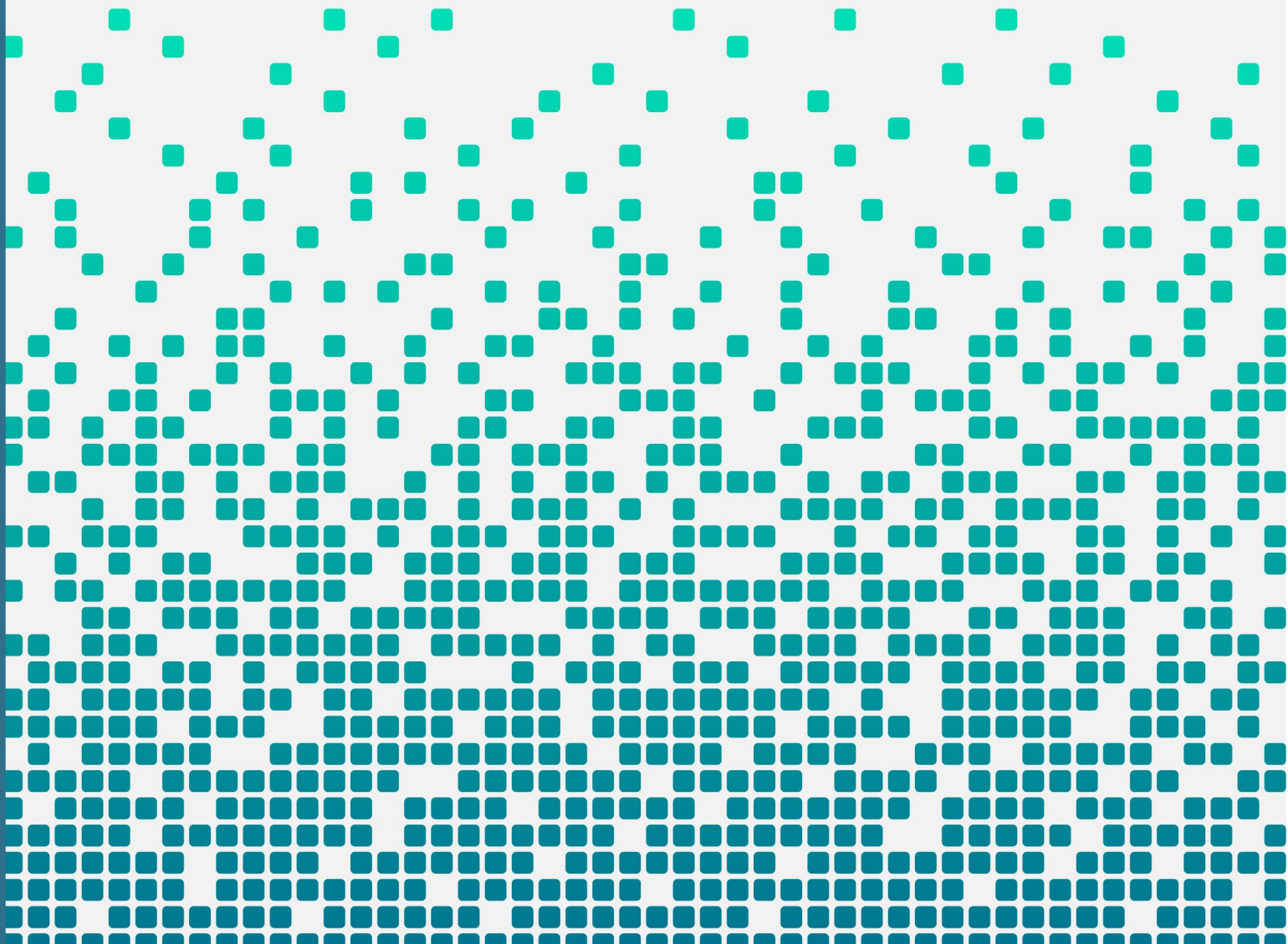




Department
for Work &
Pensions

Accounting Officer System Statement

September 2025





© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at

Permanent Secretary's Office

4th Floor

Caxton House

6–12 Tothill Street

London SW1H 9NA

Print ISBN 978-1-78659-879-0

Web ISBN 978-1-78659-878-3

Contents

Section 1: Introduction	5
Section 2: Scope of the Accounting Officer System Statement	6
Section 3: Scope of the system	9
Section 4: Responsibilities within the core department.....	10
Section 5: The distribution of funding	18
Section 6: Relationships with public bodies	20
Section 7: Local funding arrangements	23
Section 8: Grants to private and voluntary sector bodies, and third-party delivery partnerships.....	26
Section 9: Devolved Government	29
Section 10: Major contracts and outsourced services.....	31

Section 1: Introduction

- 1.1 Principal accounting officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to their departments.
- 1.2 The purpose of this Accounting Officer System Statement is to provide Parliament with a single statement setting out all accountability relationships and processes within the Department for Work and Pensions and across the system for which we are responsible. This statement has been compiled in accordance with the **Accounting Officer System Statements guidance (2017)**.
- 1.3 The Accounting Officer System Statement complements the governance statement published within the DWP Annual Report and Accounts. The governance statement sets out how, in the role as Principal Accounting Officer, the Permanent Secretary has carried out responsibilities to manage and control the resources used in the department over the course of the latest financial year.
- 1.4 The Accounting Officer System Statement sets out the accountability relationships in place now and for the future and will be reviewed alongside the publication of the annual report and accounts or following significant changes to accountability structures throughout the year.

Section 2: Scope of the Accounting Officer System Statement

- 2.1 I am the Principal Accounting Officer for the Department for Work and Pensions (DWP). This system statement summarises how I fulfil my responsibilities as the Accounting Officer, in accordance with HM Treasury's guidance set out in Managing Public Money, and within the responsibilities and controls as set out in my delegated authority letter from HM Treasury.
- 2.2 We are proud to work together to make a difference for the public by focusing on developing policy and delivering essential services on work, welfare, pensions and child maintenance.
- 2.3 The Secretary of State for DWP and other departmental ministers have a duty to Parliament to account for, and be held to account for, the policies, decisions and actions of this department and its agencies. They look to me as the department's Accounting Officer to support them in making policy decisions and handling public funds, and to delegate appropriately within the department to deliver their decisions.
- 2.4 As the Accounting Officer, I am personally responsible for safeguarding the public funds for which I have been given charge under the DWP Estimate¹ and Spending Review² settlement. Where I have appointed additional accounting officers, their responsibilities are also set out in this system statement.
- 2.5 The system statement covers the core department and relationships with its public bodies and other arm's length relationships. It describes accountability for all expenditure of public money through the Department's Estimate, all public money raised as income, and major contracts and outsourced services. It is not intended to cover all areas of departmental business, for example more detailed information on fraud and error or quality can be found in our Annual Report and Accounts. This system statement describes the accountability system which is in place at the date of this statement, and which will continue to apply until a revised statement is published

Sir Peter Schofield KCB

Permanent Secretary and Principal Accounting Officer

September 2025

¹ Estimates are completed annually. They are the means of obtaining from Parliament the legal authority to consume resources and spend cash the government needs to finance the department's agreed spending programmes for the financial year.

² The Spending Review sets out the amount of government money allocated to the department over the next three years, and the priorities that the department will deliver over this period.

Role of Ministers

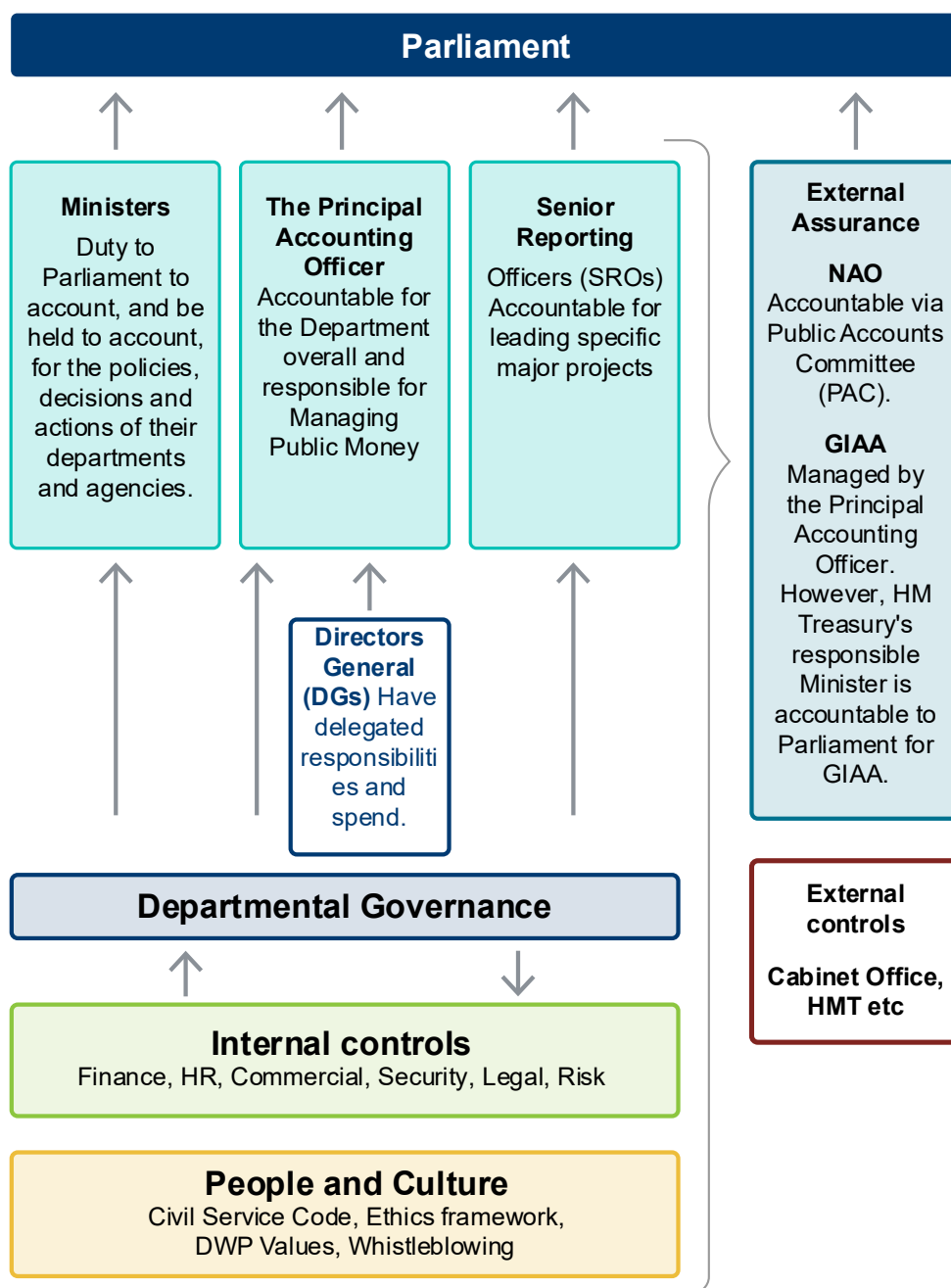
- 2.6 The Secretary of State for DWP and other departmental ministers are accountable to Parliament for the policies, decisions and actions of the department and its public bodies, on whose behalf they may answer to Parliament. This includes executive agencies and other public bodies. Ministers look to the department's Accounting Officer to delegate within the department to deliver ministerial priorities, support policy decisions and handle public funds effectively. More information about the role of ministers can be found at www.gov.uk

Public bodies and third-party delivery bodies

- 2.7 A significant percentage of exchequer funding is distributed to the department's public bodies. The distribution of funding for these public bodies is outlined in section 5: The distribution of funding. Public bodies operate independently but are held to account by the department, including through quarterly accountability reviews (attended by the body's chief executive), quarterly oversight boards and risk assessments to the Departmental Audit and Risk Assurance Committee.
- 2.8 The department's Arm's Length Body Partnership Division has responsibility for managing day-to-day relationships with the bodies which have substantial staff or budgets on behalf of the Principal Accounting Officer to ensure adherence with the accounting officer's financial management responsibilities. The department's oversight approach is written into the framework documents that govern its relationships with each of the bodies.
- 2.9 The Principal Accounting Officer remains 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. Public bodies (including executive, tribunal, and public corporations) also publish corporate strategies and plans, and lay annual reports and accounts, summarising their financial performance and activities. More information on public bodies governance assurance is provided in section 6 – Relationships with public bodies.

Lines of accountability

2.10 The chart below illustrates the department's lines of accountability, at a leadership level.



Section 3: Scope of the system

- 3.1 The table below provides a summary of entities which fall within the departmental boundary. This includes public bodies, third parties and other entities, such as limited companies.

UK Parliament	
UK Government	
Department for Work and Pensions	
Executive public bodies	• The Pensions Regulator • Health and Safety Executive • Money and Pensions Service
Public corporations (not consolidated in DWP accounts)	• National Employment Savings Trust Corporation • Pension Protection Fund • Office for Nuclear Regulation
Tribunal public bodies	• The Pensions Ombudsman • Pension Protection Fund Ombudsman
Advisory public bodies	• Industrial Injuries Advisory Council • Social Security Advisory Committee
Local Government & third sector (grants)	• Housing Benefit Administration • Discretionary Housing Payments • Work and Health Programme • Flexible Support Fund • Household Support Fund • Local bodies, e.g. Local Employment Partnerships, charities, community sector organisations.
Private/voluntary sector (commercial contracts)	• Digital • Estates and facilities management • Employment services • Health assessment services • Service delivery • Change, financial and shared services • Automated buying, business services and external resources
Devolved Government	• Work and Health Programme

Section 4: Responsibilities within the core department

- 4.1 As one of the UK's largest public service departments, DWP administers the State Pension and a range of working age, disability and ill health benefits to around 20 million claimants and customers. The department is led by the Secretary of State for Work and Pensions and the Permanent Secretary, who is the most senior civil servant. The department's organisation is grouped as follows. Each area of responsibility is headed up by a director general.

POLICY

- Labour Market strategy and policy, including the national jobs and careers service, the Youth Guarantee
- Poverty strategy, including departmental poverty policy and the Child Poverty Taskforce
- Families, Child Maintenance and Disadvantaged Groups policy
- Strategy, governance, International policy and corporate support
- Development and implementation of strategy and policy to improve outcomes for people receiving support from the social security system; disabled people, people with health conditions, and pensioners and savers
- Universal Credit policy and analysis, including Universal Credit Policy Review, Housing policy and analysis and Carers policy and analysis
- Other policy areas including devolution
- Oversight of key arm's length bodies

OPERATIONS

DWP Services and Fraud

- Fraud, error and debt programmes and policy
- Accessibility, Disability and Dispute Services
- Health Transformation Programme
- Retirement Services
- Child Maintenance Services

Jobs and Careers Service Operations

- Universal Credit and working age operations via jobcentres and service centres

- Provision of all working age face-to-face services through jobcentres including the relationship with employers and other external partners

ENABLERS

People and Capability

- The full HR operating model and function
- Health and Safety
- Learning and development
- Strategic workforce planning
- Creating a flexible, inclusive, and continuously learning workforce

Corporate Transformation

- Synergy Programme – supporting the delivery of this project
- Workplace Transformation strategy
- Estates strategy

Digital and Transformation

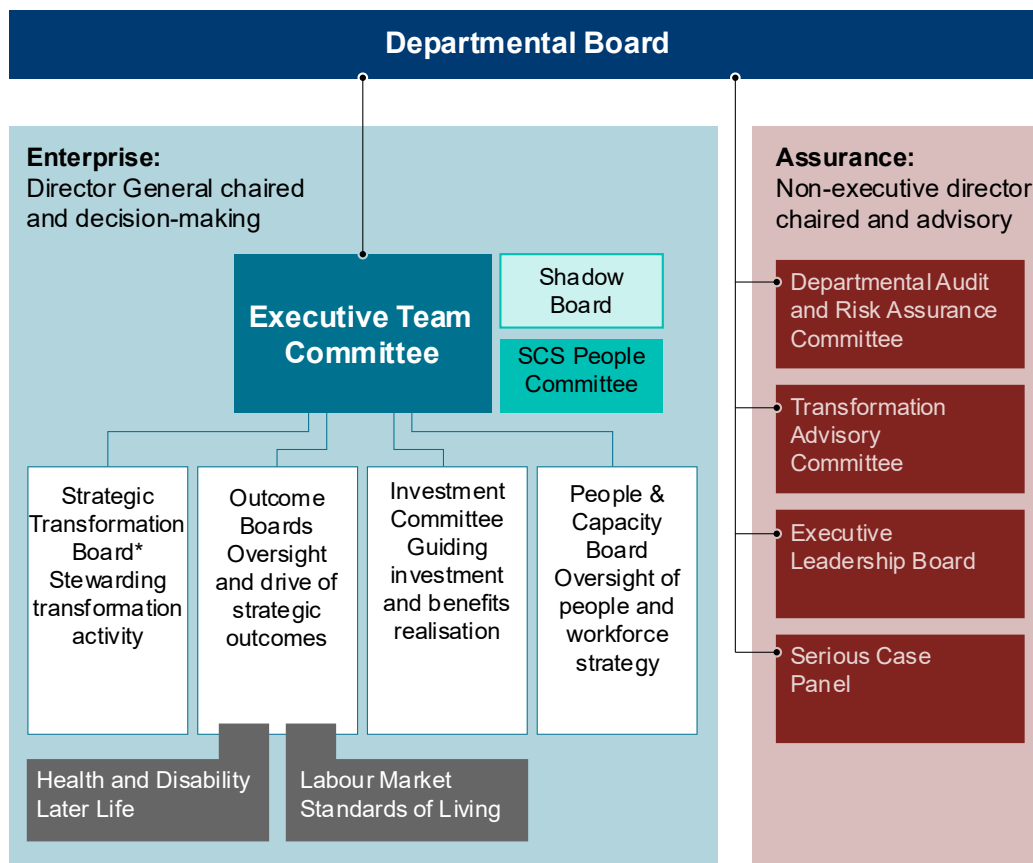
- Amending existing legacy systems e.g. the new State Pension
- Developing new systems e.g. Personal Independence payment
- Building digital systems from scratch
- Digital security
- Technology service
- Digital workplace
- AI

Finance

- Departmental planning and the allocation of resources
- Financial management and control, including risk management
- Commercial procurement and contract management
- Security and Data Protection
- The analytical community
- Resilience (preparing for and responding to disruption and incidents), national security and the department's response to public inquiries
- Providing an independent audit service

Senior governance board structure

- 4.2 The governance structure works together across the department and sets the strategic direction of the department to manage performance and risk and prioritise the allocation of resources against key priorities. The chart below sets out the structure of our senior boards.³ It also illustrates the lines of communication so that issues are escalated to the right audience.



*Due to commence in Autumn 2025

- 4.3 The Permanent Secretary, as Accounting Officer, issues letters of delegation to each director general setting out their spending authority in line with HM Treasury delegated authority controls and responsibilities. Letters of delegation are also issued to senior responsible owners of major change programmes.
- 4.4 At the end of the financial year, each director general provides the DWP Accounting Officer with their assurance on the effectiveness of the controls that support their business activities and delivery of the department's policies.
- 4.5 The department is supported by the following functions to support delivery of its objectives.

³ The latest version of our departmental governance can be found at www.gov.uk

Strategic Planning

- 4.6 The department produces an outcome delivery plan on an annual basis, setting out our vision and the strategic priorities we'll be focusing on across the department, using the resources we have available to us. It details the strategy and activities we will take forward to deliver these priorities and the difference our work will make. The department assesses performance against the plan through quarterly performance reporting to the Executive Team Committee, DWP Ministers, and the Departmental Board. We also assess overall deliverability of the plan on production and then on a regular basis throughout the year focusing on the impact on the department of major fiscal events.

Risk management

- 4.7 The department's risk management strategy and framework set out the standards, practices and accountabilities that underpin how the department manages risk and complies with the HM Treasury Orange Book: *Management of Risk – Principles and Concepts*.
- 4.8 The strategy and framework emphasise that risk management is everyone's responsibility and ensure that our people follow a standard process for identifying, assessing, managing and reviewing risks that may threaten delivery of services, outcomes or the department's resilience.
- 4.9 The Principal Accounting Officer, supported by the Departmental Audit and Risk Assurance Committee (DARAC), determines the organisation's overall approach to risk management. Responsibilities for governance, oversight and risk management are devolved through the organisation, defined roles and delegated authorities. Senior leaders are responsible for setting the 'tone from the top,' ensuring compliance with the Risk Management Framework standard practices throughout the department, including its agencies and other public bodies.
- 4.10 The Chief Risk Officer (CRO) is responsible for championing a strong risk culture with senior leaders, promoting active engagement and compliance with all elements of the risk management framework. They support executive committees and senior leaders in reviewing and implementing risk management insights to support organisational improvements and delivery.
- 4.11 The CRO drives the organisation to establish a risk appetite and the structures necessary to live within appetite, advising the Executive Team when they are setting the tone for risk-taking, determining risk appetite and the architecture of the risk management framework. The Departmental Risk Board supports the Executive Team Committee by identifying and continuously assessing the nature and extent of principal risks that the organisation is exposed to and is willing to take to achieve its objectives. They seek assurance within the agreed framework that risks are being

managed to bring them within appetite and tolerance, escalate risks where mitigating actions are not proving effective and/or are moving outside the parameters agreed by the Executive Team Committee.

- 4.12 They are involved with and influence governance and decision-making forums through effective communication and engagement with the Principal Accounting Officer, senior management and the DARAC. The CRO is also responsible for:
- setting the Risk Management Strategy, Framework and guidance in accordance with HM Treasury Orange Book principles
 - leading an assessment of risk management maturity and driving continuous improvements in risk management
 - ensuring governance is based on effective and efficient risk management and assurance regimes to ensure controls are evaluated and effectively support delivery of objectives
 - supporting the department in understanding the risk and resilience landscape
 - driving the organisation to establish risk appetite and tolerance, embedding them to inform decision-making and prioritisation choices.
- 4.13 The department's identification, analysis and assessment of its principal and emerging risks is reviewed at least annually. This occurs as our business plan is agreed, and in accordance with any investment and prioritisation choices made following Spending Reviews and other fiscal events.
- 4.14 The Departmental Risk Board (DRB), chaired by the CRO, supports the Director General, Finance in fulfilling their risk management responsibilities, ensuring there is an effective risk management process in operation across the department. The DRB considers and agrees new and emerging risks which should be escalated to the Executive Team Committee from across the business and de-escalates risks back to the business where the criticality of a risk is reduced.
- 4.15 However, the DRB is not the only route by which risks can be escalated or de-escalated. Risks can be managed at different levels, by individuals, teams and as part of projects and strands. Risk management progress is regularly reviewed, and risks should be considered for escalation when the risk cannot be managed effectively at that level, where there may be a cross-cutting impact or where control is outside the direct influence of the risk owner and a decision is required at a more senior level.

Resilience

- 4.16 The UK faces a broad and diverse range of risks, including threats to lives, health, society, critical infrastructure, economy and sovereignty. Risks may be non-malicious, such as accidents or natural hazards, or they may be malicious threats from malign actors who seek to do us harm. These critical events require mobilisation of contingency structures, and the department has arrangements in place for risks to be aggregated and reported via the Departmental Operations Centre. This is supported by mobilisation of gold command structures in our operational delivery areas. Frequency of reporting and assurance to the Executive Team Committee is determined as required, with critical risks escalated to the Departmental Board.
- 4.17 In the event of a significant and sustained incident, the Chief Risk Officer may direct additional deployment of risk and resilience team members into the Departmental Operations Centre to provide ongoing risk support. Part of the central risk team's responsibilities would be to ensure any changes in risk profile as a result of the event or incident, were incorporated into ongoing departmental principal risk reporting.
- 4.18 Resilience risks that have the potential to impact corporately or attract high-profile media coverage are captured and reported regularly at ministerial level. Risks may be escalated or aggregated into the department's risk reporting for ongoing oversight as necessary but are normally managed and monitored at executive, other public body or functional level.

Assurances

- 4.19 The department's system of internal control is based on the 'Three Lines Model' as described in Annex 2 of the HM Treasury Orange Book. It defines roles and responsibilities and the assurance mechanisms that support senior management, the Principal Accounting Officer and the Departmental Board in their assessment of the effectiveness of risk management. Further detail of assurances and controls is set out in the DWP Annual Report and Accounts.
- 4.20 The department's functional model brings together specialists and professions into unified and aligned teams who collaborate with colleagues across the department and its public bodies to deliver on our priorities.
- 4.21 The corporate and professional services delivered through functions include:
- analysis
 - commercial
 - communications

- counter-fraud
- debt
- digital and technology
- finance
- grants
- internal audit
- legal
- people
- project delivery
- property
- security

- 4.22 Government functions have been working together to set and embed the use of functional standards. These set expectations for the governance, roles and accountabilities, and practices needed for effective operation of the functional model. This provides a stable basis for assurance, risk management and capability building. The department's functions use standards as a basis to drive continuous improvement as part of a six-monthly departmental process overseen by the Chief Operating Officer.
- 4.23 The **Departmental Audit and Risk Assurance Committee** (DARAC) provides advice and assurance to the Departmental Board and Principal Accounting Officer, particularly on the department's governance, risk and control frameworks and their effectiveness. DARAC membership includes non-executive board members. DARAC also reviews progress against audit recommendations and recommendations from other independent reviewing bodies. Updates cover areas of risk, financial management, accounting and audit, and include any requirement for further escalation.
- 4.24 DARAC is supported in its role through the review and assurance provided by internal audit. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes, in compliance with the public sector internal audit standards. The department's internal audit services are provided by the **Government Internal Audit Agency**.
- 4.25 The **National Audit Office** (NAO) scrutinises public spending on behalf of Parliament, auditing financial statements to support Parliament to hold government to account and improve public services. The Comptroller and Auditor General

(C&AG) leads the NAO and is an officer of the House of Commons. Supported by NAO staff, the C&AG is the independent auditor of nearly all central government institutions. Using extensive statutory rights of access to records, the C&AG provides direct advice and assurance to Parliament. The C&AG certifies the accounts of all government departments and many other public sector bodies and carries out value-for-money examinations that assess the economy, efficiency and effectiveness with which public money has been deployed in selected areas of public business.

- 4.26 The department is subject to other independent oversight by bodies charged with enforcing legislation or standards. This includes, but is not limited to, the **Information Commissioner**, and the **National Infrastructure and Service Transformation Authority**.
- 4.27 In addition, the department receives assurances from some departments as follows:
- The **Government People Group** for shared services between the Cabinet Office and the government departments, provide an annual letter of assurance to the department based upon the overall Shared Services Connected Limited audit and assurance programme.
 - **HM Revenue and Customs** provides the department with an annual letter of assurance that contains details about its capacity to handle risk and highlights any significant issues that may impact on their control and management of the National Insurance Fund and related activities.
 - **Government Banking** provides the department with an annual letter of assurance on the suppliers' performance, including service quality, cost effectiveness, continuous improvement, security accreditation and sustainability
- 4.28 Further information on the department's governance can be found on www.gov.uk

Section 5: The distribution of funding

- 5.1 The department has a duty to Parliament to ensure the regularity and propriety of its activities and expenditure. We manage public funds in line with HM Treasury's Managing Public Money.
- 5.2 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 the department's 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.
- 5.3 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
- 5.4 The departmental budget is split into the following spend categories:
- **Annually Managed Expenditure (AME)** for costs that may be unpredictable. Most welfare spending is classified as AME.
 - **Departmental Expenditure Limit (DEL)** for costs relating to running the department. DEL costs are split between Programme and Administration.
- 5.5 Both DEL and AME are split into two further categories. Resource spending is money that is spent on day-to-day resources and administration costs. Capital spending is money that is spent on investment and things that will create growth in the future.
- 5.6 For further explanation on spend categories, go to [How to understand public sector spending - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/how-to-understand-public-sector-spending)
- 5.7 The department jointly manages its **Annually Managed Expenditure (AME)** with HM Treasury. HM Treasury is involved in all decisions involving DWP AME spend as the department, while being responsible for the spend, has no delegated authority. They meet regularly throughout the year to monitor AME spend and its trajectory against the welfare cap.
- 5.8 Within the department:
- the Director General, Finance holds executive level accountability for AME controls,

including that the department secures the necessary HM Treasury spending approvals outside of fiscal events.

- the Director General, Policy holds executive level accountability around the welfare cap, monitoring longer term risks to AME spend and overseeing fiscal event processes.

- 5.9 They are 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. Both boards are chaired by the Director General, Policy. The boards oversee all departmental activity related to management of AME spend, including the monitoring of all risk to AME spend.
- 5.10 The Accounting Officer is responsible for the **Departmental Expenditure Limit** (DEL) funding allocated by Parliament. The three lines model operated by the department ensures that the department does not overspend against the allocated control totals on resource, capital, admin and programme expenditure. This includes any additional controls or ring fences that are agreed by Parliament.
- 5.11 The Departmental Board and Executive Team Committee support DWP Ministers in allocating funds in accordance with government's priorities. The budgets are then delegated to Directors General, who are responsible for managing and reporting on their allocations and delivering against the agreed priorities. Directors General have the authority to delegate spending authority to senior colleagues in their directorates and are supported by a team of finance business partners who advise them on the financial position of the department.
- 5.12 For public bodies, funding allocations are agreed each year with each of the bodies. The department's Arm's Length Body Partnership Division and Finance teams work closely with each body on budgeting, forecasting, allocations and expenditure including monthly forecasting. The source of the funding varies depending on the body – a full breakdown of which is provided in Section 6 – *Relationship with public bodies*.
- 5.13 The Departmental Board, the Executive Team Committee and its supporting committees help to ensure that there are clear lines of communication and allow risks to be escalated promptly.

Section 6: Relationships with public bodies

- 6.1 This section focuses on the department's relationships with its public bodies. The department sponsors nine bodies, which perform several functions, including regulation of pensions and the nuclear industry, protection and safeguards for the public, as well as the provision of information and guidance. They are:
- Health and Safety Executive (HSE)
 - Industrial Injuries Advisory Council (IIAC)
 - National Employment Savings Trust Corporation (Nest)
 - Pension Protection Fund (PPF)
 - Social Security Advisory Committee (SSAC)
 - Office for Nuclear Regulation (ONR)
 - The Pensions Ombudsman (TPO)
 - The Pensions Regulator (TPR)
 - The Money and Pensions Service (MaPS)
- 6.2 The Director General, Policy is responsible for assurance on the governance and control arrangements for the bodies. This Director General regularly brings together colleagues from across the departmental functions, and issues are also escalated, as required to the Later Life Outcomes Board and other outcome boards.
- 6.3 MaPS is responsible for delivering the Pensions Dashboards Programme which is on the Government Major Project Portfolio. Oversight of this substantial programme is also supported by the Departmental Change Portfolio Board and Investment Committee.
- 6.4 The department's Arm's Length Body Partnership Division has responsibility for managing the day-to-day relationships with the bodies which have substantial staff or budgets on behalf of the Principal Accounting Officer, to ensure adherence with the Accounting Officer's financial management responsibilities. The department's oversight approach is written into the framework documents that govern its relationships. The relationship with two small advisory bodies (SSAC and IIAC) is managed in the Employment-related Health Benefits division.
- 6.5 Public bodies operate independently but are held to account by the department including through quarterly accountability reviews (attended by the body's chief executive) where performance is scrutinised. Each financial year the chair of each body receives a letter from the Minister setting our priorities for the year ahead. For the following bodies, the Permanent Secretary, as Principal Accounting Officer, has

designated the chief executive of each organisation as its Accounting Officer. These are listed in the Supplementary Estimates, 2024-25, Part III, Note D:

- Health and Safety Executive (HSE)
- The Pensions Ombudsman (TPO)
- The Pensions Regulator (TPR)
- The Money and Pensions Service (MaPS)

6.6 Most of our bodies operate within our accounting boundary and are consolidated into the accounts of the departmental group. The exceptions are:

- National Employment Savings Trust (Nest) Corporation
- Pension Protection Fund (PPF)
- The Office for Nuclear Regulation (ONR)

6.7 The Principal Accounting Officer remains accountable 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.

6.8 The department's public bodies are independent entities, with their own boards who are responsible for delivery, performance management and ensuring that their risks are dealt with appropriately. There are a range of standard financial control arrangements in place to assure the Departmental Board and the Departmental Audit and Risk Assurance Committee (DARAC) that robust governance arrangements are in place for each public body, tailored as appropriate, including quarterly accountability reviews with the chief executives and finance directors. The department's risk management approach is written into the framework documents that set out our relationship. Departmental officials attend the bodies' own audit committee meetings and encourage the sharing of risk management expertise – for example on cyber security. The Departmental Board and DARAC receive a quarterly report summarising the delivery, financial and risk management performance of the department's bodies.

6.9 Funding allocations are agreed each year with each of the bodies. The source of funding varies depending on which body is being funded. For example:

- MaPS is funded by the Financial Services Levy which is collected by the Financial Conduct Authority and passed to HM Treasury for inclusion in the consolidated fund. This is then allocated to the department as part of Spending Reviews and allocations as DEL. MaPS is also funded through the General Levy on pension schemes for those pension-related activities it undertakes.
- HSE is funded via a combination of departmental DEL and industry charging.

- TPR and TPO are funded by the General Levy except for the work that TPR undertakes on automatic enrolment compliance which is funded by departmental DEL.
 - The Office for Nuclear Regulation is self-funded through charging with only a small residual funding requirement on departmental DEL for those activities which cannot be recovered directly – typically smaller aspects of its regulatory work.
 - The PPF is funded through a combination of departmental DEL and levy income.
 - The IIAC and SSAC are funded through departmental DEL.
- 6.10 The department's Arm's Length Body Partnership Division and Finance teams work closely with each body on budgeting, forecasting, allocations and expenditure including monthly forecasting, which is consolidated into the department's accounts where prescribed above, and quarterly accounting reviews.
- 6.11 The department conducts an annual assurance assessment to assess the level of risk posed to the department by each body, and this allows us to review our tailored partnership arrangements. The outcome of this assessment is presented to the Departmental Audit and Risk Assurance Committee.

Section 7: Local funding arrangements

- 7.1 The department has services delivered by both local and devolved bodies. The Ministry of Housing, Communities and Local Government is the lead responsible department for maintaining the overall accountability system for local government. Within that system, the department has policy responsibility for Housing Benefit, Discretionary Housing Payments and Work and Health Unit Innovation Fund.
- 7.2 The department has made significant progress in developing relationships directly with local areas, putting in place grant funding agreements to support departmental objectives (for example the 'Connect to Work' scheme). The department is required to carry out an appropriate level of scrutiny on all general grants, to ensure the Grants Functional Standard is being adhered to and grant funding is being administered effectively. There are people in post for all of the required roles set out in the Grants Functional Standard, developed by the Cabinet Office Government Grants Management Function.

Housing Benefit

- 7.3 Housing Benefit (HB) is a DWP benefit and the DWP Accounting Officer is responsible for it. HB is an income-related benefit paid to people who are entitled to help with costs for their rent. Provisions in the Social Security Administration Act 1992 and other enactments set out the framework for entitlement within which local authorities deliver HB. As with all benefits, the HB subsidy is an annually managed expenditure (AME) cost.
- 7.4 HB is not delivered by the department. The department provides funding to local authorities (LAs) to pay HB along with an administration subsidy which contributes towards the cost of its delivering. During the year the department may also make additional payments to cover the administration of any new burdens arising from policy or procedural changes. The department has in place assurance arrangements to satisfy itself that all LAs who deliver the benefit on its behalf are doing so in accordance with HB policy and guidance. This means paying the right amount to the right person at the right time.
- 7.5 Local authorities claim Housing Benefit AME expenditure from the department (HB Subsidy) and have a statutory responsibility to arrange for external audit of those claims. The arrangements for audit are set out in the Housing Benefit Assurance Process in England with similar audits conducted by Audit Scotland and Audit Wales. The department has recently re-introduced withholding a proportion of funding where statutory deadlines for completion of assurance work by LAs and external auditors are not being met.

- 7.6 Local authorities are accountable to the Ministry of Housing, Communities and Local Government. Annually, their finance directors (known as Section 151 Officers in England) sign declarations about the validity of the internal controls and these are also subject to independent audit.

Discretionary Housing Payments

- 7.7 Discretionary Housing Payments (DHP) is a scheme that allows local authorities to make awards to people in need of further financial assistance with housing costs. Each local authority has overall responsibility for administering the scheme and making awards, taking account of the department's guidance.
- 7.8 In England and Wales, the audit requirement for the expenditure is based on self-certification by the local authority that includes a certificate signed by the section 151 officer on the accuracy of the claim. This certificate also confirms that the local authority maintains adequate records which may be subject to our verification. DHP is fully devolved in Scotland.
- 7.9 Further assurance is provided through the Ministry of Housing, Communities and Local Government's Accounting Officer, who is accountable for the core system by which local authorities manage their funds.

Work and Health Unit Grant Funding

- 7.10 The cross-government Work and Health Unit was established to test, implement and evaluate different approaches to improve work and health outcomes for working-age people who have, or may acquire, long-term health conditions or disabilities.
- 7.11 In some cases, an initial lump sum may be awarded up front for local authorities and clinical commissioning groups that meet our criteria for start-up funding. The grant will cover actual costs only and will not include provision for profit. Further funding will not be provided until the trial designs have been evaluated and a decision has been made on which trials to progress to the next phase.
- 7.12 Only those trials that can deliver in terms of performance and value for money are taken forward. Funding is awarded after completion of a competitive, staged process for selecting areas to work with to design and deliver health-led employment trials. The exact arrangement is specific for each approach and is documented in a new grant agreement and 'memorandum of understanding' with each local authority, clinical commissioning group or external partner.
- 7.13 Besides funding via grant, there are also various contractual arrangements in place to support research and evaluation activity. Commercial and finance partners provide independent and professional advice throughout for both types of arrangements.
- 7.14 In cases where a particular organisation or project has a level of inherent risk which must be managed, a more hands-on approach is taken to ensure minimal risk to both

funding payments and delivery outcomes: payment schedules are designed to coincide with key review points and funding is linked to successful completion of milestones.

- 7.15 There are well-established internal governance arrangements attended by a wide spectrum of stakeholders (internal and external) which ensure that necessary safeguards and assurance levels are in place. In addition, where grants are being paid under specific legislation, there is a mandatory requirement to obtain clearance from HM Treasury prior to the issue of any grant agreement, regardless of value. Further assurance may also be provided from other government departments such as the Ministry of Housing, Communities and Local Government, who are accountable for the core system by which local authorities, clinical commissioning groups and local enterprise partnerships receive central government funding.
- 7.16 Work and Health Unit grants funded by the department are:
- Local Supported Employment (LSE)
 - WorkWell
 - Individual Placement and Support Primary Care (IPSPC)
- 7.17 The department provides grant funding to a range of public bodies including all tiers of local government and integrated care boards via competition. These grants are designed to help those with disabilities, learning difficulties and more general health conditions start, stay and succeed in work. Additionally, they are designed to meet a gap in provision for disabled people and people with health conditions that enables access to advice and support.
- 7.18 The department conducts an overarching evaluation for WorkWell, using management information (MI) collected throughout the programme. Local authorities in receipt of LSE and IPSPC grants also provide MI in respect of outcomes.

Section 8: Grants to private and voluntary sector bodies, and third-party delivery partnerships

- 8.1 This section outlines the accountability arrangements for grants to third party delivery partners including local authorities (LAs) and voluntary sector bodies, who support the delivery of departmental objectives.
- 8.2 The Director General, Finance has overall responsibility for providing assurance that financial controls are sufficient to mitigate financial risks in all areas including grants. A senior process owner leads on all aspects of grants including ensuring compliance with the Global Design Principles and Grants Standards.
- 8.3 The department awards grants to a range of organisations across different sectors to help achieve delivery of departmental objectives including developing bespoke support for the benefit claimants who have challenges in getting into work, trialling new ways of moving claimants into work, providing pensions advice, and providing support to disabled people through the Access to Work scheme amongst others.
- 8.4 The department has a comprehensive grants framework which provides guidance on the end-to-end process for awarding grants. The Grants Approval Board has responsibility for ensuring that new schemes and grant extensions above £100,000 reflect best practice. This framework has been enhanced by incorporating the Cabinet Office's Global Design Principles and Grants Standards. For the most significant grants, we use the Cabinet Office's Complex Grants Advice Panel and fraud risk assessment resources to shape grant design. The department participates in the Grants Continuous Improvement Assessment, a biennial exercise covering the department and its arm's length bodies, which evaluates compliance with the Grants Functional Standard.
- 8.5 The General Grants framework provides that a business case is reviewed including the value for money case, and a memorandum of understanding or grants agreement is agreed setting out what will be delivered. All of this is overseen by a senior responsible owner who ensures that all appropriate governance arrangements have been adhered to.
- 8.6 **The Flexible Support Fund (FSF)** enables our jobcentres to support locally identified claimant needs and which reflect the requirements of local labour markets. The FSF has a clear framework within which our Jobcentre Plus district managers are free to operate to create effective local solutions making use of a Dynamic Purchasing System to ensure competition and value for money. Jobcentre Plus districts work with their lead accountable bodies to ensure grant conditions are met and that expected performance meets actual outturn.

- 8.7 The following grants are provided to local authorities, and the department has a significant role in assuring delivery through our partners in local areas. These are managed by Contracted Management and Partner Delivery Directorate, with significant funding provided across several grant schemes below.
- 8.8 **Rent Simplification and Support** helps young people (aged 18-24) living in commissioned Supported Housing whilst they transition into work.
- 8.9 **Reducing Parental Conflict** is funded to embed both moderate and specialist support for parents.

Household Support Fund

- 8.10 Household Support Fund supports essential household costs, as well as supplementing that provision with signposting to advice services and preventative support. LAs allocate funding and identify for whom, for what, and how much funding should be provided, using local data to maximise value for money.
- 8.11 Funding levels are determined by HM Treasury. All authorities must provide a detailed delivery plan outlining their expected spend for each scheme. Delivery of the support is coordinated by LAs across England with funding directly allocated to district/borough councils at their discretion.
- 8.12 Payments to authorities for eligible spend are made in arrears by the department and only on receipt of compliant management information (MI) validated by the LA's Chief Finance Officer on final submission. Where there are any questions regarding spend, we will contact the authority directly for a response.
- 8.13 Assurances are received by way of LAs submitting quarterly MI, which provides monitoring data to track administrative spend, award volumes and spend for different household type. Any unspent funding at the end of the individual HSF period is returned to HM Treasury and cannot be 'carried over' by the authority.

Connect to Work

- 8.14 Connect to Work is part of the new Get Britain Working Strategy. Taking a collaborative, locally led approach, Connect to Work will help join up local work, health and skills support. Connect to Work will primarily support those, currently outside the workforce and facing greater labour market disadvantages, to stay in work and get back into work. It is a voluntary programme to help tackle economic inactivity by providing a specific form of support targeted at the right people at the right time, based on their individual circumstances.
- 8.15 Connect to Work will be delivered by 43 accountable bodies in England and four accountable bodies in Wales. Connect to Work funding will be via a direct grant award from the department to the accountable body. The Connect to Work Grant is a ring-fenced grant and expenditure will be agreed against allowable cost categories.

- 8.16 Accountable bodies are required to provide a suite of management information to the department. The department will monitor job outcomes via real time earnings data supplied by HM Revenue and Customs for employed participants. However, accountable bodies or delivery partners (on behalf of accountable bodies) will track and record self-employed job outcomes themselves.

Trailblazers

Youth Guarantee Trailblazers:

- 8.17 The [Get Britain Working White Paper](#) announced eight Youth Guarantee trailblazer areas in England to test new ways of supporting young people into employment or training, by bringing together and enhancing existing programmes in partnership with local areas.
- 8.18 The Youth Trailblazer grants will be awarded jointly by the department and the Department for Education to Mayoral Combined Authorities. Each of the eight selected trailblazer areas will receive a proportion of the ringfenced funding. All Youth Guarantee trailblazers will have a set of agreed outcomes, shared governance and a commitment to robust evaluation and learning.

Economic Inactivity Trailblazers:

- 8.19 The [Get Britain Working White Paper](#) announced the mobilisation of eight trailblazers to reduce economic inactivity. Working with Mayoral Combined Authorities and the Welsh Government the economic inactivity trailblazers will share ringfenced grant funding. This will enable them to work with the full range of partners in their areas to shape a strong, joined up and local work, health and skills offer. Trailblazers will trial new interventions and increase engagement with local people who are outside the workforce.
- 8.20 All economic inactivity trailblazers will have a set of agreed outcomes, shared governance and a commitment to robust evaluation and learning.

Section 9: Devolved Government

- 9.1 As part of the Government's commitment to decentralising power, responsibility for designing, procuring and managing work and health equivalent programmes in the Greater Manchester Combined Authority (GMCA) and four London areas has been devolved. Funding has been transferred under Section 31 of the Local Government Act 2003, subject to contingent conditions. Joint governance arrangements have been established between the department, London and GMCA authorities.
- 9.2 The providers in these local government partners are paid a set delivery fee each month with the remainder of the funding being paid on the achievement of outcomes. These payments will be adjusted to consider any under-performance, or changes in volume assumptions.
- 9.3 In line with the Government Functional Standard for General Grants Guidance the aims and objectives for the grant are clearly defined and supported by a memorandum of understanding between DWP, GMCA and each of the four London sub regions.
- 9.4 Grant funding payments are made in advance on a quarterly basis. Payments can only be made once a full set of approvals have been gained, including the department's Senior Responsible Officer/budget holder, Senior Finance business partner and the Minister for Social Security and Disability.
- 9.5 The four Local Government Partner (LGP) authority groupings in London and GMCA provide quarterly assurance reports detailing actual expenditure, as well as an updated forward forecast. Quarterly returns are scrutinised to ensure a direct correlation between service delivery costs, achievement of outcomes, and future forecast including a performance profile and expected level of achievement against targets and indicators.
- 9.6 There are regular checkpoint meetings to discuss progress against the pre-agreed schedule of expenditure, and an annual "deep dive" including face to face meetings between senior responsible officials from the LGPs and the department. In advance of these meetings the LGPs are required to submit their forward performance and associated financial profiles together with the underlying assumptions and detailed rationale of how the profile will be achieved. Any decision to withhold or reduce the level of grant funding, due to accrued underspends, or lower than planned future expenditure forecasts, once agreed at director level within the department are ratified through the Joint Governance Board arrangements.

Scottish Devolution

- 9.7 **T**he Fiscal Framework, agreed by Scottish Government and HM Treasury, published February 2016, sets out the principles for funding and financing the devolution of welfare powers. The Fiscal Framework is underpinned by several formal agreements

such as Agency Agreements, Service Level agreements and Data Sharing Agreements.

- 9.8 Agency Agreements cover the department's continued delivery of devolved benefits under business as usual for residents of Scotland and are subject to the same internal and external controls as the England and Wales caseload.
- 9.9 Service Level Agreements and Data Sharing Agreements detail arrangements for supporting Scottish Government's replacement and new benefits (such as DWP's data provision for Scottish Child Payment).
- 9.10 The Financial Arrangements for Formal Agreements document the overarching principles which have been agreed to support financial recharges for Agency Agreements and Service Level Agreements. Financial summaries set out the financial arrangements in relation to the delivery by DWP of services to Scottish Government.
- 9.11 Memorandums of understanding are also in place which cover arrangements such as the department granting Scottish Ministers authorisation to use Shared Services Connected Limited and Payment Exception Service contracts for the purposes of delivering relevant benefits within scope (e.g. Best Start Grant, Job Start Payment).
- 9.12 The department established the Scottish Devolution Programme in 2015 to support delivery and ensure a seamless, phased transition of the devolved welfare benefits to the Scottish Government. The programme follows DWP programme management best practice and DWP Change Governance. The department will continue to develop and progress plans under its business transition activities which aim to secure the safe and effective transition to a new model for working with Social Security Scotland and the Scottish Government following Programme closure in March 2026.
- 9.13 The programme, working with Scottish Government, established a quarterly Recharge Board, to agree DWP recharges to Scottish Government, and weekly finance meetings are held between the department and Scottish Government officials. Funding for Annually Managed Expenditure benefit spend, and Departmental Expenditure Limits, devolved to Scotland, are transferred by HM Treasury to Scottish Government through block grant adjustments.
- 9.14 The DWP Accounting Officer is not accountable for devolved expenditure, but directors can be called in front of the Scottish Select Committee to discuss DWP delivery performance.

Section 10: Major contracts and outsourced services

- 10.1 The department's Commercial Directorate's role is to ensure that the department obtains maximum value from its commercial spend. This means that contracts are awarded with proper regard to public procurement rules, obtain the most competitive prices available and deliver the right goods and services that make a significant contribution towards the achievement of the department's objectives. The directorate also oversees the management of suppliers and contracts so that they continue to deliver best value, whilst adhering to the standards of probity and regularity expected by Parliament and the taxpayer.
- 10.2 For sourcing, the department uses a standard operating model, aligned to Cabinet Office principles, in each of the seven commercial categories. A risk-based approach is applied to differentiate between strategic and tactical contracts, directing the resource to higher risk contracts. The seven commercial categories are:
- Digital
 - Estates and facilities management
 - Employment services
 - Health assessment services
 - Service delivery
 - Change, financial and shared services
 - Automated buying, business services and external resources

How commercial activity is governed

- 10.3 Each category operates a Commercial Assurance Board (CAB) to ensure that procurement exercises are carried out properly, follow the correct procedures and guidance and deliver maximum value for money. The relevant category CAB reviews and assures relevant commercial activity over £400,000 at key stages in the contracting lifecycle aligned to risk and provides approval to proceed to the next stage. For our complex procurement activity CAB provides approval at three key stages:
- stage one – define business need and strategy and agree budget
 - stage two – go to market – invitation to tender
 - stage three – evaluation outcome and approval to award contract
- 10.4 Lower risk commercial activity may be subject to only stage one and three or stage

three depending on the risk classification assigned.

- 10.5 Commercial activity less than £400,000 is assured and approved via a light touch procurement commissioning template or delegated assurance process, requiring commercial, business and delegated financial authority (DFA) approval.

Scope of the Commercial Approval Board

- 10.6 For contracts with a value of less than £10 million, the relevant category Commercial Approval Board (CAB) has the authority to approve at key stages and provide approval to proceed to award the contract.
- 10.7 For contracts with a value of more than £10 million, the relevant category CAB has the authority to provide approval to proceed for stages one and two and makes recommendation to the Minister at stage three.
- 10.8 Commercial activity with a value of more than £20 million may be subject to Cabinet Office controls. The department has autonomy to self-assure transactions in the value range £20 million to £50 million – provided the activity isn't novel or contentious and can provide evidence that it is managed in accordance with the Government Commercial Operating Standards.
- 10.9 The departmental Investment Committee has visibility of the commercial pipeline to ensure it has an opportunity to challenge/steer complex high-risk procurements at an early stage with thresholds of £30 million for commercial activity relating to change and £100 million for business-as-usual renewals.

Contract approval body by value

Value	SRO (with appropriate DFA)	Light Touch / Delegated Assurance	CAB	DWP minister	Minister for Cabinet Office	HM Treasury
Below £10,000	✓					
Above £10,000 – below £400,00		✓				
£400,000 to £10 million			✓			
More than £10 million			✓	✓		
More than 20 million			✓	✓	✓	
More than £50 million*			✓	✓	✓	✓

* DWP may self-assure in the range £20 million -£50 million

Contract Management

10.10 For contracts in live running, Commercial Directorate adheres to a category management operating model to ensure contracts are managed to gain maximum value for money and operate in line with HM Treasury delegated authority controls and responsibilities.

10.11 There are mechanisms in place for assessing the outcomes expected from the resources. Service levels and service credit regimes are well established. Financial service credits are applied when performance is below target (for example, volume, quality, speed of clearance, client service). Detailed targets form part of the contract and performance is reviewed constantly by dedicated regional and national performance management teams who report to a national performance director and account director. This performance review happens across operations, finance and commercial functions.

10.12 Open book reviews give the department formal rights of access to review costs. In addition, the department has direct access into provider financial ledgers to assure

and check all costs independently.

10.13 All contracted spend and processes are considered for internal audit review through the Government Internal Audit Agency. There are formal audits undertaken on high risk DWP activities and remedial action plans are developed to address issues where appropriate.

10.14 The table below summarises the roles and responsibilities that ensure we get maximum value from contracts with providers.

Role	Responsibility
Senior responsible owner	ensures a planned transition from the contract award stage to the contract implementation phase.
Senior contract owners (SCOs)	accountable for service delivery. Manage the day-to-day relationship with the supplier and are the major route for escalation of operational management issues. SCOs sign a statement of assurance and undertake a commercial challenge process.
Performance Manager	ensures delivery of contract outcomes and develops mechanisms to ensure that service quality and user satisfaction is captured and used to manage and improve performance.
Commercial Category Manager	defines clear contract management processes, completes and implements a contract management plan and ensures appropriate governance is in place including management boards, review groups and risk structures.
Contract Manager	ensures that payment mechanisms are documented, are clear and well understood by all parties, appropriate checks and authorisation processes are in place to pay invoices. Ensures payment changes after the contract is let are made using contractual provisions and demonstrate value for money.
Finance Business Partner and Finance Validation Teams	ensure that appropriate checks and authorisation processes are in place to pay invoices and provide scrutiny and challenge to providers' costs, thereby systematically managing contractual risk, and taking appropriate mitigating actions and escalation as required by the department's risk management process.
Commercial Assurance Team	provides assurance that beyond their specific delivery obligations, suppliers are complying with general departmental policies and legal requirements such as The Modern Slavery Act 2015, data protection and social value.

Strategic Monitoring and Control

- 10.15 The Commercial Executive Team exercise overall control of the commercial portfolio and escalate major risks to the department's Finance Group Executive Team and the Executive Team Committee.

Government Procurement Cards

- 10.16 In line with updated policy from Cabinet Office controls are in place for government procurement cards. All spend over £500 requires director general approval and is published on GOV.UK, cards have limited available merchants with any divergence requiring finance director sign off. Requests for new cards require detailed supporting justification as well as sign off from budget holders and appropriate finance director. Compliance activity monitors spend to ensure compliance with usage policy.

Process for approving all marketing and advertising spend

- 10.17 All marketing and advertising spend within the department is subject to the Cabinet Office's Marketing and Advertising spending controls. The purpose of these controls is to ensure that the department and government receive value for money in all marketing and advertising expenditure. These controls also ensure there is no duplication in communications activity or message delivery and that the approach is the most effective method to reach the appropriate audience.
- 10.18 A short business case is written, outlining the proposed costed activity and how it fits into the Governments overarching themes. This is submitted to the Cabinet Office at the end of each calendar year. Cabinet Office, along with Prime Minister's Office, review all proposals across Government to ensure value for money, consistency of message and suitability.
- 10.19 The Ministerial Board approves the activities which will go ahead at the beginning of the calendar year. More detailed business cases are then developed by the department's communication team.
- 10.20 All marketing and advertising requests to spend under this control must first be approved by the Director of Communications. Requests over £100,000 are also submitted to a minister for approval. A final decision is then made by the Cabinet Office Minister through Cabinet Office channels.
- 10.21 The approval given by the Cabinet Office Minister is for the relevant marketing and advertising activity; it is not a financial approval. Financial approvals are obtained through the budget holder and the department budget approval processes.
- 10.22 The Communications Directorate report on approved campaign activity on a

quarterly basis to the Cabinet Office to ensure the objectives set are being met within the approved business case.

