
David Holt	4/4	5/5	–	–	3/3	–
Ashley Machin	3/4	3/5	–	4/4	3/3	2/2
Eleanor Shawcross	3/4	–	–	–	3/3	–
Valerie Hughes-D'Aeth	4/4	–	4/4	–	3/3	–
David Bennett	4/4	–	–	–	3/3	–
Sally Cheshire	–	5/5	–	–	–	–
Ian Wilson	–	5/5	–	–	–	–
Tim Nolan	–	5/5	–	–	–	–
Keith Burgess	–	–	–	–	–	2/2
John Clarke	–	–	–	–	–	2/2
Arabel Bailey	–	–	–	4/4	–	–
Simon Sear	–	–	–	3/4	–	–
Charlie Steel	–	–	–	4/4	–	–
Executives						
Peter Schofield CB	4/4	1/1	4/4	–	3/3	–
Nick Joicey CB	4/4	5/5	–	–	3/3	–
Simon McKinnon CBE	–	–	–	4/4	3/3	2/2
Debbie Alder CB	3/4	–	4/4	–	3/3	–
Jonathan Mills	–	–	–	–	3/3	–
Neil Couling CBE	–	–	–	–	3/3	–
John-Paul Marks	–	–	–	–	2/2	–
Katie Farrington	–	–	–	–	2/3	–
Amanda Reynolds	–	–	–	3/4	3/3	–
Karen Gosden	–	–	–	–	1/1	–

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

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 established sub-committees.

During 2021-22, the Executive Team continued to guide the Department through the COVID-19 pandemic. The Executive Team developed and implemented the Department's response in line with government guidance by focusing on the timely payment of essential financial support, as well as measures across the estate to safeguard the customers and our people. As the government's focus has shifted towards learning to live with COVID-19, the Executive Team has worked to ensure our estate can be safely utilised to its fullest extent.

Furthermore, the Executive Team has driven forward the Department's contribution to the government's plans for recovery and its ambition to Build Back Better, specifically supporting people back into work through the Kickstart and Jobstart programmes as set out in the Performance report on page 22. Additionally, the Executive Team focused on planning the direction of the Target Operating Model, (which visually represents how the Department runs itself and how we deliver value to our customers) and preparing for the 2021 Spending Review which sets our funding for 2022-25 and our priority outcomes.

In response to the war in Ukraine, the Executive Team has considered the potential implications for the Department and ensured contingency plans were prepared for both cyber defence and disaster recovery in the event of hostile action targeting the Department's systems, and for increased service demand from refugees. The Executive Team has also responded to the Home Office's request for assistance by authorising the release of some staff who volunteered to help with processing visa applications or other Home Office work.

There are several sub-committees of the Executive Team, these are:

- the **Investment Committee** provides 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 areas of our business. The committee reviews and scrutinises business cases against the government's framework and guidance on options appraisal, the Green Book (available on www.gov.uk). This includes consideration of a programme's strategic fit and alignment with the Department's priority outcomes, public value, affordability and value for money, commercial dimension and deliverability including the practical arrangements for implementation such as governance and project management. This year the committee introduced a change to strengthen the gateway, with a decision on whether a programme joins the portfolio being made earlier
- the **Capacity Board** is chaired by the Director General, People, Capability and Place and provides governance around strategic workforce planning from business need, affordability and deliverability lenses. The board is also the senior governance forum for outsourcing and engagement on the affordability and management of departmental staffing levels helping to improve workforce planning. It also provides governance for capability and the Workplace Transformation programme. Throughout 2021-22 the board has managed workforce levels by overseeing the different stages of longer term permanent recruitment plans for temporary colleagues. In addition, the board provided detailed oversight of the Department's resourcing, training and estates strategy. The board endorsed the Department's Capability Strategy 2021-25 which sets out the vision to achieve a culture of continuous learning and inclusivity to enable the Department to build flexible skillsets
- the **Risk Assurance Board (RAB)** is chaired by the Chief Risk Officer and is responsible for ensuring visibility and careful monitoring of risks that may impact the Department's ability to deliver its strategic objectives. RAB drives the departmental approach to risk management by reviewing and monitoring the Department's Principal Risks, assessing the impact of new and emerging challenges and examining the organisation's aggregate risk position. Through regular scrutiny and oversight during the year, RAB has provided assurance to the Executive Team and the Departmental Audit and Risk Assurance Committee that risk management plans are well-managed and drive the reductions in levels of risk that we expect
- 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 set the strategic direction on the 2021-22 Change Portfolio and has tracked progress against 34 initiatives with quarterly reviews which have focused on customers, colleagues and taxpayer benefits
- the **Change Portfolio Board (CPB)** is chaired by the Director General, Change and Resilience and has oversight of all change activity within the Department. CPB provide assurance to the Executive Team about the deliverability of the overall departmental change portfolio and confirming that the planned changes are meeting financial parameters, are successfully progressing. The board has close links with the Investment Committee by supporting the evaluation of the deliverability of proposed new programmes prior to them being accepted and moving over to the Change Portfolio

- the **LEAP Oversight Board** (Legal Entitlement Administrative Practice) is chaired by the Director General, Finance and has oversight of all LEAP and corrective activity within the Department. The board provides advice and assurance to the Executive Team about strengthening the deliverability of the overall departmental LEAP challenge as well as setting the strategic direction. In 2021-22, there has been a particular focus on the State Pension LEAP Exercise (SPLE) in support of the SPLE Programme Board. The board has appointed an SRO for each LEAP exercise with overall responsibility for ensuring the delivery of their LEAP exercise to meet the Department's responsibilities. The LEAP Board has close links with the Capacity Board and routinely supports key agenda items on resource availability and capability

Outside formal governance, the Executive Team has a **Shadow Board**, consisting of colleagues from all grades currently working within the Department. The Shadow Board is a forum for colleagues to lend diverse voices and thinking to challenge, scrutinise and inform the Executive Team's decision making. This includes on some of the biggest issues facing the Department such as ministerial priorities, the Department's Business Strategy and Target Operating Model, as well as various people-related matters. The Shadow Board is a commitment by the Executive Team to listen and act upon feedback from different colleagues when making decisions. The Shadow Board meets at least monthly to discuss papers that will be going to the Executive Team. Representatives from the Shadow Board then join the relevant Executive Team meeting to offer insights and support decisions as well as playing an important role in communicating the work of the Executive Team and the Shadow Board across the Department.

In addition, the **Serious Case Panel** (SCP) is chaired by a non-executive director. Its purpose is to consider serious systemic issues arising from cases and other insight, impacting on the DWP customer experience and make recommendations to address these issues, in order to reduce the incidence of such cases in future. The panel met quarterly throughout 2021-22 to discuss themes and issues arising from serious case learning.

David Bennett, Non-Executive Director for the Serious Case Panel initiated a review with the Serious Case Panel members. Each member participated in reflective discussions during Autumn 2021 to provide feedback on what was working well and how the panel could be improved. There was a shared desire for the continuation of themes and specifically learning in relation to them and more use of existing governance routes to agree change activity. Activities to embed these improvements are ongoing.

Colleagues across the Department continue to work together to ensure SCP outcomes, and customer experience more broadly, are embedded in wider departmental governance, departmental planning and service transformation.

The panel is currently overseeing the development, impacting, and implementation of a number of changes in alignment with the Department's wider strategic aims. This has seen the embedding of enhanced processes before any decision to stop payments and before making large payments to vulnerable customers in the event of rectifying a previous underpayment. The Panel has supported the continued investment in the role of Advanced Customer Support Senior Leaders (ACSSLs), seeing their numbers increase from 30 to 36 over the last year. These ACSSLs support, coach and engage colleagues across the Department and building and maintaining relationships with external organisations for our most vulnerable customers. We are allocating additional resource in some locations to support ACSSLs to continue the excellent third-party relationships and work in communities to address specific issues facing our customers in different localities.

Based on emerging themes from Internal Process Reviews, as well as a variety of sources of insight from serious cases, the Serious Case Panel has focussed their 2021-22 meetings on the following topics:

In June 2021; the panel discussed DWP's "Operating models for complex issue resolution in serious cases". During the discussion, best practices were shared and areas for improvement identified. We are developing new and strengthened customer experience measures as part of an Enhanced Quality Assurance Framework which is due to be implemented during July 2022.

The Framework will fulfil our ambition to deliver an effective and efficient customer experience which is relative to the unique needs of each customer, moving from a transaction-based approach to a much more holistic quality of service approach. In response to insight and learning from serious cases, the new framework captures customer experience intelligence specifically in relation to advanced customer support, accessibility, six-point plan and telephony; providing an early warning system for the department around customer experience, monetary value of official error, legal and security compliance.

"Supporting customers at risk" was the theme for the panel meeting in September 2021. The need to continually build colleague capability featured in the panel discussions as well as reviewing our internal 'safety net' processes.

The Panel supported the prioritisation of a bespoke Mental Health training package, which is being rolled out across the Department. Since October 2021, 2,384 new recruits have received this training alongside 303 existing staff members. Further to agreement at the Serious Case Panel in June 2022 a condensed version of this training being piloted over the summer before rolling out to our biggest product lines (Universal Credit and Retirement Services) from September. This training includes effective support for colleagues when they are interacting with a customer who is at risk of suicide or self-harm which we call The Six Point plan.

The panel also agreed to expand the use of speech analytics to 100% of our telephony network, to improve our service for customers with complex needs, in particular, those customers who may be at immediate risk of serious harm. Speech analytics is a tool that is widely used by the private sector, and it enables the Customer Experience team to ensure resources are targeted in the best way to help our customers.

In December 2021 the panel considered "Appointees". The panel commissioned discovery work to understand problems and possible solutions in relation to appointees, specifically, around identifying customers who may need an appointee, and identifying and preventing financial abuse by appointees. In particular, we continue to learn from third parties and strengthen our relationships enabling improvements across the various different organisations. Over the past year, we have explored greater use of third-party signposting where it could be of benefit to customers.

More recently, the panel considered "Customer Correspondence" with a view to reducing the volume of written correspondence which requires manual intervention to route to the colleague who will ultimately deal with the customer's issues. The panel endorsed further discovery work and how this can align with service modernisation with regards to optimising the process and ensuring we respond quickly to customers who need our support.

Annually managed expenditure

The Department jointly manages its 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 the Department 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 reviews, legal cases and appeals as provisions. Further details are shown on page 281.

Change assessment gateway

The Change Assessment Gateway (CAG) process helps to evaluate prospective projects and programmes across the Department to ensure alignment with the Department's strategic plans and priorities.

During 2021-22, we introduced a new triage process to enhance the start of the change assessment process by assessing all new change proposals according to key characteristics such as value, risk and complexity. This will help provide a single pipeline view of all new change proposals across the Department, regardless of scale.

Significant projects or programmes on the Department's Change Portfolio will have 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, Change Portfolio Board and their own director general on compliance with departmental guidance and deliverability of the project. The Change Portfolio Board also oversees the Department's single view of change and assures progress and deliverability of the portfolio, on behalf of the Executive Team.

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 six programmes on the GMPP: Universal Credit, Health Transformation, Restart, Workplace Transformation, Pensions Dashboard, and the Building Safety Regulator programmes.

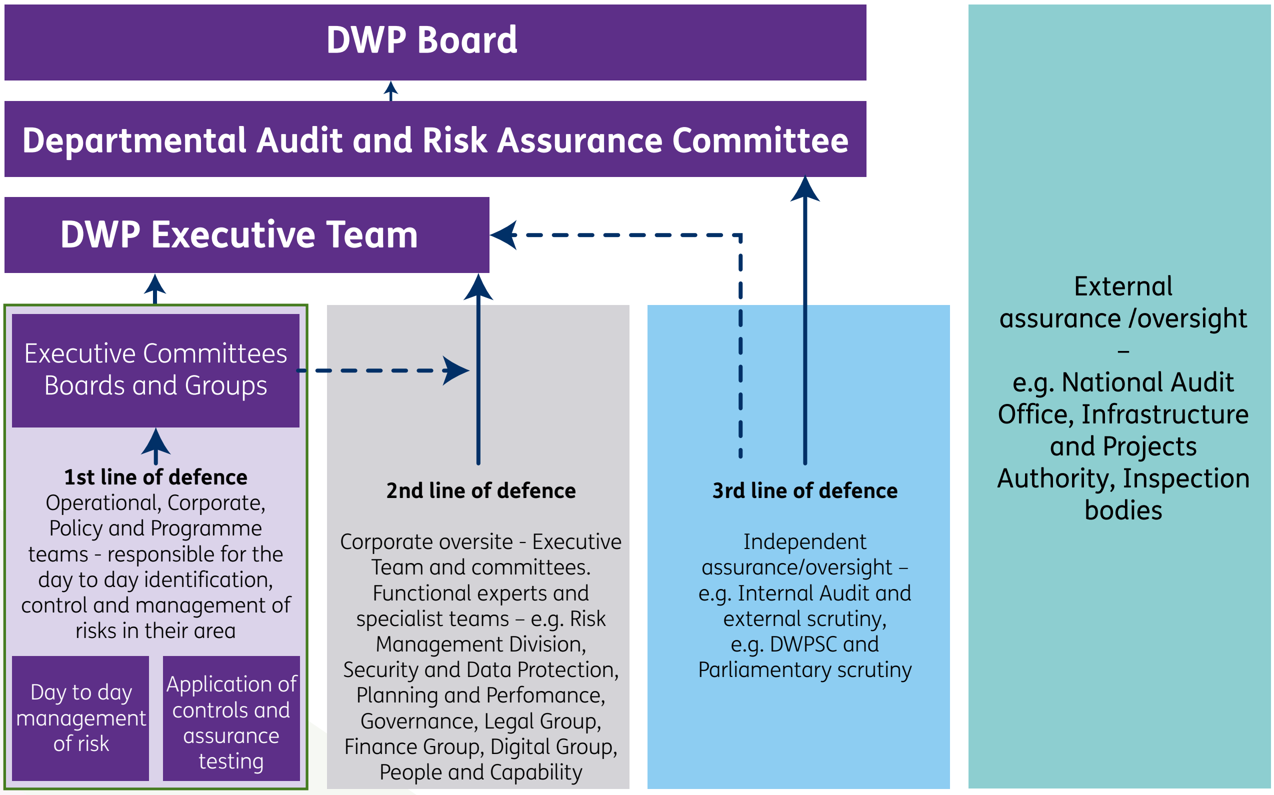
We continue to work closely with the Infrastructure and Projects Authority and HM Treasury who provide independent assurance of our GMPP projects and programmes, including potential new programmes.

Risk management

Throughout 2021-22, COVID-19 has continued to present significant challenges and uncertainty to the Department's operating environment. The risk landscape is complex and multi-faceted as a result, but the Department has adapted to anticipate, identify, and manage the risks which may affect organisational recovery and delivery of an ambitious agenda.

Our system of internal control is derived from the 'Three Lines of Defence model' (see below). It provides a thorough approach to the governance and stewardship of the Department, clarifying the specific roles and responsibilities that are necessary for the effective management of risks within the organisation.

Three Lines of Defence model.



The Chief Risk Officer reports to the Department's Finance Director General and is responsible for ensuring senior sponsorship for effective risk management at the executive level and across departmental forums including the Departmental Audit and Risk Assurance Committee. The Executive Team owns principal risks and nominates responsible officers to ensure that these risks are regularly reviewed and have robust mitigation plans in place to manage them to target level. Risk owners carry out direct management of risks, supported by risk practitioners who assist with identifying, managing, and reporting on the progress and effectiveness of mitigation plans.

This approach is supported by a departmental risk management strategy and framework, which follows the principles set out in the HM Treasury Orange Book (2020) to drive a consistent approach to the monitoring and management of risk.

Our principal risks, which are aligned with the Department's objectives, are regularly reviewed, and updated through consultation, discussion and assurance gathering with risk owners, managers, sponsors, the Executive Team, the Risk Assurance Board, and senior forums. We have focused on ensuring the flight paths to reduce risk levels are well understood and delivered. The Executive Team continued to monitor principal risks and performance in core business activities where failure would have the greatest impact and reviewed the most significant risks associated with major delivery programmes. The Risk Assurance Board also ensured visibility and careful monitoring of emerging and near-term risks. We have made good progress in actively managing and refocusing our principal risks in 2021-22, in line with the evolving external environment and departmental priorities.

Focusing on continuous improvement throughout the year, we have established the Department's risk appetite and tolerance levels to inform and improve decision making. An assessment of the effectiveness of controls and assurance for each of our principal risks across the Three Lines of Defence model has evidenced the level of risk the Department is carrying and highlighted where further assurance activity might be required.

A thorough examination to identify potential threats, risks, emerging issues and opportunities and their effects on organisational resilience has allowed for better preparedness and the incorporation of mitigation and exploitation in risk management processes.

Our public bodies are responsible for their own risk management, with internal board oversight. Work is ongoing to ensure that escalation routes from public bodies to the Department are working effectively to enable the Executive Team to have visibility of cross-cutting 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 enhanced the robustness of assessments.

In 2022-23 we will continue to focus on strengthening and developing the risk management culture across the Department, using risk-based decision making to drive departmental priorities, and ensuring that the effective management of risks is reflected in the Department's Outcome Delivery Plan.

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 standing member 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 maintained our focus on six key areas, which have been endorsed by our Executive Team, to improve our departmental security 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. This has now been communicated throughout the Department
- **Visibility and Control**: We are delivering a multi-year project to establish full visibility and control across the departmental technology estate to identify, detect and respond to threats, provide cyber analytics, and mitigate risks that would otherwise materialise
- **Joiners, Movers and Leavers Project**: 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 have developed 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 significant programme is progressing 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

- **Security Management Information (MI) and Reporting**: The development of a new tool – the Security Assessment Framework will provide up to date information on the maturity, capability, and overall security position within the Department

The CSO also maintains an ongoing security education and awareness programme for all our people and contractors, (including the development of a new mandatory security e-learning course) and provides an education and awareness centre of excellence to the rest of government.

During 2021-22, we have maintained good overall performance in answering Subject Access Requests and carrying out Data Protection Impact Assessments. The Department's Data Protection Officer met with the Information Commissioner's Office (ICO) on a quarterly basis looking at data sharing under the Digital Economy Act and the compliance of the Child Maintenance Service with data protection legislation. The ICO will publish the outcomes of these audits later in the year.

Detail of the number of incidents reported to the Information Commissioner's Office is on page 129.

The Department's security has continued to increase as measured through compliance with minimum government security standards and through assessment of improved governance, policies, processes and technology. Our security maturity continues to improve year-on-year. Our maturity target score is three which we have already achieved in most areas and our plan is to achieve this across all relevant functions by 2023.

Service provider management

During 2021-22 our focus has been on implementing the first year of our commercial strategy and a complete redesign of our commercial function. The strategy and revised operating model went live in May 2022 and further improved the alignment of our commercial teams to the Department's Executive Team structure (page 133).

Following a 2020 Government Internal Audit Agency review which highlighted weaknesses in the way we monitor and review the ongoing financial stability of our strategic suppliers, we have improved the way we obtain and record supplier data. Additionally, we have upskilled our commercial colleagues in financial monitoring and structured completion of regular financial checks, with appropriate oversight. We have also recently added a category risk tool to better enable us to identify suppliers at risk of financial distress.

We are participating in a Cabinet Office programme to establish a single registration for government's suppliers. This will create a single master database across all departments which will hold consistent information on each supplier. Additionally, we continue to develop and embed our process relating to Cabinet Office spending controls. We have frequent account reviews with the Cabinet Office which has enabled us to absorb changes to controls relating to contractors, consultancy, and professional services effectively.

This year we assessed ourselves against the Cabinet Office Commercial Continuous Improvement Assessment Framework (CCIAF). The peer review assessment showed good improvement across all eight framework themes, with every theme being rated at least 'Better'.

Besides improving the way we manage and govern the commercial function, our Commercial Directorate has continued to support the Department at the heart of the Government's drive to help the UK rebuild after the pandemic, with major programmes such as Health Transformation, Restart and the rapid expansion of our office network. We are also committed to implementing the principles of Procurement Policy Note 01/22

‘Russian and Belarusian companies/persons of control’ and are currently undertaking a risk-based assessment of potentially impacted supply chains and market exercises.

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 costings and forecasts for each fiscal event. This improves quality and provides ongoing feedback and learning to analysts.

The Office for Budget Responsibility (OBR) examine our forecasts and costings for all benefits. We work closely with the OBR, involving them in the steering group overseeing the ongoing refinement of a new Universal Credit costings model. During 2021-22, we further developed the model to include post COVID-19 data and assumptions, consolidating it as our principal OBR approved dynamic working age benefit forecasting model.

Shared Services Connected Ltd

Shared Services Connected Ltd (SSCL) was created as a joint venture in 2013, to provide shared finance, HR and procurement services to the public sector, including the DWP. To facilitate the delivery of these services, SSCL is also responsible for the management of the Department’s Single Operating Platform (SOP) System, including its data.

Cabinet Office Government Business Services (GBS) is responsible for the Memorandum of Agreement for shared services between the Cabinet Office and departments. They provide an annual Letter of Assurance to all customers based upon the overall SSCL audit and assurance programme.

The Letter of Assurance covers SSCL shared service provision to the Department and incorporates content from various sources in relation to the 2021-22 Annual Audit Plan. GBS has summarised the findings in the 2021-22 Letter of Assurance as follows:

- Pricewaterhouse Coopers LLP (PwC) overall opinion on the programme of nine reviews completed in SSCL is ‘**Generally satisfactory** with some improvements required’. This is an improvement from 2020-21 where PwC’s assessment was ‘Major improvement required’. There are no specific findings for the Department
- Government Internal Audit Agency (GIAA) completed four end-to-end audits and has provided a ‘**Moderate**’ opinion. Most findings are generic to controls employed by SSCL for all government departments, including DWP
- a plan to address control issues identified in 2020-21 which were not resolved at the time was delivered and closed by GBS in-year
- the re-test of the 2020-21 Information Assurance audit findings was undertaken in quarter four 2021-22. PwC reviewed the status and progress against all agreed actions within the improvement plan

International Standard on Assurance Engagements (ISAE) 3402

As part of the framework agreement, SSCL is required to have several policies and procedures in place, including risk management and a business continuity framework. Compliance checks on these policies and procedures are undertaken as part of the ISAE 3402 Type II Audit and other audit activities. This covers all 226 internal controls included on the SSCL control framework used by all departmental clients. Of the 226 controls 128 are relevant to the Department with nine exceptions noted in respect of these (down from 12 exceptions from 122 controls in 2020-21).

SSCL has accepted all the report findings, agreeing management actions to address these.

On balance and taking account of the GBS Letter of Assurance which consolidates the independent assurance opinions of PwC and GIAA, the SSCL controls can be considered 'generally satisfactory with some improvements required to enhance the adequacy and effectiveness of the framework of governance, risk management and control'. There are no specific concerns for the Department that are likely to impact the statements included in the Annual Report and Accounts.

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.

During 2021-22, each director general provided the Accounting Officer with a Letter of Assurance (LoA) covering the full reporting year. LoAs provide an assessment of the effectiveness of the internal controls that support delivery of business objectives and departmental policies. To support this process, we continue to embed a second line of defence Risk and Control Assessment (RCA) process to evidence the effectiveness of risk management and controls within each group. Our three lines of defence model is on page 142. 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:

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, correcting errors as soon as possible and ensuring that claims are accurately maintained. As reported elsewhere in the report, the overall level of overpayments in the year rose from 3.9% (£8.2 billion) of overall benefit expenditure in the year (£211.7 billion) to 4.0% (£8.6 billion/£215.8 billion). The total rate of overpayments was impacted by the high number of COVID-19 claims still in the Universal Credit (UC) caseload, an increase in the proportion of high-risk claims within UC, the reintroduction of certain key conditionality measures being largely outside the measurement period and an overall increase in UC expenditure.

The total rate of underpayments of benefit remained the same, at 1.2%, with the total value increasing slightly, from £2.5 billion to £2.6 billion.

Full information on our fraud and error activity and performance in 2021-22 can be found on page 301 and full detail on the Comptroller and Auditor General's qualification on pages 215 to 238.

State Pension underpayment

In January 2021 the Department formally commenced a correction exercise to check for historical error where pensioners (mainly women) may have been underpaid their legal entitlement of State Pension. Given the complex nature of the reports used last year from our computer systems to identify all affected customers, we were aware of the limitations and uncertainties of this information. Updated reports run during 2021-22 have provided us with more accurate data on which to base our estimates. This has increased the overall number of cases to be investigated from 400,000 to over 700,000. The key increase being to the number of Missed Conversions the new report has detected for review.

We are aiming to complete the correction exercise by the end of 2023 as stated for the CAT BL and CAT D cohorts. We have not yet fully impacted and assessed all the factors that will impact upon the completion of the increased volumes relating to Missed Conversions.

These factors are considered and subjected to sensitivity analysis as shown in note 16 to the financial statements. This note provides more detail on the factors that could influence the value of arrears that we are showing as a provision in our accounts and also that could impact the timeline for completion for the Missed Conversions cohort.

Making arrears payments will have an impact on our annually management expenditure (AME) budget. We worked with the Government Internal Audit Agency (GIAA), NAO and colleagues in Service Excellence during 2021 to understand how the underpayments occurred and identify potential areas for continuous improvement. The GIAA review concluded with four recommendations for improvement that we have implemented. We will monitor the recommendations on an ongoing basis. The GIAA continue to work closely with the Department's senior management team and will continue the review of historical changes to State Pension to consider whether there may be any further errors in the system, which could mean pensioners are not in receipt of their correct entitlement.

Going forward, we will use the annual review of benefit cases to identify both customer and official error as part of our overall prevention and detection strategy. In addition, we will direct more complex work into specialist areas for control and accuracy purposes providing our people revised work instructions. We have developed data matching rules as an additional layer of assurance and we will continue to check the work to ensure the new instructions are compliant.

Information on the current estimate of total costs can be found at page 286 and information on our progress can be found at page 76.

Home Responsibilities Protection

We are working with HM Revenue and Customs to investigate data discrepancies in the recording of historic periods of awards of Home Responsibilities Protection (HRP). HRP formed part of an individual's National Insurance record. State Pension payments are calculated and administered by the Department, based on the National Insurance records supplied by HM Revenue and Customs. Activity has been underway in HM Revenue and Customs, supported by the Department, to understand more about the scale, potential causes and options to correct these cases. Investigations are complex, involving the use of tailored data reports. The potential numbers of people affected and estimates of cost are unlikely to be available until autumn 2022 at the earliest.

Further detail on our State Pension fraud and error activity in 2021-22 can be found at page 309.

GDPR

During their audit of the Child Maintenance Client Fund Accounts for the 2020-21 financial year, the National Audit Office took a sample of Child Maintenance debt write-off cases and requested primary evidence from customer records that the reasons for write-off were in line with the relevant legislation. For those cases within the sample relating to April and May 2020, the Department was unable to provide this evidence, because the documents had been deleted in line with the Department's 14-month GDPR Data Retention Policy. This meant that the National Audit Office were unable to satisfy themselves that the write-off was regular. The decisions on the GDPR Data Retention policy were taken in 2018.

To prevent this happening again, from 03 April 2022, the length of time that the Department retains the relevant Child Maintenance customer records was extended from 14 months to 24 months.

Regularity of payments

Retrospective requests for approval have been sought from HM Treasury in a small number of instances. The Department has made a series of policy and delivery changes to support the processing of health and disability benefits during the pandemic. This included changes to evidence requirements, increased decision making without referral to an assessment provider and increased use of remote assessment. While all necessary approvals are now in place, HM Treasury expressed concern that some changes that could have affected AME expenditure were not approved ahead of implementation. We have improved our joint governance and reporting arrangements with HM Treasury as part of a programme of work to ensure this is addressed for any future easements or extensions.

Additionally, requests for retrospective approvals were sought by two of our public bodies. Following a legal judgement, the Financial Assistance Scheme (FAS) paid increases to members of the FAS for previous years in arrears, some of which was paid before HM Treasury approval was sought. The National Employment Savings Trust (NEST) made retention payments to three senior executives without HM Treasury approval. NEST declared these payments to HM Treasury in April 2021 and subsequently submitted a business case seeking retrospective approval and this was rejected by HM Treasury. As a result, the NEST accounts are qualified. We continue to engage with HM Treasury on these issues and will consider as part of the wider work on approvals.

Functional Standards

We are having ongoing conversations with the Cabinet Office about the level of standards across all our functions. Functions are developing maturity action plans against each of the standards, which will provide assurance to the Accounting Officer.

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 Government Functional Standards for Grants.

We award grants to a range of organisations across different sectors, to help achieve delivery of departmental objectives. Examples include Kickstart, Household Support Fund and Access to Work schemes.

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 Government Functional Standards for Grants.

For the most significant grants, we use the Cabinet Office's Complex Grants Advice Panel (CGAP) and fraud risk assessment resources to shape grant design and mitigate risk. CGAP was helpful in helping to flag risks and mitigations within the Kickstart and Household Support Fund schemes.

The Department's Grants Approval Board (GAB) is well established and has responsibility for ensuring that new schemes and grant extensions above £100,000 reflect best practice. The board ensures that grant owners demonstrate how all aspects of the functional standards are met before a scheme is approved. The senior process owner is developing proposals to extend the role of GAB to include long established grant schemes which would not normally come to the board for approval.

To underpin the Grants Functional Standard, the Cabinet Office has produced a maturity matrix which includes 258 compliance indicators. The indicators are rated as "Good", "Better" and "Best" practice. Departments are required to self-assess their compliance with all indicators and the results are validated by the Government Internal Audit Agency (GIAA) Function. The latest self-assessment and GIAA review were completed in February 2022. The Department has achieved the "Good" standard and the GIAA review concluded that we have demonstrated continuous improvement raising its score year-on-year from 53% to 64% and met all but two of the mandatory minimum standards. The two requirements not met required all grants above £100,000 to have an actively managed risk register and for all schemes to carry out a fraud risk assessment. We are working with the Cabinet Office to agree a proportionate response to these requirements. We have updated our grants continuous improvement plan to reflect the outcome of the latest self-assessment and have a plan in place to implement the agreed improvements.

Assurances covering our public bodies

For 2021-22 the Director General, Disability, Health and Pensions provided assurance on the governance and control arrangements for the public bodies which deliver outcomes on our behalf. 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, risks, 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 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 relevant leads from all our bodies to share their experience and challenges through senior leadership, HR, commercial and finance forums. In 2021 we added a digital forum and in 2022, we are establishing a project/change management forum.

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 identifying their own risks and risk management is overseen by their audit and risk assurance committees. Our Arm's Length Bodies Partnership Division reviews risks as part of the quarterly accountability review process. Our oversight arrangements support the performance of each body, enhance the protection given to the Permanent Secretary as Principal Accounting Officer and assure the Departmental Board, the Executive Team and DARAC 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 Money and Pensions Service and National Employment Savings Trust were completed and published during 2021-22. The post implementation review of the Office for Nuclear Regulation, undertaken jointly with the Department for Business, Energy and Industrial Strategy, was completed, and will be published in due course.

In response to a court ruling (The Board of the PPF v Dalriada Trustees Ltd) in November 2020, which found that as a result of pension liberation fraud some pension schemes were eligible to claim from the Fraud Compensation Fund (FCF). The Compensation (London Capital and Finance plc and Fraud Compensation Fund) Act, which received Royal Assent in October 2021, provides the Secretary of State the power to make loans to the Pension Protection Fund (PPF) for the purposes of the FCF. The loans, which will be drawn down based on need, will ensure that the PPF has sufficient resources to meet eligible claims against the FCF in a timely manner. The loan will be recovered through the Fraud Compensation Levy on eligible occupational pension schemes.

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. All public body appointments activity for 2021-22 is listed below.

PUBLIC BODY.	NEW APPOINTMENT (up to 5 years)	REAPPOINTMENT (up to 5 years)	EXTENSION (up to 12 months)
Health and Safety Executive	**Non-executive Director** Debbie Gillatt Gina Radford		**Non-executive Director** Elaine Bailey
National Employment Savings Trust Corporation	**Chair** Brendan McCafferty **Non-executive Director** Sarah Laessig Myfanwy Barrett		
Industrial Injuries Advisory Council	**Member** Damien McElvenny Gareth Walters	**Member** Ian Lawson	

PUBLIC BODY.	NEW APPOINTMENT (up to 5 years)	REAPPOINTMENT (up to 5 years)	EXTENSION (up to 12 months)
Social Security Advisory Committee	**Member** Matthew Doyle	**Member** Bruce Calderwood Carl Emmerson Charlotte Pickles	**Member** Chris Goulden
The Pensions Ombudsman	**Non-executive Director** Mark Ardron Myfanwy Barrett Robert Branagh Emir Feisal		**Ombudsman** Anthony Arter
Pension Protection Fund	**Chair** Kate Jones		
The Pensions Regulator	**Chair** Sarah Smart		**Non-executive Director** Kirstin Baker Robert Herga
The Office for Nuclear Regulation		**Non-executive Director** Sir Simon Lister	

Assurance from other sources

The National Audit Office (NAO) undertook a number of cross-government investigations and value for money (VFM) studies involving departmental activity during the year. Some of these continued to relate to COVID-19 and how government departments reacted to the onset of the pandemic. They also undertook DWP specific studies on State Pension underpayments, Kickstart, Child Maintenance and have recently commenced a study on Restart. 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.

To support the Department's portfolio of change, the Infrastructure and Projects Authority (IPA) undertook five independent reviews of our Government Major Programmes Portfolio (GMPP) programmes during 2021-2022. These programmes have ongoing engagement with the IPA, systematically providing updates against their delivery confidence recommendations to support successful delivery. Information on the IPA assessment of our GMPP programmes can be found in the IPA transparency report at www.gov.uk.

We have made good progress in implementing the recommendations from the independent review led by WS Atkins which explored whether the Department's structures and governance mechanisms were best practice for delivering major projects and programmes. This year, we have brought together all projects and programmes from across the Department into a single view of change. This allows us to understand the broader change landscape, assess progress, ambitions, and challenges, and positions the Department to better understand how deliverable those ambitions are when looked at in totality. This – together with other activities to improve capacity and capability of staff and offer of a structured learning and development path – is providing us with the enablers to continue to improve our approach to portfolio management.

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). The assurance opinion is derived from a risk-based plan of work which has been agreed with the Executive Team and approved by DARAC. As with prior years, there were some changes to the planned programme of work 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 2021-22, observing that "Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control".

The Department continued to respond to the challenges posed by the pandemic, both in terms of reducing backlogs but also in tackling some of the fraud which had entered DWP systems during the "Trust and Protect" regime which operated for part of the pandemic. As a result, the levels of fraud, which, whilst remaining historically high, were lower than they might otherwise have been had the Department not taken proactive measures to seek to deal with the large increase in fraud.

As a result of a positive Spending Review outcome, the Department is now investing significant resources to take further measures to bring down the levels of fraud. Success will be important in terms of maintaining an effective control environment. Internal Audit endorse the Department's approach and efforts to reduce fraud and error but remain mindful of the importance of the evaluation and measurement of actions and the underlying assumptions which will need to be reviewed regularly. In May 2022 the Department published its new fraud plan "Fighting Fraud in the Welfare System" which centres on three key areas of focus, including investing in frontline resources and data analytics capability, creating new legal powers to deal with fraudsters and bringing the public and private sector together more effectively to tackle fraud.

During the year the Department maintained a broadly effective control environment. Internal Audit were able to complete a larger programme of work this year than during 2020-21; a similar proportion of assurance reviews concluded with a substantial or moderate audit opinion (87% of assurance opinions in both 2021-22 and 2020-21). This had built on improvements in previous years. Internal Audit continued to provide support in year to improve the efficiency and effectiveness of the delivery of Kickstart to maximise the filling of vacancies until the scheme closed to new applications.

The Department has experienced challenges around capacity and capability in year. This includes being able to tackle the State Pension underpayments correction exercise whilst maintaining resilience in Retirement Services and dealing with backlogs which arose during the pandemic. There are capacity constraints within Project Delivery and significant additional resources are required to tackle fraud in the system.

Whilst the majority of reviews undertaken by Internal Audit concluded with a moderate or better audit rating, areas for improvement were identified, including:

a. ensuring that the Department learns the lessons from some of the challenges experienced during the implementation of the £2.7 billion Restart scheme. A significant amount of rework has been required due to some of the assumptions not being realised, including on the numbers of suitable claimants

b. ability to accurately forecast financial expenditure to meet HM Treasury requirements. In the last few years, the Department has found it difficult to forecast expected outturn figures and in 2021-22, a significant amount of DEL expenditure fell out of the plan. Internal Audit recognise that the Department is taking proactive measures to further improve in this area

c. meeting the challenges of an ambitious transformation agenda to improve the customer experience, automate services where feasible and appropriate, and improving departmental efficiencies to drive savings. The Department has continued to experience difficulties in transforming health assessment services and had to pause some transformation activity to prevent a further rise in backlogs. Transformation is set against a continuing rise in demand for Personal Independence Payment which creates a complex landscape within which to seek to deliver meaningful transformation. Looking ahead to 2022-23, the Department needs to progress the "Move to Universal Credit" for the remaining customers on legacy benefits and has an ambitious Service Modernisation agenda for legacy systems. Effective collaboration across the Department and rigorous governance will be required to successfully deliver these programmes during the Spending Review period

d. the Department has an ageing security technology infrastructure but has successfully obtained funding in the Spending Review period to deliver the required physical security improvements to effectively protect customers and staff, including the ability to successfully prosecute those who step outside of the boundaries of acceptable behaviour

e. changes are required to how the user access control processes for Universal Credit processing operate to address concerns around the significant number of user accounts remaining with Advanced Access privileges, to reduce the number of Advanced Accounts to an acceptable level

f. control improvements are required over the treatment of Special Customer Records within the Department to ensure that the records of vulnerable customers are properly protected to safeguard those customers

Whistleblowing

Our employees are encouraged to speak up about any allegations of wrongdoing. This can be via our departmental grievance policy for any personal matters or for a concern about any wrongdoing in our organisation via our whistleblowing process. There is a range of ways they can do this, confidentially and where necessary, anonymously.

The number of concerns raised as whistleblowing in 2021-22 increased to fifty-seven cases compared to the previous year's thirty-seven cases. The majority of these cases were raised directly with the Department's 'Whistleblowing Hotline' which is a dedicated line that enables any employee to report a public interest concern for independent investigation. Thirty cases were accepted for investigation by the Government Internal Audit Agency (GIAA) Counter Fraud and Investigation Team of which twelve were found to have no case to answer, eight resulted in a case to answer with a further four letters sent to line management for local consideration and six investigations are ongoing in 2021-22. This is compared to eleven cases investigated by GIAA in 2020-21 where eight investigations resulted in no case to answer, two resulted in a case to answer and one letter to the business manager.

We continue to work closely with GIAA to raise awareness of whistleblowing to ensure that issues raised are taken seriously and appropriately investigated wherever possible.

Permanent Secretary's assessment of the system of control and the significant challenges for 2022-23

Following 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.

The Department continues to provide essential services to citizens as we emerge from the COVID-19 pandemic. The operating environment remains uncertain, presenting new challenges that will need to be continually impacted on the Department risk profile. These include cost of living increases, the economic environment and general global instability. The impacts and risks will be varied, and it is essential that we understand the range of interdependencies. It is important that all our people have the right risk management capability to continue to deliver our critical services, positively changing the lives of customers, while supporting organisational resilience and the UK's economic recovery.

A sound risk management strategy is integral to the Department's delivery plans. It ensures a consistent approach to risk management across the organisation, allowing identification of cross-cutting risks and challenges and providing a mechanism for managers to identify risks, with a route of escalation to those accountable. Through identification, assessment and proportionate mitigation of risks that threaten to undermine achievement of our business objectives and delivery of our services, we have been able to navigate through the uncertainties of the pandemic and demonstrate our resilience.

A strong risk management framework, coupled with a robust assurance programme and regular re-evaluation of our risks, ensure that we remain sighted on key priorities within a risk landscape that is highly complex as we emerge from the pandemic. As we enter 2022-23, our principal risk themes reflect the ongoing challenges to delivery of our services and for our people:

Stabilisation, recovery, and transformation of services, increasing capacity and capability to maximise delivery

As we emerge from the pandemic, we will ensure that our leadership effort prioritises delivery of services at full quality. Recruitment and redeployment of staff is at a scale greater than pre-pandemic times leading to training and productivity pressures and we must ensure that we build capacity to support the economic recovery. The Department is also in a multi-year transformation period, with multiple programmes significantly stretching the capacity and capability of our people.

We will also need to prioritise and effectively manage the capability of our systems, removing any outdated technology that may put services at risk.

Flexibility, inclusivity, engagement, and continuous learning helps the Department in formulating, shaping, and defining our products and services so that we provide 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 high-quality and reliable welfare and pensions service, upon which customers depend and in which they place their trust, is challenging and demands the utmost levels of integrity. It is, also, prone to the risks associated with individual and organised fraud, official and customer error and resultant debt.

Tackling these risks is a top-level priority for the Department and our investment in resource and digital solutions demonstrates our commitment to improving our systems and processes and driving down the monetary value of fraud and error. Accuracy and timeliness of benefit awards is of paramount importance to the Department: we deploy a robust quality assurance framework to ensure that we identify and reduce error and have invested in technology to identify and recover funds that have been obtained fraudulently. In line with National Audit Office and Public Accounts Committee recommendations, we continue to work towards better cost-effective controls in the detection and prevention of fraud and error. We are building more robust mitigations into our processes and systems to prevent fraud and error. We are developing the capability of our frontline teams to reduce error through learning and quality assurance programmes and developing improved data and management information to facilitate early detection of fraud. All these activities will lead to real reduction of our monetary value of fraud, error and debt.

Leading the national effort to get people into jobs, improve lives, help communities, and rebuild the economy

The COVID-19 pandemic, and the economic uncertainty that it generated, presented some clear challenges for the Department. Record numbers of citizens have turned to the Department for support, and we have been able to respond through recruitment of frontline personnel, adjustments to policies and processes and investment in technology to adapt our systems. By providing targeted support through our Plan for Jobs suite of programmes, we have been successful in moving claimants off benefits and into employment and supporting the Government's goal to build back better. We will follow the success of these programmes with our Way to Work initiative, aimed at placing a further 500,000 citizens into employment by the summer.

With the re-commencement of our Move to UC programme, we will continue to transition claimants from legacy benefits across to Universal Credit, helping more customers to access employment by utilising the full range of Universal Credit services. Working with delivery partners, we will offer our citizens both job and career opportunities through the delivery of support to acquire employment skills, gain qualifications and the opportunity to access new career paths via specific learning and skills-based training.

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.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

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. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP £81,932 (from 1 April 2021)[18] and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures on page 159.

Bonuses

Bonuses are non-consolidated variable performance related payments awarded to our civil servants below SCS grade at the end of the year. In order to be eligible, staff need to be in post on 31 March and 1 July and must not be undergoing formal poor performance action. Bonus payments are normally paid in July for performance in the preceding financial year, therefore payments made in 2021-22 relate to performance between 1 April 2020 and 31 March 2021.

18 www.theipsa.org.uk

In addition, SCS bonus payments are based on performance assessments against the framework for SCS Performance Management and Pay prescribed by Cabinet Office. Those that are assessed as top are eligible for a non-consolidated performance related payment.

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 or minister held directorships that conflicted with their management responsibilities in 2021-22.

A list of ministerial board members' interests can be viewed online at www.gov.uk/government/publications/dwp-register-of-interests

Remuneration and pension entitlements for ministers and executive directors

Ministers' pay

(This information is subject to audit)

	2021-22					2020-21				
Ministers	**Salary £**	**Full year equivalent £**	**Severance payments £**	**Pension benefits to nearest £1,000**[19]	**Total to nearest £1,000**[20]	**Salary £**	**Full year equivalent £**	**Severance payments £**	**Pension benefits to nearest £1,000**[19]	**Total to nearest £1,000**[20]
Rt Hon Thérèse Coffey MP from 8 September 2019	67,505	67,505	–	8,000	76,000	67,505	67,505	–	8,000	75,000
Guy Opperman MP from 14 June 2017	22,375	22,375	–	6,000	28,000	22,375	22,375	–	5,000	28,000
Justin Tomlinson MP from 4 April 2019 Left 15 September 2021	14,520	31,680	7,920	3,000	26,000	31,680	31,680	–	8,000	39,000
Mims Davies MP from 26 July 2019	22,375	22,375	–	6,000	28,000	22,375	22,375	–	5,000	28,000
Will Quince MP from 26 July 2019 Left 15 September 2021	11,185	22,375	–	3,000	14,000	22,375	22,375	–	5,000	28,000
Baroness Stedman-Scott OBE DL from 30 July 2019	107,335	107,335	–	4,000	112,000	107,335	107,335	–	17,000	125,000
Chloe Smith MP from 16 September 2021	15,840	31,680	–	4,000	20,000	–	–	–	–	–
David Rutley MP from 17 September 2021	11,360	22,375	–	–	11,000	–	–	–	–	–

Baroness Stedman-Scott opted out of the Parliamentary Contributory Pension Fund (PCPF) on 30 June 2021 the disclosed amount relates to the period while she was in the scheme. Her salary disclosed above includes Lord Office-holders Allowance of £36,366 for 2021-22 (£36,366 for 2020-21).

David Rutley has been opted out of the PCPF throughout his appointment.

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.

No minister received any benefit in kind.

19 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.

20 Totals may not sum due to rounding on pension and totals columns.

Executive directors' pay

(This information is subject to audit)

	2021-22					2020-21				
Executive directors	**Salary £000**	**Bonus payments £000**	**Pension benefit to nearest £1,000**[21]	**Benefit in kind £000**	**Total to nearest £1,000**[22]	**Salary £000**	**Bonus payments £000**	**Pension benefit to nearest £1,000**[21]	**Benefit in kind £000**	**Total to nearest £1,000**[22]
Peter Schofield CB from 18 July 2016	185-190	15-20	33	–	235-240	185-190	15-20	99	–	305-310
Debbie Alder CB from 1 January 2014	145-150	10-15	57	–	210-215	145-150	0-5	57	–	205-210
Neil Couling CBE from 1 October 2014	165-170	10-15	16	–	195-200	155-160	–	90	–	245-250
Jonathan Mills from 29 August 2017	135-140	0-5	35	–	175-180	135-140	0-5	60	–	200-205
John-Paul Marks from 12 March 2018 left 31 December 2021	105-110 (FYE 145-150)	10-15	31	–	150-155	140-145	5-10	79	–	230-235
Nick Joicey CB from 30 July 2018	150-155	0-5	36	–	190-195	150-155	10-15	69	–	230-235
Simon McKinnon CBE from 1 January 2019	155-160	–	60	–	215-220	155-160	–	60	–	215-220
Amanda Reynolds from 1 February 2021	145-150	–	58	–	205-210	20-25 (FYE 145-150)	–	10	–	30-35
Katie Farrington from 15 March 2021	120-125	5-10	87	–	210-215	5-10 (FYE 120-125)	–	6	–	10-15
Karen Gosden from 4 January 2022	25-30 (FYE 120-125)	–	30	0.4	60-65	–	–	–	–	–
Emma Haddad from 15 April 2019 to 31 January 2021	–	–	–	–	–	105-110 (FYE 130-135)	–	70	–	175-180

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.

Karen Gosden was the only director to receive benefit in kind during 2021-22. This related to use of a vehicle.

Mel Nebhrajani (appointed 4 October 2021) holds the role of Director General, Legal Services and is our senior legal advisor. Prior to Mel's appointment, Wendy Hardaker was was the interim DG Legal Services following Susanna McGibbon's departure (10 December 2018 to 5 March 2021). Our legal services are provided by the Government Legal Department (GLD) and as such, their remuneration is disclosed in GLD's Annual Report and Accounts 2021-22.

21 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.

22 Totals may not sum due to rounding on pension and totals columns.

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 lower, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the DWP in the financial year 2021-22 was £205,000 to £210,000 (2020-21: £205,000 to £210,000). This was 7.49 times (2020-21: 7.49) the median remuneration of the workforce, which was £27,710 (2020-21: £27,668).

The table below shows further analysis of the pay ratios.

Year	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2021-22	9.40:1	7.49:1	6.68:1
2020-21	9.52:1	7.49:1	6.93:1

A reduction in the 25th and 75th percentile ratios reflect the change in workforce structure i.e. there are less lower grade employees and more higher grade employees. Additionally, the increase in the minimum salary has impacted.

The median pay ratio has stayed static due to the number of employees in that bracket and also the pay freeze as a result of the Spending Review 2020.

Pay and benefits of employees

The table below shows the total remuneration and the salary element of total remuneration for each of the quartiles.

Year	25th Percentile total remuneration (salary element)	Median total remuneration (salary element)	75th Percentile total remuneration (salary element)
2021-22	£22,085 (£21,262)	£27,710 (£27,565)	£31,061 (£31,061)
2020-21	£21,807 (£21,012)	£27,668 (£27,565)	£29,924 (£29,771)

In 2021-22 and 2020-21 no employees received remuneration in excess of the highest-paid director. Banded remuneration ranged from £19,500 – £20,000 to £205,000 – £210,000 (2020-21: £19,500 – £20,000 to £205,000 – £210,000).

Percentage change in remuneration from 2020-21

On average, employees, not including the highest-paid directors, had a pay and benefits increase of 1.90%. The highest paid director had no increase in pay and benefits between the 2 years.

Percentage change in total remuneration	Highest paid director	Average of total employees
Change from 2020-21	0.00%	1.90%

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.

Non-executive directors' fees

(This information is subject to audit)

Non-executive directors	Board	Fees 2021-22 to the nearest £000	Benefit in kind 2021-22 to the nearest £00	Fees 2020-21 to the nearest £000	Benefit in kind 2020-21 to the nearest £00
David Holt from 03 May 2019 to 02 May 2025	Departmental Board, DARAC chair, Health Transformation board chair and Delivery Board	20,000	–	20,000	–
Tim Nolan from 01 July 2019 to 30 June 2022	DARAC	15,000	–	15,000	–
Ashley Machin from 13 November 2020 to 12 November 2023	Departmental Board, DARAC, Transformational Advisory Committee chair and Delivery Board	20,000	–	20,000	–
Eleanor Shawcross from 10 June 2020 to 09 June 2023	Departmental Board and Delivery Board	15,000	–	12,000	–
Nick Markham from 07 July 2020 to 06 July 2023	Lead non-executive, Departmental Board, Delivery Board and NOMS	20,000	–	15,000	–
Sally Cheshire from 10 August 2020 to 09 August 2023	DARAC	15,000	–	10,000	–
Ian Wilson from 10 August 2020 to 09 August 2023	DARAC	15,000	–	10,000	–
John Clarke from 13 November 2020 to 31 May 2021	Digital Advisory Committee	2,500	–	15,000	–
Keith Burgess from 13 November 2020 to 31 May 2021	Digital Advisory Committee	2,500	–	15,000	–
Valerie Hughes-D'Aeth from 09 February 2021 to 08 February 2024	Departmental Board, Delivery Board and NOMS chair	20,000	–	3,000	–

Non-executive directors	Board	Fees 2021-22 to the nearest £000	Benefit in kind 2021-22 to the nearest £00	Fees 2020-21 to the nearest £000	Benefit in kind 2020-21 to the nearest £00
David Bennett from 23 February 2021 to 22 February 2024	Departmental Board, Delivery Board and Serious Case Panel chair	20,000	–	2,000	–
John McGlynn from 05 August 2021 to 03 February 2023	UC Programme Board chair	Fee waived	–	–	–
Charlie Steel from 03 September 2021 to 02 September 2024	Non-executive Board Member-Transformation Advisory Committee	9,000	–	–	–
Simon Sear from 03 September 2021 to 02 September 2024	Non-executive Board Member-Transformation Advisory Committee	9,000	–	–	–
Arabel Bailey from 03 September 2021 to 02 September 2024	Non-executive Board Member-Transformation Advisory Committee	9,000	–	–	–
Sara Weller CBE from 20 April 2017 to 24 April 2020	Departmental Board, Nominations Committee and Delivery Board	No longer on the board	–	–	200
Hayley Tatum from 13 November 2017 to 30 November 2020	Departmental Board, Nominations Committee and Delivery Board	No longer on the board	–	10,000	–
Rachel Wolf from 10 June 2020 to 03 December 2020	Departmental Board and Delivery Board	No longer on the board	–	7,000	–
Total		**192,000**	**–**	**154,000**	**200**

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 2022 £000	Real increase in pension at age 65 £000	Cash equivalent transfer value at 31 March 2022 £000	Cash equivalent transfer value at 31 March 2021 £000	Real increase in cash equivalent transfer value £000
Rt Hon Thérèse Coffey MP	0-5	0-2.5	51	41	4
Guy Opperman MP	0-5	0-2.5	40	33	3
Justin Tomlinson MP	0-5	0-2.5	25	22	1
Mims Davies MP	0-5	0-2.5	20	15	2
Will Quince MP	0-5	0-2.5	9	7	1
Baroness Stedman-Scott OBE DL	0-5	0-2.5	46	40	4
Chloe Smith MP	0-5	0-2.5	53	49	1

Where a minister joined or left our department part way through the year, the 'cash equivalent transfer value' column refers to those dates and not 31 March.

Executive directors	Accrued pension at pension age as at 31 March 2022 £000	Real increase in pension and related lump-sum at pension age £000	Cash equivalent transfer value at 31 March 2022 £000	Cash equivalent transfer value at 31 March 2021 £000	Real increase in cash equivalent transfer value £000
Peter Schofield CB	75-80 plus a lump-sum 165-170	2.5-5 plus a lump-sum of 0	1,394	1,307	5
Debbie Alder CB	35-40	2.5-5	543	484	35
Neil Couling CBE	75-80 plus a lump-sum of 185-190	0-2.5 plus a lump-sum of 0	1,654	1,562	-5
Jonathan Mills	45-50 plus a lump-sum of 80-85	0-2.5 plus a lump-sum of 0	690	639	10
John-Paul Marks	40-45	0-2.5	532	511	7
Nick Joicey CB	55-60 plus a lump-sum of 90-95	2.5-5 plus a lump-sum of 0	967	902	12
Simon McKinnon CBE	45-50	2.5-5	820	735	49
Amanda Reynolds	0-5	2.5-5	47	7	29
Katie Farrington	30-35 plus a lump-sum of 50-55	2.5-5 plus a lump-sum of 5-7.5	540	452	60
Karen Gosden	55-60 plus a lump-sum of 120-125	0-2.5 plus a lump-sum of 0-2.5	1,076	1,044	24
Emma Haddad	–	–	–	492	–

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 (details of which are not included 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

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 when the member leaves a scheme and chooses to transfer the benefits 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[23]

(This information is subject to audit)

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

					2021-22	2020-21
					Number	Number
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Number of staff	70,713	18,584	6	3	89,306	80,043
Staff engaged on capital projects	177	6	–	–	183	210
Total	**70,890**	**18,590**	**6**	**3**	**89,489**	**80,253**
Of which:						
Core department	67,179	18,265	6	3	85,453	75,368
Arm's length bodies	3,711	325	–	–	4,036	4,885
Total	**70,890**	**18,590**	**6**	**3**	**89,489**	**80,253**

23 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).

Senior Civil Servants

Our executive directors are all Senior Civil Servants. In total there were 268 individual Senior Civil Servants, totalling 261 whole-time equivalents, as at 31 March 2022. This is an increase on last year.

Senior Civil Servant headcount by pay band		March 2017	March 2018	March 2019	March 2020	March 2021	March 2022
Permanent Secretary	£150,000-£200,000	1	1	1	1	1	1
SCS3	£111,500-£208,100	6	6	5	5	7	7
SCS2	£93,000-£162,500	42	38	43	46	46	55
SCS1	£71,000-£117,800	158	157	168	165	186	205
Total		**207**	**202**	**217**	**217**	**240**	**268**

Staff expenditure

(This information is subject to audit)

	Permanently employed staff	Others	Ministers	2021-22 Total	2020-21 Total
	£000	**£000**	**£000**	**£000**	**£000**
Wages and salaries	2,585,900	325,841	281	2,912,022	2,672,791
Employers' National Insurance	256,592	6,940	30	263,562	229,685
Superannuation and pension costs	689,968	–	–	689,968	595,437
Total	**3,532,460**	**332,781**	**311**	**3,865,552**	**3,497,913**
Less recoveries in respect of outward secondments	(439)	–	–	(439)	(1,573)
Total net costs	**3,532,021**	**332,781**	**311**	**3,865,113**	**3,496,340**

	Charged to staff budgets	Charged to Capital budgets	Total
	£000	**£000**	**£000**
Core department	3,594,140	9,380	3,603,520
ALBs	271,412	545	271,957
Total	**3,865,552**	**9,925**	**3,875,477**

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 2021-22, we paid employer contributions of £685 million to the PCSPS and the CSOPS (2020-21: £588 million). These were at one of four rates in the range 26.6% to 30.3% (2020-21: 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 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £68.0 million (2020-21: £66.2 million) were payable to the Civil Superannuation Vote at 31 March 2022 and are included in trade payables and other liabilities (see note 14).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In total we paid employers contributions of £3.0 million (2020-21: £5.6 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 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 £0.3 million. There were no prepaid contributions at that date.

In 2021-22, 62 people (2020-21: 57 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £250,493 (2020-21: £319,194).

Reporting of Civil Service and other compensation schemes – exit packages

(This information is subject to audit)

Table 1: 2021-22

	Core department			Departmental group		
Exit package cost band	Number of compulsory redundancies[24]	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	28	2	**30**	28	8	**36**
£10,001–£25,000	15	10	**25**	15	11	**26**
£25,001–£50,000	32	50	**82**	33	51	**84**
£50,001–£100,000	16	1	**17**	16	1	**17**
£100,001–£150,000	–	–	**–**	–	1	**1**
£150,001–£200,000	–	–	**–**	–	–	**–**
Total number of exit packages	**91**	**63**	**154**	**92**	**72**	**164**
Total cost £000	**2,511**	**1,928**	**4,439**	**2,538**	**2,137**	**4,675**

Table 2: 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**

24 All of the compulsory redundancies relate to Inefficiency Dismissal With Compensation Cases (IDWCs)

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 2021-22 (2020-21 comparative figures are also given). £4.7 million exit costs were paid in 2021-22, the year of departure (£4.1 million in 2020-21). 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. Off-payroll engagements includes any appointee who is not on the Department's payroll.

We continuously review 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 2021-22.

Off-payroll

Table 1: Highly paid off-payroll worker engagements as at 31 March 2022, that were paid £245 per day or greater

	Core department	ALBs	Departmental group
No. of existing engagements as of 31 March 2022	**995**	**161**	**1,156**
Of which:			
No. that existed < 1 year at time of reporting	**438**	**126**	**564**
No. that have existed for between 1 and 2 years at time of reporting	**366**	**31**	**397**
No. that have existed for between 2 and 3 years at time of reporting	**65**	**3**	**68**
No. that have existed for between 3 and 4 years at time of reporting	**55**	**1**	**56**
No. that have existed for 4 or more years at time of reporting	**71**	**0**	**71**

Table 2: All highly paid off-payroll workers engagements engaged at any point during the year ended 31 March 2022, earning £245 per day or greater

	Core department	ALBs	Departmental group
No. of new engagements between 1 April 2021 and 31 March 2022	**1,621**	**279**	**1,900**
Of which:			
No. of appointments to which the off-payroll legislation does not apply	**1,571**	**83**	**1,654**
No. assessed as caught by IR35 (In scope)	**39**	**194**	**233**
No. assessed as not caught by IR35 (Out of scope)	**11**	**2**	**13**
No. of engagements reassessed for consistency/ assurance purposes during the year	**–**	**118**	**118**
No. of engagements that saw a change to IR35 status following consistency review	**–**	**–**	**–**

- 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 HM Revenue and Customs’ CEST (Check Employment Status Tool)
- All engagements of highly paid workers, which are not on the Department’s payroll, are included in the off-payroll tables
- Highly paid engagements include payments to individuals of at least £245 per day

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

	Core department	ALBs	Departmental group
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	–	–	–
Total no. of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both on payroll and off-payroll engagements.	58	15	73

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)	2021-22	2020-21
Core department	5.3	19.5
Arm's length bodies	10.7	9.5
Departmental group	**16.0**	**29.0**

Temporary (off-payroll) staff (£m)	2021-22	2020-21
Core department	197.6	226.3
Arm's length bodies	23.3	31.6
Departmental group	**220.9**	**257.9**

Departmental group whole time equivalent off-payroll staffing as at 31 March	March 2022	March 2021
Core department	684.0	2,629
Arm's length bodies	262.3	205.3
Departmental group	**946.3**	**2,834.3**

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

Staff absence

At 31 March 2022 there were an average of 5,951 open absences each day in DWP (including all sickness and non-sickness categories, including COVID-19 related). This represents 6.44% of the DWP workforce, which is marginally higher than in March 2021 (5.4%).

At its peak (31 March 2020), the number of DWP employees on Special Leave with Pay due to COVID-19 was 20,174. As at March 2022 that figure has reduced to just 56.

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 was 7.18, up from 5.17 on 31 March 2021 but down from 8.11 at 31 March 2020. The AWDL figure only includes "Business As Usual" (BAU) sickness absence and not that related specifically to COVID-19.

Mindful too 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 59,000 of our employees (62%) completed the 2021 people survey. We achieved an Employee Engagement Index score of 62%. The underlying results showed that our people continue to believe that they are working well in their teams, with their line managers and that we are continuing to build an inclusive culture that reflects its Values.

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
44%	48%	54%	55%	56%	61%	60%	59%	59%	63%	62%

Inclusion, Wellbeing, and bullying, harassment and discrimination (BHD) continue to be a focus for the Department. We continue to support a community of over 1,700 mental health first aiders and have continued to build a network of Ambassadors for Fair Treatment. Their role is to provide support to those who believe they have witnessed, are facing or have been accused of BHD, and to signpost to further support where appropriate.

We have continued to expand our colleague listening programme following the introduction of a regular Wellbeing Pulse Survey in 2020. These surveys are there to give all of our employees a regular opportunity to share with us how they are feeling and for us to have a real time view of the wellbeing of our staff.

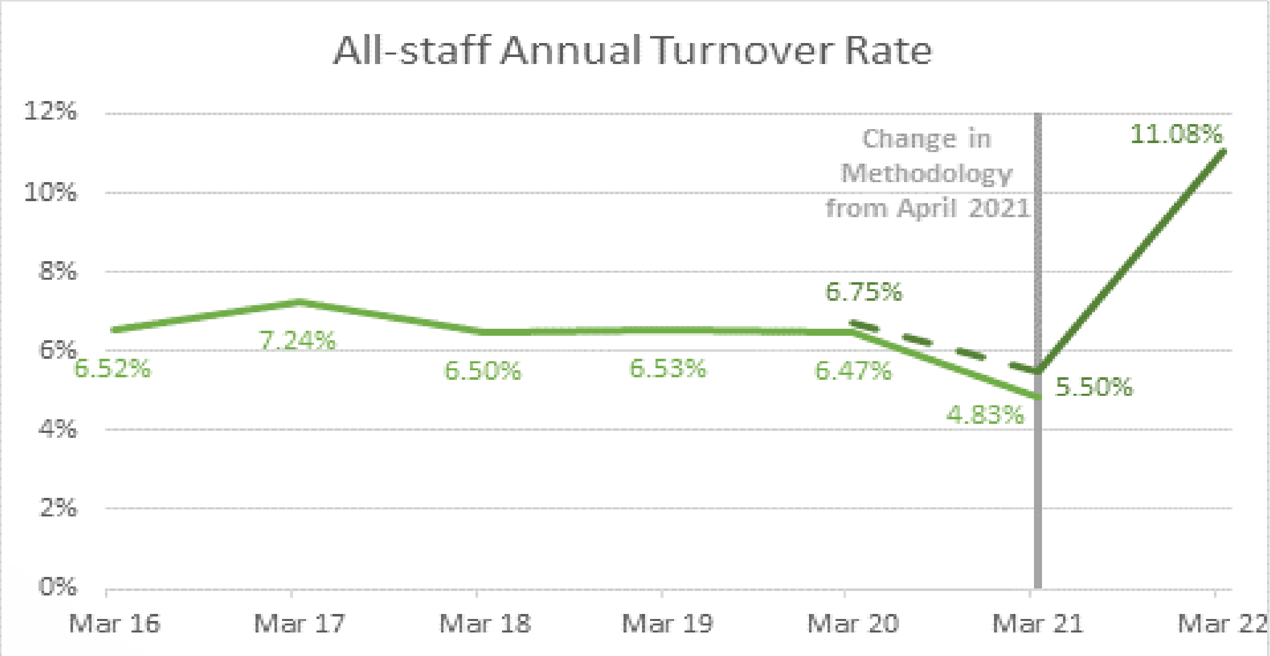
The results are analysed to help inform senior leader decision making and can be used to identify employees with particular demographics requiring additional help and wellbeing support. Using the findings in the Pulse Survey, we have introduced specific wellbeing sessions, supporting those individuals who are from an ethnic minority background, are LGBT+, are under 30, or have a disability.

Staff Turnover scores

Turnover rates across DWP have been increasing over the last year as the economy has been recovering from the COVID-19 pandemic.

From April 2021, the methodology used to calculate turnover was changed to ensure that the staff captured in the calculation better reflects the definition used by Cabinet Office.

Over the last year, the proportion of DWP employees on fixed term/temporary contracts increased. Since these members of staff tend to have much higher turnover rates than permanent staff, this change in workforce composition (in combination with economic recovery) has led to a 5.58 percentage point increase in the overall turnover rate, from 5.50% in March 2021 to 11.08% in March 2022.



Trade Union facility time

DWP Facility Time	
Number of trade union representatives	1,150
Number of representatives with trade union facility time 0%	–
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	1,150
Number of representatives with trade union facility time (between 51% and 99% of contracted hours)	–
Number of representatives with trade union facility time (100%)	–
Total time spent (hours)	62,484
Cost of facility time	£0.565 million
Total paybill	£3.354 billion
Facility time as a percentage of the Department's annual pay bill	0.01%

The number of trade union representatives (1,150) is the total headcount of representatives in DWP from the PCS, FDA and Prospect trade unions. This equates to 1,070 FTE.

While the percentage of the departmental annual pay bill is provided as paid facility time hours there are also, additionally unpaid Trade Union Activities (TUA) that are essentially internal union business. TUA does not count as paid facility time, it is unpaid. Trade union representatives are entitled to reasonable time off to participate in such activities but receive no allocation, it is subject to business need and flexi leave or annual leave can be used. Special Leave Without Pay can be used and system functionality is being considered to record this.

In addition, some representatives hold multiple roles, so included in the total figure of 1,150 are 403 health and safety representatives and 119 Union Learning Representatives (ULR).

It should be noted that as a result of the COVID-19 pandemic the Department recognised that appointed Health & 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 up to February 2022 and is not set against facility time up to that point.

HSE Facility Time	
Number of trade union representatives	81
Number of representatives with trade union facility time 0 %	–
Number of representatives with trade union facility time (between 1% and 50% of contracted hours)	81
Number of representatives with trade union facility time (between 51% and 99% of contracted hours)	–
Number of representatives with trade union facility time (100 %)	–
Cost of facility time	£0.261 million
Total paybill	£153 million
Facility time as a percentage of the Department's annual pay bill	0.17%

Staff seconded and loaned

The Department made a small number of secondments and loans of members of staff to other Government departments during 2021-22.

Outward Loans (from DWP to OGD/NDPB)	**AO**	**EO**	**HEO**	**SEO**	**Grade 7**	**Grade 6**	**SCS 1**	**NK**	**Total**
1. Number who went on loan since 1st April 21	–	9	11	5	4	5	1	8	43
2. Number who were already on loan prior to 1st April 21 and are expected to be throughout this year (beyond 31/3/22)	–	5	4	1	2	–	–	2	14
3. Number who were already on loan prior to 1st April 21 and have or are expected to end this year (up to 31/3/2022).	2	8	4	–	8	1	1	1	25
Grand Total (All outward loans)	**2**	**22**	**19**	**6**	**14**	**6**	**2**	**11**	**82**

Accountability report

Inward Loans (from OGD/NDPB to DWP)	AO	EO	HEO	Grade 6	NK	Total
1. Number on loan to DWP since 1st April 21	1	54	1		5	61
2. Number who were already on loan to DWP prior to 1st April 21 and are expected to be throughout this year (beyond 31/3/22)	–	23	–	1	–	24
3. Number who were already on loan to DWP prior to 1st April 21 and have or are expected to end this year (up to 31/3/2022).	–	39	–	–	–	39
Grand Total (All inward loans)	**1**	**116**	**1**	**1**	**5**	**124**

Outward Secondments (from DWP to outside the Civil Service)	EO	HEO	SEO	Grade 7	SCS 1	Total
1. Number who went on secondment since 1st April 21	4	1	–	1	1	7
2. Number who were already on secondment prior to 1st April 21 and are expected to be throughout this year (beyond 31/3/22)	–	–	–	1	–	1
3. Number who were already on secondment prior to 1st April 21 and have or are expected to end this year (up to 31/3/2022).	–	1	1	–	–	2
Grand Total (All outward secondments)	**4**	**2**	**1**	**2**	**1**	**10**

Inward Secondments (from outside the Civil Service to DWP)	Total
1. Number who are seconded to DWP since 1st April 21	–
2. Number who were already on secondment to DWP prior to 1st April 21 and are expected to be throughout this year	–
3. Number who were already on secondment to DWP prior to 1st April 21 and have or are expected to end this year.	–
Grand Total (All inward secondments)	**–**

Diversity and inclusion

We continue to aspire to the 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, and central to our Public Sector Equality Duty commitments, is to ensure these values 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 customers 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 (13.0%), disabled people (12.0%) 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 2021 we exceeded gender parity in SCS roles.

We launched our Inclusion Action Plan in 2021 and have recently updated it for 2022-23 and beyond. Our key Inclusion priorities are:

1. Embed a culture of inclusive and accountable leadership, promoted by senior role models
2. Practice continuous insight gathering to inform decision making, and demonstrate improved inclusion outcomes
3. Develop colleague understanding of and engagement with inclusion and its three domains of voice, authenticity and belonging
4. Champion a Whole Person approach to Diversity and Inclusion, support the creation of an intersectionally focused Diversity and Inclusion Centre of Expertise

Progress since the launch of our action plan includes:

- Maintaining relevance of the award-winning I Can Be Me in DWP (ICBM) branding as a vehicle to build an inclusive culture through collective understanding and conversation, with over 100 I Can Be Me blog posts shared by colleagues across the Department.
- Continuing to update and promote mandatory SCS Wellbeing and Inclusion objective guidance
- Completed 2021 CS Inclusion Survey, scoring above average compared to other Big 5 departments, especially for team and manager commitments to Inclusion
- Inclusion continues to be embedded as one of the three core aims of the DWP People Strategy and reflected in our values particularly 'We Value Everybody'
- Conducted 1-2-1 Inclusion Engagement Sessions and annual follow-up sessions, collecting insights on lived-experiences of a diverse range of colleagues to understand more about feelings of Inclusion within the Department
- Successfully promoted guidance around Inclusive Ways of Working and Organisational Benefits of Diversity, Inclusion and Wellbeing
- Engaged over 5,000 colleagues with National Inclusion Week (NIW) 2021 resources with over 1,000 colleagues participating in NIW sessions

Whilst we have made some progress on our overall ethnic minority representation level this has predominantly been driven by increases within our junior grades. To address this and accelerate progress so that we better reflect the diverse communities we serve at all levels of our organisation, we have implemented and resourced a programmatic approach to this work which includes strengthening of governance and levels of accountability; and the introduction of measurable success measures and regular reporting to monitor and assess the progress being made throughout the organisation against the Department's Race Plan. Other actions that have been taken forward include:

- introduction of Race Action Groups in all business areas, and the ongoing implementation of Listening Circles, reverse mentoring and employee network engagement to better understand lived experiences and barriers to progression to inform our plans
- launch of It Starts with Me materials which include personal lived experience stories and resources to prompt colleagues to look at their own behaviours, mindsets and decision making and the impact of these on others

- ongoing Sponsorship promotion and implementation of talent and development programmes to support colleagues to achieve their career aspirations

We recognise that faith and belief are important aspects of colleagues' identity and we have worked in consultation with our faith and belief employee networks to develop an action plan with an initial focus on:

- fostering an inclusive and safe environment that provides colleagues of faith and belief to have a sense of belonging, allows them to be authentic and ensures they have a voice in their team and organisation
- understanding the composition and work experiences of our colleagues
- ensuring that any potential impacts from a faith and belief perspective are considered and inform our HR policies and decision-making

We are committed to increasing trust, encouraging proactive support and empowering disabled colleagues, with a disability action plan containing five strategic priorities, developed with insight and evidence. We also have a specific neurodiversity action plan. We are making sure that our recruitment is unbiased and genuinely seeking the best possible candidate, to increase representation of disabled people in HEO-G6 levels ensuring a stable talent pipeline to the SCS.

We have implemented a Workplace Adjustments Governance Board who are leading on four priorities – end to end process review, mental health support, management information and a neurodiversity action group. Building a self-service agile individual led service from a complex manager led service, needs investment of resource. We have developed new guidance including return to work, home-working adjustments, support workers.

We are committed to developing disability confident leadership to provide people at all levels with the skills and confidence to support disabled colleagues and promote a disability-inclusive culture. To understand the barriers and enablers to developing disability confident leadership we have conducted a holistic disability confident learning review. We established a monthly Disability Working Group to be our critical friends, provide regular challenge and insight. We also gather rich insight and challenge from THRIVE – The DWP Disability network.

We have driven forward the diversity area of social mobility. We strived to increase the network and achieved a significant increase in engagement levels through our intranet membership and set-up a Network Mirror Board with senior colleagues. We delivered a number of initiatives to support development and progression including mentoring programmes, success profile application support and confidence building, including addressing self-limiting beliefs. Measuring socio-economic background became key, to enable focus on areas which needed support. With data increasing by 15%, this has enabled detailed analysis of socio-economic diversity and benchmarking.

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 (information on marriage and civil partnership is also captured via a central recording system, but no information on gender assignment is currently captured).

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.

Representation of female staff, ethnic minority staff and disabled staff

Year (March)	Total Number of Staff	Female	Ethnic minority	Disabled
2022	91,452	64.6%	17.6%	18.5%
2021	92,690	65.2%	17.2%	18.3%
2020	75,590	65.9%	15.6%	17.6%
2019	68,742	66.3%	13.0%	11.0%

Staff diversity by gender (Core department)		March 2019	March 2020	March 2021	March 2022
Workforce	Women %	66.8	66.8	65.5	64.6
Senior Civil Servants	Women %	44.4	48.6	50.0	53.2
Ministers	Women %	40.0	50.0	50.0	66.7
Non-executive members	Women %	30.0	25.0	33.3	30.8
Executive team	Women %	33.3	33.3	33.3	37.5

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.

Disability representation has increased from 17.6% in March 2020 to 18.5% as of 31 March 2022, above the UK economically active population representation.

Ethnic minority representation has risen from 15.6% at 31 March 2020 to 17.6% as of 31 March 2022 with increases across all grades, particularly at the C/EO grade which the majority of the Department's recruitment activity has been focused this year.

Percentage of DWP workforce by age range	March 2022	March 2021
16-24	5%	4%
25-34	15%	14%
35-44	20%	20%
45-54	28%	31%
55-64	29%	28%
65+	3%	3%
Total % of headcount	**100%**	**100%**

Substantive Grade	Caring Responsibilities	% of all Caring Responsibility Groups
Total	Adult care responsibilities	8.99%
Total	Both child and adult care responsibilities	2.05%
Total	Childcare responsibilities	23.90%
Total	No	62.81%
Total	Not Recorded	2.25%

In the 31 March 2022 workforce data, it told us that 34.94% of employees had caring responsibilities, 23.90% reported they care for children and 2.05% of respondents told us they are 'sandwich carers' and care for both children and family, friends or neighbours.

We now 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 March 2022 the data told us that 97.75% of employees had provided information about whether or not they had caring responsibilities.

The Department is extremely proud to have achieved Level 3 Carer Confident Ambassador accreditation. It is the highest level of recognition by Employer for Carers and we are the only Government Department to have been recognised in this way.

This accreditation recognises the excellent work undertaken across the Department to promote our commitment to offering all employees a range of supportive measures to enable them to meet their personal caring responsibilities whilst still achieving a fulfilling career in the Department. In particular, the accreditation board highlighted our promotion of our Carers' Charter, Passport, and Network and the strength of our line manager support and guidance.

Work has also included a pilot of Carer Ambassadors, a continued review of hybrid working policies and practices to support carers' needs and the central cross-Government Carers Network has launched the comprehensive Civil Service wide Carers' – Line Manager Toolkit.

We continue to support our LGBT+ colleagues to ensure that they are included and fairly represented. In line with Civil Service guidance we develop new guidance, review and update our existing guidance and 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 LGBT+ employees and customers.

Gender pay gap

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, (64.6% women and 35.4% men – as at 31 March 2022). 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 2021 our mean Gender Pay Gap (GPG) decreased by 1.2% to 4.2%. This is in part due to the impact of recruitment on our grade distribution and the approach we took in our 2020 Pay Award.

DWP is committed to continuing to improve the GPG. We are working on ways to further develop initiatives and programmes to sustain our talent pipeline. 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, we:

- Have achieved our 2025 stretching target of 50% female on-flow into SCS roles, an increase year-on-year over the last 5 years from 39.2% in 2017 to 50% in 2021, an increase of 10.8%;
- Are actively promoting participation in talent and leadership development programmes. We monitor the diversity of all applicants throughout each stage of the application processes;
- Continue our membership to Business in the Community's (BITC) which we have made extensive use of to gain knowledge of best-practice and we have recently worked with BITC on a women's safety initiative;
- Have a range of ongoing actions and initiatives in place to support career paths which includes, colleagues at all grades have access to staff networks to support them throughout their careers and progression, the introduction of Shadow Board opportunities for colleagues to inform and influence senior decision-making and increase individual's exposure and experience, active sponsorship and mentoring to increase visibility and advocacy and support development needs and the implementation of 'Let's Talk about Race' conversations and Listening Circles

More detailed information is available in the DWP Gender Pay Gap report 2021 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.

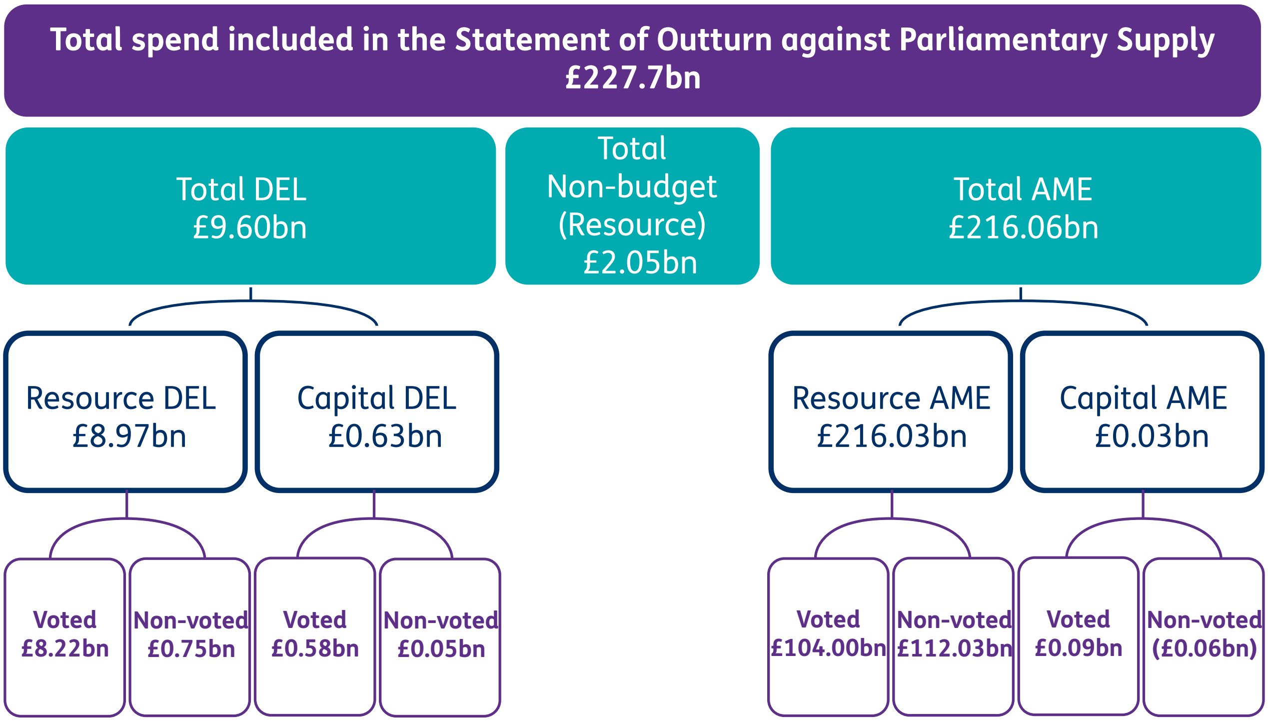
The format of the SOPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

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 from, 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 £114.93 billion is funded by Parliament from the Consolidated Fund
- Voted expenditure funded from the Consolidated Fund includes £2.05 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 £110.76 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. The financial review, 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 2021-22

										2021-22	2020-21
				Outturn			Estimate	Outturn vs Estimate Saving/(excess)		Prior Year Outturn
	Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
– Resource	1	8,224,114	747,719	8,971,833	8,436,364	743,638	9,180,002	212,250	208,169	6,661,079
– Capital	1	577,616	48,514	626,130	588,471	46,900	635,371	10,855	9,241	468,126
Total DEL		**8,801,730**	**796,233**	**9,597,963**	**9,024,835**	**790,538**	**9,815,373**	**223,105**	**217,410**	**7,129,205**
Annually Managed Expenditure										
– Resource	1	103,995,717	112,033,965	216,029,683	108,936,928	113,800,365	222,737,293	4,941,211	6,707,610	212,377,724
– Capital	1	88,263	(57,999)	30,264	335,693	20,000	355,693	247,430	325,429	145,570
Total AME		**104,083,980**	**111,975,966**	**216,059,947**	**109,272,621**	**113,820,365**	**223,092,986**	**5,188,641**	**7,033,039**	**212,523,294**
Total Budget										
– Resource		112,219,831	112,781,684	225,001,516	117,373,292	114,544,003	231,917,295	5,153,461	6,915,779	219,038,803
– Capital		665,879	(9,485)	656,394	924,164	66,900	991,064	258,285	334,670	613,696
Total Budget Expenditure		**112,885,710**	**112,772,199**	**225,657,910**	**118,297,456**	**114,610,903**	**232,908,359**	**5,411,746**	**7,250,449**	**219,652,499**
Non-budget										
– Resource	1	2,049,113	–	2,049,113	2,617,393	–	2,617,393	568,280	568,280	2,145,384
Total Budget and Non-budget		**114,934,823**	**112,772,199**	**227,707,023**	**120,914,849**	**114,610,903**	**235,525,752**	**5,980,026**	**7,818,729**	**221,797,883**

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 2021-22

			2021-22	2020-21
SOPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn
	£000	£000	£000	£000
3	113,066,829	122,175,613	9,108,784	111,249,531

Administration Costs 2021-22

			2021-22	2020-21
SOPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Outturn
	£000	£000	£000	£000
1.1	919,852	927,865	8,013	910,555

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

	2021-22											2020-21
	Resource Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Administration			Programme				Total	Virements	Total including virements		Total
	Gross	Income	Net	Gross	Income	Net	Total					
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit												
Voted:												
A Core Department	875,480	(34,260)	841,220	5,684,374	(536,003)	5,148,371	5,989,591	6,268,873	(87,804)	6,181,069	191,478	4,666,935
B Health and Safety Executive (Net)	60,032	–	60,032	102,305	–	102,305	162,337	168,091	112	168,203	5,866	165,406
C Money and Pensions Service (Net)	–	–	–	150,387	–	150,387	150,387	158,589	–	158,589	8,202	139,368
D Other Executive Arm's Length Bodies (Net)	18,600	–	18,600	86,424	–	86,424	105,024	107,612	2,944	110,556	5,532	105,738
E Employment Programmes	–	–	–	808,268	(17,994)	790,274	790,274	711,864	78,410	790,274	–	293,408
F Support for Local Authorities	–	–	–	214,300	–	214,300	214,300	212,728	1,572	214,300	–	236,606
G Funding for Public Corporations	–	–	–	41,457	(42,561)	(1,104)	(1,104)	68	–	68	1,172	(12,851)
H Other Benefits	–	–	–	813,305	–	813,305	813,305	808,539	4,766	813,305	–	343,956
Total Voted DEL	**954,112**	**(34,260)**	**919,852**	**7,900,820**	**(596,558)**	**7,304,262**	**8,224,114**	**8,436,364**	**–**	**8,436,364**	**212,250**	**5,938,566**
Non-voted:												
I National Insurance Fund – Core Department	–	–	–	717,304	(3,569)	713,735	713,735	713,735	–	713,735	–	686,561
J Social Fund	–	–	–	33,984	–	33,984	33,984	29,903	–	29,903	(4,081)	35,952
Total Non-voted DEL	–	–	–	**751,288**	**(3,569)**	**747,719**	**747,719**	**743,638**	–	**743,638**	**(4,081)**	**722,513**
Total spending in DEL	**954,112**	**(34,260)**	**919,852**	**8,652,108**	**(600,127)**	**8,051,981**	**8,971,833**	**9,180,002**	–	**9,180,002**	**208,169**	**6,661,079**
Spending in Annually Managed Expenditure												
Voted:												
K Severe Disablement Benefit	–	–	–	62,393	–	62,393	62,393	64,953	–	64,953	2,560	71,959
L Industrial Injuries Benefits Scheme	–	–	–	704,847	–	704,847	704,847	714,722	–	714,722	9,875	723,483
M Universal Credit	–	–	–	40,592,115	–	40,592,115	40,592,115	44,381,842	(1,202,052)	43,179,790	2,587,675	38,082,118
N Employment and Support Allowance (Non-contributory)	–	–	–	8,181,765	–	8,181,765	8,181,765	8,255,255	–	8,255,255	73,490	8,816,698
O Income Support	–	–	–	768,095	(432)	767,663	767,663	865,343	–	865,343	97,680	1,073,760
P Pension Credit	–	–	–	4,834,399	–	4,834,399	4,834,399	5,060,096	–	5,060,096	225,697	5,070,937
Q Financial Assistance Scheme	–	–	–	944,689	–	944,689	944,689	(242,033)	1,186,722	944,689	–	281,286
R Attendance Allowance	–	–	–	5,307,254	–	5,307,254	5,307,254	5,440,280	–	5,440,280	133,026	5,344,519

	2021-22											2020-21
	Resource Outturn							**Estimate**			Outturn vs Estimate saving/ (excess)	**Outturn**
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total including virements		Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
S Personal Independence Payment	–	–	–	15,208,996	–	15,208,996	15,208,996	15,533,410	–	15,533,410	324,414	13,691,730
T Disability Living Allowance	–	–	–	5,695,785	–	5,695,785	5,695,785	5,806,731	–	5,806,731	110,946	5,808,491
U Carer's Allowance	–	–	–	3,074,765	–	3,074,765	3,074,765	3,109,049	–	3,109,049	34,284	3,038,584
V Housing Benefit	–	–	–	15,544,951	–	15,544,951	15,544,951	16,696,446	–	16,696,446	1,151,495	17,027,208
W Statutory Maternity Pay	–	–	–	2,569,293	–	2,569,293	2,569,293	2,675,599	–	2,675,599	106,306	2,594,275
X Christmas Bonus (Non-contributory)	–	–	–	37,098	–	37,098	37,098	37,322	–	37,322	224	35,769
Y Jobseekers Allowance (Non-contributory)	–	–	–	300,028	(6)	300,022	300,022	308,425	–	308,425	8,403	435,206
Z State Pension (Non-contributory)	–	–	–	159,676	–	159,676	159,676	234,812	–	234,812	75,136	134,837
AA Support for Mortgage Interest	–	–	–	3,669	(506)	3,163	3,163	(346)	3,509	3,163	–	6,142
AB Other Expenditure	–	–	–	6,386	–	6,386	6,386	(4,972)	11,358	6,386	–	(49,009)
AC Other Expenditure EALBs (Net)	–	–	–	457	–	457	457	(6)	463	457	–	(1,201)
Total Voted AME	–	–	–	**103,996,661**	**(944)**	**103,995,717**	**103,995,717**	**108,936,928**	–	**108,936,928**	**4,941,211**	**102,186,792**
Non-voted:												
AD Incapacity Benefit	–	–	–	(8,644)	–	(8,644)	(8,644)	2,113	–	2,113	10,757	4,628
AE Employment and Support Allowance (Contributory)	–	–	–	4,506,760	–	4,506,760	4,506,760	4,783,020	–	4,783,020	276,260	4,567,472
AF Social Fund: Winter Fuel	–	–	–	1,974,149	–	1,974,149	1,974,149	2,000,122	–	2,000,122	25,973	1,957,208
AG Social Fund: Other	–	–	–	10,382	–	10,382	10,382	524,881	–	524,881	514,499	145,422
AH Maternity Allowance	–	–	–	362,396	–	362,396	362,396	355,948	–	355,948	(6,448)	383,745
AI Bereavement Benefits	–	–	–	341,422	–	341,422	341,422	467,203	–	467,203	125,781	497,794
AJ Christmas Bonus (Contributory)	–	–	–	124,104	–	124,104	124,104	123,998	–	123,998	(106)	122,747
AK Jobseekers Allowance (Contributory)	–	–	–	190,147	(8)	190,139	190,139	179,362	–	179,362	(10,777)	610,867
AL State Pension (Contributory)	–	–	–	104,533,256	–	104,533,256	104,533,256	105,363,718	–	105,363,718	830,462	101,901,049
Total AME Non-voted	–	–	–	**112,033,973**	**(8)**	**112,033,965**	**112,033,965**	**113,800,365**	–	**113,800,365**	**1,766,400**	**110,190,932**
Total spending in AME	–	–	–	**216,030,635**	**(952)**	**216,029,683**	**216,029,683**	**222,737,293**	–	**222,737,293**	**6,707,610**	**212,377,724**
Non-budget resource:												
Voted:												
AM Cash paid in to the Social Fund	–	–	–	2,049,113	–	2,049,113	2,049,113	2,617,393	–	2,617,393	568,280	2,145,384
Total spending in Non-budget	–	–	–	**2,049,113**	–	**2,049,113**	**2,049,113**	**2,617,393**	–	**2,617,393**	**568,280**	**2,145,384**
Total Resource	**954,112**	**(34,260)**	**919,852**	**226,731,856**	**(601,079)**	**226,130,777**	**227,050,629**	**234,534,688**	–	**234,534,688**	**7,484,059**	**221,184,187**

1.2 Analysis of Capital Outturn by Estimate Line

	2021-22							2020-21
	Capital outturn			Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Gross	Income	Net	Total	Virements	Total including virements	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted:								
A Core Department	450,723	(8,577)	442,146	452,279	(2,127)	450,152	8,006	278,719
B Health and Safety Executive (Net)	16,738	–	16,738	19,558	–	19,558	2,820	10,707
C Money and Pensions Service (Net)	180	–	180	209	–	209	29	507
D Other Executive Arm's Length Bodies (Net)	5,948	–	5,948	5,821	127	5,948	–	8,348
E Employment Programmes	–	–	–	–	–	–	–	–
F Support for Local Authorities	–	–	–	–	–	–	–	–
G Funding for Public Corporations	112,604	–	112,604	110,604	2,000	112,604	–	107,835
H Other Benefits	–	–	–	–	–	–	–	–
Total Voted DEL	**586,193**	**(8,577)**	**577,616**	**588,471**	**–**	**588,471**	**10,855**	**406,116**
Non-voted:								
I National Insurance Fund – Core Department	–	–	–	–	–	–	–	–
J Social Fund	49,197	(683)	48,514	46,900	–	46,900	(1,614)	62,010
Total Non-voted DEL	**49,197**	**(683)**	**48,514**	**46,900**	–	**46,900**	**(1,614)**	62,010
Total spending in DEL	**635,390**	**(9,260)**	**626,130**	**635,371**	–	**635,371**	**9,241**	468,126
Spending in Annually Managed Expenditure								
Voted:								
K Severe Disablement Benefit	–	–	–	–	–	–	–	–
L Industrial Injuries Benefits Scheme	–	–	–	–	–	–	–	–
M Universal Credit	514,702	(444,838)	69,864	316,311	–	316,311	246,447	167,719
N Employment and Support Allowance (Non-contributory)	–	–	–	–	–	–	–	–
O Income Support	–	–	–	–	–	–	–	–
P Pension Credit	–	–	–	–	–	–	–	–
Q Financial Assistance Scheme	–	–	–	–	–	–	–	–
R Attendance Allowance	–	–	–	–	–	–	–	–

	2021-22						2020-21	
	Capital outturn			Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Gross	Income	Net	Total	Virements	Total including virements	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000
S Personal Independence Payment	–	–	–	–	–	–	–	–
T Disability Living Allowance	–	–	–	–	–	–	–	–
U Carer's Allowance	–	–	–	–	–	–	–	–
V Housing Benefit	–	–	–	–	–	–	–	–
W Statutory Maternity Pay	–	–	–	–	–	–	–	–
X Christmas Bonus (Non-contributory)	–	–	–	–	–	–	–	–
Y Jobseekers Allowance (Non-contributory)	–	–	–	–	–	–	–	–
Z State Pension (Non-contributory)	–	–	–	–	–	–	–	–
AA Support for Mortgage Interest	24,632	(6,233)	18,399	19,382	–	19,382	983	29,137
AB Other Expenditure	–	–	–	–	–	–	–	–
AC Other Expenditure EALBs (Net)	–	–	–	–	–	–	–	–
Total Voted AME	**539,334**	**(451,071)**	**88,263**	**335,693**	–	**335,693**	**247,430**	196,856
Non-voted:								
AD Incapacity Benefit	–	–	–	–	–	–	–	–
AE Employment and Support Allowance (Contributory)	–	–	–	–	–	–	–	–
AF Social Fund: Winter Fuel	–	–	–	–	–	–	–	–
AG Social Fund: Other	–	(57,999)	(57,999)	20,000	–	20,000	77,999	(51,286)
AH Maternity Allowance	–	–	–	–	–	–	–	–
AI Bereavement Benefits	–	–	–	–	–	–	–	–
AJ Christmas Bonus (Contributory)	–	–	–	–	–	–	–	–
AK Jobseekers Allowance (Contributory)	–	–	–	–	–	–	–	–
AL State Pension (Contributory)	–	–	–	–	–	–	–	–
Total AME Non-voted	**–**	**(57,999)**	**(57,999)**	**20,000**	–	**20,000**	**77,999**	(51,286)
Total spending in AME	**539,334**	**(509,070)**	**30,264**	**355,693**	–	**355,693**	**325,429**	145,570
Non-budget resource:								
Voted:								
AM Cash paid in to the Social Fund	–	–	–	–	–	–	–	–
Total spending in Non-budget	–	–	–	**–**	–	**–**	**–**	–

	2021-22							2020-21
	Capital outturn			Estimate			Outturn vs Estimate saving/ (excess)	Outturn
	Gross	Income	Net	Total	Virements	Total including virements	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Total Capital	**1,174,724**	**(518,330)**	**656,394**	**991,064**	–	**991,064**	**334,670**	613,696

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

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

SOPS 2. Reconciliation of Outturn to Net Operating Expenditure

			2021-22	2020-21
			Outturn Total	Outturn Total
Total Resource Outturn in Statement of Outturn against Parliamentary Supply		**Note**	**£000**	**£000**
	Budget	1.1	225,001,516	219,038,803
	Non-budget	1.1	2,049,113	2,145,384
	Total Resource Outturn		**227,050,629**	**221,184,187**
Add:	Capital Grants		(448,722)	(297,553)
	Capital Research and Development		17,363	4,843
	Service Concession Adjustments		(513)	1,610
TOTAL			**(431,872)**	**(291,100)**
Less:	Income payable to the Consolidated Fund	4	(34,149)	(44,200)
	Cash paid to the Social Fund – Voted Non-budget		(2,049,113)	(2,145,384)
TOTAL			**(2,083,262)**	**(2,189,584)**
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**224,535,495**	**218,703,503**

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

		2021-22	2021-22	Outturn v Estimate:
		Outturn	Estimate	saving/ (excess)
	Note	£000	£000	£000
Total Resource Outturn	**SOPS 1.1**	**227,050,629**	**234,534,688**	**7,484,059**
Total Capital Outturn	**SOPS 1.2**	**656,394**	**991,064**	**334,670**
Adjustments for ALBs:				
Remove voted resource and capital		(441,071)	(459,874)	(18,803)
Add cash grant in aid		413,460	459,878	46,418
Adjustments to remove non-cash items:				
Non-cash items		(1,912,603)	17,630	1,930,233
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		(335,607)	1,000,000	1,335,607
Use of provisions		407,827	243,130	(164,697)
Non-voted Budget		(112,772,199)	(114,610,903)	(1,838,704)
Net Cash Requirement		**113,066,829**	**122,175,613**	**9,108,784**

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 2021-22		Outturn 2020-21
	Income	***Receipts***	**Income**	***Receipts***
	£000	**£000**	**£000**	**£000**
Income outside of the ambit of the Estimate	34,149	*33,980*	44,200	44,485
Excess cash surrenderable to the Consolidated Fund	1,639	*1,639*	–	–
Total amount payable to the Consolidated Fund	**35,788**	**35,619**	44,200	44,485

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.

Included in the above Consolidated Fund income for 2021-22 of £35.7 million are costs recovered from the Scottish Government for the Department's delivery of disability benefits (£19.3 million) and automatic enrolment fines collected by The Pensions Regulator (£7.6 million).

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 2022, FAS collected income totalling £8.6 million, consisting of annuity and other income of £8.4 million and scheme transfer income of £0.2 million. (2020-21: £8.3 million, consisting of annuity and other income of £8.9 million and reversal of scheme transfer income of £0.6 million.) £8.7 million was paid over to the Consolidated Fund during the year (2020-21: £22.8 million). As at 31 March 2022, FAS illiquid assets were valued at £127.9 million (2020-21: £143.4 million) and FAS held cash awaiting transfer to the Consolidated Fund of £0.3 million (2020-21: £0.5 million).

Variances

The disclosed variances are those which meet the following criteria:

- Variance of at least £10 million and 10%
- Variances material by nature

The variances are stated in the order they appear in the Statement of Outturn against Parliamentary Supply and are calculated by comparing the total net figure from the Supplementary Estimate 2021-22 with the final net outturn figure for 2021-22. These variances are calculated prior to virements.

Voted Expenditure – DEL

E – Employment Programmes – Resource

Outturn was £78.41 million higher than Estimate. The variance is due to the forecast for Employment Programmes being split across Employment Programmes and Core department, whereas outturn has largely been recorded against Employment Programmes.

AME

The Office of Budget Responsibility forecasts of benefit expenditure, on which our Estimate 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.

Voted Expenditure – AME

M – Universal Credit – Resource and Capital

Resource outturn was £3,789.73 million lower than Estimate. This was due to the anticipated unemployment impact on Universal Credit from the end of the Furlough scheme not materialising and the fact that the Estimate included a margin to reflect the uncertainty in the Universal Credit forecast due to the removal of the £20 per week uplift, the earnings taper change and general economic conditions.

Capital outturn was £246.45 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.

O – Income Support – Resource

Outturn was £97.68 million lower than Estimate this is due to the release of impairment provision against Income Support overpayment debt stock.

Q – Financial Assistance Scheme – Resource

Outturn was £1,186.72 million higher 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.

V Housing Benefit – Resource

Outturn was £1,151.5 million lower than Estimate. This is due to the movement of Housing Benefit cases to Universal Credit being higher than forecast at the Estimate.

Z – State Pension (Non-contributory) – Resource

Outturn was £75.14 million less than expected. This was due to expenditure on the State Pension Legal Entitlements and Administrative Practices (LEAP) exercise being lower than forecast.

Non-voted Expenditure – AME

AD – Incapacity Benefit – Resource

Outturn was £10.76 million less than Estimate this was due to movements in the impairment provision netting off a benefit spend of £1.5 million as the final claimants transfer from Incapacity Benefit.

AG – Social Fund: Other – Resource and Capital

Resource outturn was £514.5 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 include a sizeable margin.

Capital outturn was £77.99 million less than Estimate with recoveries of loans exceeding those forecast for the Estimate.

AI – Bereavement Benefits – Resource

Outturn was £125.78 million lower than Estimate. Bereavement benefits are driven by entitlement and therefore can fluctuate from the Estimate.

Voted Non-budget

AM – Cash Paid into the Social Fund – Resource

Outturn was £568.28 million lower than expected as the Social Fund did not incur as much expenditure as forecast as set out in Estimate lines AF and AG, and recoveries exceeded those forecast. As a result, less cash was required to be paid into the Social Fund.

Core Tables

(This information is not subject to audit)

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million
Resource DEL[2]								
Section A: Core Department	4,586	4,475	4,495	4,667	5,990	5,858	5,248	5,121
Section B: Health and Safety Executive (Net)	124	124	128	165	162	150	148	135
Section C: Money and Pensions Service (Net)	98	94	107	139	150	168	161	177
Section D: Other Executive Arm's Length Bodies (Net)	91	96	101	106	105	117	121	115
Section E: Employment Programmes	384	285	246	293	790	889	823	654
Section F: Support for Local Authorities	261	238	217	237	214	213	212	212
Section G: Funding for Public Corporations	(12)	(10)	(9)	(13)	(1)	4	6	7
Section H: Other Benefits	171	148	137	344	813	559	128	125
Section I: National Insurance Fund – Core Department	458	491	432	687	714	499	544	544
Section J: Social Fund	26	25	30	36	34	23	23	23
Total Resource DEL	**6,187**	**5,966**	**5,883**	**6,661**	**8,972**	**8,479**	**7,414**	**7,113**
Of which:								
Staff costs	2,842	2,975	3,044	3,499	3,865	3,621	3,497	3,608
Purchase of goods and services	1,906	2,092	1,952	2,237	2,504	2,848	2,862	2,599
Income from sales of goods and services	(190)	(245)	(274)	(294)	(229)	(248)	(216)	(226)
Current grants to local government (net)	474	508	431	640	1,106	733	312	312
Current grants to persons and non-profit bodies (net)	277	874	575	464	1,672	1,141	807	655
Current grants abroad (net)	(19)	(602)	(280)	(186)	(283)	(23)	(16)	(1)
Subsidies to public corporations	42	47	49	48	48	41	33	31
Rentals	677	170	169	54	18	0	0	0
Depreciation[3]	187	206	188	185	264	484	259	259
Take up of provisions	0	0	3	8	8	0	0	0
Change in pension scheme liabilities	80	23	32	27	0	0	0	0
Other resource	(89)	(82)	(5)	(23)	(1)	(118)	(124)	(123)
Resource AME[4]								
Section K: Severe Disablement Benefit	120	97	89	72	62	59	57	51
Section L: Industrial Injuries Benefits Scheme	840	838	831	723	705	708	472	479
Section M: Universal Credit	3,322	8,131	18,377	38,082	40,592	40,469	47,243	55,897

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million
Section N: Employment and Support Allowance (Non-contributory)	10,642	10,535	9,339	8,817	8,182	7,968	7,683	6,080
Section O: Income Support	2,139	1,839	1,376	1,074	768	657	512	339
Section P: Pension Credit	5,368	5,140	5,061	5,071	4,834	4,737	4,667	4,535
Section Q: Financial Assistance Scheme	495	(1,636)	(15)	281	945	234	238	242
Section R: Attendance Allowance	5,529	5,676	5,908	5,345	5,307	5,555	6,148	6,506
Section S: Personal Independence Payment	8,646	10,635	12,513	13,692	15,209	17,004	20,091	22,526
Section T: Disability Living Allowance	9,380	8,126	7,233	5,808	5,696	5,667	5,964	5,839
Section U: Carer's Allowance	2,830	2,884	2,941	3,039	3,075	3,352	3,826	4,169
Section V: Housing Benefit	21,687	20,178	17,813	17,027	15,545	14,736	13,632	12,207
Section W: Statutory Maternity Pay	2,421	2,587	2,169	2,594	2,569	2,653	2,826	2,931
Section X: Christmas Bonus (Non-contributory)	33	32	35	36	37	39	41	42
Section Y: Jobseeker's Allowance (Non-contributory)	1,443	1,145	603	435	300	195	294	256
Section Z: State Pension (Non-contributory)	108	116	122	135	160	271	187	174
Section AA: Support for Mortgage Interest	0	6	6	6	3	0	0	0
Section AB: Other Expenditure	571	466	238	(49)	6	0	0	0
Section AC: Other Expenditure EALBs (Net)	6	(0)	(1)	(1)	0	0	0	0
Section AD: Incapacity Benefit	9	(1)	5	5	(9)	(0)	66	67
Section AE: Employment and Support Allowance (Contributory)	4,711	4,563	4,512	4,567	4,507	4,864	5,320	5,422
Section AF: Social Fund: Winter Fuel	2,023	1,995	1,974	1,957	1,974	2,005	2,042	2,083
Section AG: Social Fund: Other	135	59	59	145	10	96	97	101
Section AH: Maternity Allowance	427	428	419	384	362	352	382	400
Section AI: Bereavement Benefits	503	463	506	498	341	456	352	323
Section AJ: Christmas Bonus (Contributory)	(54)	(209)	(131)	123	124	125	127	128
Section AK: Jobseeker's Allowance (Contributory)	224	155	111	611	190	90	0	0
Section AL: State Pension (Contributory)	93,696	96,630	98,689	101,901	104,533	110,353	121,125	127,892
Section AM: Consolidated Fund Extra Receipts	0	0	0	0	0	0	0	0
Total Resource AME	**177,252**	**180,877**	**190,782**	**212,378**	**216,030**	**222,646**	**243,392**	**258,691**
Of which:								
Purchase of goods and services	16	6	1	0	0	0	0	0
Current grants to local government (net)	21,687	20,178	17,813	17,027	15,545	14,736	13,632	12,207

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
	£million	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**
Current grants to persons and non-profit bodies (net)	153,525	161,590	173,021	194,051	198,889	207,625	229,470	246,187
Depreciation[3]	(200)	(118)	(24)	(107)	224	0	0	0
Take up of provisions	1,512	(923)	48	1,555	1,504	234	238	242
Release of provision	(229)	(703)	(610)	(394)	(498)	0	0	0
Change in pension scheme liabilities	(78)	(16)	(31)	(26)	2	0	0	0
Other resource	1,021	862	565	271	364	51	51	55
Total Resource Budget	**183,439**	**186,843**	**196,665**	**219,039**	**225,002**	**231,125**	**250,806**	**265,804**
Of which:								
Depreciation[3]	(14)	88	164	78	488	484	259	259
Capital DEL[5]								
Section A: Core Department	302	189	(35)	279	442	628	321	310
Section B: Health and Safety Executive (Net)	9	7	8	11	17	21	10	7
Section C: Money and Pensions Service (Net)	0	1	2	1	0	9	9	0
Section D: Other Executive Arm's Length Bodies (Net)	1	0	0	8	6	5	0	0
Section G: Funding for Public Corporations	84	93	72	108	113	140	64	1
Section J: Social Fund	37	44	34	62	49	50	53	57
Total Capital DEL	**433**	**334**	**81**	**468**	**626**	**854**	**457**	**375**
Of which:	0	0	0	0	0	0	0	0
Staff costs	2	2	1	2	3	0	0	0
Purchase of goods and services	0	1	0	3	14	16	16	16
Capital grants to private sector companies (net)								
Capital support for public corporations	84	93	72	108	110	140	64	1
Purchase of assets	339	197	111	319	457	596	247	215
Income from sales of assets	(30)	(4)	(137)	(25)	(2)	(22)	(0)	(0)
Net lending to the private sector and abroad	37	44	34	62	49	124	130	143
Other capital	1	1	(1)	0	(4)	0	0	0
Capital AME								
Section M: Universal Credit	65	186	356	168	70	299	112	196
Section AA: Support for Mortgage Interest	0	29	35	29	18	27	1	1
Section AB: Other Expenditure	0	0	0	0	0	2	0	0
Section AC: Other Expenditure EALBs (Net)	0	0	0	0	0	0	0	0
Section AG: Social Fund: Other	(102)	(81)	(81)	(51)	(58)	0	0	0
Total Capital AME	**(37)**	**135**	**309**	**146**	**30**	**328**	**113**	**196**
Of which:								

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Plans**	**Plans**	**Plans**
	£million	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**
Net lending to the private sector and abroad	(37)	135	309	146	30	325	113	196
Take up of provisions	0	0	0	0	0	2	0	0
Total Capital Budget	**396**	**469**	**390**	**614**	**656**	**1,181**	**570**	**571**
Total departmental spending	**183,835**	**187,312**	**197,056**	**219,652**	**225,658**	**232,306**	**251,376**	**266,376**
Of which:								
Total DEL	6,619	6,300	5,964	7,129	9,598	9,333	7,871	7,488
Total AME	177,216	181,012	191,092	212,523	215,060	222,973	243,505	258,887

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 aligned to 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 2022, OSCAR reflects the position agreed at Main Estimate 2022, with plan years reflecting Spending Review 2021 and updates from the Spring Statement. 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. A review of the section titles has been performed since last year's Annual Report and Accounts to improve transparency and usability, therefore these do not align exactly with previous years.
11. The impacts of the adoption of IFRS 16 are shown only in 2022-23 and cause higher DEL capital and depreciation figures than in other years.
12. Since the production of these tables, new measures for Cost of Living have been introduced into the 2022-23 Main Estimate. These costs of these measures are not shown in this table.

Table 2: Administration budget for the Department for Work and Pensions

DWP: Administration budget, 2017-18 to 2024-25

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million
Resource DEL								
Core Department	711.677	711.806	731.397	832.145	841.220	874.732	871.839	857.198
Health and Safety Executive (Net)	77.481	53.269	49.894	61.462	60.051	57.044	55.998	55.998
Other Executive Arm's Length Bodies (Net)	9.487	13.913	15.687	16.948	18.600	17.245	18.508	17.910
Total administration budget	**798.645**	**778.988**	**796.978**	**910.555**	**919.871**	**949.021**	**946.345**	**931.106**
Of which:								
Staff costs	413.056	421.244	460.044	524.187	519.079	440.537	432.845	429.695
Purchase of goods and services	351.121	366.596	359.589	435.742	392.228	493.477	517.882	507.278
Income from sales of goods and services	(74.766)	(89.818)	(112.267)	(114.158)	(38.174)	(42.677)	(31.392)	(32.877)
Current grants to local government (net)	0.203	0.703	0.398	0.158	0.342	0.000	0.000	0.000
Rentals	66.775	46.473	48.178	14.601	(6.744)	0.000	0.000	0.000
Depreciation	32.322	28.167	29.578	34.431	40.805	57.154	30.315	30.315
Other resource	9.934	5.473	11.149	15.412	12.517	0.530	(3.305)	(3.305)
Current grants to persons and non-profit bodies (net)	0.000	0.068	0.254	0.126	(0.238)	0.000	0.000	0.000
Net public service pensions	0.000	0.054	0.055	0.056	0.056	0.000	0.000	0.000
Take up of provisions	0.000	0.028	0.000	0.000	0.000	0.000	0.000	0.000

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 aligned to 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 2022, OSCAR reflects the position agreed at Main Estimate 2022, with plan years reflecting Spending Review 2021 and updates from the Spring Statement. 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. A review of the section titles has been performed since last year's Annual Report and Accounts to improve transparency and usability, therefore these do not align exactly with previous years.
7. The impacts of the adoption of IFRS 16 are shown only in 2022-23, and cause higher depreciation than in other years.

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[25].

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 142.

In 2021-22, we did not breach any of our control totals, details are provided in the Statement of Outturn Against Parliamentary Supply on page 184.

Our accounts have been qualified this year, as has been the case 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 155.

25 HM Treasury's Managing Public Money

Parliamentary Accountability Disclosures

Losses and Special Payments[26]

(This information is subject to audit)

				2021-22				2020-21
	Core department	Depart-mental group	Core department	Depart-mental group	Core department	Depart-mental group	Core department	Depart-mental group
	£000	£000	Cases	Cases	£000	£000	Cases	Cases
Losses	368,819	370,070	1,033,129	1,034,486	372,575	373,929	626,032	628,046
Special Payments	149,869	149,896	406,295	406,300	6,290	6,291	41,376	41,377

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

	2021-22 £000
Non-recoverable benefit overpayments During the year we write off non-recoverable overpayments of benefit. These are where we can't legally enforce repayment or it's not in the public interest to do so.	**294,707**
Direct Payments After Death During the year a one off exercise was undertaken to write off a backlog of Direct Payments After Death (DPAD). The bulk write-off exercise was to clear a historical backlog of DPAD payments which were not recovered.	**15,175**
Customer fraud We write off overpayments resulting from customer fraud once we've exhausted our debt recovery processes.	**5,357**

26 HM Treasury's Managing Public Money (with annexes)

	2021-22 £000
Social Fund We make low-cost Funeral Expenses Payments to people who receive (or whose partners receive) a qualifying benefit or Tax Credits. These are recoverable from the estate of the deceased but we write them off when there are not enough assets in the estate. This year we wrote off 23,039 number of Funeral Expenses Payments with a total value of £43.8 million. Budgeting and Crisis Loans which can't be recovered are written off subject to strict criteria. This year we wrote off 21,319 of these loans with a total value of £2.7 million. We also wrote off 24,046 irrecoverable overpayments amounting to £3.06 million, of which £2.95 million relate to Winter Fuel Payments. This year we also wrote off historic non-recoverable Cold Weather Payment overpayments amounting to £0.2 million.	**49,727**

(ii) Cash Losses

	2021-22 £000
Reimburse overpaid maintenance (CMG) Reimbursements of overpaid maintenance to non-resident parents from the Child Maintenance Group.	**315**
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.	**761**

(iii) Realised Exchange Rate Fluctuation

	2021-22 £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 2021-22, a net gain on foreign exchange of £0.175 million materialised, consisting of £4.899 million in gains offset by £4.724 million in losses.	**-175**

(iv) Special Payments

	2021-22 £000
Consolatory payments	
These are Ex Gratia Consolatory payments to claimants in receipt of non-contributory benefits that are not funded by the National Insurance Fund in order to restore confidence and relieve anxiety as a result of departmental failure or delay.	597
Special severance	
These are payments to employees, contractors and others, outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. 28 Special Severance Payments were made in the previous financial year. The total amount paid out this year was £634,000. The maximum payment was £197,000, minimum was £400 and median value of all payments made was £10,000.	634
Legal settlements	
These are payments for ex gratia out of court legal settlements.	1,163
Loss of statutory entitlement	
These are special payments for financial redress to cover loss of statutory entitlement (LOSE) payments. They are paid if maladministration has caused a claimant to lose entitlement to statutory benefit payments.	484
European Union settled status ex-statutory payments	
Continuation of benefit payments to EEA nationals and their family members beyond the grace period to signpost them to make a late application to the EU Settlement Scheme.	143,544
European citizens in the European Union	
These are ex-statutory payments made to a small cohort of EU citizens resident in the EU and in receipt of a UK benefit, who are not expressly covered by Title III of Part Two of the Withdrawal Agreement. £0.175 million is attributed to 2020-2021 financial year.	923

(v) Constructive Losses

	2021-22 £000
Property Plant and Equipment tangible Non-current assets	
The loss on disposal of PPE assets (figure represents aggregation of a number of small losses).	373
UK Shared Prosperity Fund digital contractors	
Work was undertaken to develop a digital solution to allow DWP to deliver employment aspects of UK Shared Prosperity Fund (UKSPF). The Government Plans for UKSPF have evolved over the last two years, culminating in the publication of the levelling up white paper in February 2022, setting out the government's vision for transforming the UK. Overall delivery responsibility will be with Department for Levelling Up, Housing and Communities, with a more devolved approach to delivery than was the case with ESF. As a result, the work undertaken by digital contractors on UKSPF is no longer needed.	1,630
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. Restrictions have continued in 2021-22 which have significantly curtailed interview activity and as a result between April 2021 and March 2022 £1.152 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 2021-22 financial year. The exit costs of the contract and the fact that it expires in May 22 mean that even at such low volumes the contract provided best value for money.	1,152

(vi) Claims waived or abandoned

	2021-22 £000
AGB Pension Scheme (Maxwell)	
Aon Pension Trustees contacted DWP to advise that they were in the process of winding up one of the Maxwell Pension Schemes (AGBPS) and were seeking clarification on what was owed back to central Government in respect of the grant received. Aon informed DWP that the scheme was unable to repay the full grant (£811,244), so asked for the remaining amount to be written off and a release/discharge notice issued. Following this the amount written off was £483,294.	483

(vii) Other Accountability Issues

	2021-22 £000
Counter Fraud and Investigation – DWP other accountability fraud data 2022 1 April 2021 to 31 March 2022	
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: • 19 investigations were completed, resulting in proven losses of £50,965.19 Benefit related losses for example employee benefit fraud or diversion of payments: • 23 investigations were completed, resulting in proven losses of £334,551.90	**386**

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 (MT) and signalled the start of a robust new authorisation and supervision regime, administered by the Pensions Regulator to ensure that MT 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 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 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, subsequently restated 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.

Peter Schofield CB
Permanent Secretary

1 July 2022

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

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Work and Pensions (the Department) and of its Departmental Group for the year ended 31 March 2022 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 2021. The financial statements comprise: the Department and Departmental Group's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2022 and its net operating costs 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 Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 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 £217.2 billion in 2021-22. Within note 18 to the accounts the Department estimates:

- overpayments excluding State Pension of £8.5 billion (7.6% of related expenditure); and
- underpayments excluding State Pension of £2.1 billion (1.9% 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 £0.110 billion (0.1% of related expenditure); and
- underpayments of £0.540 billion (0.5% 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 215 to 238, provides further detail of my qualified audit opinion on regularity.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity 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 and its Group 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 and its Group's 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 or its Group's 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 and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it 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 financial statements nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department for Work and Pensions and its Group 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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Department 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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 and its Group'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 and its Group 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies;
- Inquiring of management, the Government Internal Audit Agency (GIAA) and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's 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 its Group's controls relating to the Department's compliance with relevant benefit and pension legislation and establishing legislation for the bodies within the Departmental Group, the Government Resources and Accounts Act 2000, Managing Public Money, and the Supply and Appropriation (Main Estimates) Act 2021.
- discussing among the engagement team and involving relevant internal and external specialists, relating to statistical methodology, actuarial support and coding, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates (including the State Pension underpayment provision, Financial Assistance Scheme provision and impairment of benefit debt), benefit expenditure and employment programmes. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Department and Group's framework of authority as well as other legal and regulatory frameworks in which the Department and Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its 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, the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation

(Main Estimates) Act 2021, relevant employment law and tax legislation, the Sanctions and Money Laundering Act 2018 and the Russia (Sanctions) (EU Exit) Regulations 2019.

In addition, I considered:

- specific risk assessments 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 Outturn against Parliamentary Supply against budget; reviewing the Department's approach to significant estimates presented within the accounts including the Department's estimate of fraud and error in benefit expenditure, the State Pension underpayment provision, the Financial Assistance Scheme provision, and impairment of benefit debt; understanding changes to benefit and state pension laws and regulations; and
- the continued impact the COVID-19 pandemic has had on the Department's control environment and identifying where measures taken in response may have resulted in an increased risk of fraud in benefit expenditure.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Departmental Audit and Risk Assurance Committee and the Department's in-house legal advisors concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; 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 significant estimates presented within the accounts including the Department's estimate of fraud and error in benefit expenditure, the State Pension underpayment provision, the Financial Assistance Scheme provision, and impairment of benefit debt; and
- reviewing the Department's procedures and controls to administer benefits and State Pension in accordance with laws and regulations including changes to the control environment as a result of COVID-19.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal and external specialists 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.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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
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Victoria
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5 July 2022

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 2021-22 the Department spent £217.2 billion on benefits and State Pension payments to claimants and pensioners.[27] Of this, £104.1 billion was spent on the State Pension, £96.4 billion as on other benefits paid directly by the Department and £16.7 billion was for Housing Benefit paid on its behalf by local authorities. Benefit and State Pension expenditure represents 96% of the Department's total operating expenditure of £225.6 billion. The remaining expenditure relates to the Department's running costs including staff remuneration.
3. This report sets out:
   - the reasons and context for my qualified audit opinion in relation to fraud and error in benefit expenditure;
   - the Department's estimated level of fraud and error in benefit expenditure;
   - the Department's plan for reducing fraud and error following the Covid-19 pandemic; and
   - the Department's progress in addressing the systemic underpayment of State Pension.

Key findings

4. **I have qualified my opinion on the regularity of the Department's 2021-22 financial statements due to the level of fraud and error in benefit expenditure.** This is the 34th year in which the Department's accounts have been qualified due to material fraud and error. I have again excluded expenditure on State Pension from my qualified opinion because the Department estimates that it overpaid 0.1% of State Pension payments and that it underpaid 0.5% of State Pension payments, which is not material to a reader's understanding of the accounts (paragraphs 13 to 18).
5. **The estimated level of fraud and error overpayments remains at a record level following the COVID-19 pandemic.** The Department estimates it overpaid £8.5 billion of benefits, other than State Pension, in 2021-22, an increase of £380 million since 2020-21. This represents 7.6% of the £111.3 billion total spend on all benefits other than State Pension, a slightly higher rate than in 2020-21 (7.3%) and the highest rate since the Department began estimating fraud and error this way in 2005 (paragraphs 19 to 24, and Figure 1).

27 Audited total expenditure on benefits in 2021-22 was £217.2 billion, as reflected in the Statement of Comprehensive Net Expenditure for the core Department. Note 18 to the Department's accounts sets out estimated total expenditure on benefits of £215.8 billion, which represented the latest available forecast for 2021-22 at the time the Department produced the fraud and error estimates.

6. **The largest increase comes from fraudulent Universal Credit claims, which now account for £5.2 billion of the £8.5 billion overpaid.** The Department estimates it overpaid 14.7% of all Universal Credit payments in 2021-22.[28] Its central estimate of this rate has risen every year since Universal Credit was first introduced and is the highest rate for any benefit ever recorded. In 2020 we concluded that the Department had not prioritised tackling fraud and error in its roll out of Universal Credit. The Department then needed to suspend key controls over fraud and error in order to process the number of new claims it received at the start of the pandemic. It estimates the level of Universal Credit expenditure overpaid due to fraud and error was 26.6% for claims made during the surge of new claims at the start of the pandemic (March to June 2020). This is up from 10.9% for claims made before the start of the pandemic (paragraphs 25 to 32, and Figures 2 and 3).
7. **The Department has largely recovered from the disruption to its operations from COVID-19, but continues to manage backlogs and has not yet reinstated some controls over fraud and error.** These backlogs have proved complex to resolve due to restrictions on in-person interaction as a result of COVID-19. The Department expects to reduce this outstanding work to a manageable level in 2022-23 (paragraphs 37 to 43, and Figure 4).
8. **The Department is owed £7.6 billion for overpaid benefits, benefit advances, and Tax Credits by around five million claimants** This increased by over £1 billion in 2021-22 and the Department expects this pattern to continue until it has fully embedded its new prevention measures. Total recovery of this debt in 2021-22 was £2.0 billion, with 90% of debt recovered through benefit deductions. The Department can only recover overpayments it identifies. Most overpayments are not identified and will not be recovered (paragraphs 44 to 46, and Figure 5).
9. **The Department has received an additional £613 million of funding to tackle fraud and error as part of the 2022-2025 Spending Review settlement.** This includes funding for a significant increase in staff to support counter-fraud work such as reviewing and correcting open Universal Credit cases, and for the wider use of automation and modernisation of fraud and error processes. The Department also plans to bid for legislation to establish greater powers of access to third-party data and powers to make arrests, carry out searches and seize evidence (paragraphs 52 and 53, and Figure 6).
10. **The Department has more work to do to demonstrate that it is doing all it can to tackle fraud and error over the long term.** It has largely implemented the five recommendations I made last year to improve its response on fraud and error in the immediate aftermath of the pandemic. However, it is still in the process of improving its understanding of the cost effectiveness of its control environment in line with my recommendations before the pandemic. Similarly, the Department has committed to publishing a fraud and error target, but says it is not able to do this yet due to uncertainty in baseline levels of fraud and error (paragraphs 50 and 51).

28 The fraud and error sampling exercise for the financial year 2021-22 covers the period October 2020 to November 2021. Throughout this Report we have used rounded fraud and error figures taken from the published National Statistics.

11. **The Department now estimates that it has underpaid 237,000 state pensioners a total of £1.46 billion, with underpayments dating as far back as 1985[29].** This is an increase of £429 million and 105,000 pensioners on the Department's best estimate at the end of 2020-21. This increase is because the Department has now undertaken new computerised scans of its data, which it was unable to conduct last year, to identify cases its staff need to review. The Department has now conducted all the scans it needs to identify potentially affected cases, but will not know the full extent of the underpayments until it has fully reviewed every case (paragraphs 55 to 57, and Figure 7).

12. **The Department aims to complete its review of State Pension underpayments on schedule by the end of 2023 for two of the three affected groups, but this deadline will not be met for the largest affected group - widowed pensioners.** The provision in the financial statements reflects its current assessment that the review and correction of all widowed pensioner cases may take until late 2024. A delay of this length would increase the total amount underpaid to pensioners by an estimated £14 million. Delivery of the review exercise is highly dependent on assumptions around recruitment, productivity, training, and the success of automation to speed case review. The Department needs to significantly increase the speed at which it reviews cases to complete the review of State Pension underpayments to its revised schedule (paragraphs 58 to 61, and Figures 8 and 9).

Qualification of the Comptroller and Auditor General's audit opinion on the regularity of benefit expenditure

13. I have qualified my opinion on the regularity of the Department's 2021-22 financial statements due to the material level of fraud and error in benefit expenditure – with the exception of expenditure for State Pension, for which the level of fraud and error is significantly lower.

14. In performing my audit under the Government Resources and Accounts Act 2000, I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied for the purposes intended by Parliament and that the financial transactions recorded in the financial statements conform to the authorities that govern them.

15. Legislation specifies the entitled 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 overpayment or underpayment does not conform with Parliament's intention and is irregular.

16. In assessing my regularity opinion, I consider the rates across all benefits including State Pension, the Department has estimated material levels of fraud and error in all benefits except State Pension. For State Pension, the Department's estimate of overpayments remains at 0.1% of expenditure (£110 million), and it estimates that underpayments have increased to 0.5% of expenditure (£540 million). I continue to regard the combined value of £650 million as immaterial in the context of the £217.2 billion benefit expenditure in the accounts. As a result, I exclude State Pension expenditure from my qualified opinion on the accounts. I recognise that underpayments of State Pension can have a significant impact on those affected (paragraphs 55 to 61), and it remains important that the Department improves

29 The Department estimates the outstanding liability (after payments made to 31 March 2022) at £1.35 billion, per the provision in Note 16 to the Accounts.

accuracy in all payments, not just those benefits where I qualify my opinion. Although I note the impact of this issue and the failings by the Department that caused it, the provision covers expenditure over a period of more than 30 years and as such I do not consider it a material irregularity in the current year.

17. Excluding State Pension, the rate of overpayments across benefit expenditure of £111.3 billion rose to 7.6% (£8.5 billion) in 2021-22 (**Figure 1**), its highest level since records began in 2005. The estimated rate of underpayments, excluding State Pension, is 1.9% (£2.1 billion), slightly lower than in 2020-21 (2.0%).

18. The Department's accounts have been qualified every year since 1988-89 due to material levels of overpayments and underpayments in benefit expenditure. For 2021-22, the rate of overpayments excluding State Pension remains significantly elevated compared with pre-pandemic levels, having increased significantly as a result of changes introduced at the start of the pandemic to ensure that benefits were delivered quickly to those in need, as well as an increase in cases with greater fraud and error risk. The Department continues to face a considerable challenge as it seeks to implement its long-term strategy 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

19. Benefit payments are susceptible to both deliberate fraud by individuals and organised crime attacks, as well as 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. The Department estimates fraud and error through direct measurement of five or six benefits each year using a statistical sampling exercise. Estimates for unsampled benefits are either rolled forward from previous sampling exercises, or, for benefits that have never been measured, based on assumptions about the likely levels of fraud and error.[30] The results of this exercise are published as National Statistics, which present estimates of overpayment and underpayment categorised into Fraud, Claimant Error and Official Error (see paragraph 24).

20. The Department sets out its estimates of benefit overpayments and underpayments due to fraud and error in 2021-22 in Note 18 to the Accounts. This year the Department has measured fraud and error in Universal Credit, State Pension (including fraud and claimant error for the first time since 2005-06), Housing Benefit, Employment Support Allowance, Pension Credit, and Attendance Allowance (for the first time ever).

21. The fraud and error levels reported in the 2021-22 statistics are based on sampling exercises performed between October 2020 and November 2021. As a result, they cover a period that was largely affected by the pandemic. During this time there were still significant control easements in place, and the Department had not meaningfully implemented any of its new forward-looking fraud strategy.

22. Overall, 77% of benefit expenditure was subject to the sampling exercise in 2021-22 and for the remainder the Department applied historic estimates based on sampling in previous years. This is a return to normal compared with 2020-21 when only Universal Credit and official error in State Pension were measured due to COVID-19

30 Claims where the benefit is no longer in payment, or benefit was 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.

restrictions. In addition, the Department has estimated the level of fraud and error in Universal Credit advances for the first time (see paragraph 47).

23. The overall levels of fraud and error show a slight increase on 2020-21 and therefore remain significantly elevated when compared with those before COVID-19. The Department has stated that it expected fraud and error results to be broadly similar to last year, because the caseload still contains many cases from the early days of the pandemic. Overall overpayments increased to 4.0% (£8.6 billion), up from 3.9% (£8.2 billion) in 2020-21. Overall underpayments remained at 1.2% (£2.6 billion), representing a £100 million increase on 2020-21 (**Figure 1**).

24. Excluding State Pension, the estimated rate of overpayment across benefit expenditure reached a record 7.6% (£8.5 billion), an increase of £380 million compared with 2020-21. The rate of overpayment increased in five of the benefits sampled, with Universal Credit continuing to dominate overall overpayments (**Figure 2**). Within the estimated 7.6% overpayment rate:[31]

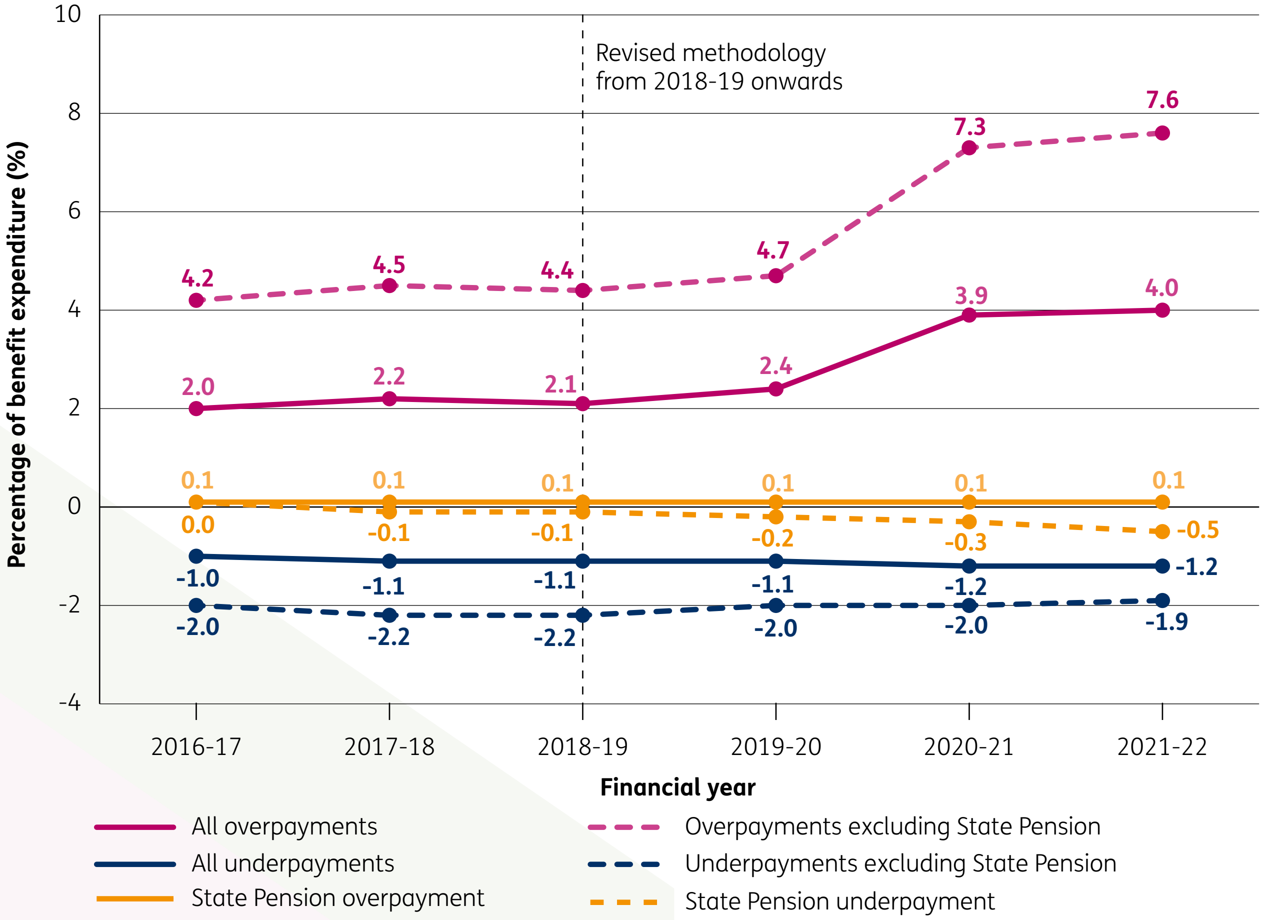
    - 5.8% (£6.5 billion) was Fraud, where claimants deliberately seek to mislead the Department to claim money to which they are not entitled. This compared with 5.6% (£6.2 billion) in 2020-21;
    - 1.3% (£1.5 billion) was Claimant Error, where claimants make mistakes with no fraudulent intent – for example if they provide inaccurate or incomplete information; and
    - 0.6% (£650 million) was Official Error, where a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department.

    The estimated rate of underpayment across benefit expenditure, excluding State Pension, was 1.9% (£2.1 billion), compared with 2.0% (£2.2 billion) in 2020-21 (**Figure 1**).

31 Figures may not sum due to rounding.

Figure 1 The Department for Work & Pensions' (the Department's) overpayments and underpayments in benefit expenditure, 2016-17 to 2021-22

Overpaid benefit expenditure remains at record levels in 2021-22



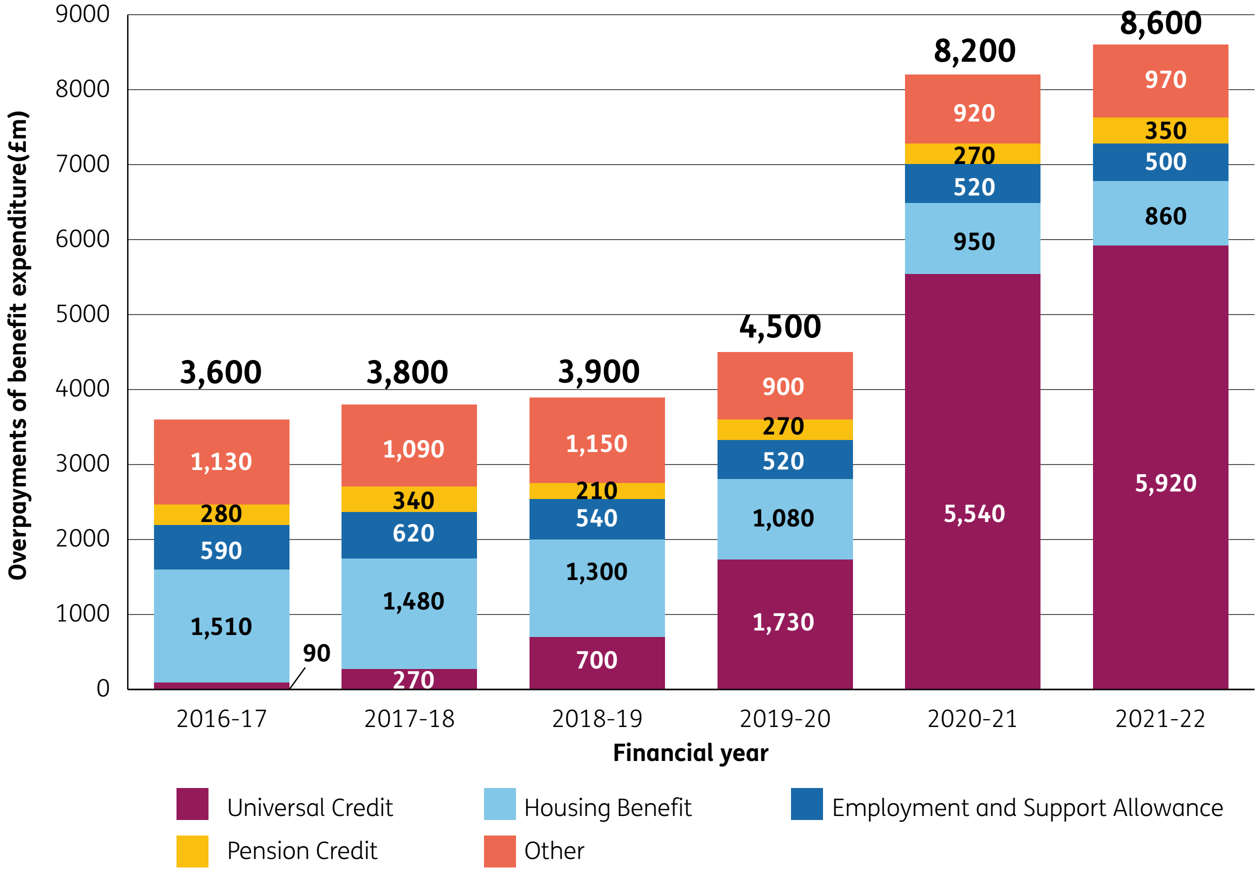
Notes

1. Underpayments are presented as negative percentages because they represent claimants receiving less than their entitlement, whereas overpayments represent amounts greater 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. Statistics are taken from the supporting tables accompanying the *Department's Fraud and error in the benefit system for financial year ending 2022* estimates. That publication provides full data going back to 2005-06 when the Department first started measuring fraud and error.
3. The Department's 2022 estimates restate some figures slightly from what had been published in previous reports. For example, it 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 2016-17. 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. In 2021-22 the Department resumed its full measurement regime, which included claimant error and fraud in State Pension for the first time since 2005-06.
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 Overpayments of the Department for Work & Pensions' (the Department's) benefit expenditure, 2016-17 to 2021-22

Universal Credit accounted for most benefit overpayments in 2021-22 for the second year running



Notes
1. The Department reviews a selection of benefits for fraud and error each year. Estimates for other benefits come from previous review exercises, or proxies.
2. The 'Other' category contains (in order of largest to smallest overpayment in 2021-22): Personal Independence Payment, Carer's Allowance, Attendance Allowance, Disability Living Allowance, State Pension, Income Support, Jobseeker's Allowance, and a number of unreviewed benefits.
3. 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

Fraud and error in Universal Credit

25. Fraud and error in Universal Credit remain at record levels compared with historic comparators. The estimated gross rate of fraud and error for Universal Credit payments in 2021-22 is 15.7% (£6.3 billion), compared with 15.9% (£6.1 billion) last year. This is made up of:
    - overpayments of 14.7% (£5.9 billion), up from 14.5% (£5.5 billion) in 2020-21; and
    - underpayments of 1.0.% (£410 million), down from 1.4% (£540 million) in 2020-21.
26. The increasing level of fraud and error in Universal Credit is by far the biggest cause of increasing overpayments in the welfare system since the start of the pandemic (**Figure 2**). Universal Credit overpayments accounted for £5.9 billion out of £8.6 billion (69%) of all benefit overpayments in 2021-22. This is because:
    - Universal Credit now accounts for 36% of benefit expenditure excluding State Pension, compared with less than 1% in 2015-16. This has increased as claimants have transferred from legacy benefits such as Jobseeker's Allowance and Tax Credits administered by HM Revenue & Customs (HMRC); and
    - Universal Credit overpayment rate is now at the highest level on record for a benefit administered in the UK. Most of this overpayment, £5.2 billion out of £5.9 billion, relates to fraud. The overpayment rate for Universal Credit claims made at the start of the pandemic (March to June 2020) is 26.6%, compared with 10.9% for claims made before the start of the pandemic. This increase is a result of the surge of around two million new claims in the early months of the pandemic. The Department responded to this surge by relaxing key controls over fraud and error in order to ensure timely payment of benefits.
27. Even before COVID-19, fraud and error in Universal Credit expenditure has increased in every year since launch. Universal Credit rolled out from April 2013, at which point claimants began migrating over from Tax Credits administered by HMRC. Between 2005-06 and 2013-14, HMRC had been successful in significantly reducing fraud and error in Tax Credits, while fraud and error in the Department's benefits remained broadly flat. However, while the improved fraud and error performance in Tax Credits has been broadly sustained, since 2014-15, the level of fraud and error across all benefit expenditure has significantly increased as Universal Credit has come to dominate benefit expenditure.
28. The design of Universal Credit means that it is likely to have higher levels of fraud and error than other benefits, because the assessment of claims depends on many more types of information. This information is wide ranging, including possession of capital, self-employment earnings, housing costs, and disability. The Department expected Universal Credit to increase the level of fraud and error but to reduce the cost of overpayments to the taxpayer. This is because of how it assesses people's income monthly compared with Tax Credits. Under the Tax Credit regime, HMRC makes a provisional award to claimants based on the information it holds and then calculates their actual entitlement after the end of the year. Tax Credit claimants are expected to notify HMRC of some changes in their circumstances, but they do not have to notify HMRC of changes in income. Any in-year overpayment due to a change in their circumstance that they do not report to HMRC does not count as fraud and error. By contrast, Universal Credit involves a monthly assessment of claimants' income. Any monthly change in income is adjusted for earlier, but any change that is not adjusted for counts as fraud and error. This can save the taxpayer money, because not all overpayments are recovered.

29. The Universal Credit overpayment rate had grown before the pandemic to be significantly higher than the Department had expected. For example, in 2019-20 the overpayment rate was 9.4%, whereas the Department's forecast for the same year, based on a range of assumptions, was 6.4%. We reported in March 2020 that it was not clear that tackling fraud and error had been a top priority for Universal Credit, and that it was not being monitored to the same extent at a senior level as other programme aims, such as improving payment timeliness.[32] The Department has previously acknowledged that it underestimated the risk of fraud and error inherent to Universal Credit.

30. Although the pandemic caused a surge in Universal Credit claims and a shift in the caseload toward potentially riskier individuals, the inherent susceptibility of Universal Credit to fraud and error remains unchanged. The Department seeks to understand the causes underlying fraud and error through its annual sampling exercise. In 2021-22 the largest categories of error for Universal Credit related to: incorrectly reported self-employment earnings, whether claimants were correctly reporting living together, failure to provide evidence or engage fully with the process, capital levels and housing costs. Together these five categories account for three-quarters of overpaid Universal Credit (**Figure 3**).

31. Most of the recent rise in Universal Credit overpayments in 2021-22 compared with 2020-21 is due to a significant increase in cases selected for review where there was a 'failure to provide evidence/fully engage in the process'. These claims have increased by two-thirds (£328 million) since 2020-21. These are cases where the claimant has chosen to give up their benefit claim rather than engage with the review process that the Department uses to estimate fraud and error. The Department assumes that such claims are fraudulent, because if the individual had a legitimate claim, they would be highly likely to need the money and therefore motivated to engage with the process. The Department also believes that the rise in these cases may be driven by people who started claiming Universal Credit early in the pandemic and have since seen their circumstances improve, but who have not notified the Department. Although these may be reasonable assumptions, the Department does not fully know the reasons for non-engagement and has limited ability to assess the nature of fraud and error in these cases. The sharp increase in the value of overpayments in this error category is therefore a reflection of increasing uncertainty around the exact causes of fraud and error in Universal Credit, and this is a challenge the Department must overcome in designing responses to causes of fraud and error.

32. The Department has performed a retrospective review of Universal Credit claims from the early period of the pandemic where it suspects that 'Trust and Protect'[33] controls easements may have led to incorrect claims. The Department has now considered over one million Trust and Protect cases still in payment and found fraud or error in 12% of these, generating savings of £500 million. Around 800,000 of the Trust and Protect cases are now closed. In response to recommendations from the National Audit Office and the Committee of Public Accounts, the Department has reviewed the information it holds for a small sample of these closed cases and found a relatively low proportion of cases showing indications of fraud and error (around 4%) compared with cases that have remained open. The Department therefore initially told the Committee that it would focus on cases still in payment, where compliance action could prevent a future overpayment. However, it noted that it may revisit this decision

32 Comptroller and Auditor General, *Universal Credit: getting to first payment*, session 2019-21, HC 376, National Audit Office, July 2020. Available at: Universal Credit getting to first payment (nao.org.uk)

33 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.

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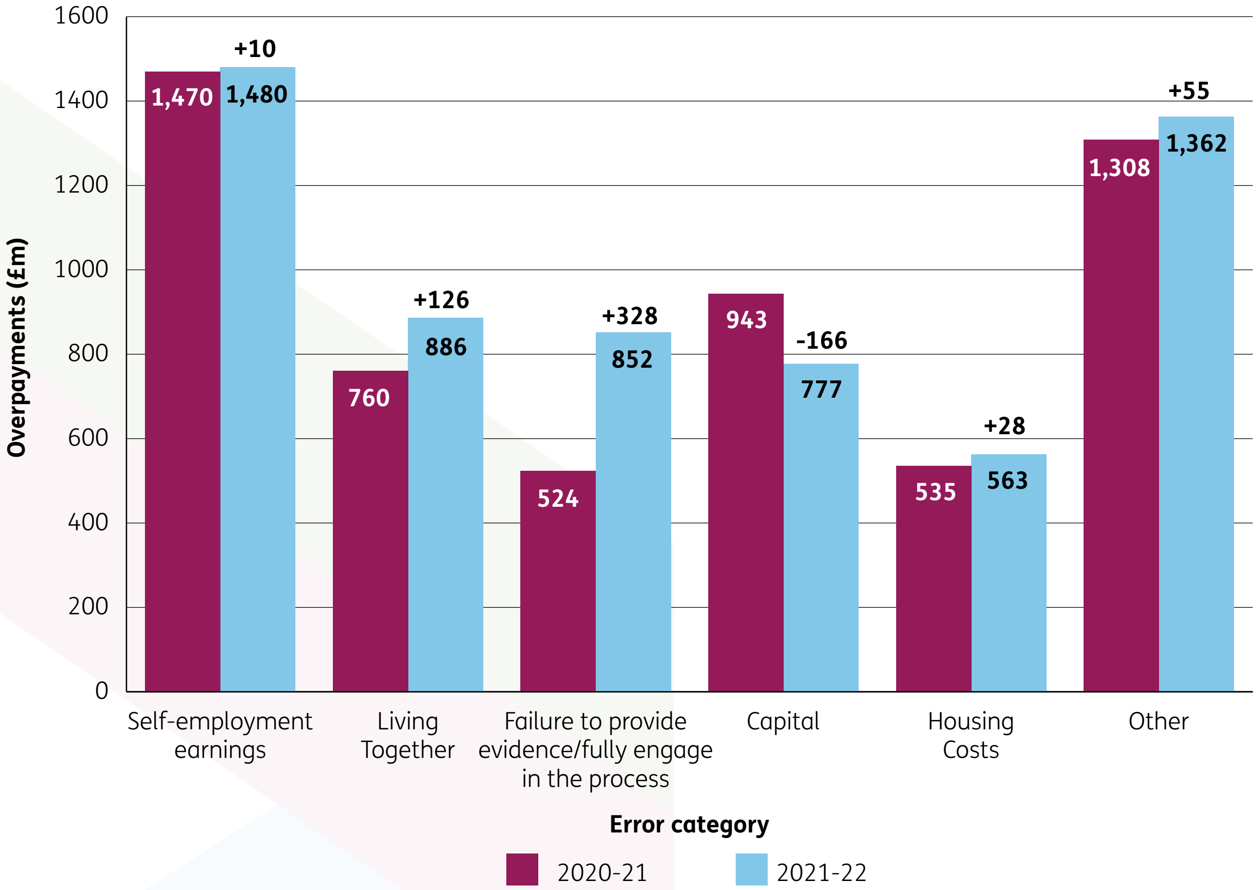
in future. In line with this, the Department has since said in its 2021-22 Annual Report that on reflection it is now considering how best to tackle this cohort. It is unclear why the level of fraud and error in these closed cases is so much lower than the 12% identified for open Trust and Protect cases. The Department thinks that closed-case claimants are likely to be more honest, because they have closed their claimants voluntarily. The retrospective review was not designed to look at all aspects of a claim, only information verified via Trust and Protect. Therefore, it would not have found fraud and error related to earnings or other issues.

Figure 3 Universal Credit overpayments by category of error, 2020-21 and 2021-22

'Failure to provide evidence or fully engage in the process' increased by more than any other error type



Notes

1. 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: https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2021-to-2022-estimates
2. The risks shown here are the five largest error 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. 'Other' contains all other smaller risk categories. A full list of all categorisations can be seen in the Department's fraud and error estimates at the link above.
3. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government.
4. 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.

Fraud and error in State Pension

33. The Department spent £104.5 billion on State Pension in 2021-22, around half of total benefit expenditure. The estimated gross rate of fraud and error in State Pension increased to 0.6% (£650 million) in 2021-22, comprising:

- overpayments at 0.1% (£110 million), the same rate as last year, and;
- underpayments at 0.5% (£540 million), an increase of £230 million on the estimated amount in 2020-21 of 0.3% (£310 million).

34. A full review of fraud, claimant error and official error in State Pension was performed this year for the first time since 2005-06. In those intervening years the Department only measured official error, and rolled forward the levels of fraud and claimant error. The newly estimated levels for 2021-22 do not differ significantly to the rolled forward levels, with:
    - fraud at 0.0% and claimant error at 0.1%, the same as the rolled-forward rates, and;
    - official error, caused by the Department, at 0.5% (£580 million), compared with 0.3% (£330 million) in 2020-21.
35. As a result of the first full review of State Pension fraud and error since 2005-06, the Department has reported on several types of historic error for the first time.[34] The most significant of these were newly identified errors in National Insurance records, administered by HMRC. This relates to Home Responsibilities Protection (HRP) which reduces the number of qualifying years needed for a basic State Penson - for example, when people did not work due to childcare or other caring responsibilities. Errors were identified this year where periods of HRP were not accurately recorded. The Department is dependent on HMRC to help identify affected cases, before it can estimate the total value of any underpayment and correct payments. These newly identified errors account for most of the increase in the State Pension underpayment rate from 0.3% to 0.5%.

Fraud and error in Attendance Allowance

36. The Department also measured fraud and error in Attendance Allowance for the first time in 2021-22. Attendance Allowance is a disability benefit that can be paid to help with personal support where a claimant is both physically or mentally disabled and aged 65 or over. The estimated rate of overpayment in Attendance Allowance is 2.2% (£120 million), and the underpayment rate is 4.3% (£230 million). These estimates suggest that Attendance Allowance has the lowest rate of overpayment (excluding State Pension), but the highest rate of underpayment of the benefits sampled this year. Almost all the underpayment of Attendance Allowance is classified as claimant error. In previous years the Department has used Disability Living Allowance (DLA) as a proxy rate for Attendance Allowance. DLA has an overpayment rate of 1.9% and an underpayment rate of 2.5%, which means that until this year the Department is likely to have underestimated the gross fraud and error rate in Attendance Allowance.

Reducing fraud and error following the COVID- 19 pandemic

37. The COVID-19 pandemic led to social distancing and Jobcentre Plus closures for all but the most vulnerable. In response, the Department was forced to significantly adapt its ways of working to continue to deliver its services. This included:
    - relaxing around 200 controls over fraud and error to ensure that millions of new Universal Credit claimants were paid on time (referred to as ‘easements’);

34 Although the Department has continually measured Official Error on State Pension in previous years, this did not involve customer contact. When contacting claimants this year as part of the full review, the Department identified areas of official error that it was not capturing in previous years.

- redeploying 6,000 of its 8,000 counter-fraud and compliance staff to support the processing of Universal Credit claims. This led to significant backlogs in front-line counter-fraud activities and a build-up in debt relating to benefit overpayments; and,
- rapidly innovating its approaches to tackling fraud, including increased used of automation and new specialist teams to deal with the rise in fraud and organised crime.

38. The Department has now largely recovered from the impact of COVID-19 on its business-as-usual operations. It also considers several of the operational changes made out of necessity to have been effective and will make them permanent. However, it faces a significant challenge in tackling the high level of fraudulent claims that entered its caseload during the early months of the pandemic.

Status and impact of control easements

39. Most of the controls over benefit expenditure that were relaxed following the onset of the pandemic have now been reinstated. By April 2022 there were 25 easements that had not been fully reversed. The Department has also already permanently embedded 31 easements, meaning that the control will not return to its pre-pandemic state. For some easements this means that the eased process has become the new norm; for others, it means that the Department is developing a new solution that will differ from the previous way of working. Examples of easements that have been made permanent include:

    - **Claimants are no longer required to provide a fit note in person or by post to evidence a health condition.** Claimants are required to declare evidence to the Universal Credit service and are directed to keep the evidence. The Department accepts this without directly inspecting the evidence, and will advise the claimant if they need to see it at a later date. Claimants reporting COVID-19 symptoms are now advised not to provide evidence of illness.
    - **Virtual training of Work Coaches was implemented during the pandemic out of necessity, without doing the normal testing.** However, from October 2020, the Department had fully tested a revised Work Coach product, using experienced Work Coaches and the use of the its model office testing mechanisms. This timescale aligned to the start of significant Work Coach recruitment. The revised product was fully piloted and evaluated through that process with a control test of the existing Work Coach product.

40. The Department considered the likely fraud and error risk for each control easement as it was implemented. This was a subjective, high-level assessment that has not been updated since. Of the easements still in place, the Department assessed four as having a high fraud and error risk at the point of implementation. All four relate to the removal of in-person checks for Universal Credit claims, such as the removal of a face-to-face appointment to access an advance. Last year the Department estimated that £1.3 billion of Universal Credit had been overpaid from the start of the pandemic to March 2021 as a result of the relaxation of controls. The Department has not estimated a value for the fraud and error impact of the remaining easements in the future because it does not consider them to present a significant risk.

Progress in clearing backlogs of outstanding work

41. Backlogs in counter-fraud work peaked in July 2020 when outstanding work totalled 2.9 million activities. The Department made significant progress in reducing outstanding work in 2021-22, with most areas of counter-fraud activity having

cleared their backlogs entirely. However, backlogs for case preparation and investigation activities have increased (**Figure 4**).

Figure 4 The Department for Work & Pensions' (the Department's) outstanding counter-fraud and debt activities, March 2021 and April 2022

Backlogs have been cleared for most activities, but increased for case preparation and investigations

Counter-fraud activity	March 2021	April 2022
Debt referrals	368,000	–
Cases flagged by data analytics awaiting review	156,000	123,000
Compliance work on non-criminal fraud	150,000	147,000
Debt corrections and refunds	145,000	–
Case preparation	95,000	163,000
Investigations into alleged benefit fraud	5,000	23,000
All other activities	273,000	–
Total	**1,192,000**	**456,000**

Notes
1. 'All other activities' includes Enhanced Checking Service (82), Universal Credit advances (80), National Insurance number decision making (55), Household splits (33), Interventions (14) and Serious and Organised Crime (8).
2. Figures are rounded to the nearest thousand.

Source: National Audit Office analysis of Department for Work & Pensions operational documents

42. The backlogs remaining at April 2022 are in areas that have been more complex to resolve, primarily because the Department has not completed design work of the systems and processes needed to handle these cases. A large portion of delayed case preparation activity relates to cases of suspected overpayment due to the claimant providing false information about whom they live with. For investigations, the backlog has increased four-fold over the year, mainly due to lags in recruitment and training. Investigation officers receive security clearance and a high level of specialist training that can take over a year, and hence there is a time lag before new recruits can become fully productive. The Department expects to reduce remaining backlogs to a manageable level in 2022-23, and to see the level of prosecutions increase over the coming years as a result.

43. There are backlogs in other activities across the Department, outside direct counter-fraud work, which may have an impact on levels of fraud and error. For example, the Department estimates that there have been up to £130 million in additional overpayments of Personal Independence Payment (PIP), and up to £60 million of underpayments, because PIP assessment reviews were delayed by COVID-19 (see Note 18 to the Accounts). The Department has not fully evaluated the possible impact of other backlogs on fraud and error.

Recovery of overpayments

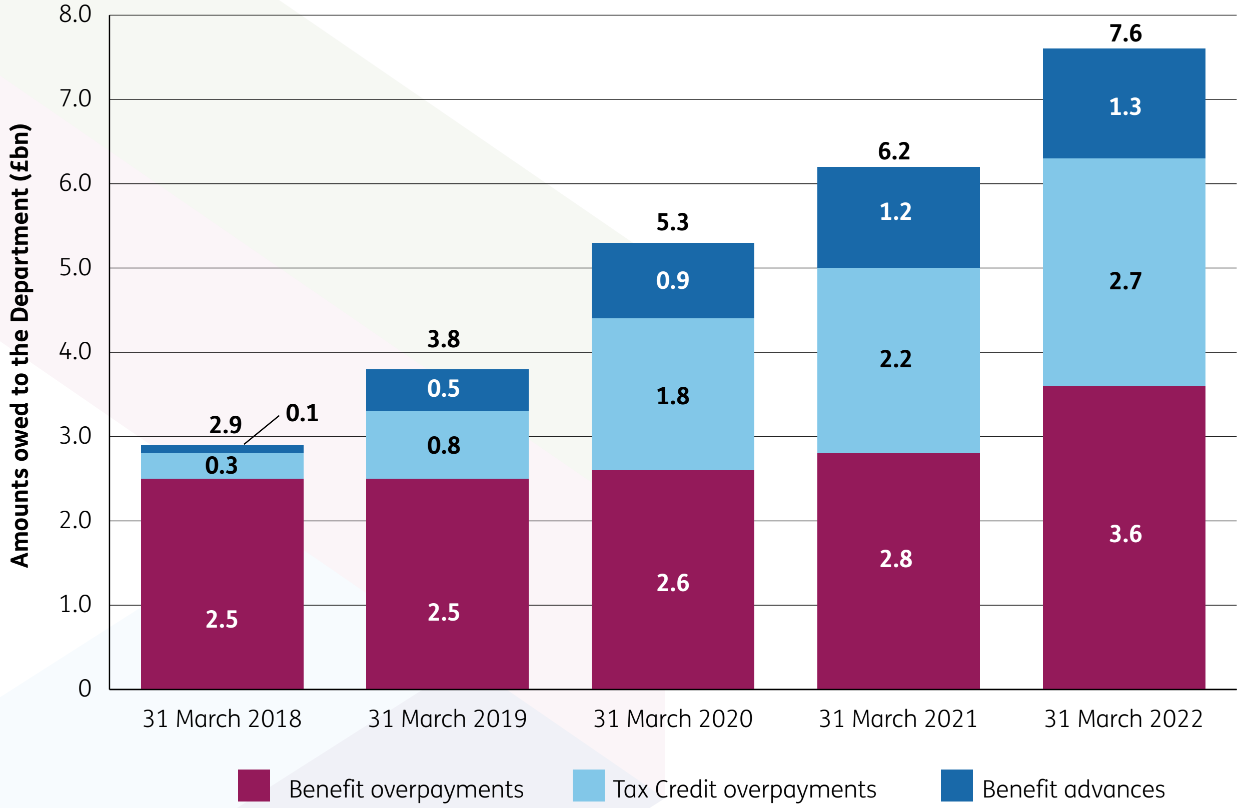
44. Fraud and error have a real cost. Overpayments arising from fraud and error increase costs for taxpayers and reduce the public resources available for other purposes. When the Department recovers overpayments, this can lead to problems for claimants who face deductions from their income. The redeployment of compliance staff at the start of the pandemic caused large backlogs in working through compliance and debt cases. This led to delays in claimants being informed of the debts that were due. Last year I recommended that the Department improve the promptness and clarity of its communications to customers regarding debts they owe. The Department has since

implemented this recommendation by clearing the backlog in debt referrals. When a debt is referred, a notification is automatically sent to the claimant.

45. Although backlogs have been reduced significantly, overpayment debt has continued to increase to record levels. The Department's accounts show that as at 31 March 2022, gross debt relating to overpayments in benefits it administers totalled £3.6 billion. There is a further £2.7 billion of gross debt relating to Tax Credits that has been transferred from HMRC to the Department as Tax Credit claimants move to Universal Credit. Total overpayment debt, therefore, stands at £6.3 billion, an increase of 26% compared with last year. This continues a trend that has seen overpayment debt rise every year for the past decade as the Department's benefit expenditure levels and the overpayment rate have increased. Separately, there is £1.3 billion of debt in relation to benefit advances, nearly all of which relates to Universal Credit (**Figure 5**). The Department has impaired £3.0 billion (39%) of these outstanding amounts, meaning that it considers this amount of the debt to be potentially unrecoverable (see Note 13 to the Accounts).

Figure 5 The Department for Work & Pensions' (the Department's) gross debt relating to benefit overpayments, Tax Credit overpayments, and benefit advances, 31 March 2018 to 31 March 2022

Most of the increase of debt in 2021-22 related to benefit overpayments



Notes

1. The three categories presented in this chart have been included because they are debts relating to fraud and error in benefit expenditure. Values presented here exclude Housing Benefit because local authorities are responsible for recovering this debt.
2. Benefit advances are treated as an overpayment for recovery purposes.
3. In April 2016 the Department started to take on debt associated with HM Revenue & Customs Personal Tax Credits for customers who had migrated to Universal Credit. The debt transfer is planned to continue to over the coming years as more customers move to Universal Credit. Once Tax Credit debts are received, the Department applies the same accounting policies as for benefit overpayments.

Source: National Audit Office analysis of the Department for Work & Pensions' Annual Report and Accounts, 2017-18 to 2021-22

46. Most overpayments are not recovered. In addition to the overpayment debt shown in the accounts, there are likely to be substantial amounts that are not recorded because the Department does not detect all overpayments it makes. It cannot collect amounts of debt that are estimated but not detected. For example, in 2021-22 there was an estimated £7.7 billion of overpaid expenditure across all benefits, excluding Housing Benefit.[35] By 31 March 2022, the Department had detected and recorded £648 million of overpayments relating to 2021-22 for recovery. This suggests that so far around 8% of total estimated overpayments relating to 2021-22 have been detected and recorded, where the Department can identify the individual claimant who has been overpaid and attempt recovery. It is likely to detect and record further 2021-22 overpayments in subsequent years. For example, this year it recorded around £840 million of further debt relating to 2020-21 overpayments, reducing the gap between estimated and detected overpayments.

Fraud and error in Universal Credit advances

47. Universal Credit advances misuse is a high priority to address for the Department. This year, in response to recommendations made by the National Audit Office and the Committee of Public Accounts, the Department made a first attempt at estimating the levels of fraud and error in advances paid to Universal Credit claimants in respect of new claims. It estimates that total overpaid Universal Credit advances for 2021-22 are in the range of £20 million to £85 million (2.8% to 12.4%). It estimated these levels using a combination of assumptions, observed trends and the annual fraud and error statistics, and the results are therefore not directly comparable to the estimates of fraud and error in relation to other benefits.

48. The Committee of Public Accounts has also recommended that the Department make progress in tackling advances fraud. As part of its response, the Department has trialled a risk model to detect fraud in Universal Credit advances claims. This model analyses information from historical fraud cases to predict which cases are likely to be fraudulent in the future.[36] Cases scored as potentially fraudulent by the model are flagged to caseworkers, who then prioritise the review and processing of such cases accordingly. In 2021-22 the model has been run to detect fraud in advances claims already in payment. The Department expects to trial the model on claims before any payment has been made early in 2022-23. If successful this could improve its ability to prevent fraud before these benefits are paid out, avoiding the need to seek recovery.

49. The Department is aware of the potential for such a model to generate biased outcomes that could have an adverse impact on certain claimants. For instance, it is unavoidable that some cases flagged as potentially fraudulent will turn out to be legitimate claims. If the model were to disproportionately identify a group with a protected characteristic as more likely to commit fraud, the model could inadvertently obstruct fair access to benefits. There is also the potential for legal risks if the Department were found in breach of its obligations regarding transparency or data protection. The Department has attempted to manage these risks in the following ways:

35 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.

36 This analysis is performed by a machine learning algorithm. The algorithm builds a model based on historic fraud and error data in order to make predictions, without being explicitly programmed by a human being.

- **Pre-launch testing and continuous monitoring.** Officials checked the model's test results before launch to ensure that they were accurate. The Department intends to continuously monitor the model's outcomes for inaccuracies, unintended bias and unfairness.
- **'Fairness' analysis.** The Department has looked at the distribution of false positive results across groups with protected characteristics in order to identify any disproportionate impacts. So far, this analysis has only been performed for three groups and the results are inconclusive.
- **Meaningful human involvement in decision-making.** Although the model identifies potentially fraudulent claims, the final decision about whether a claim is legitimate is always made at the discretion of one of the Department's caseworkers.
- **Caseworkers are not told why each case has been flagged for review.** As a precaution, a random selection of claims judged not fraudulent by the model are flagged to caseworkers for review. This is to discourage caseworkers from assuming that all cases flagged by the model are fraudulent, and to enable the Department to monitor the accuracy of decision-making.

The Department's long-term plan to reduce fraud and error

50. Before the COVID-19 pandemic I set out 13 strategic recommendations that the Department agreed would help it to reduce fraud and error and produce accounts that are free from material irregularity. I set these out in my Report last year and continue to monitor the Department's progress against them. There are two areas in particular where it needs to show more progress:
    - The Department has agreed an ultimate goal of demonstrating a cost-effective control environment to manage fraud and error. This will allow it to focus its efforts and to show that it is doing all that it reasonably can to reduce fraud and error. However, it still needs to establish better evidence of the cost and effectiveness of each of its controls. Its experience over the pandemic has put it in a better position to do this.
    - The Department has chosen not to publish targets for fraud and error reduction in benefit expenditure, despite previously committing to publishing at least an overall target by autumn 2021. This is because it does not consider that it is able to set a meaningful target given the uncertainty in baseline levels of fraud and error in post-COVID benefit claims, as well as the increasing propensity for fraud across society. Despite this uncertainty, the Department has modelled expected levels of fraud and error, which it is using internally to evaluate its strategy, but it does not consider this to be robust enough to report publicly. Publishing targets by benefit is important because they would enhance transparency and enable better dialogue between the Department and Parliament on what progress is being made.
51. In 2021 the Committee of Public Accounts recommended that the Department put in place a framework that allows a consistent basis for reporting how much money has been lost or saved for the taxpayer as a result of action to prevent fraud and error. The Department has started to develop metrics that will show the return on investment of its counter-fraud and error activities (see page 70 of the Annual Report). However, these statistics remain experimental and require further development before they can provide an appropriate framework for estimating the amount saved for the taxpayer.

52. The Department considered my 13 strategic recommendations and lessons learned from its approach to fraud and error in the pandemic in formulating its five-year plan to reduce fraud in benefit expenditure; *Fighting Fraud in the Welfare System*.[37] Its organising principles for addressing fraud are to prevent fraud entering the system in the first place, to detect and root it out when it does, and to deter would-be fraudsters through a robust penalty system. In response to the heightened level of fraud in its claimant base and society since the pandemic, the Department's strategy is to enhance its ability to fight fraud on three main fronts:
    - **Investing in counter-fraud activities.** This includes a significant increase in headcount and a portfolio of transformation projects;
    - **Creating new legal powers.** This includes powers of access to third-party data, and to make arrests and carry out searches and seize evidence; and
    - **Working closely with the public and private sectors.** This includes the new Public Sector Fraud Authority, HMRC, and external experts to improve the use of data in preventing fraud.

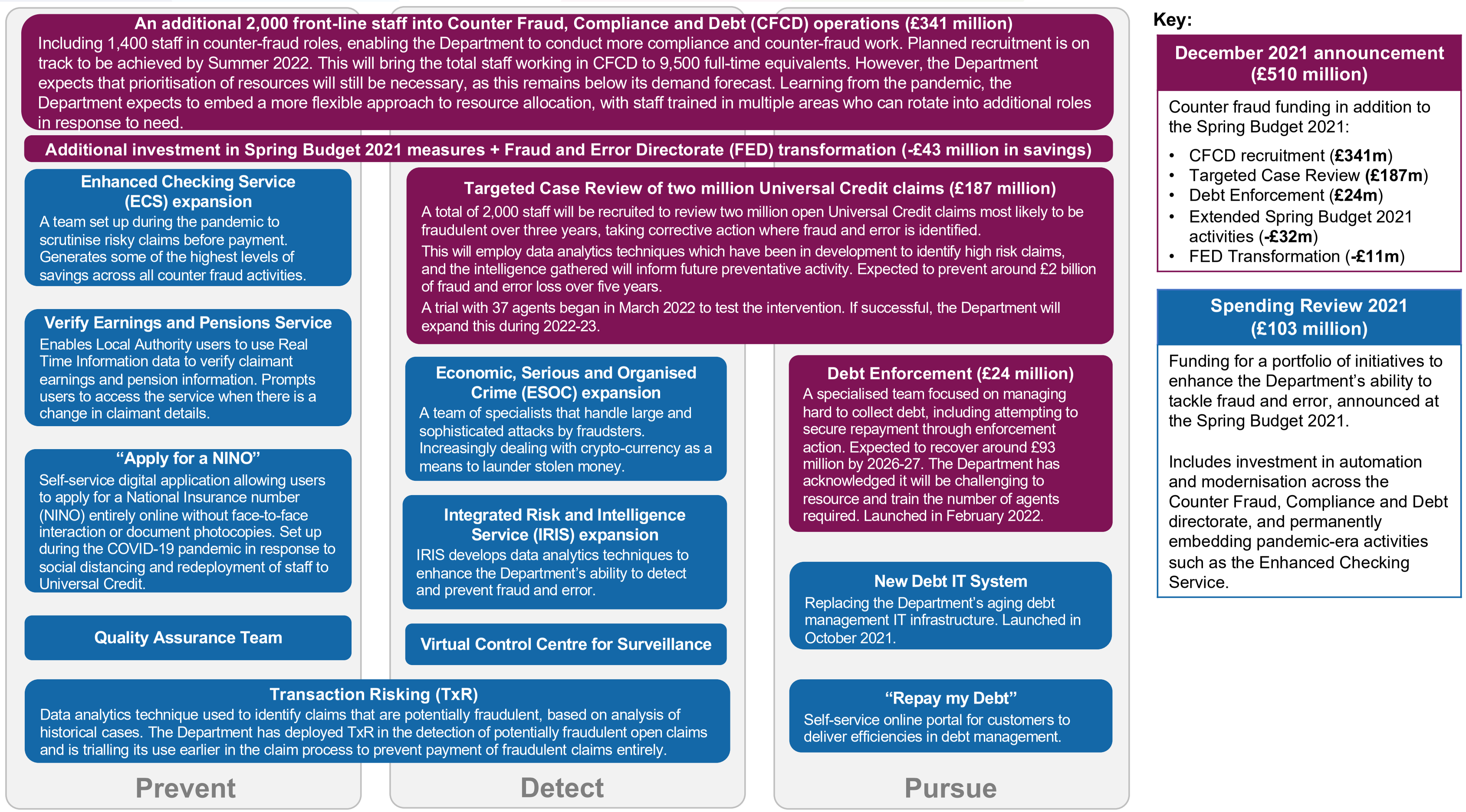
53. In line with this plan, the Department is investing £613 million over the next three years to enhance its capability to tackle fraud and error (**Figure 6**). Most of this funding will be used to recruit and train significant numbers of additional staff for frontline counter-fraud activities. The next largest portion will be spent on an exercise to review and correct two million open Universal Credit cases, which will require recruitment and training of a further 2,000 staff. This generates uncertainty around delivery timelines, including how quickly staff can be recruited, be trained, and become fully productive. The Department expects this investment to prevent £4 billion of loss in fraud and error over the next five years. But it has not set out how its plans will achieve the 6.5% fraud and error rate implied in the Universal Credit business case. The Office for Budgetary Responsibility has noted uncertainty relating to the baseline level of fraud and error before these interventions – in particular, whether and how the spike recorded in fraud and error during the pandemic would have subsided in their absence.[38]

37 Department for Work & Pensions, *Fighting Fraud in the Welfare System,* May 2022. Available at: Fighting Fraud in the Welfare System – GOV.UK (www.gov.uk))

38 Office for Budgetary Responsibility, *March 2022 Economic and Fiscal Outlook*, Annex A – Policy measures announced since October 2021, page 208 "DWP fraud and error". Available at: https://obr.uk/docs/dlm_uploads/Annex-A-3.pdf

Figure 6 The Department for Work & Pensions' (the Department's) spending allocation for counter fraud and error activities

The Department plans to invest £613 million over three years to tackle fraud and error, mostly on frontline recruitment and a review of two million Universal Credit claims



Notes

1. Numbers may not sum due to rounding. Financial values shown as negatives are savings for the taxpayer.
2. The Department's approach is to prevent fraud entering the system in the first place, to detect and root out fraud when it does, and to deter would-be fraudsters through a robust penalty system, including recovering debt owed.
3. The Department was unable to provide a breakdown for the £103 million of measures announced at the Spring Budget 2021.

Source: Department for Work & Pensions strategy documents and spending data

Cost of living support

54. In May 2022 the Chancellor announced a package of support worth over £15 billion to help households with the rise in the cost of living. This package includes a one-off grant of £400 to all households to help with energy bills. It also includes several measures that will be administered by the Department:

- **£650 one-off cost of living payment for people on means-tested benefits.** More than eight million households on means-tested benefits will receive a payment of £650 this year, made in two instalments, the first in July and the second in the autumn.[39]
- **£300 one-off pensioner cost of living payment**. Over eight million pensioner households that receive the Winter Fuel Payment will be paid an extra £300 this year to help them cover the rising cost of energy this winter. This will be paid on top of any other one-off support they are entitled to, for example Pension Credit or disability benefits.
- **£150 one-off disability cost of living payment**. Around six million people across the UK who receive a disability benefit will receive a one-off payment of £150.[40] For disability benefit recipients who also receive means-tested benefits, this £150 will be on top of the £650 they will receive separately.
- **£500 million increase and extension of the Household Support Fund**. The Department will provide additional funding to local authorities to support households most in need with basic essentials such as food, clothing and utilities. This covers a wide range of low-income households, including families with children of all ages, pensioners, and those who cannot increase their income through work. This funding will extend the Household Support Fund from October 2022 to March 2023, and bring the total amount provided to £1.5 billion since October 2021.

The one-off payments will be made directly to eligible people across the UK, so claimants do not need to take any action. The payments will be tax-free, will not count towards the benefit cap, and will not have any impact on existing benefit awards. It is likely that there will be a fraud and error impact associated with these measures measures that we expect the Department to assess in due course.

Progress in addressing the systemic underpayment of State Pension

55. The Department became aware of potential issues with underpayment of State Pension entitlements in Spring 2020 after a series of cases involving official error were highlighted in the media. In January 2021 the Department launched an exercise to review around 400,000 cases 'at risk' of underpayment to confirm the extent of the issue and reimburse affected pensioners. This process is known as a Legal Entitlements and Administrative Practice (LEAP) exercise and is intended to ensure that the Department has met all its legal responsibilities. The Department recognised a £1 billion provision in its 2020-21 Accounts, reflecting its best estimate of the amount it would need to pay in arrears to affected pensioners. These pensioners were estimated to number around 132,000, falling into three main groups: married, widowed, and over-80 (see Note 16 to the Accounts).

39 This includes all households receiving the following benefits: Universal Credit, Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit, and Pension Credit.

40 This includes people in receipt of: Disability Living Allowance, Personal Independent Payment, Attendance Allowance, Scottish Disability Benefits, Armed Forces Independence Payment, Constance Attendance Allowance, and War Pension Mobility Supplement.

56. In 2021-22 the Department has refined its best estimate by performing the additional scans of its pension systems that it was unable to do last year due to planned system upgrades. It now estimates that it underpaid £1.46 billion to 237,000 pensioners (**Figure 7**), and will need to review around 700,000 potentially affected cases to complete the LEAP exercise. Of this 700,000, around 13% are New State Pension cases. This is an increase of £429 million compared with 2020-21, but it remains within the range of uncertainty that the Department initially set out of between £620 million and £2.8 billion. The major changes include:
    - an increase of £507 million in the estimated amount owed to widowed pensioners;
    - reductions of £9 million and £69 million in the estimated amounts owed to married and over-80 pensioners, respectively; and
    - an increase in the estimated number of affected pensioners from 132,000 to 237,000.
57. Estimates for the married and over-80 groups are more likely to be accurate because they are based on:
    - scans of the Department's pension systems, to identify possible cases; and
    - a sampling exercise, to evaluate the likely payment value of a sample of cases.

    Sampling has not occurred for the widowed group, which means that there is more uncertainty in this element of the provision. The final value of the liability and the number of pensioners affected will only become clear once the Department has completed the LEAP review of all potentially affected cases.

Figure 7 Value of State Pension underpayments and number of pensioners affected as estimated by the Department for Work & Pensions (the Department), March 2021 and March 2022

The Department now estimates it underpaid 237,000 pensioners a total of £1.46 billion

Pensioners affected	Estimated amounts underpaid at 31 March 2021 (£m)	Estimated amounts underpaid at 31 March 2022 (£m)	Estimated number of pensioners affected at 31 March 2021	Estimated number of pensioners affected at 31 March 2022
Married	332	323	53,000	57,000
Widowed	560	1,067	43,000	141,000
Over-80	142	73	36,000	39,000
Total	**1,034**	**1,463**	**132,000**	**237,000**

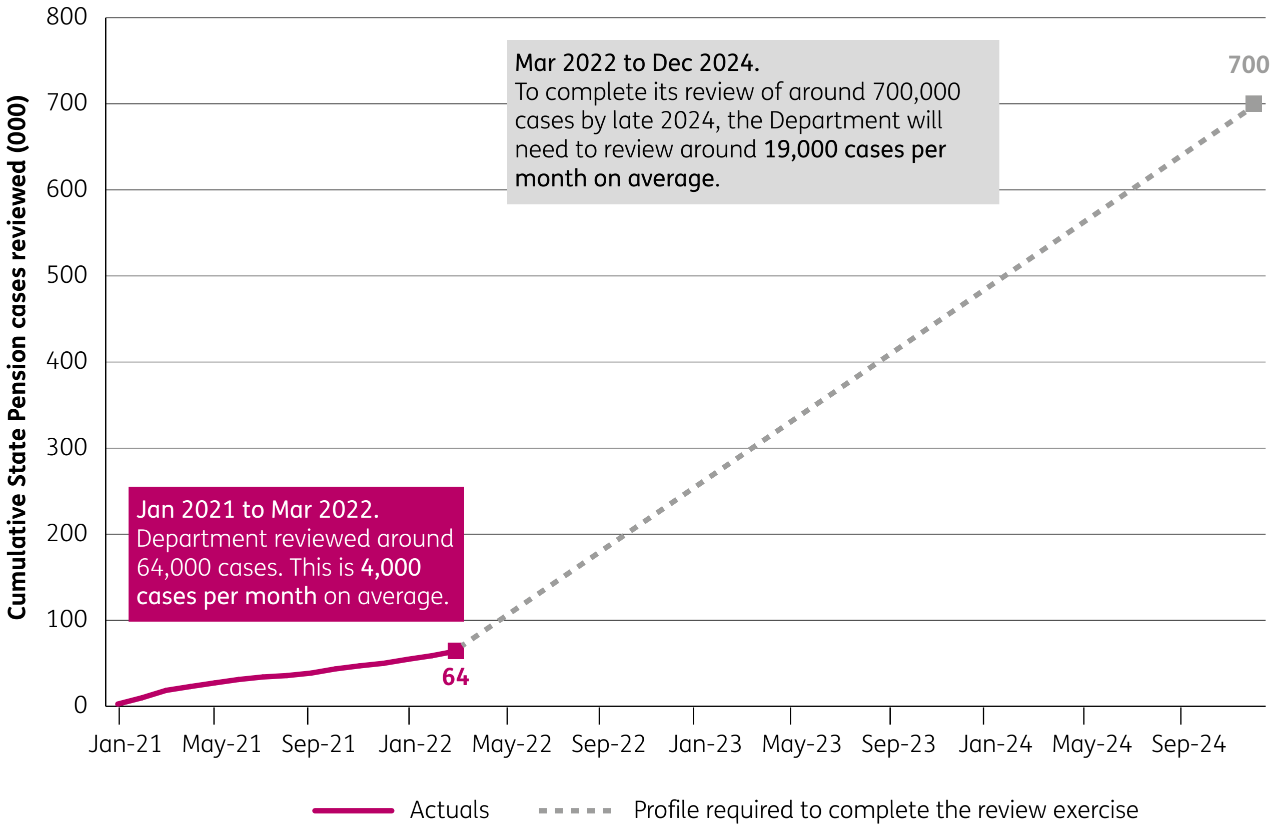
Notes
1. The estimated number of pensioners affected has been rounded to the nearest 1,000. The estimated value of underpayments has been rounded to the nearest £1 million.
2. The Department does not expect to repay all affected claims. For instance it does not expect to be able to trace the next-of-kin of all deceased customers.
3. In 2021-22 the Department paid out around £106 million in arrears to affected pensioners (see page 83 of the Annual Report). The outstanding provision at 31 March 2022 is £1.35 billion (see Note 16 to the Accounts).
4. The underpayments are the cumulative result of human error going back at least thirty years and primarily affect three groups of people. These are set out below, and in more detail in Note 16 to the Accounts:
    - Married pensioners (spouse top-up). 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.
    - Widowed pensioners ('missed conversions'). People who have been widowed and whose State Pension was not uplifted to include amounts they were entitled to inherit from their late husband, wife, or civil partner.
    - Over-80 pensioners ('Category D'). People who have not been paid Category D State Pension uplift as they should have been from age 80 and may be entitled to a minimum basic pension higher than their current payment.

Source: National Audit Office analysis of Department for Work & Pensions financial and management information

58. The Department still aims to complete its review of the married and over-80 groups by the end of 2023, but is reassessing its delivery plan for the widowed pensioner group. This is because the number of potentially affected pensioners identified has increased from around 400,000 to around 700,000, predominantly relating to widowed pensioners. The provision in the financial statements reflects its current assessment that the review and correction of all widowed pensioner cases may take until late 2024. It will need to significantly increase the speed at which it reviews cases to complete the LEAP exercise on schedule. By February 2022, one-third of the way into the exercise, the Department had reviewed around 60,000 out of 400,000 cases initially identified for review, and paid out less than 10% of the amount it estimated was outstanding. It will need to achieve an average review rate several times faster than this in the future in order to complete the LEAP exercise by late 2024 (**Figure 8**).

Figure 8 The Department for Work & Pensions' (the Department's) progress in reviewing State Pension cases potentially affected by underpayment

The Department will have to significantly increase the speed at which cases are reviewed to complete the exercise by late 2024



Notes
1. Around 700,000 is the latest estimate for the number of potentially affected State Pension cases that the Department will need to review to know the full extent the underpayment and correct any underpayments.
2. At March 2022, the Department had around 460 staff in place to process cases.
Source: National Audit Office analysis of Department for Work & Pensions data

59. The Department's delivery plan for the LEAP exercise is highly dependent on assumptions about recruitment, onboarding times, productivity, and retention of trained staff. For example, it expects to recruit or train over 1,000 additional staff to process cases. At March 2022, it had around 460 staff in place processing cases. The Department is also developing automation to process some of the cases, which it says it will deploy in July 2022. It has acknowledged that any setbacks to recruitment or productivity could have an impact on its plan, and that delays would increase the value of arrears owed by the Department. The Department's plan does not adjust for the fact that toward the end of the exercise there is likely to be a higher proportion of more complex cases relating to widowed pensioners, and that additional training time will be needed to redeploy staff from married and over-80 pensioner cases to widowed cases.

60. The National Audit Office, the Committee of Public Accounts, and the Work and Pensions Committee have made a series of recommendations around State Pension underpayment. These relate primarily to the speed and transparency of communications of the LEAP exercise, the Department's assurance processes and its ability to detect the systemic causes of underpayments. For instance, the Chairs of the Public Accounts Committee and the Work and Pensions Committee have expressed concern that the Department's guidance to pensioners regarding potential underpayment was inadequate and could discourage pensioners from taking action to obtain their full entitlement. In my 2021 *Investigation into the underpayment of State Pension* I identified three main areas for improvement. I provide an update on the Department's activity against these areas in **Figure 9**:[41]

Figure 9 The Department for Work & Pensions' (the Department's) response to areas for improvement suggested by the National Audit Office in September 2021

The Department has taken the following steps towards addressing areas identified for improvement

1) Improving prompt redress and increasing transparency over the exercise to redress State Pension underpayments.
• The Department has committed to report on progress of cases reviewed and did so in October 2021 and March 2022. • The Department is developing processes to automate case review for widowed pensioners in order to speed up the exercise. It expects to implement this in July 2022. • The Department has not significantly altered its communications to potentially affected pensioners. The Department maintains that information on GOV.UK and in a leaflet that is sent out each year is sufficient. It has also stated that user feedback in the past 12 months on GOV.UK pages relating to State Pension has not suggested the need for any changes. However, the Department says it will consider the feasibility of doing more to understand the effectiveness of its communications on this issue. • The Department reports that it is working towards providing a more direct route for those enquiring about underpaid State Pension in respect of a deceased customer and intends to update GOV.UK by summer 2022.

41 Comptroller and Auditor General, *Investigation into the underpayment of State Pension*, session 2020-21, HC 665, National Audit Office, September 2021.

2) Strengthening controls and quality assurance processes.
• In April 2022 the Department reported that it has improved its Customer Account Management system for State Pension. The system will now prompt agents to take specific action before a case can be closed, which the Department expects will prevent the errors identified as part of the State Pension underpayment Legal Entitlements and Administrative Practice (LEAP) exercise from happening again. • The Department has stated that it has invested in specialist teams to handle new, more complex State Pension claims, and that it is delivering enhanced training to all staff dealing with State Pension cases. • The Department has reviewed its Quality Framework, which will apply to the State Pension LEAP exercise. This now emphasises customer experience and ensuring that staff get the basics right and are consistent in complying with instructions. The Department says this will provide an 'early warning system' and allow prevention and early detection of issues, including reducing potential future LEAP risks. However, the Department has not set out plans for specific new controls over business-as-usual State Pension work.
3) Improving detection of the systemic causes of underpayments across the Department.
• In January 2022 the Committee of Public Accounts recommended that the Department explain how it had assessed the risk of systemic underpayments to divorced women, an additional group identified as potentially affected, as well as systemic underpayments in general. • The Department responded by pointing to its annual review of State Pension cases, stating that in future it will use sampling exercises such as this as part of its overall prevention and detection strategy to assess whether there are further systemic underpayments. However, these exercises are not designed to identify low-value errors that accumulate over many years (see paragraph 61). • The Department invited the Government Internal Audit Agency to review State Pension legislation going back to 1995 to identify potential causes of further underpayments.

Notes
1. High-level areas for improvement as published in Investigation into the underpayment of State Pension (National Audit Office, September 2021). Available at: www.nao.org.uk/wp-content/uploads/2021/09/Investigation-into-underpayments-of-State-Pension.pdf
2. The Department has published its progress with the LEAP exercise on GOV.UK. Available at: www.gov.uk/government/publications/state-pension-underpayments-progress-on-cases-reviewed-to-28-february-2022/state-pension-underpayments-progress-on-cases-reviewed-to-28-february-2022

Source: National Audit Office analysis of Department for Work & Pensions documents, the Committee of Public Accounts reports, National Audit Office reports, and Treasury Minutes

61. In 2021-22 the Department identified several new groups of pensioners potentially affected by underpayment, the most significant relating to Home Responsibilities Protection (see paragraph 35). The Committee of Public Accounts, among other stakeholders, has raised concerns that there may be other groups of pensioners subject to underpayment that remain undetected - for example divorcees. The Department cannot rule out that there may be further groups of pensioners, as yet unidentified, that have been affected by a historic underpayment. It has not set out plans to revise its specific controls over State Pension casework to ensure that underpayments are detected and recorded at the point of payment. Instead, it says it will identify underpayments through sampling exercises such as its existing annual benefit measurement. However, these exercises are not designed to detect systemic issues that are low value in any single year but have a large impact on individuals over many years. The Department asked the Government Internal Audit Agency to review State Pension legislation to identify areas where there is a risk of further potential underpayment, but has not reviewed the controls around State Pension administration in the same way. The Department should therefore act in line with previous recommendations to ensure that its controls over State Pension are adequate to prevent and detect official errors near the point of underpayment in order to mitigate the risk of further systemic issues in future.

Gareth Davies
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road Victoria
London SW1W 9SP

5 July 2022

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 2022.

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 128. 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 2022

The notes on page 248 form part of these accounts.

		31 March 2022		31 March 2021	
	Note	**Core department**	**Departmental group**	**Core department**	**Departmental group**
		£000	£000	£000	£000
Staff expenditure	3	3,594,140	3,865,552	3,170,674	3,497,913
Purchase of goods and services	4	2,845,678	2,648,451	2,578,572	2,305,168
Benefit and Social Fund expenditure	5	217,205,965	217,205,965	212,187,881	212,187,881
Depreciation and impairment charges	6	482,253	495,734	84,288	94,859
Provision expense	6	1,503,402	1,503,617	1,554,201	1,554,464
Total operating expenditure		**225,631,438**	**225,719,319**	**219,575,616**	**219,640,285**
Operating income	7	(642,782)	(731,060)	(537,302)	(610,552)
Total operating income		**(642,782)**	**(731,060)**	**(537,302)**	**(610,552)**
Finance income	7	(30,331)	(30,337)	(44,485)	(44,476)
Finance expense	4	4,865	22,411	4,509	23,011
Net expenditure for the year		**224,963,190**	**224,980,333**	**218,998,338**	**219,008,268**
Donated assets	8	(444,838)	(444,838)	(304,765)	(304,765)
Net operating costs for the year		**224,518,352**	**224,535,495**	**218,693,573**	**218,703,503**

Other comprehensive net expenditure

Items that will not be reclassified to net operating expenditure				
Net loss/(gain) on:				
Revaluation of property, plant and equipment	–	(29)	–	(1,092)
Revaluation of intangibles	(18,420)	(18,420)	(28,825)	(28,774)
Revaluation of pension fund	(10,749)	(10,749)	7,645	7,645
Total comprehensive net expenditure for the year ended 31 March 2022	**224,489,183**	**224,506,297**	**218,672,393**	**218,681,282**

All income and expenditure is derived from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2022

The notes on page 248 form part of these accounts.

		31 March 2022		31 March 2021	
	Note	Core department	Departmental group	Core department	Departmental group
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	648,265	760,982	443,417	560,646
Intangible assets	10	421,135	430,749	408,565	418,028
Trade receivables, financial and other assets	13	4,521,860	4,524,429	3,959,779	3,952,767
Total non-current assets		**5,591,260**	**5,716,160**	**4,811,761**	**4,931,441**
Current assets:					
Trade receivables, financial and other assets	13	3,822,101	3,871,049	4,691,691	4,740,681
Cash and cash equivalents	12	1,433,889	1,435,027	663,912	681,189
Total current assets		**5,255,990**	**5,306,076**	**5,355,603**	**5,421,870**
Total assets		**10,847,250**	**11,022,236**	**10,167,364**	**10,353,311**
Current liabilities:					
Trade payables and other liabilities	14	(10,027,716)	(10,104,570)	(9,081,969)	(9,148,762)
Provisions for liabilities and charges	16	(1,171,937)	(1,171,937)	(1,236,271)	(1,236,271)
Total current liabilities		**(11,199,653)**	**(11,276,507)**	**(10,318,240)**	**(10,385,033)**
Total assets less current liabilities		**(352,403)**	**(254,271)**	**(150,876)**	**(31,722)**
Non-current liabilities:					
Provisions for liabilities and charges	16	(7,413,793)	(7,414,888)	(6,343,802)	(6,344,888)
Other payables	14	(170,352)	(246,735)	(157,793)	(238,234)
Pension liability	17	(1,040)	(2,225)	(9,875)	(10,921)
Total non-current liabilities		**(7,585,185)**	**(7,663,848)**	**(6,511,470)**	**(6,594,043)**
Assets less liabilities		**(7,937,588)**	**(7,918,119)**	**(6,662,346)**	**(6,625,765)**
Taxpayers' equity and other reserves:					
General fund		(7,974,970)	(7,995,747)	(6,691,273)	(6,694,909)
Revaluation reserve		37,382	77,628	28,927	69,144
Total equity		**(7,937,588)**	**(7,918,119)**	**(6,662,346)**	**(6,625,765)**

Peter Schofield CB
Accounting Officer 1 July 2022

Consolidated Statement of Cash Flows

for the year ended 31 March 2022

		31 March 2022		31 March 2021	
	Note	Core department	Departmental group	Core department	Departmental group
		£000	£000	£000	£000
Cash flows from operating activities					
Net cost for the year		(224,518,352)	(224,535,495)	(218,693,573)	(218,703,503)
Adjustments for non-cash transactions	6,7	1,989,899	2,004,230	1,612,705	1,624,642
Adjustments for Capital Grant in Kind transfers	8	(444,838)	(444,838)	(304,765)	(304,765)
Decrease/(increase) in trade and other receivables	13	307,509	297,970	(2,581,963)	(2,589,733)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(412,653)	(412,653)	1,279,307	1,279,307
Increase/(decrease) in trade and other payables	14	1,901,682	1,908,530	(1,220,245)	(1,213,130)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(630,516)	(627,048)	644,095	651,336
Utilisation of provisions	16	(497,745)	(497,745)	(394,208)	(394,208)
Net cash outflow from operating activities		**(222,305,014)**	**(222,307,049)**	**(219,658,647)**	**(219,650,054)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9a	(373,359)	(377,493)	(218,082)	(225,658)
Purchase of intangible assets	10a	(78,620)	(85,270)	(69,619)	(75,086)
Proceeds of disposal of property, plant and equipment and intangible assets		-	453	-	315
Proceeds of disposal of assets held for sale		1,212	1,212	21,000	21,000

	Note	31 March 2022 Core department	31 March 2022 Departmental group	31 March 2021 Core department	31 March 2021 Departmental group
		£000	£000	£000	£000
Loans to other bodies – repayments		8,855	8,855	2,956	2,956
Loans to other bodies		(137,031)	(137,031)	(139,929)	(139,929)
Net cash outflow from investing activities		**(578,943)**	**(589,274)**	**(403,674)**	**(416,402)**
Cash flows from financing activities					
From the Consolidated Fund (supply) current year		113,728,747	113,728,747	109,828,059	109,828,059
From the Consolidated Fund (supply) prior year		749,256	749,256	-	-
Net financing from the National Insurance Fund		110,181,636	110,181,636	107,433,115	107,433,115
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(11,236)	(14,164)	(13,359)	(15,875)
Net financing		**224,648,403**	**224,645,475**	**217,247,815**	**217,245,299**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**1,764,446**	**1,749,152**	**(2,814,506)**	**(2,821,157)**
Payments of amounts due to the Consolidated Fund		(51,093)	(51,093)	(12,692)	(12,692)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	12	**1,713,353**	**1,698,059**	**(2,827,198)**	**(2,833,849)**
Cash and cash equivalents at the beginning of the period	12	**(2,807,019)**	**(2,790,623)**	**20,179**	**43,226**
Cash and cash equivalents at the end of the period	12	**(1,093,666)**	**(1,092,564)**	**(2,807,019)**	**(2,790,623)**

The notes on page 248 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2022

The notes on page 248 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 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	SOPS 4	(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)**
Net parliamentary funding drawn down (current year)		113,728,747	113,728,747	–	–	113,728,747	113,728,747
Repayments to the Consolidated Fund	SOPS 4	(1,639)	(1,639)	–	–	(1,639)	(1,639)

		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
Net parliamentary funding – drawn down (prior year)	13	749,256	749,256	–	–	749,256	749,256
Funding from National Insurance Fund		110,181,636	110,181,636	–	–	110,181,636	110,181,636
Supply payable adjustment	14	(661,918)	(661,918)	–	–	(661,918)	(661,918)
Supply receivable previous year clearance	13	(749,256)	(749,256)	–	–	(749,256)	(749,256)
CFERS payable to the Consolidated Fund	SOPS 4	(34,149)	(34,149)	–	–	(34,149)	(34,149)
General fund – other		(179)	(177)	–	–	(179)	(177)
Net costs for the year		(224,518,352)	(224,535,495)	–	–	(224,518,352)	(224,535,495)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	6	1,443	1,443	–	–	1,443	1,443
Actuarial revaluation on pension		10,749	10,749	–	–	10,749	10,749
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		–	–	18,420	18,449	18,420	18,449
Transfers between reserves		9,965	9,965	(9,965)	(9,965)	–	–
Balance at 31 March 2022		**(7,974,970)**	**(7,995,747)**	**37,382**	**77,628**	**(7,937,588)**	**(7,918,119)**

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 2021-22 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 have picked the one that we think is the most appropriate to our circumstances and which gives a true and fair view. The policies we have adopted are set out below. We have 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 Outturn against Parliamentary Supply. This statement is shown on page 184 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 2022. We have 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 2020-21 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 rental expense on operating leases previously recognised within the SoCNE will be replaced by a depreciation charge and a finance charge, therefore operating lease commitments in scope to transition to IFRS 16 will not be re-stated.

Upon transition, DWP shall recognise the cumulative effects of initially applying IFRS 16 recognised at the date of initial application as an adjustment to the opening balances of taxpayers' equity. DWP has chosen not to apply IFRS 16 to intangible assets.

IFRS 16 defines a lease as a contract that 'conveys the right to control the use of an identified asset for a period of time in exchange for consideration.' This definition applies both to lessees and lessors.

Therefore, in order to contain a lease, a contract must:

- Depend on the use of an identified asset and
- Provide the customer with the right to control the use of that identified asset

DWP defines the lease term as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both i) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and ii) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

DWP will apply the following for leases previously classified as operating leases:

- No adjustments for leases for which the underlying asset is of low value (less than £5,000)
- No adjustment for leases for which the lease term ends within 12 months of initial application
- Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease

Our expectation is that around 1,500 of the Department's operating leases will 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 £1.3 billion (over 99% of this value relates to leased property), along with a lease liability of a similar amount. As a result of recognising these assets on the balance sheet, the Department expects that the impact on the SoCNE from associated depreciation and finance costs will amount to approximately £240 million in 2022-23.

The Department's right of use asset and lease liability values for leased property have been calculated via Cushman and Wakefield's TM1 model (a global commercial real estate services firm), discounted using the HM Treasury discount rate (currently 0.95%) promulgated in PES papers.

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. We expect there to be no impact as the Department does not have insurance contracts.

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 128). We have eliminated all material transactions between entities included in this consolidation.

1.5 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements

In preparing the financial statements, we have to make critical judgements, apart from those involving estimations (which are presented separately below), that affect the application of policies and have impacts on the reported amounts of our assets and liabilities, income and expenditure.

Incorrect payments

We are responsible for paying claimants the right benefit at the right time. However, administrating over 25 different benefits is a complex business which may introduce a risk of fraud and error leading 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 information and methodology document).

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 95% of £216 billion of benefit payments were made correctly in this reporting year.

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.

Benefit expenditure

As there are no specific IFRS or FReM regulations regarding benefit expenditure, the Department has determined an appropriate policy to pay benefit claimants under relevant legislation.

Our judgement therefore is expenditure in respect of social benefit payments, is recognised in financial statements as closely as possible to the time of the underlying event or activity that gives rise to a liability (defined as the period of entitlement or in the case of new claims, the date of the first payment being made). Only the expenditure for the period of entitlement that falls within the accounting year should be recognised. Further details contained in 1.7.

Expected credit loss

As the Department does not assess credit risk, the lifetime expected credit loss approach is adopted for benefit related receivables, further details on our approach is outlined in section 1.12.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 2022. The rates used take account of the latest economic conditions and are updated annually.

The FAS assets, which are not recognised in the DWP SoFP 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.

Impairment of financial instruments

To calculate our impairment for benefit overpayments, we continue to review historic rates of debt recovery and write off to give basis of future expected credit loss. Benefit overpayment debts are assumed to have an asset life of 15 years from the reporting date. For each benefit group, recoveries and write-offs are forecast over the asset life based on the age of debts recoveries and write-offs from the previous 12 months. We have provided more detail in note 1.12.

Benefit provisions and underpayments

Benefit provisions and underpayments arise from ongoing Legal Cases against the Department or are identified as a result of internal procedures such as Legal Entitlements and Administrative Practice (LEAP) exercises. These provisions are estimated using 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 or underpayments that are below a set de minimus limit (see note 1.12).

The Department does not include an estimate within its accounts of general underpayments caused by official error. This is because the amount cannot be reliably measured. Instead, we disclose a contingent liability in accordance with IAS37 (Provisions, Contingent Liabilities and Contingent Assets) (see note 19).

State Pension underpayment

The provision for liability in relation to historic underpayment of State Pension has been calculated utilising analytical estimates of the volume of people affected and level of arrears. Description of the methodologies and key estimations is contained in note 16c.

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.

1.7 Benefit Expenditure

Expenditure in respect of social benefit payments is recognised in financial statements when the payment is due to the customer.

Payments made are structured into periods of entitlement. Customers are eligible for payment if they meet qualifying criteria throughout the entitlement period.

The majority of payments are made in arrears, by which time the entitlement period will have been fully completed. There are however certain options to receive payment in advance relating to specific circumstances predominately on the initial claim to people of pension age or to terminally ill customers.

The frequency of benefit payments can be seen online at How and when your benefits are paid – gov.uk (www.gov.uk). Due to the frequency of the majority of payments being fortnightly or longer, it is common that an entitlement period will cross two financial years. In such a situation, accounting adjustments are made to ensure only the amount relating to each financial year is recognised within it. For example, when a payment is made in April 2022 where an element of the entitlement period falls in March 2022, we have accrued expenditure relating to 2021-22 to ensure it is recognised in the correct financial year.

Universal Credit is assessed and paid in arrears, on a monthly basis and in a single payment. State Pension are usually paid every 4 weeks in arrears. Universal Credit and State Pension equate to circa 80% of all arrears payments made. Other working age benefits are paid a minimum of fortnightly in arrears and have a common payday.

Benefit advances are classed as financial assets rather than expenditure (see note 1.12.1). As such they are recognised in the SoFP at the time of payment. Repayments of the advance are deducted from future benefit payments.

1.8 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, intangible assets are pooled. Current departmental policy does not allow for pooling of tangible assets. The following thresholds apply:

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

All expenditure on repairs and maintenance is charged to the SoCNE during the financial year in which it's incurred.

1.9 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

1.10 Intangible assets

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

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

Purchased software licences

We capitalise software licences and applications at cost as intangible assets if they are in use for more than one year and cost more than £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 IP 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).

1.11 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 11 years
Plant and machinery	5 to 10 years (5 to 20 years for HSE's science division)
Furniture and fittings	>1 to 15 years (>1 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 >1 to 15 years as aligned to the useful economic life (UEL) of the application/developed software the licence provides access to
Internally developed software	>1 to 17 years
Websites	5 to 7 years

1.12 Financial Instruments

In line with the government Financial Reporting Manual adaptation of IAS 32 (Financial Instruments: Presentation) and IFRS 9 (Financial Instruments), we recognise financial assets and liabilities when we become party to the contracts or legislation that give rise to them. For financial assets, this includes benefit overpayments, benefit advances and Tax Credits receivables.

1.12.1 Financial Assets

Financial assets include cash and cash equivalents, trade and other receivables, loans, benefit advances, benefit overpayments and Tax Credits receivables. The Department determines the classification of its financial assets at initial recognition. Our policy is not to trade in financial instruments. The Department holds all assets in order to collect cash flows, there is no intention to sell the debt asset. The contractual cash flows are solely repayments of principal debt and therefore the debt is measured at amortised cost.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit and loss (FTVPL), directly attributable costs. Further details on the recognition and measurement of specific classes of financial assets are included below.

Trade and other receivables, and loans

Trade and other receivables have fixed or determinable payments that are not quoted on an active market and they do not carry interest. The initial recognition of trade and other receivables is usually the original invoiced amount.

Subsequent recognition of the trade and other receivable is at amortised cost using the effective interest method. The appropriate impairment allowance is detailed below.

Benefit overpayments

As part of assessing and paying benefits, people can be paid more than they are legally entitled to under the relevant benefit legislation either due to fraud or error. Where overpayments to individuals are identified, and the Department has a legal right to recover the excess amount paid, the amount owed is recognised as a benefit overpayment receivable.

We hold all benefit overpayments to collect the cash flows due. Benefit overpayments are not quoted on any active market and do not carry interest. Cash flows consist of the repayment of principal only. They are therefore measured at amortised cost, less recoveries to date, and subject to impairment for expected credit losses.

The Secretary of State has an obligation to protect public funds and to ensure that, wherever possible, overpayments are recovered. We seek to recover all benefit overpayments where we have the legal basis to do so unless it would cause financial hardship or would not be cost-effective. Where recovery isn't cost-effective, we write off overpayments, with the exception of fraud cases which are exhausted as far as possible. Our write-off policy has been agreed with HM Treasury. Debts are normally recovered through deductions of voluntary agreements with debtors or deductions from earnings.

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

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

These losses are included in the Losses and Special Payments note on page 202.

In addition to the above, the balance of gross benefit overpayments does not include all of the estimated overpayments reported in note 18, Incorrect Payments, based on the estimates arising from the annual fraud and error measurement exercise in this year (or prior years) because a receivable cannot be recognised if:

- the overpayment has not been identified by the Department;
- an identified overpayment has not been properly referred for collection; or,
- the referred overpayment has not been processed and communicated to the claimant.

These overpayments are excluded from the financial statements because the relevant process – required under benefit legislation to establish the underlying rights for the receivable – is incomplete and an asset cannot be recognised (see note 1.5).

Benefit advances

Benefit advances mainly relate to Universal Credit and are, in effect, an advancement of a claimant's first indicative award. They are intended to provide support for individuals in the period between a benefit claim and the first benefit payment. The cash advance paid is recognised as a benefit advance receivable.

We hold all benefit advances to collect the cash flows due. Benefit advances are not quoted on any active market and do not carry interest. Cash flows consist of the repayment of principal only. They are therefore measured at amortised cost, less recoveries to date, and subject to impairment for expected credit losses.

Benefit advances are subject to the same recovery and write-off policies as for benefit overpayments.

Tax Credits

In April 2016, we started to take on the receivables 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 transfer of receivables is planned to continue over the coming years as more customers move to UC. HM Revenue and Customs have also transferred additional Tax Credit receivables not related to UC claimants to make use of DWP's recovery powers.

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 receivables have been transferred to us at the carrying value which was calculated at the point of transfer by HM Revenue and Customs using their impairment rate applied to the gross debt.

We hold all Tax Credit receivables to collect the cash flows due. Tax Credit receivables are not quoted on any active market and do not carry interest. Cash flows consist of the repayment of principal only. They are therefore measured at amortised cost, less recoveries to date, and subject to impairment for expected credit losses.

Following the transfer, Tax Credit receivables are subject to the same policies as those set out for benefit overpayments.

Impairment of Financial Assets

Trade and other receivables

All departmental assets are impaired using the IFRS 9 simplified approach, whereby a historical recovery rate is calculated and applied to the debts according to age profile. These have been detailed within Note 13. Within the Trade and other receivables category we have debts relating to, Support for Mortgage Interest, Other Government Department, payroll overpayments, recovery of admin penalties and Independent Living Fund.

Benefit related financial assets

Unlike commercial credit arrangements, the assessment and payment of benefits occurs under specific legislation, without reference to credit risk and frequently without agreed contractual cash flows for repayment. Consequently, when these assets are assessed for impairment under IFRS 9, changes in credit risk cannot be used to assess whether 12 month or lifetime expected credit losses should be recognised and contractual cash flows cannot be used as an indicator of credit risk or default. We have therefore chosen to provide for lifetime expected credit losses for the following categories of benefit related financial assets:

- Benefit overpayments
- Benefit advances
- Tax Credit receivables
- Social Fund loans

Receivables are grouped by the benefit they relate to, with impairments calculated on a collective basis for each group. This approach reflects the different demographics and socio-economic backgrounds of claimants to different benefits.

Our impairment calculation considers the expected recoveries over the lifetime of the debt and impairs the debt balance. We further discount using the HM Treasury provided discount rate. The Department's Impairment calculation is further explained in Note 13a in more detail.

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.

Derecognition of Financial assets

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the risks and rewards of ownership have been substantially transferred.

1.12.2 Financial Liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans. The Department does not currently have financial liabilities measured at fair value through profit or loss and neither does it have complex derivative financial instruments.

Trade and other payables

Trade and other payables excluding accruals, are generally not interest bearing and are stated at their invoice value on initial recognition. Subsequently they are measured at amortised cost.

Accruals

Accruals are generally not interest bearing and are stated at their invoice value on initial recognition. They represent benefit payments paid in April 2022 relating to entitlement weeks within 2021-22 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.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

1.13 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 and underpayments

Benefit provisions are in relation to ongoing Legal Cases against the Department or have been identified as a result of internal procedures such as Legal Entitlements and Administrative Practice (LEAP) exercises. These provisions are estimated using 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 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.

Distinct from legal cases, the Department acknowledges that official error by its staff will sometimes result in the underpayment of benefit. At present there is no mechanism by which we can calculate the value of historic official error corrected in year, to support an overall quantification of the outstanding liability. We therefore disclose a contingent liability, see note 19.

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.

1.14 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.

1.15 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) will be introduced on 1 April 2022 replacing IAS 17, this is disclosed in note 1.2 Accounting standards, interpretations and amendments.

1.16 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 206.

1.17 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 Outturn Against 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 have 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:**

  a. **Finance Group** – our core finance and procurement functions, together with health and employment programmes (excluding Kickstart) and grants, security and risk management and our DEL spend for local authorities (in 2021-22 this includes the new Household Support Fund)

  b. **Digital Group** – our IT Contracts and frontline support for our IT

  c. **Policy Group**

  d. **People, Capability and Place** – our core HR functions and contracts for accommodation

  e. **Other corporate functions** (Communications; Central Analysis, Science, Ministers, Governance and Strategy)
- **Change** – our investment programmes and projects. In 2021-22 the largest programmes reflected the Department's response to supporting the labour market, specifically the Kickstart programme and Rapid Estates Expansion Programme (through which the Department increased its Jobcentre Plus presence).
- **Arm's length bodies** – the expenditure incurred by the bodies within our accounting boundary on page 128

	2021-22	2020-21
	£000	£000
Service Excellence	900,552	794,905
Work and Health Services	2,268,776	2,059,754
Corporate:		
Finance Group	2,215,722	1,244,211
Digital Group	969,094	1,042,559
Policy Group	211,874	189,999
People, Capability and Place	1,011,975	879,438
Other corporate (Communications, Central Analysis, Science, Ministers, Governance and Strategy)	38,600	87,582
Change	1,540,773	400,683
Arm's length bodies	440,616	430,074
Total resource and capital DEL	**9,597,982**	**7,129,205**

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 which is instrumental in the AME decision making process. Additionally, AME expenditure is subject to review within the monthly Departmental management accounts review meeting chaired by the Finance Director General. This forum was used in 2021-22 to review and approve the Department's AME strategy for Supply Estimates and subsequently reviewed AME forecasts versus the funding granted by Parliament.

In the Statement of Outturn against Parliamentary Supply (SOPS) up to 2020-21, AME was reported as 'Inside' and 'Outside' Welfare Cap. Prior to 2021-22 DWP restructured its Estimate subhead to remove this distinction. The SOPS in 2021-22 therefore does not show a split of inside and outside the Welfare Cap. The Total resource and capital AME number shown below aligns to the SOPS on page 184.

	2021-22	2020-21
	£000	£000
Inside the Welfare Cap	-	92,536,299
Outside the Welfare Cap	-	119,986,995
Total resource and capital AME	**216,059,947**	**212,523,294**
Total resource and capital DEL and AME	**225,657,929**	**219,652,499**

SOPS notes 1.1 and 1.2 provide details of resource and capital.

SOPS 2 on page 191 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 Department's boards.

3. Staff expenditure

	2021-22		2020-21	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Wages and salaries	2,706,279	2,912,022	2,417,144	2,672,791
Employers' National Insurance	242,772	263,562	204,189	229,685
Superannuation and pension costs	645,089	689,968	549,341	595,437
Total staff costs	**3,594,140**	**3,865,552**	**3,170,674**	**3,497,913**

We have presented the full staff and related expenditure disclosure in the remuneration and staff report on page 157.

4. Expenditure

		2021-22		2020-21	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Purchase of goods and services					
Goods and services		826,862	905,429	739,490	824,882
Accommodation expenditure		748,826	763,601	660,317	678,455
IT services		483,478	501,495	533,432	470,661
Grant in aid		413,460	–	403,529	–
Other costs		82,735	182,402	65,444	149,378
Non-cash goods and services	6	4,546	5,181	(19,592)	(18,489)
Rentals under operating leases		2,209	6,548	3,026	7,071
Agency payments on behalf of EU to third-parties		283,402	283,402	192,846	192,846
Audit fee		60	293	–	284
Non-audit services fee		100	100	80	80
Purchase of goods and services total		**2,845,678**	**2,648,451**	**2,578,572**	**2,305,168**
Finance expense					
PFI service charges		-	11,677	–	13,957
Finance lease charges		4,865	10,734	4,509	9,054
Total finance expense		**4,865**	**22,411**	**4,509**	**23,011**

During the year, the Department purchased £0.070 million (£0.084 million including VAT) for 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. There is also a residual £0.016 million relating to VAT from the prior year 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

		2021-22		2020-21	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Voted expenditure	5a	105,214,370	105,214,370	102,888,998	102,888,998
Non-voted expenditure	5b	109,629,476	109,629,476	106,938,605	106,938,605
Social Fund expenditure		1,996,518	1,996,518	2,083,862	2,083,862
Programme balances written off		365,601	365,601	276,416	276,416
Total		**217,205,965**	**217,205,965**	**212,187,881**	**212,187,881**

5a. Voted expenditure

	2021-22		2020-21	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Universal Credit	40,277,925	40,277,925	38,063,262	38,063,262
Amounts paid to local authorities	16,650,653	16,650,653	17,667,025	17,667,025
Personal Independence Payment	15,043,521	15,043,521	13,637,576	13,637,576
Employment and Support Allowance	7,973,321	7,973,321	8,758,883	8,758,883
Disability Living Allowance	5,699,485	5,699,485	5,799,458	5,799,458
Attendance Allowance	5,264,787	5,264,787	5,317,431	5,317,431
Pension Credit	4,781,848	4,781,848	5,019,348	5,019,348
Carer’s Allowance	3,058,819	3,058,819	3,036,174	3,036,174
Statutory Sick Pay and Statutory Maternity Pay	2,569,293	2,569,293	2,594,275	2,594,275
Income Support	850,448	850,448	1,070,186	1,070,186
Industrial Injuries Benefits Scheme	705,200	705,200	721,149	721,149
Jobseeker’s Allowance	306,287	306,287	436,451	436,451
Employment Programmes – Kick Start	744,840	744,840	17,249	17,249
Employment Programmes – Restart	335,825	335,825	-	-

	2021-22		2020-21	
	Core department	**Departmental group**	**Core department**	**Departmental group**
	£000	**£000**	**£000**	**£000**
Employment Programmes – Other	491,137	491,137	312,260	312,260
Severe Disablement Allowance	63,284	63,284	71,472	71,472
TV licenses for over 75s	299	299	2,923	2,923
Other expenditure	397,398	397,398	363,876	363,876
Total	**105,214,370**	**105,214,370**	**102,888,998**	**102,888,998**

5b. Non-voted expenditure (financed by the National Insurance Fund)

	2021-22		2020-21	
	Core department	**Departmental group**	**Core department**	**Departmental group**
	£000	**£000**	**£000**	**£000**
State Pension	104,060,658	104,060,658	100,816,520	100,816,520
Employment and Support Allowance	4,506,166	4,506,166	4,563,007	4,563,007
Jobseeker's Allowance	183,793	183,793	610,110	610,110
Bereavement benefits	391,358	391,358	442,014	442,014
Maternity Allowance	361,983	361,983	383,928	383,928
Christmas Bonus	124,060	124,060	122,699	122,699
Incapacity Benefit	1,458	1,458	327	327
Total	**109,629,476**	**109,629,476**	**106,938,605**	**106,938,605**

6. Non-cash expenditure

		2021-22		2020-21	
		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		568	541	4,106	4,448
Revaluation (gain)/loss		621	1,283	24	785
Movements on pension liability		1,914	1,914	(25,165)	(25,165)
		4,546	**5,181**	**(19,592)**	**(18,489)**
Depreciation, amortisation and impairment					
Depreciation and amortisation of non-current assets	9 and 10	244,839	256,246	172,601	183,172
Impairment of non-current assets		1,003	3,077	-	-
Movement in impairment of receivables	13	236,411	236,411	(88,313)	(88,313)
		482,253	**495,734**	**84,288**	**94,859**
Provision expense					
Movement in provisions	16	1,398,055	1,398,270	1,445,080	1,445,343
Borrowing costs of provisions	16	105,347	105,347	109,121	109,121
		1,503,402	**1,503,617**	**1,554,201**	**1,554,464**
Total		**1,990,201**	**2,004,532**	**1,618,897**	**1,630,834**

ESF foreign exchange losses relate to European Social Fund (ESF) 2007-13 and 2014-20 programmes. In 2021-22, the ESF programme had a net unrealised net gain shown in note 7 income.

7. Income

	2021-22		2020-21	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Operating income				
HSE income	-	87,602	-	75,992
Pension levy receipts	91,400	91,400	94,162	94,183
EU income	283,375	283,375	185,956	185,956
Other income	87,712	88,388	80,035	77,272
Mesothelioma recoveries	49,084	49,084	51,150	51,150
Income from other government departments	97,062	97,062	81,799	81,799
CFER income	34,149	34,149	44,200	44,200
Total operating income	**642,782**	**731,060**	**537,302**	**610,552**
Finance income				
Investment income	30,029	30,035	38,293	38,284
Non-cash				
ESF foreign exchange gain	302	302	6,192	6,192
Total financial income	**30,331**	**30,337**	**44,485**	**44,476**
Total income	**673,113**	**761,397**	**581,787**	**655,028**

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 has a net unrealised gain in 2021-22.

8. Donated assets

	2021-22		2020-21	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Non-cash				
Gross Tax Credits transfer	(964,732)	(964,732)	(689,141)	(689,141)
Tax Credits transfer impairment	519,894	519,894	378,063	378,063
Net Tax Credits transfer	**(444,838)**	**(444,838)**	**(311,078)**	**(311,078)**
Gross devolved benefits	–	–	13,451	13,451
Devolved benefits impairment	–	–	(7,138)	(7,138)
Net devolved benefits	–	–	**6,313**	**6,313**
Total	**(444,838)**	**(444,838)**	**(304,765)**	**(304,765)**

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.

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 1.12 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. There were no such transfer of benefit or associated debt in 2021-22.

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 2021	**152,420**	**114,828**	**471,349**	**26,132**	**65,032**	**2,155**	**144,718**	**976,634**
Additions	32,931	21	8,842	260	907	87	336,192	**379,240**
Disposals	–	(1,367)	(32,446)	(9)	(305)	(743)	–	**(34,870)**
Impairment	–	–	(1,153)	–	–	–	–	**(1,153)**
Reclassifications	173	388,814	(938)	972	1,100	11	(393,791)	**(3,659)**
Revaluations	(34,338)	–	–	–	–	–	–	**(34,338)**
At 31 March 2022	**151,186**	**502,296**	**445,654**	**27,355**	**66,734**	**1,510**	**87,119**	**1,281,854**
Depreciation								
At 1 April 2021	**38,179**	**49,743**	**288,884**	**17,706**	**20,200**	**1,276**	**–**	**415,988**
Charged in year	8,822	80,180	75,477	1,723	6,533	156	–	**172,891**
Disposals	–	(1,106)	(32,238)	(9)	(278)	(430)	–	**(34,061)**
Reclassifications	–	–	–	(1)	–	1	–	**–**
Revaluations	(33,946)	–	–	–	–	–	–	**(33,946)**
At 31 March 2022	**13,055**	**128,817**	**332,123**	**19,419**	**26,455**	**1,003**	**–**	**520,872**
Carrying amount at 31 March 2021	**114,241**	**65,085**	**182,465**	**8,426**	**44,832**	**879**	**144,718**	**560,646**
Carrying amount at 31 March 2022	**138,131**	**373,479**	**113,531**	**7,936**	**40,279**	**507**	**87,119**	**760,982**
Asset financing:								
Owned	9,542	373,479	109,384	7,936	39,020	507	87,119	626,987
Finance leased	48,648	–	4,147	–	1,259	–	–	54,054
PFI contracts	79,941	–	–	–	–	–	–	79,941
Carrying amount at 31 March 2022	**138,131**	**373,479**	**113,531**	**7,936**	**40,279**	**507**	**87,119**	**760,982**
Of the total:								
Department	47,532	369,701	107,180	4,066	36,125	22	83,639	**648,265**
Arm's length bodies	90,599	3,778	6,351	3,870	4,154	485	3,480	**112,717**
Carrying amount at 31 March 2022	**138,131**	**373,479**	**113,531**	**7,936**	**40,279**	**507**	**87,119**	**760,982**

	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**

a. Cash flow reconciliation

	2021-22	2020-21
	£000	£000
Capital payables and accruals at 1 April	45,118	38,601
Capital additions	379,240	235,077
Less: leased capital additions	(34,289)	(2,902)
Capital payables and accruals at 31 March	(12,576)	(45,118)
Purchases of property, plant and equipment as per Statement of Cash Flows	**377,493**	**225,658**
Of the total:		
Department	373,359	218,082
Arm's length bodies	4,134	7,576
Total	**377,493**	**225,658**

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 2021	**37,771**	**220,135**	**718,959**	**53,193**	**1,030,058**
Additions	–	15,305	371	62,262	**77,938**
Disposals	–	(72,969)	(29,412)	(121)	**(102,502)**
Impairments	–	(107)	–	(1,817)	**(1,924)**
Reclassifications	–	3,268	52,739	(53,848)	**2,159**
Revaluations	1,745	(3,153)	37,390	–	**35,982**
At 31 March 2022	**39,516**	**162,479**	**780,047**	**59,669**	**1,041,711**
Amortisation					
At 1 April 2021	**37,448**	**164,982**	**409,600**	**–**	**612,030**
Charged in year	170	26,274	56,911	–	**83,355**
Disposals	–	(72,952)	(29,365)	–	**(102,317)**
Reclassifications	–	(288)	–	–	**(288)**
Revaluations	1,745	(2,283)	18,720	–	**18,182**
At 31 March 2022	**39,363**	**115,733**	**455,866**	**–**	**610,962**
Carrying amount at 31 March 2022	**153**	**46,746**	**324,181**	**59,669**	**430,749**
Carrying amount at 31 March 2021	**323**	**55,153**	**309,359**	**53,193**	**418,028**
Of the total:					
Department	–	44,004	317,735	59,396	**421,135**
Arm's length bodies	153	2,742	6,446	273	**9,614**
Carrying amount at 31 March 2022	**153**	**46,746**	**324,181**	**59,669**	**430,749**
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**

	Websites	Purchased software licences	Internally developed software	Payments on assets under construction	Total
	£000	£000	£000	£000	£000
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**

a. Intangible asset cash flow reconciliation

	2021-22	2020-21
	£000	£000
Capital payables and accruals at 1 April	17,613	8,535
Capital additions	77,938	84,164
Capital payables and accruals at 31 March	(10,281)	(17,613)
Purchases of intangible assets as per Statement of Cash Flows	**85,270**	**75,086**
Of the total:		
Department	78,620	69,619
Arm's length bodies	6,650	5,467
Total	**85,270**	**75,086**

11. Commitments under non-PFI leases

a. Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2022		31 March 2021	
	Core department	**Departmental group**	**Core department**	**Departmental group**
	£000	**£000**	**£000**	**£000**
Not later than 1 year	260,062	264,162	190,186	194,814
Later than 1 year and not later than 5 years	671,313	678,477	645,945	655,640
Later than 5 years	1,047,034	1,053,384	973,585	985,913
Total	**1,978,409**	**1,996,023**	**1,809,716**	**1,836,367**

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.

b. Finance leases

Total future minimum lease payments under finance leases are given in the table below for each of the following periods:

	31 March 2022		31 March 2021	
	Core department	**Departmental group**	**Core department**	**Departmental group**
Obligations under finance lease for the following period comprise:	**£000**	**£000**	**£000**	**£000**
Buildings				
Not later than one year	7,965	8,112	8,355	8,500
Later than one year and not later than five years	22,168	22,755	30,417	30,996
Later than five years	16,397	22,010	25,047	30,724
	46,530	**52,877**	**63,819**	**70,220**
Less interest element	(12,118)	(17,073)	(17,710)	(22,962)
Present value of obligations	**34,412**	**35,804**	**46,109**	**47,258**
Other				
Not later than one year	3,010	3,010	5,231	5,231
Later than one year and not later than five years	1,337	1,337	3,260	3,260
Later than five years	–	–	–	–
	4,347	**4,347**	**8,491**	**8,491**
Less interest element	(201)	(201)	(425)	(425)
Present value of obligations	**4,146**	**4,146**	**8,066**	**8,066**

All leases from 01/04/2022 will be classed as IFRS 16 leases as disclosed in note 1.2 Accounting standards, interpretation and amendments.

12. Cash and cash equivalents

	31 March 2022		31 March 2021	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Balances at 1 April	**(2,807,019)**	**(2,790,623)**	**20,179**	**43,226**
Net change in cash and cash equivalent balances	1,713,353	1,698,059	(2,827,198)	(2,833,849)
Balances at 31 March	**(1,093,666)**	**(1,092,564)**	**(2,807,019)**	**(2,790,623)**
Represented by:				
Cash and cash equivalents	1,433,889	1,435,027	663,912	681,189
Bank overdraft	(2,527,555)	(2,527,591)	(3,470,931)	(3,471,812)
	(1,093,666)	**(1,092,564)**	**(2,807,019)**	**(2,790,623)**

The following balances were held at:

	31 March 2022		31 March 2021	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Government Banking Services	(1,093,842)	(1,093,010)	(2,809,025)	(2,809,905)
Commercial banks and cash in hand	176	446	2,006	19,282
Total	**(1,093,666)**	**(1,092,564)**	**(2,807,019)**	**(2,790,623)**

The bank overdraft relates to cash-in-transit due to a timing difference between the payment being processed and the date that our customers are paid.

13. Trade receivables, financial and other assets

		31 March 2022		31 March 2021	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Trade receivables		204,524	233,594	277,030	310,172
Benefit overpayments		525,468	525,468	365,989	365,989
Benefit advances		635,189	635,189	598,675	598,675
Housing Benefit subsidy		576,717	576,717	487,167	487,167
Prepayments and accrued income		1,139,421	1,164,593	1,472,685	1,494,940
Social Fund loans		186,219	186,219	214,937	214,937
Tax Credits		650,551	650,551	529,078	529,078
European Social Fund		387,019	387,019	314,041	314,041
Value Added Tax		52,276	55,980	36,421	37,695
Amounts due from the Consolidated Fund in respect of supply		–	–	749,256	749,256
CFERS receivable		3,585	3,585	3,416	3,416
Other receivables		23,464	24,727	22,201	24,062
Gross receivables		**4,384,433**	**4,443,642**	**5,070,896**	**5,129,428**
Less: impairment of receivables	13a	(562,332)	(572,593)	(379,205)	(388,747)
Net receivables		**3,822,101**	**3,871,049**	**4,691,691**	**4,740,681**
Amounts falling due after more than one year					
Benefit overpayments		3,067,505	3,067,505	2,391,101	2,391,101
Benefit advances		684,653	684,653	625,706	625,706
Financial assets	13b	1,115,818	1,115,818	997,649	987,649
Social Fund loans		126,315	126,315	159,984	159,984
Tax Credits		2,017,336	2,017,336	1,700,208	1,700,208
Prepayments and accrued income		–	653	–	792
Other receivables		5,103	7,019	6,662	8,858
Gross receivables		**7,016,730**	**7,019,299**	**5,881,310**	**5,874,298**
Less: impairment of receivables	13a	(2,494,870)	(2,494,870)	(1,921,531)	(1,921,531)
Net receivables		**4,521,860**	**4,524,429**	**3,959,779**	**3,952,767**
Total net receivables		**8,343,961**	**8,395,478**	**8,651,470**	**8,693,448**

a. Impairment of receivables

Impairment of receivables <1 year

	31 March 2022		31 March 2021	
	Core department	Departmental group	Core department	Departmental group
	£000	£000	£000	£000
Benefit overpayments	(153,228)	(153,228)	(133,112)	(133,112)
Tax Credits	(250,498)	(250,498)	(199,557)	(199,557)
Benefit advances	(104,888)	(104,888)	(17,438)	(17,438)
Social Fund	(33,665)	(33,665)	(13,444)	(13,444)
Other	(20,053)	(30,314)	(15,654)	(25,196)
Total	**(562,332)**	**(572,593)**	**(379,205)**	**(388,747)**

Impairment of receivables >1 year

Benefit overpayments	(1,388,051)	(1,388,051)	(1,175,220)	(1,175,220)
Tax Credits	(894,309)	(894,309)	(637,241)	(637,241)
Benefit advances	(172,279)	(172,279)	(43,822)	(43,822)
Social Fund	(16,843)	(16,843)	(64,748)	(64,748)
Other	(23,388)	(23,388)	(500)	(500)
Total	**(2,494,870)**	**(2,494,870)**	**(1,921,531)**	**(1,921,531)**

For the most significant benefit-related financial instruments (Benefit overpayments, Benefit advances and Tax Credits) the following tables provide a reconciliation of the movements in the impairment balance in the period and further details of the estimate methodologies and assumptions applied to reach the values included in the financial statements.

Movement in impairment

	Benefit overpayments (excluding Universal Credit)	Benefit overpayment – Universal Credit	Benefit Advances	Tax Credit
	£000	£000	£000	£000
Impairment at 1 April 2021	**(1,012,328)**	**(296,004)**	**(61,260)**	**(836,798)**
Movement in impairment due to:-				
Change in New Credited debts	(189,523)	(729,576)	(28,658)	(362,128)
Reduction in level of debts written off	50,306	829	71	2,116
Increase in level of debt recoveries and other movements	142,767	188,230	25,824	195,376
Change in rate utilised	71,713	154,890	(223,921)	(20,235)
Change in Discount Rate utilised	110,511	(33,093)	10,777	(123,138)
Impairment at 31 March 2022	**(826,554)**	**(714,724)**	**(277,167)**	**(1,144,807)**

Impairment of benefit overpayments

To calculate our impairment for benefit overpayments, we review historic rates of debt recovery and write-off to give a basis for future expected credit loss. Consistent with previous years, the Department considers the length of time before the remaining balance of a debt is assumed to have no credit value for accounting purposes as 15 years for benefit overpayments, advances and Tax Credit. This assumption is supported by analysis showing that only a small proportion of debts exceed 15 years, (i.e. the amount of debts which are not recovered or written off that the Department is still trying to recover). For each benefit group, recoveries and write-offs are forecast over the asset life based on the age of debt recoveries and write-offs from the previous 12 months. Future recoveries from benefit deductions are scaled in line with forecast overall benefit expenditure. The Department has applied the HM Treasury suggested discount rate in order to calculate the future recoveries for benefit overpayments.

The Department annually reviews its considerations of forward-looking events in determining expected credit loss. The potential impact of wider economic and social factors on future recoveries is assessed by exploring the relationship between recoveries and the following indicators: inflation; interest rates; unemployment rate; and mortality rate. Analysis undertaken in March 2022 found no statistically significant relationships. Recent policy changes were also reviewed and assessed to have a non-material impact on overall recoveries and write-offs. Based on the latest analysis DWP has concluded that the impairment rates used are reasonable and represent expected credit losses with the information currently available.

The largest cause of benefit overpayments debt stock increase is Universal Credit (UC) overpayments. Excluding UC overpayment debts, the overall benefit overpayment debt stock has reduced. The methodology utilised to calculate impairment is consistent with previous financial years, however a change has been applied to the impairment method for Universal Credit overpayments

Following review, it was determined that the existing methodology for UC overpayment debts impairment did not give a fair assessment of the expected credit loss due to the shorter time series of data available. The decision was taken to change the methodology used for calculating the impairment of UC overpayments. The revised methodology is based on the approach used for calculating impairment of benefit advances. The impairment rate is calculated based on average recovery from individual debtors at a point in time and rolled forward for the 15-year asset life it therefore assumes that all existing recovery plans would be consistent in the future. The change in methodology resulted in a reduction in the impairment rate utilised as shown within the table above.

Impairment of benefit advances

To calculate the expected credit loss under IFRS 9, we have undertaken analysis using benefit advances debt stock making assumptions based on the recovery data available to date. The impairment rate is calculated based on average recovery from individual debtors at a point in time and rolled forward for the 15-year asset life, it therefore assumes that all existing recovery plans would continue following the existing pattern.

The Department assumes a three-month period to establish a repayment plan. Debtors registered within three months of reporting date are assumed to fully repay their debts within the asset life. All debtors which exceed the three-month reporting date are then included within the impairment calculation. The three-month reporting date is derived from the Department's view on how long it takes to register a debt to allow for sufficient time for all cases to be actioned.

No adjustments are made for wider economic and social factors on future recoveries, in line with the analysis undertaken for benefit overpayment impairment.

The Department has applied the HM Treasury suggested discount rate in order to calculate the future recoveries.

A review of the process highlighted that the methodology in previous years had not been fully applied, the has now been corrected and has resulted in an increase in the amount impaired.

Tax Credits

Following the transfer from HM Revenue and Customs, the Department reviews the Tax Credit impairment rate in line with our expectations under IFRS 9 (Financial Instruments) and reported at the revised value. Consistent with previous financial years, the revised value is the weighted average impairment rate for our existing voted benefit overpayment stock at time of reporting.

The use of the weighted average impairment rate of the voted benefits is supported by internal analysis of a 5% sample of the Tax Credit debtors. At the time of reporting, there is an insufficient time series of data to apply the standard benefit overpayment impairment methodology to Tax Credit debts. The Department will update with a specific Tax Credit impairment rate once it has a sufficient time series of data available. The HM Treasury suggested discount rate is applied to calculate future Tax Credit recoveries.

b. Financial assets

Our financial assets of £1.1 billion 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 £110 million to NEST during the year (2020-21: £106 million), bringing the total loan balance to £994 million (2020-21: £884 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 £11.2 million (2020-21: £11.2 million).

Support for Mortgage Interest (SMI)

The value of SMI loans now stands at £110.6 million (2020-21: £92 million).

14. Trade payables and other liabilities

		31 March 2022		31 March 2021	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		59,162	63,590	55,421	62,161
Superannuation		63,690	68,010	61,205	66,153
Trade payables		209,019	218,037	155,984	159,499
Accruals and deferred income		6,178,666	6,230,370	4,945,789	4,989,427
Capital payables and accruals	9,10	18,306	22,209	52,071	55,911
Bank overdrafts	12	2,527,555	2,527,591	3,470,931	3,471,812
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	3,386	–	2,926
Finance lease obligations		8,280	8,282	9,816	9,817
CFERs due to be paid to the Consolidated Fund – Received		21,923	21,923	37,397	37,397
CFERs due to be paid to the Consolidated Fund – Receivable		3,585	3,585	3,416	3,416
Amounts issued from the Consolidated Fund for supply but not spent at year end		661,918	661,918	–	–
Third-party payments		47,976	47,976	64,382	64,382
European Social Fund		139,347	139,347	166,512	166,512
Other payables		88,289	88,346	59,045	59,349
		10,027,716	**10,104,570**	**9,081,969**	**9,148,762**
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	74,743	–	78,129
Finance lease obligations		62,565	63,955	44,359	45,511
European Social Fund		89,335	89,335	89,760	89,760
Accruals and Deferred Income		18,054	18,054	18,014	18,014
Capital Accruals	9,10	398	648	5,660	6,820
		170,352	**246,735**	**157,793**	**238,234**
Total payables		**10,198,068**	**10,351,305**	**9,239,762**	**9,386,996**

15. Financial instruments

Our financial instruments include loans and receivables.

		31 March 2022		31 March 2021	
		Core department	Departmental group	Core department	Departmental group
	Note	£000	£000	£000	£000
Financial assets					
Loans and investments		1,115,818	1,115,818	997,649	987,649
Benefit advances	13	1,319,842	1,319,842	1,224,381	1,224,381
Other receivables		223,764	253,308	293,613	327,153
Cash and cash equivalents	12	1,433,889	1,435,027	663,912	681,189
Housing Benefit subsidy	13	576,717	576,717	487,167	487,167
Benefit overpayments	13	3,592,973	3,592,973	2,757,090	2,757,090
Tax Credits	13	2,667,887	2,667,887	2,229,286	2,229,286
Social Fund loans	13	312,534	312,534	374,921	374,921
European Social Fund	13	387,019	387,019	314,041	314,041
Total		**11,630,443**	**11,661,125**	**9,342,060**	**9,382,877**
Less: impairment of financial instruments		(3,057,202)	(3,067,463)	(2,300,736)	(2,310,278)
		8,573,241	**8,593,662**	**7,041,324**	**7,072,599**
Financial liabilities					
Other payables		6,450,869	6,516,886	5,180,567	5,232,713
Bank overdraft	12	2,527,555	2,527,591	3,470,931	3,471,812
European Social Fund	14	228,682	228,682	256,272	256,272
Total		**9,207,106**	**9,273,159**	**8,907,770**	**8,960,797**

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 2022 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

		31 March 2022		31 March 2021	
	Note	Core department	Departmental group	Core department	Departmental group
		£000	£000	£000	£000
Financial Assistance Scheme (FAS) provision	16a	6,254,247	6,254,247	5,552,226	5,552,226
Benefit provisions	16b	952,298	952,298	968,388	968,388
State Pension	16c	1,349,073	1,349,073	1,033,632	1,033,632
Other provisions	16d	30,112	31,207	25,827	26,913
		8,585,730	**8,586,825**	**7,580,073**	**7,581,159**

Analysis by type

a. FAS provision

	31 March 2022		31 March 2021	
	Core department	Departmental group	Core department	Departmental group
FAS provision (a)	£000	£000	£000	£000
Balance at 1 April	5,552,226	5,552,226	5,489,874	5,489,874
Provided in year	157,996	157,996	116,651	116,651
Provisions not required written back	(6,149)	(6,149)	–	–
Change in discount rate	687,030	687,030	57,497	57,497
Utilised in year	(242,510)	(242,510)	(218,794)	(218,794)
Borrowing costs (unwinding of discount)	105,654	105,654	106,998	106,998
Balance at 31 March	**6,254,247**	**6,254,247**	**5,552,226**	**5,552,226**

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 SoFP, 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 2021-22

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**
	£m	**£m**	**£m**	**£m**	**£m**
		0.5% decrease	10% increase p.a.	0.5% increase p.a.	0.5% increase p.a.
Assumption					
Provision as at 31 March 2022	6,254	6,760	6,044	6,404	6,354
Increase/(decrease) in provision		505	210	150	100
Percentage change		8.07%	(3.36%)	2.40%	1.60%

Original – This is the actual FAS provision which has been posted into our accounts and is used as the “baseline” position for the other scenarios.

Discount rate decrease – The assumption in this scenario is that assuming the cash flows remain the same and only the discount rates (as advised by HM Treasury) decreased by 0.5%, then the impact would create an increase in the provision of £505 million (8%).

Mortality increase – The assumption in this scenario is that there is a 10% increase to the mortality of pensioners after allowing for projected mortality improvements, rather than applying the 10% increase to the current mortality rate. This has the impact of reducing the amount of cash flows as pensioner numbers reduce – the 10% reduction having a £210 million (3%) reduction in the provision.

Pension increase – The assumption is the pensions will increase by 0.5% per annum for all future years where the actual rates are not yet known. Where the actual rates are known then these actual rates have been used. This has the impact of increasing the amount of cash flows – having a £150 million (2%) increase in the provision.

Deferred revaluation increase – The assumption is that there is a change to the revaluation rate in deferment of people’s pensions and this will increase by 0.5% per annum for all future years where the actual rates are not yet known. Where the actual rates are known then these actual rates have been used. This has the impact of increasing the amount of cash flows – having a £100 million (2%) increase in the provision.

There are other assumptions included in the cash flows which are not considered to be significant. These include the age difference between male and female survivors; the proportion that are married and ill health decrements.

Legal Cases and Inflation Assumptions

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.

The Court of Justice of the European Union (CJEU) ruled in September 2018 that individual pension scheme members should receive at least 50% of the value of their accrued old age benefits in the event of employer insolvency ('Hampshire judgement'). For some FAS members impacted by this judgement, the adjustments considered necessary to their FAS assistance have been made and this is reflected in the data and the cashflows reported here.

In June 2020 the Administrative Court ruled in the case of Hughes v PPF that in calculating the minimum 50% 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').

The PPF appealed several aspects of the Hughes judgement. The appeal hearing took place in May 2021, and the result of the appeal was announced in July 2021. The Court of Appeal supported PPF's approach for increasing payments to members following the 2018 European Court of Justice judgement in the Hampshire case. Therefore, we have allowed for the expected impact of the Hampshire judgement (without the additional requirements from the Hughes judgement) which reflects our understanding of the conclusions of the judgements.

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 0.1% for in-payment members, and a loading of 0.3% for not yet in payment members, which reflect a very approximate aggregate allowance for the impact of the Hampshire judgement. This allowance will be refined in future, as members' assistance is assessed and, where required, increased for the impact of the Hampshire judgement. For some pensioner members this has already taken place and for the remainder this is expected to be carried out in 2022 and 2023. Arrears may also be payable to members who are entitled to an increase to their assistance in respect of the Hampshire judgement, and this would be in addition to the projected cashflows. Around £11 million of arrears were paid in the year to 31 March 2022 in respect of pensioners whose assistance has already been uplifted. A further £1 million is due to be paid by 30 June 2022 and there may be some further arrears payable in future (expected to be of the order of £1 million). These are not included within the cashflow projections.

As part of the Hughes judgement, it was also judged that the PPF compensation cap, in its current form, is age discriminatory and should be removed. The Department appealed this element of the judgement, but the appeal was unsuccessful and the PPF compensation cap now must be removed. Our understanding is that the judgement does not directly relate to the FAS cap, so the FAS cap remains in force. However, this should be kept under review for future exercises.

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 0.8% for in-payment members, and a loading of 1.7% 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.

Following discussions with the Government Actuary's Department (GAD), it was agreed that a different approach to deriving the inflation assumptions would be adopted this year. In the past, these assumptions have been derived to be in line with the best estimate assumptions from the Office for Budget and Responsibility (OBR). These assumptions have generally been close to the market implied inflation rates and so were deemed appropriate to use. However, this year has seen a change in that the market implied inflation rates are currently a lot higher than the OBR best estimate assumptions which, if the same approach as previous years was adopted, could lead to inflation being under-valued. As such, the Department has decided to set the assumption this year on a market-related basis and that this approach will be reviewed again next year.

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 2022 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 market implied 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 2021 – 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 2022		31 March 2021	
	Core department	Departmental group	Core department	Departmental group
Benefit provisions (b)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	968,388	968,388	**883,003**	**883,003**
Provided in year	655,157	655,157	308,418	308,418
Provisions not required written back	(506,299)	(506,299)	(84,147)	(84,147)
Utilised in year	(164,886)	(164,886)	(141,086)	(141,086)
Borrowing costs (unwinding of discount)	(62)	(62)	2,200	2,200
Balance at 31 March	**952,298**	**952,298**	**968,388**	**968,388**

These provisions arise from liabilities relating to benefit payments. These liabilities are in respect of:

Legal cases

In the course of administering a complex benefit system across Great Britain it is inevitable that the Department will face legal challenge, which may result in liabilities. Where future economic outflow is probable, but the final verdict has not been heard, we have estimated a provision. In order to avoid prejudicing continuing legal matters, separate disclosure is not provided. In aggregate we consider £110 million to be our best estimate.

Legal Entitlement and Administrative Practice (LEAP) Exercises

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. This could be because of an official error or as a result of a court ruling which widens benefit entitlement. In these circumstances it is necessary to conduct a LEAP exercise to correct customer underpayments. To avoid legal prejudice, we have not disclosed further details. In aggregate we consider £842 million to be our best estimate.

Benefit provisions are estimated using detailed forecasting data and established methodology.

This section excludes our provision for State Pension underpayment (as mentioned on page 76) 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 2022		31 March 2021	
	Core department	Departmental group	Core department	Departmental group
Benefit provision (c)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	1,033,632	1,033,632	–	–
Provided in year	495,138	495,138	1,033,632	1,033,632
Provisions not required written back	(89,635)	(89,635)	–	–
Utilised in year	(89,917)	(89,917)	–	–
Borrowing costs (unwinding of discount)	(145)	(145)	–	–
Balance at 31 March	**1,349,073**	**1,349,073**	**1,033,632**	**1,033,632**

Background

As mentioned on page 76, the Department commenced a formal Legal Entitlement and Administrative Practice (LEAP) exercise in January 2021 to address State Pension cases where people were being underpaid – specifically some people married or in a civil partnership (CAT BL), widows (Missed Conversions) and people aged 80 years and over (CAT D). Correcting these underpayments remains a key priority for the Department.

Significant progress has been made by the Department over the past year to refine the information and assumptions that the provisions are based on. Our aim is for all provision categories to be prepared on the same basis, that is, to use:

- Baseline scan information from the Pension Strategy Computer System (PSCS)
- Sampling of pensioners and reviewing their current entitlement for underpayment
- Actual data from the correction activity

Estimates for all groups within the provision have been revised. For CAT BL, the estimate has been adjusted in line with the evidence gained from the current departmental activity. For CAT D, the estimates have been revised to include evidence from the structured sample, replacing administrative analysis conducted in the prior year. As a result, the values reported for these two categories have more certainty than last year.

For Missed Conversions the PSCS scan referred to last year has been developed and run and is the basis of the revised estimate this year. The estimated provision has increased significantly in this area due to additional volumes of cases found on the scan. Sampling activity has yet to be undertaken and, due to this, the figures for arrears rates and durations are based on a combination of analysis of programme data to date and extraction of administrative data. Refinements of the estimated volume of cases for checking are based on cross-application of spouse-tracing outcomes from the CAT BL exercise. Structured sampling is planned to take place later in Summer 2022 and the provision will continue to be subject to further refinements as the exercise progresses.

Value and Volume Estimates

As was mentioned on page 76, we expect to review over 700,000 cases through the LEAP exercise launched in January 2021. This has increased significantly from the 400,000 identified last year with the updated scans from our system identifying more customers who may be affected. We estimate that fewer than half of the cases reviewed will result in an underpayment being identified. Where underpayments are identified, not every underpayment will be repaid – for example, where a customer is deceased and a next of kin cannot be found. The estimate of customers affected is therefore higher than the number who will be remediated.

Table 1 below shows the split of the overall provision relating to each group and our assessment of the number of individuals at 31 March 2022 whose cases are still to be reviewed and will result in an underpayment being identified.

Table 1 – Value and volume estimates for each underpayment group

	2021-22		2020-21	
	Value of provision of unpaid arrears as at 31 March 2022	Remaining volume of customers affected as at 31 March 2022	Value of provision of unpaid arrears as at 31 March 2021	Remaining volume of customers affected as at 31 March 2021
	£m	000's	£m	000's
CAT BL	275	51	332	53
Missed Conversions	1,024	137	560	43
CAT D	50	34	142	36
Total	1,349	221	1,034	132

Totals may not sum due to rounding.

Our current estimate of underpayments is £1,349 million, an increase in the provision of £315 million from last year. The main change being on Missed Conversions due to an increase of £464 million following an adjustment to the estimate based on incorporating the results from the PSCS scan.

When calculating any arrears owed in State Pension, the case is also reviewed to identify where an individual may have been overpaid any other benefit because of now receiving their correct State Pensions entitlement. Arrears values reported are net of any abatement of overpaid benefits.

Methodology and data

Varying methodological approaches have been used to calculate provision values within each of the different groups and these are explained in detail across the next three sections. This includes details of where any significant level of uncertainty exists.

We have estimated the value of this provision using the best available data held by the Department. The value of the provision reflects our current estimate of the amount that will be paid out to correct State Pension underpayments. However, this estimate is still subject to uncertainty and will continue to be refined as further information becomes available, with the final value of underpayments only being confirmed once the LEAP exercise has been completed.

The arrears value is adjusted for the expected timing of clearances, so that the final value accounts for any additional arrears which may accrue up to the point of correction.

Model Specific uncertainties

Missed Conversions

In 2021-22, as previously undertaken for CAT BL, we were able to commission, build and run a new scan from PSCS. Wide parameters were set to ensure the records of as many pensioners as possible who may have been impacted were identified for review. The revised scan has been able to capture additional data fields that were not available through the more limited scans initially run on the General Matching Service (GMS) in 2020-21, and this has resulted in many more customers having been brought into scope of the LEAP exercise. Any cases found on the initial GMS scan will continue to be worked and remain in scope of the exercise.

A full sampling exercise is planned to take place during the Summer of 2022, with results expected to be available later in that year.

To estimate the liability in 2021-22, we have calculated arrears amounts using a combination of three methods:

1. Where sufficient data exists, we have used evidence gained whilst clearing actual cases during the LEAP exercise
2. Where sufficient LEAP exercise data does not exist, we have used statistical data available to the Department that is regularly extracted as part of the Work and Pensions Longitudinal Study
3. Where limited or no evidence is available, agreed logic-based assumptions have been used

Until we have the results of the sampling exercise to use as a basis for our estimate uncertainty remains within the Missed Conversions category.

Spouse records

Our Missed Conversions scans returned over 385,000 records that contained incomplete or no details of the individual's spouse. This may be because the deceased spouse has no UK State Pension record, or because tracing activity is required to identify the spouse record. This information is essential to confirm whether an underpayment has occurred. Where no UK State Pension record is expected to be found for the deceased spouse, no liability is included. Until tracing is completed this represents a significant uncertainty. We have based current tracing assumptions on similar activity undertaken within the CAT BL group, which suggest that we would expect a spouse record to be traced in 63% of cases. Table 2 varies this rate to show a minimum of 0% spouse tracing activity success through to a maximum 100%. Our belief is that the upper and lower bounds of this estimate have a minimal likelihood of occurrence.

Widows Error rate

There is considerable uncertainty in the error rate in Missed Conversions cases, as these cases have been identified more recently and have not yet been sampled and tested. The assumed error rate in cases relating to 'pre-2016' widows (customers who reached State Pension age prior to 6 April 2016) has been based on outcomes from LEAP activity to January 2022; however, fewer than 5% of expected cases have been reviewed so far and there is a risk that the outcomes of these cases may not be representative. 33% of GB cases and 42% of overseas cases reviewed to January 2022 have been found to have been underpaid. In Table 2 we vary this rate between 14% and 50% (GB) and 31% and 67% (overseas) based on the varying rates seen in different cohorts. This remains highly uncertain.

For 'new State Pension' widows (customers who reached State Pension age on or after 6 April 2016), we have performed analysis on extracted administrative data to estimate the number of customers underpaid, which is estimated to be 26% of cases reviewed. By altering the approach taken, we have tested a range of underpayment rates around this central estimate, from 19% to 34%.

Pre-2016 Widows arrears

The assumed average arrears amount due to underpaid widows has been estimated from the average amounts paid to customers identified up to January 2022. These average amounts are £10,082 (GB) and £5,757 (overseas). As with the widows error rate, the outcomes to date may not be representative of customers yet to be identified. Outliers from the same payment data are used in Table 2 to vary the average arrears from £3,249 to £17,691 (GB) and £4,051 to £10,416 (overseas).

Multiple Bereavements

The PSCS scan to identify potential Missed Conversions cases usually excludes customers who already have evidence of a conversion. However, in cases where the customer has been bereaved more than once, they are included for checking because legislation requires that the survivor receives the best inheritance outcome when comparing the position for each bereavement. We have assumed that this evidence of prior conversions suggests that these customers are less likely to be underpaid and will receive, on average, half the arrears of other customers. There is considerable uncertainty in this assumption and Table 2 shows the impact of varying this assumption between zero underpaid customers up to a hit rate and average arrears typical of other LEAP customers.

CAT BL

A scan of PSCS was performed in 2020-21 to identify potential CAT BL underpayments. From the PSCS scan we undertook a structured sample of 1,500 cases to refine volume estimates and likely values of underpayments for those within this group. This sample was undertaken in early 2021-22 and 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. Where a cohort is close to completion, the sample data has been supplemented with actual data from the cases being worked through the ongoing LEAP exercise.

The use of actual data in refining our provision has meant that the CAT BL provision has reduced by £57 million over the year, £40 million of which related to payments made to customers in year.

There remains a cohort of 150,000 married customers for whom initial tracing activity has been unable to identify a UK State Pension record for the spouse. Whilst we estimate that very few of these customers will be eligible for CAT BL and therefore in scope of the exercise, until we conclude all tracing activity this remains uncertain.

CAT D

Two PSCS scans were performed in 2021-22 to identify potential CAT D underpayments. A sample of 1,432 cases from the first PSCS scan, which identified 73,000 cases for review, was tested to allow the estimation of total underpayments. 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. No CAT D cohort is sufficiently progressed to supplement the information provided by the sample. For the second PSCS scan, which identified 13,000 additional cases for review, the Department has not yet tested a sample of cases and the error rate and average arrears award for these cases has been estimated using logical assumptions based on case characteristics. The Department intends to complete a structed sampling of these cases in 2022-23 to further refine these estimates.

The CAT D provision has reduced by £92 million since last year, £19 million of which related to payments made to customers following their cases being reviewed.

No uncertainties specific to CAT D have been identified as significant.

Common sources of uncertainty

Traceability of next of kin (all models)

Where an underpaid customer 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 for 57% of deceased Missed Conversions and CAT D customers, and 75% of CAT BL customers. This is higher for CAT BL customers as eligibility rules mean that the Department must hold or have held details of the customer's 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.

Mortality (all models)

Our mortality estimates are primarily from analysis of the State Pension admin data for the majority of customers, and for new State Pension customers is taken from Office for National Statistics (ONS) life tables. Where we have identified customers with characteristics similar to these we expect to be in scope of each category we find the following mortality rates:

Provision Sub-Group	Estimated Mortality Rate
CAT BL	2.7%
Missed Conversions with a Basic State Pension	12%
Missed Conversions with a new State Pension	1.5%
CAT D	15%

Table 2 shows the impact upon our estimates if we applied the upper and lower limit percentages in our estimates (a third reduction for the lower limit, and a third increase for the upper limit).

Delivery Timetable of the LEAP exercise (All Models)

Our current estimate of the payment of arrears required is aligned to our commitment to complete CAT BL and CAT D correction activity by the end of 2023. Following a qualitative assessment of the risks associated with delivery of the increased volumes of Missed Conversions cases, we have assumed in the estimate a completion for this cohort by the end of 2024. Several factors could impact this modelling assumption, such as recruitment, resourcing and staff productivity. As such, table 2 shows the impact of completion 12 months sooner and 12 months later than this on the value of arrears owed by the Department.

Table 2 – Sensitivity analysis upon key assumptions

Each of the sensitivity analysis sections included in Table 2 have been measured by varying individual assumptions in isolation and this does not allow for the internal dependencies of assumptions within each model or the inter-related nature of assumptions between models. Due to this, accumulating these figures does not provide a statistically accurate combined sensitivity range.

		Changes to assumptions			(Decrease)/Increase on Arrears Valuation (£m)	
Provision	**Uncertainty**	**Estimated Minimum**	**Original Assumption**	**Estimated Maximum**	**Estimated Minimum**	**Estimated Maximum**
MC	Pre-2016 Widows – average arrears payments	GB: £3,249 Overseas: £4,051	GB: £10,082 Overseas: £5,757	GB: £17,691 Overseas: £10,419	(641)	740
MC	pre-2016 Widows – Error rate	GB: 14% Overseas: 31%	GB: 33% Overseas: 42%	GB: 50% Overseas: 67%	(515)	501
MC + BL	Spouse records	0 spouse records traced	55,000 spouse records traced	179,000 spouse records traced	(495)	963
All	Deceased customers – traceability of next of kin	17,000 cases underpaid	44,000 cases underpaid	67,000 cases underpaid	(198)	184
MC	Multiple Bereavements	0 cases underpaid	5,000 cases underpaid	17,000 cases underpaid	(25)	140
MC	New State Pension Widows – Error rate	16,000 cases underpaid	23,000 cases underpaid	30,000 cases underpaid	(16)	16
MC	Delivery timetable	Exercise completion end of 2023	Exercise completion end of 2024	Exercise completion end of 2025	(14)	15
All	Mortality	33% reduction	MC:pre-2016: 12% MC:nSP: 1.5% CAT BL: 3% CAT D: 15%	33% increase	(7)	7

d. Other provisions

	31 March 2022		31 March 2021	
	Core department	Departmental group	Core department	Departmental group
Other provisions (d)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	25,827	26,913	47,203	48,084
Provided in year	12,900	12,924	19,911	20,116
Provisions not required written back	(8,083)	(8,098)	(6,882)	(6,882)
Utilised in year	(432)	(432)	(34,328)	(34,328)
Borrowing costs (unwinding of discount)	(100)	(100)	(77)	(77)
Balance at 31 March	**30,112**	**31,207**	**25,827**	**26,913**

The remaining other provisions comprise:

- 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

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	235,776	235,776	531,160	531,160	384,217	384,217	20,784	20,784	1,171,937	1,171,937
Later than one year and not later than 5 years	983,876	983,876	421,138	421,138	964,856	964,856	2,641	3,552	2,372,511	2,373,422
Later than 5 years	5,034,595	5,034,595	–	–	–	–	6,687	6,871	5,041,282	5,041,466
Balance at 31 March 2022	**6,254,247**	**6,254,247**	**952,298**	**952,298**	**1,349,073**	**1,349,073**	**30,112**	**31,207**	**8,585,730**	**8,586,825**

17. Remploy Pension Scheme

The Secretary of State for the Department of Work and Pensions (the Sponsor) operates a defined benefit pension arrangement called the Remploy Limited Pension and Assurance Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Sponsor must agree with the Trustees of the Scheme the contributions to be paid to meet the Statutory Funding Objective. The Sponsor considers that it does not have an unconditional right to a future refund of any surplus built up in the Scheme and the present value future contributions required to meet the Statutory Funding Objective is recognised as an additional liability in these disclosures.

The Scheme is managed by a corporate Trustee appointed in part by the Sponsor and in part from elections by members of the Scheme. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The Scheme exposes the Sponsor to a number of risks:

- 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 assets that are different to corporate bonds, the value of the assets and liabilities may not move in the same way. The interest rate risk is hedged to a certain extent via the Scheme's Liability Driven Investment (LDI) strategy
- 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. The inflation risk is hedged to a certain extent via the Scheme's LDI strategy
- Mortality risk. In the event that members live longer than assumed deficits may emerge in the Scheme. There were no plan amendments, curtailments or settlements during the period

Risk mitigation strategies

The Trustee, in conjunction with the Sponsor, has reviewed the investment strategy of the Scheme. This process entailed reviewing the liability profile of the Scheme and the Scheme's investments. The Trustee has previously undertaken such a review which has resulted in the investment managers being instructed as to permissible ranges for asset allocations as set out in the Scheme's current Statement of Investment Principles. The Scheme has no other asset-liability strategies in place.

Assessment of COVID-19 impact

Asset markets have continued to recover well in the period to 31 March 2022, 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, and slightly less than 4% over the 12 months to 31 March 2022.

On the liability side, long-dated high quality corporate bond yields rose by around 0.6% p.a. during the year to March 2022 although inflation expectations rose over the same period. The net effect was to reduce the liabilities measured in accordance with the IAS19 (Employee Benefits) accounting standard.

The impact of the COVID-19 pandemic on future mortality rates remains uncertain. The mortality assumptions have not been updated since the 2019 actuarial valuation but will be reassessed as part of the triennial funding valuation of the Scheme as at 31 March 2022.

Effect of the Scheme on Sponsor's future cashflows

The Sponsor must 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, the next valuation of the Scheme began as at 31 March 2022 and will be carried out across the year. If the valuation reveals a larger deficit than expected the Sponsor may have 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 does not expect to pay any contributions in the period to 31 March 2023 as all contributions due for that period were pre-paid prior to 31 March 2021.

The weighted average duration of the defined benefit obligation is 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.

In addition, an allowance for top-ups to previous transfers, has been included in the liabilities, of £205,000 at the Review Date.

International Financial Reporting Interpretations Committee 14 (IFRIC 14) and asset ceiling

As per the FReM, disclosures are required to comply with IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, as well as IAS 19.

IFRIC 14 potentially requires a surplus to be restricted and/or an additional liability to be recognised if the contributions agreed as part of the Scheme's funding plan are expected to lead to an IAS 19 surplus. However, this would not apply if the Sponsor had an "unconditional right" to any surplus arising in the pension scheme.

An "unconditional right" in this context means that the Sponsor would be able to benefit from the surplus in the form of a future refund from the Scheme in any one of the three following scenarios. This cannot be conditional on the occurrence or non-occurrence of any future event:

- By payment to the sponsor while the Scheme is ongoing – not applicable as would require the Scheme to be fully funded on a buy-out basis (among other requirements)
- By payment to the Sponsor if it were to trigger immediate wind-up – again not applicable as would require the Scheme to be fully funded on a buy-out basis

- By payment to the Sponsor at the end of the life of the Scheme once all liabilities have been settled – this relies on the Sponsor being able to gradually settle the liabilities over an extended period and receive a refund once no further beneficiaries remain. This is the only possible scenario under which an unconditional right could potentially be justified

The Trust Deed and Rules of the Scheme do not contain provision for a payment of surplus assets to be made to the Sponsor (either during the lifetime of the Scheme or as part of a wind-up process), although this may be subject to legal review. On this basis, there is currently no prospect of the Sponsor being able to benefit from a future refund, so the surplus should be restricted to nil.

Furthermore, the Sponsor is due to pay the balance of deficit contributions into the Scheme by 31 May 2024 amounting to £1,100,000, which has a discounted value of £1,040,000 at the Review Date. As this would serve to increase the surplus (which cannot be recognised) this amount needs to be recognised as an additional liability under IFRIC 14. The combined impact of these two elements of the asset ceiling is to reduce the surplus by approximately £13,000,000 to a deficit of £1,040,000.

Scheme surplus

At the Review Date there was a deficit (after application of the asset ceiling) in the Scheme of £1,040,000. This compares to a deficit of £9,875,000 at the previous review date.

The main reasons for the change in the surplus over the period are:

- Asset returns have been higher than expected reducing the deficit by approximately £17 million
- Changes to financial markets (notably the discount rate has increased more than the increase in expected inflation) reduced the deficit by approximately £18 million
- These improvements in the position have been partially offset by higher pension increases and deferred revaluations over the period, increasing the deficit by approximately £11 million
- The application of the asset ceiling increasing the deficit by approximately £13 million

Disclosures for IAS 19 (Employee Benefits) Table of assumptions used in calculations

Figures for disclosure in accounts for period ending 31 March 2022 under IAS19. Results are shown is pounds, rounded to the nearest £1,000.

Principal actuarial assumptions	At 31 Mar 2022	At 31 Mar 2021
Discount rate	2.60% p.a.	2.00% p.a.
Inflation (RPI)	3.50% p.a.	3.00% p.a.
Inflation (CPI)	3.10% p.a.	2.50% p.a.
Pension increase (Pre 1 April 1997 excess – CPI uncapped)	3.10% p.a.	2.50% p.a.
Pension increase (1 April 1997 – 1 April 2005 – CPI (capped at 5%))	3.00% p.a.	2.40% p.a.
Pension increase (Post 1 April 2005 – RPI (capped at 5%))	3.40% p.a.	2.90% p.a.

Principal actuarial assumptions	At 31 Mar 2022	At 31 Mar 2021
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	Remploy-specific table based on Remploy experience between 2007 and 2012. With allowance for improvements in life expectancy in line with CMI 2018
Commutation	75% of members are assumed to take the maximum tax free cash possible	75% of members are assumed to take the maximum tax free cash possible
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	20.4
Life expectancy at age 65 of male aged 65	18.5	18.5
Life expectancy at age 65 of female aged 45	23.3	23.3
Life expectancy at age 65 of female aged 65	21.3	21.3

The current asset split is as follows:	Asset allocation at 31 March 2022 £000
Property	96,174
LDI	472,040
Absolute return bonds	144,426
Collateralised loan obligations	70,147
Direct Lending	49,538
Semi-liquid credit	141,854
Cash	4,885
Insured assets	1,939

The current asset split is as follows:	**Asset allocation at 31 March 2022 £000**
Defined Benefit assets	981,003
Money purchase assets	7,997
Total assets	**989,000**

Note that the Assets labelled "LDI" actually include a number of different assets types, including derivatives.

SoFP	**At 31 March 2022 £000**	**At 31 March 2021 £000**
Fair value of assets	989,000	987,974
Present value of funded obligations	(976,853)	(997,849)
Surplus/(deficit)* in Scheme	**12,147**	**(9,875)**
Effect of asset ceiling	(13,187)	0
Net defined benefit asset/(liability)	**(1,040)**	**(9,875)**

* Surplus/(deficit) shown prior to deferred taxation

Amount recognised in Profit and Loss	**At 31 March 2022 £000**	**At 31 March 2021 £000**
Current service cost	0	0
Administration costs	1,700	1,298
Interest on liabilities	19,461	20,627
Interest on assets	(19,247)	(20,290)
Past service costs	0	200
Settlement and curtailment cost	0	0
Total charge to Profit and Loss	**1,914**	**1,835**

Re-measurements over the period	**Period to 31 March 2022 £000**	**Period to 31 March 2021 £000**
Loss/(gain) on assets in excess of interest	(16,914)	(81,182)
Experience losses/(gains) on liabilities	10,833	(10,694)
Losses/(gains) from changes to demographic assumptions	0	0
Losses/(gains) from changes to financial assumptions	(17,855)	99,521
Losses/(gains) from change in effect of asset ceiling	13,187	0
Total re-measurements	**(10,749)**	**7,645**

Change in value of assets	Period to 31 March 2022 £000	Period to 31 March 2021 £000
Fair value of assets at start	**987,974**	**895,087**
Money Purchase assets at start	(8,422)	(8,890)
Interest on assets	19,247	20,290
Company contributions	0	27,000
Contributions by Scheme participants	0	0
Benefits paid	(33,010)	(33,819)
Administration costs	(1,700)	(1,298)
Change due to settlements and curtailments	0	0
Return on assets less interest	16,914	81,182
Money Purchase assets at end	7,997	8,422
Fair value of assets at end	**989,000**	**987,974**
Actual return on assets	**36,161**	

Change in value of the DB liabilities	Period to 31 March 2022 £000	Period to 31 March 2021 £000
Defined benefit obligation at start	**997,849**	**922,482**
Money Purchase liabilities at start	(8,422)	(8,890)
Current service cost	0	0
Contributions by Scheme Participants	0	0
Past service costs	0	200
Interest on liabilities	19,461	20,627
Benefits paid	(33,010)	(33,819)
Change due to settlements and curtailments	0	0
Experience (gain)/loss on liabilities	(10,833)	(10,694)
Changes to demographic assumptions	0	0
Changes to financial assumptions	(17,855)	99,521
Money Purchase liabilities at end	7,997	8,422
Defined benefit obligation at end	**976,853**	**997,849**

Reconciliation of effect of asset ceiling	Period to 31 March 2022 £000	Period to 31 March 2021 £000
Effect of asset ceiling at start	**0**	**0**
Interest on effect of asset ceiling	0	0
Actuarial losses/(gains)	13,187	0
Effect of asset ceiling at end	**13,187**	**0**

Reconciliation of net defined benefit liability (asset)	Period to 31 March 2022 £000	Period to 31 March 2021 £000
Net defined benefit liability (asset) at start	**9,875**	**27,395**
Current service cost	0	0
Past service cost and settlement and curtailment cost	0	200
Net interest expense (income)	214	337
Remeasurements	(10,749)	7,645
Administration costs	1,700	1,298
Employer contributions	0	(27,000)
Net defined benefit liability (asset) at end	**1,040**	**9,875**

Sensitivity of the value placed on the liabilities	Approximate effect on liability £000
Discount rate	
Discount rate +0.50%	(75,344)
Discount rate -0.50%	85,679
Inflation	
Inflation +0.50%	70,009
Inflation -0.50%	(61,763)
Mortality	
Decrease mortality rates by a factor of **10%**	47,915
Increase mortality rates by a factor of **10%**	(42,351)

Pension accounting assumptions as at 31 March 2022 discount rate

Under IAS 19 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. The same approach was used for the derivation of the discount rate in last year's disclosures.

Using the Merrill Lynch AA Corporate Bond yield curve results in a proposed discount rate of 2.6% p.a. after rounding.

This is higher than the discount rate used last year of 2.00% p.a. reflecting the increases to the yields on corporate bonds 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, the Department is still comfortable that deriving the breakeven RPI inflation assumption with reference to the Bank of England implied inflation curve remains reasonable. The single equivalent rate of RPI comes to 3.9% p.a. using the approach set out above.

Last year there was a deduction of 0.5% to the breakeven RPI inflation rate to allow for an inflation risk premium (IRP). Given the inherent uncertainty around future inflation, retaining an IRP of 0.5% is not necessarily unreasonable at the current time, although this will be kept under review at future IAS19 valuations.

Overall, this gives a proposed RPI inflation assumption of 3.40%, which is higher than the assumption used last year. This is due to market movements over the past year.

Consumer Price Index (CPI) inflation

This also has a consequence for the CPI assumption. It follows that CPI should be 1% lower than RPI up to the change (i.e. the same as assumed last year) and the Department has assumed that the difference between RPI and CPI after the change is zero. As a single assumption and assuming that the change happens in 2030, this means a CPI assumption of 0.40% lower than RPI (which is a lesser deduction than last year, and the gap is expected to gradually reduce further over the period to 2030). In other words, a CPI assumption of 3% p.a.

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 95% of our £216[42] billion benefit expenditure correctly.

Rate of fraud and error in 2021-22

For this financial year we have carried out full reviews on Universal Credit, Pension Credit, Housing Benefit (non passported working age client group), Employment and Support Allowance and State Pension. We have also carried out a full review of Attendance Allowance for the first time this year. For benefits not measured this year we either roll forward rates from when the benefit was last measured or apply a proxy rate to the 2021-22 expenditure. For more information, please see the Benefit fraud and error estimation uncertainty and assumptions section on page 306.

The 2021-22 statistics (published in May 2022) indicate that fraud and error overpayments increased to 4.0% from 3.9%. This amounts to a monetary value of £8.6 billion overpaid from a total expenditure of £216 billion this year. Fraud accounts for overpayments of 3.0% (£6.5 billion) of expenditure, whilst claimant error is 0.7% (£1.5 billion) and official error is 0.3% (£0.7 billion).[43]

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 nearly £1 billion was recovered in 2021-22.[44] 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.[45]

The 2021-22 statistics estimate that the proportion of benefit underpaid remained at 1.2% of total expenditure in comparison to the previous year, which equates to a monetary value of £2.6 billion. Claimant error accounts for underpayments of 0.7% (£1.5 billion) whilst official error is 0.5% (£1.1 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

42 Benefit expenditure stated within this note is based on the latest available forecast expenditure for 2021-22, 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 £224.5 billion, or the Statement of Outturn against Parliamentary Supply (SOPS) of £216.0 billion. The difference between these values is due to disaggregation in the SOPS between DEL and AME, resource and capital expenditure.

43 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.

44 Benefit recovery is through the Department's debt management function and local authorities.

45 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 2021-22 figures for directly administered benefits plus figures for Housing Benefit for the period October 2020 to September 2021. Further information can be found at www.gov.uk by searching for Fraud and Error in the Benefit System 2021-22.

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.

In 2020-21 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.

Further details on our fraud and error strategy are included in the Performance report, on page 73.

Statistics

Table 1. Overall 2021-22 fraud and error estimates

	Fraud	Claimant Error	Official Error	Total
Overpayments	3.0%	0.7%	0.3%	4.0%
	(£6.5bn)	(£1.5bn)	(£0.7bn)	(£8.6bn)
Underpayments	0.0%	0.7%	0.5%	1.2%
	(£0.0bn)	(£1.5bn)	(£1.1bn)	(£2.6bn)
Total Expenditure				*£215.8bn*

Table 2. Estimates for benefits reviewed in 2021-22

	Overpayments				Underpayments			
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	Total Expenditure
Universal Credit	13.0%	1.0%	0.7%	14.7%	* 0.7%	0.3%	* 1.0%	
	(£5,250m)	(£400m)	(£270m)	(£5,920m)	(£270m)	(£140m)	(£410m)	£40.4bn
State Pension	0.0%	0.0%	0.0%	0.1%	0.0%	0.5%	0.5%	
	(£20m)	(£50m)	(£50m)	(£110m)	(£10m)	(£530m)	(£540m)	£104.5bn
Housing Benefit	3.3%	1.6%	0.4%	5.2%	* 0.8%	0.4%	1.3%	
	(£540m)	(£260m)	(£70m)	(£860m)	(£140m)	(£70m)	(£210m)	£16.5bn
Employment and Support Allowance	2.0%	1.4%	* 0.6%	4.0%	1.4%	* 1.1%	2.5%	
	(£250m)	(£180m)	(£80m)	(£500m)	(£180m)	(£130m)	(£320m)	£12.6bn
Pension Credit	2.9%	* 3.0%	1.4%	* 7.3%	1.4%	0.7%	2.1%	
	(£140m)	(£150m)	(£70m)	(£350m)	(£70m)	(£30m)	(£100m)	£4.8bn
Attendance Allowance	0.0%	1.9%	0.3%	2.2%	4.2%	0.1%	4.3%	
	(£0m)	(£100m)	(£20m)	(£120m)	(£220m)	(£10m)	(£230m)	£5.3bn

Table 3. Estimates for benefits reviewed in previous years

	Overpayments				Underpayments			
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	Total Expenditure
Personal Independence Payment	0.3%	1.1%	0.1%	1.5%	3.1%	0.7%	3.8%	
	(£40m)	(£170m)	(£20m)	(£230m)	(£470m)	(£100m)	(£570m)	£15.1bn
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%	
	(£10m)	(£0m)	(£10m)	(£20m)	(£0m)	(£10m)	(£10m)	£0.5bn
Disability Living Allowance	0.5%	0.6%	0.8%	1.9%	2.4%	0.1%	2.5%	
	(£30m)	(£40m)	(£40m)	(£110m)	(£140m)	(£10m)	(£140m)	£5.7bn
Income Support	2.4%	1.0%	0.4%	3.9%	0.4%	0.3%	0.8%	
	(£20m)	(£10m)	(£0m)	(£30m)	(£0m)	(£0m)	(£10m)	£0.9m
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			
	Fraud	Claimant Error	Official Error	Total	Claimant Error	Official Error	Total	Total Expenditure
Unreviewed benefits	1.7%	0.5%	0.3%	2.4%	0.7%	0.5%	1.2%	
	(£110m)	(£30m)	(£20m)	(£160m)	(£40m)	(£30m)	(£80m)	£6.6bn
Interdependencies	z	z	z	z	z	z	z	
	(£10m)	(£10m)	(£20m)	(£40m)				z

Notes to tables 1-4:

1. The 2021-22 data comes from DWP National Statistics: Fraud and Error in the Benefit System: financial year 2021 to 2022 Estimates. Fraud and error rates for Universal Credit and Housing Benefit are based on cases reviewed in the period January 2021 to November 2021. Employment and Support Allowance and Pension Credit are based on cases reviewed in the period October 2020 to October 2021. State Pension is based on cases reviewed in the period February 2021 to October 2021. Attendance Allowance is based on cases reviewed in the period October 2020 to August 2021.
2. Estimates for all benefits are based on estimated benefit expenditure for 2021-22. These are consistent with Spring Budget 2022 and were the latest available for the financial year at the time of producing the fraud and error estimate.
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. 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 on the “Fraud and Error in the Benefit System financial year 2021 to 2022” page 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.
8. Any figure marked with a * means that it has a statistically significant difference (at a 95% level of confidence) when comparing to the last time it was measured. 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 Universal Credit this comparison is to the 2020-21 statistics. The benefit sample in 2020-21 was reduced due to COVID-19 so Employment and Support Allowance, Pension Credit and Housing Benefit were not measured that year. Due to this, Employment and Support Allowance and Pension Credit comparisons are to the 2019-20 statistics. Housing Benefit is comprised of 4 groups of claimants whose rates are combined to generate a Housing Benefit total estimate. Although the individual groups were not measured and the rates rolled forward, there was a significant change in the make-up of the groups in 2020-21, which significantly changes the Housing Benefit total rates. Due to this, comparisons for Housing Benefit are done to 2020-21. Statistical significance testing was not done on State Pension or Attendance Allowance. The full review of State Pension includes customer contact for the first time since 2005-06. This has resulted in types of official error being identified that had not been previously. This means that State Pension figures are not directly comparable to previous years. Attendance Allowance was reviewed for the first time this year, therefore there are no previous figures to compare against. For the previous year figures please see the “Fraud and Error in the Benefit System financial year 2021 to 2022” page on GOV.UK.
9. We review a selection of benefits for fraud and error each year. Estimates for other benefits come from previous review exercises, or proxies. Please refer to the latest National Statistics publication for further details. (See ‘Benefit fraud and error estimation and uncertainty assumptions’ section below for details).
10. “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.
11. 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 £8.6 billion benefit expenditure, equating to an overall rate of 4.0%) and overall underpayment amount (of £2.6 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 2021-22	**UC**	**SP**	**HB**	**ESA**	**PC**	**AA**
Expenditure (£bn)	£40.4	£104.5	£16.5	£12.6	£4.8	£5.3
Overpayment rate	14.7%	0.1%	5.2%	4.0%	7.3%	2.2%
Overpayment value (£m)	£5,920	£110	£860	£500	£350	£120
Contribution to overall OP	*69%*	*1%*	*10%*	*6%*	*4%*	*1%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.27%*	*0.01%*	*0.04%*	*0.02%*	*0.02%*	*0.01%*
Previously reviewed	**PIP**	**CA**	**JSA**	**IS**	**IB**	
Expenditure (£bn)	£15.1	£3.1	£0.5	£0.9	£0.0	
Overpayment rate	1.5%	5.2%	4.6%	3.9%	2.4%	
Overpayment value (£m)	£230	£160	£20	£30	£0	
Contribution to overall OPs	*3%*	*2%*	*0%*	*0%*	*0%*	
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.01%*	*0.01%*	*0.00%*	*0.00%*	*0.00%*	

Previously reviewed (Cont.)	**DLA**	**Unreviewed**
Expenditure (£bn)	£5.7	£6.6
Overpayment rate	1.9%	2.4%
Overpayment value (£m)	£110	£160
Contribution to overall OPs	*1%*	*2%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.01%*	*0.01%*

For example, Universal Credit currently contributes 69% of the overall overpayment value, the highest of all individual benefits. If the monetary value of overpayment on Universal Credit (currently £5,920 million) changed by 10%, this would lead to the overall overpayment rate of 4.0% changing by 0.27% (equating to around £590 million).

Table of the proportion each benefit contributes to the overall underpayment rate

Reviewed in 2021-22	**UC**	**SP**	**HB**	**ESA**	**PC**	**AA**
Expenditure (£bn)	£40.4	£104.5	£16.5	£12.6	£4.8	£5.3
Underpayment rate	1.0%	0.5%	1.3%	2.5%	2.1%	4.3%
Underpayment value (£m)	£410	£540	£210	£320	£100	£230
Contribution to overall UP	*16%*	*21%*	*8%*	*12%*	*4%*	*9%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.02%*	*0.03%*	*0.01%*	*0.01%*	*0.00%*	*0.01%*

Previously reviewed	PIP	CA	JSA	IS	IB
Expenditure (£bn)	£15.1	£3.1	£0.5	£0.9	£0.0
Underpayment rate	3.8%	0.0%	1.5%	0.8%	0.7%
Underpayment value (£m)	£570	£0	£10	£10	£0
Contribution to overall UPs	*22%*	*0%*	*0%*	*0%*	*0%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.03%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*

Previously reviewed (Cont.)	DLA	Unreviewed
Expenditure (£bn)	£5.7	£6.6
Underpayment rate	2.5%	1.2%
Underpayment value (£m)	£140	£80
Contribution to overall UPs	*5%*	*3%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.01%*	*0.00%*

For example, State Pension currently contributes 21% of the overall underpayment value, the highest of all individual benefits measured this year. If the monetary value of underpayment on State Pension (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 based on around 12,840 reviews of a random sample[46] of claimants on certain benefits.

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.

However, a small (but not insignificant) proportion of expenditure on benefit advances is included in the published expenditure forecasts from Spring Budget, which are used in our estimates. This does not affect the rates of fraud and error we report for various benefits – these are based on the reviews of benefit cases currently in payment that we carry out. However, part of the monetary estimates of fraud and error that we report will effectively relate to advances. For example, around £40 million of the Universal Credit monetary estimates of fraud and error is related to advances rather than the benefit itself.

46 Housing Benefit is a random sample stratified by local authority

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 2021-22, the rates of total overpayment lie in the range from 3.7% to 4.3% (monetary value £8.1 billion to £9.2 billion), whilst the corresponding range for underpayments is 1.1% to 1.4% (£2.3 billion to £3.0 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 the rates found when it was last measured are widened by a factor of 2.

The table below shows the updated overpayment confidence intervals for the two benefits that have had their rate rolled forward from 2019-20 and their confidence intervals widened. However due to the benefits measured this year making up around 79% of all expenditure, the impact this has had on the All Benefits Confidence intervals is minimal.

	2021-22			2019-20		
	Central Estimate	Confidence interval		Central Estimate	Confidence interval	
All Benefits	4.0	*(3.7,*	*4.3)*	2.4	*(2.2,*	*2.7)*
PIP	1.5	*(0.4,*	*2.7)*	1.5	*(1.0,*	*2.1)*
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

The sample period that forms the basis of the 2021-22 statistics does not fully align with the financial year. This is due to the time it takes to complete the reviews that underpin the statistics. This time lag means that a proportion of the cases reviewed will be from the previous financial year when the impact of COVID-19 was higher. Analysis has been carried out to assure ourselves that the sampling period is representative of the financial year, however actions taken by the Department within the financial year may not always be fully reflected within our statistics.

Analysis was carried out on various data sources to try and ensure that this year's fraud and error estimates were valid given the impact of the pandemic and the easements the Department put in place.

Analysis was carried out on Personal Independence Payments (PIP), Jobseeker's Allowance (JSA), Carer's Allowance (CA) and Bereavement Support Payments (BSP) to quantify the impact of the pandemic and easements in place, as these benefits were not measured this financial year. 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)
PIP	Delays to Assessment Reviews	0 – 130	0 – 60
JSA	Impact of depts. COVID easements	0 – 1	N/A
BSP	Impact of depts. COVID easements	0 – 1	N/A
CA	Impact of depts. COVID easements	0	N/A

For PIP, analysis was carried out on the 4-month delay to Award Reviews (AR) due to COVID-19 that has continued this financial year. These ARs are reassessments of claimant's 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. 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 13% of all ARs in 2020-21)
- 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). In 2019-20 (when PIP was last measured) this was a substantial proportion of the total (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 2019-20 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 JSA, CA and BSP, the analysis carried out in 2020-21 on the impact of COVID-19 easements on new claims to benefit was repeated. This estimated a range in which the additional fraud and error due to those easements lies. New claims were used because easements on these benefits largely affected verification of identity at the start of a claim, rather than change of circumstances during a claim. However, due to the easements on these benefits being removed either before the year started (CA) or towards the start of the year the impact was negligible, 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.

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. Prior to COVID-19 the Department thinks the impact would be negligible as surplus losses would only have a monetary effect on cases within their first year of Self-Employment (called the start-up period), after this the Minimum Income Floor (MIF)[47] applies.

The MIF was removed as part of the COVID-19 easements. In August 2021, the Department started the process of checking Self-Employed claims to ensure that Self-Employment is their main source of income. This is the first step to reinstate the MIF on claims. The Department also brought in new regulations in September 2020 which changed the beginning of the start-up period for claims made after the start of the COVID-19 pandemic. For these claims the start-up period begins when the Department carried out the initial Self-Employment tests with the claimant, rather than when their Self-Employment actually started. The MIF is then applied a year later. Since most Self-Employed cases were claims made in or after March 2020, most claims do not yet have a MIF applied. Due to this, 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 fraud and

47 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.

error narrative on page 61), the impact of not including surplus profit or loss within our estimates 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 £840 million of expenditure in 2021-22. Had all of these cases been instead classed as fraud, then the total monetary value of overpayments would rise from £8.6 billion to £9.5 billion, and the overall overpayment rate would rise from 4.0% to 4.4%.

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).

Move to telephony

We now review all benefits via telephone. Before 2021-22 the only benefit that was reviewed via telephone was Universal Credit. All other benefit reviews were carried out via home visits. We are making the assumption that this change to the review process has no impact on the fraud and error rate.

State Pension assumptions

This year is the first time we have done a full review of State Pension since 2005-06. In years since we have only measured Official Error and rolled forward the rates of Claimant Error and Fraud found in 2005-06.

Only Great Britain State Pension cases are reviewed for fraud and error as part of our normal review process. We have assumed that the rate of Official Error for overseas State Pension cases is the same as the rate for Great Britain State Pension cases.

Overseas cases have the potential for additional Fraud and Claimant Error relating to claimants that have died but DWP were not informed.

DWP exchanges death data with Spain, New Zealand, Australia, Republic of Ireland, Germany, Netherlands, Malta, and Poland. Most of this data is received monthly. COVID-19 had no impact on DWP receiving death exchange data. The process for death exchanges begins with these countries requesting lists of claimants living in their country and receiving a UK State Pension. Following this, they send over the death data, and DWP processes the data. Due to this process we are assuming that for State Pension claimants living in these countries there would be no additional Fraud/Error around non notification of death.

State Pension claimants living in countries not covered by the death data exchange are sent a letter every two years which they need to sign; these letters are called life certificates. If the signed document is not received back by DWP within three months, the benefit is suspended. After suspension, if there is no further contact from the claimant after another three months then the benefit is terminated. This process was paused due to COVID-19 and restarted in November 2021.

To estimate the additional fraud and error rates on State Pension overseas cases from customers that have died but DWP were not informed, we have looked at the number of cases that were terminated for each country covered by life certificates, the last time the exercise was run. This number was then multiplied by the 2021-22 average weekly State Pension award for that country and then multiplied by 52 to get an annual figure. These totals were then summed and then the total added into the State Pension figure in the statistics. Since we are unable to ascertain whether these would have been Fraud or Claimant Error we have erred on the side of Claimant Error.

This analysis assumes that the number of deaths of claimants of State Pension abroad has not significantly increased in each country since the last time the exercise was run. There is an increased risk that due to COVID-19 this is not the case, however any analysis to quantify this increase would be very challenging. Given the impact that the extra State Pension overseas fraud and error has on the total State Pension and global rates we have not made any adjustment.

For more information on the State Pension Overseas adjustment please refer to the National Statistics. Background Information and Methodology note.

As previously mentioned, we have continually measured Official Error on State Pension, however this did not involve the Department contacting customers. When contacting claimants this year as part of the full review we have identified an area of Official Error that we were not capturing in previous years. This related to Home Responsibilities Protection. For people reaching State Pension age before 6 April 2010, Home Responsibilities Protection (HRP) reduced the number of qualifying years needed for a basic State Pension where someone stayed at home to care for children for whom they received Child Benefit or a person who was sick or disabled. For people reaching State Pension age since 6 April 2010, previously recorded periods of HRP were converted into National Insurance credits. Errors occurred where periods when HRP was due, were not accurately recorded on their National Insurance record. For more information on this please see page 312.

As well as HRP we have also recorded two further areas of errors this year for the first time:

- State 2nd Pension – This enabled low and moderate earners, some carers and long-term disabled or ill to build up a more generous additional pension by treating them as if they had earnings at the low earnings threshold if they were entitled to certain benefits. Official Errors have been identified where customers have been in receipt of qualifying benefits but the "State 2nd Pension liability" has not been recorded, resulting in an underpayment.
- System Uprating – This is where the departmental systems have summed rounded components of State Pension entitlement, and this could potentially lead to a small overpayment or underpayment.

In total these 3 error types recorded for the first time this year, account for 0.2 percentage points of the total State Pension underpayment rate (their effect on the overpayment rate is negligible). Therefore, Official Error figures this year cannot be compared to previous years.

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.

Housing Benefit assumptions

For Housing Benefit, we stratify the sample to ensure that we measure cases from each local authority. However, this year we have only measured cases from around 90% of the local authorities. To ensure that this year's results are still reliable and valid, we have carried out analysis on the 2019-20 data (published in May 20), removing the same local authorities we have not measured from this year. This analysis shows that the difference is negligible (a change of less than 0.1% percentage points at a total Housing Benefit level).

Revision to 2020-21 statistics

In order to calculate the monetary value of fraud and error and the proportion of expenditure overpaid we use DWP expenditure figures. Within these figures any case where the claimant was in receipt of Housing Benefit and Universal Credit, due to being in supported, sheltered or temporary housing, was previously classed as a non-passported Housing Benefit case. Although not strictly a passporting benefit, those getting Universal Credit and Housing Benefit are treated in a similar way to passported cases (if they are entitled to any Universal Credit their Housing Benefit is paid in full). Due to this we have made a change to the expenditure on Housing Benefit to classify these cases as passported and revised the figures for 2019-20 and 2020-21.

Since there is less opportunity for fraud and error to occur on passported cases, this change has the impact of reducing the total fraud and error on Housing Benefit.

Adopting the change to HB expenditure resulted in a small change in overpayments at a global (overall) level last year. In particular, reducing fraud overpayments from 3.0% to 2.9%. For HB there is a slightly larger change.

Further information on this, and other, methodological changes can be found at GOV.UK (within the latest National Statistics publication, and the supporting background and methodology document).

19. Contingent liabilities

Transfer of State Pensions and benefits

Since 2007 staff employed in certain EU institutions can apply 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. This leads to a contingent liability for the Department because, depending on the number of future accepted transfer applications, the Department may be obligated to fund an increased amount of State Pension and other contributory benefits. The overall time limit is 10 months between the date of application and the transfer payment; however the limits can be extended if needed.

1,828 transfer applications have been received up to date (to 31 March 2022), 83% of which have resulted in transfer payments.

Between 1 April 2021 and 31 March 2022 (this financial year):

- 25 applications have been received. When added to the 40 applications outstanding at 31 March 2021, there were 65 cases available for processing. Of these, 29 have so far resulted in payments with 36 awaiting further action
- The monetary value of those 29 payments amounts to £1,261,349.96 which averages out at £43,494.82 a case
- We have received 1,828 transfer applications since 2007. Of this total, approximately 83% (1,519) have resulted in payment

In 2021-22, 25 new applications have been received for transfer. The vast majority are from the European Commission. Based on previous years, 80% or more are expected to proceed for payment.

In total the 1,519 payments since 2007 has amounted to £49,821,016.72 which averages out at £43,494.82 a case.

As we now only accept transfer applications from those employed by the relevant EU institution prior to 1 January 2021 the number of cases should drop over time.

This of course may be a long duration as most of these people have been employed for quite a while and therefore most before 1 January 2021.

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 £3.7 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.

Home Responsibilities Protection (HRP)

For people reaching State Pension age before 6 April 2010 HRP reduced the number of qualifying years needed for a basic State Pension where someone stayed at home to care for children for whom they received Child Benefit or a person who was sick or disabled. For people reaching State Pension age since 6 April 2010, previously recorded periods of HRP were converted into National Insurance credits. Our fraud and error sampling exercise identified a number of cases where periods of HRP were due but were not accurately recorded on someone's National Insurance record. State Pension payments are calculated and administered by the Department, based on the National Insurance records supplied by HM Revenue and Customs, these errors may have impacted an individual's State Pension award.

Work is underway with HM Revenue and Customs to investigate the extent of the problem and the potential impact this may have on an individual's State Pension entitlement. Therefore, it is not practicable to disclose an estimate of the financial effect or the timings of any outflow

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.

IAS (Independent Assessment Services)

There is currently a contractual dispute brought by IAS (an independent assessment provided assessing Personal Independence Payment [PIP] cases on behalf of DWP) against DWP in respect of work prior to March 2020. The claim is expected to be in the region of £13 million.

Scottish Devolution Programme Disputed IT Costs

DWP are carrying out work at the request of the Scottish Government to implement welfare devolution. The financial principles that underpin this work are set out in a Fiscal Framework agreement between the two Governments. Scottish Government have raised a dispute over their liability to fund certain digital investment activity that DWP believes is essential to deliver devolution. The digital investment activity spans a number of years with detailed requirements and costs for future years yet to be defined therefore a reliable estimate of the contingent liability is not available.

Resolution of this dispute will be via the agreed escalation process that is part of the Fiscal Framework.

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 £13.033 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 2022 the Department is aware of five cases it considers to be a contingent liability, of which four can be reliably estimated to £2.003 billion.

Benefit underpayments

Distinct from legal cases, the Department acknowledges that administrative errors (termed official error) by its staff will sometimes result in the underpayment of benefit. Where underpayments relating to official error are identified, we pay arrears in full at the earliest opportunity.

Through annual review of fraud and error statistics, the Department has an estimate of official error both for the current year (see note 18), and prior years from equivalent exercises. These estimates are based on statistical samples; as a result the Department does not hold a full list of underpaid benefits cases that it can correct. The Department cannot quantify the cumulative historic liability which may exist due to limitations in data. Therefore, a contingent liability exists for underpayments not yet found and corrected.

The measures reported in the Incorrect Payments notes show an estimate of underpayments made in the reporting year. At present there is no mechanism by which we can calculate the value of historic official error corrected in year, to support an overall quantification of the outstanding liability. The Department will review processes and data sources available with a view to quantify this liability in future.

20. Related party transactions

We sponsor the arm's length bodies listed on page 128. 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, Ministry of Justice, Department of Health, Her Majesty's Courts and Tribunals Service, Home Office, HM Procurator General and Treasury Solicitor, the Scottish Government, HM Treasury and Office of National Statistics. 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 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 5 July 2022. The Comptroller and Auditor General certified this Annual Report and Accounts on 5 July 2022.

Annex 1

(This information is not subject to audit)

Disaggregated information on arm's length bodies

Our departmental family is shown on page 128 within the Accountability report, the following bodies are those within our accounting boundary for 2021-22 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	**£000**	**£000**	**£000**	**Number of employees**	**Staff costs**	**Number of employees**	**Staff costs**
Health and Safety Executive	(88,269)	245,914	175,191	2,495	152,884	173	17,476
The Pensions Ombudsman	–	8,227	8,227	106	6,460	1	57
The Pensions Regulator	–	96,814	96,807	725	58,502	134	4,887
The Money and Pensions Service	(10)	150,386	150,377	385	28,940	17	2,206

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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