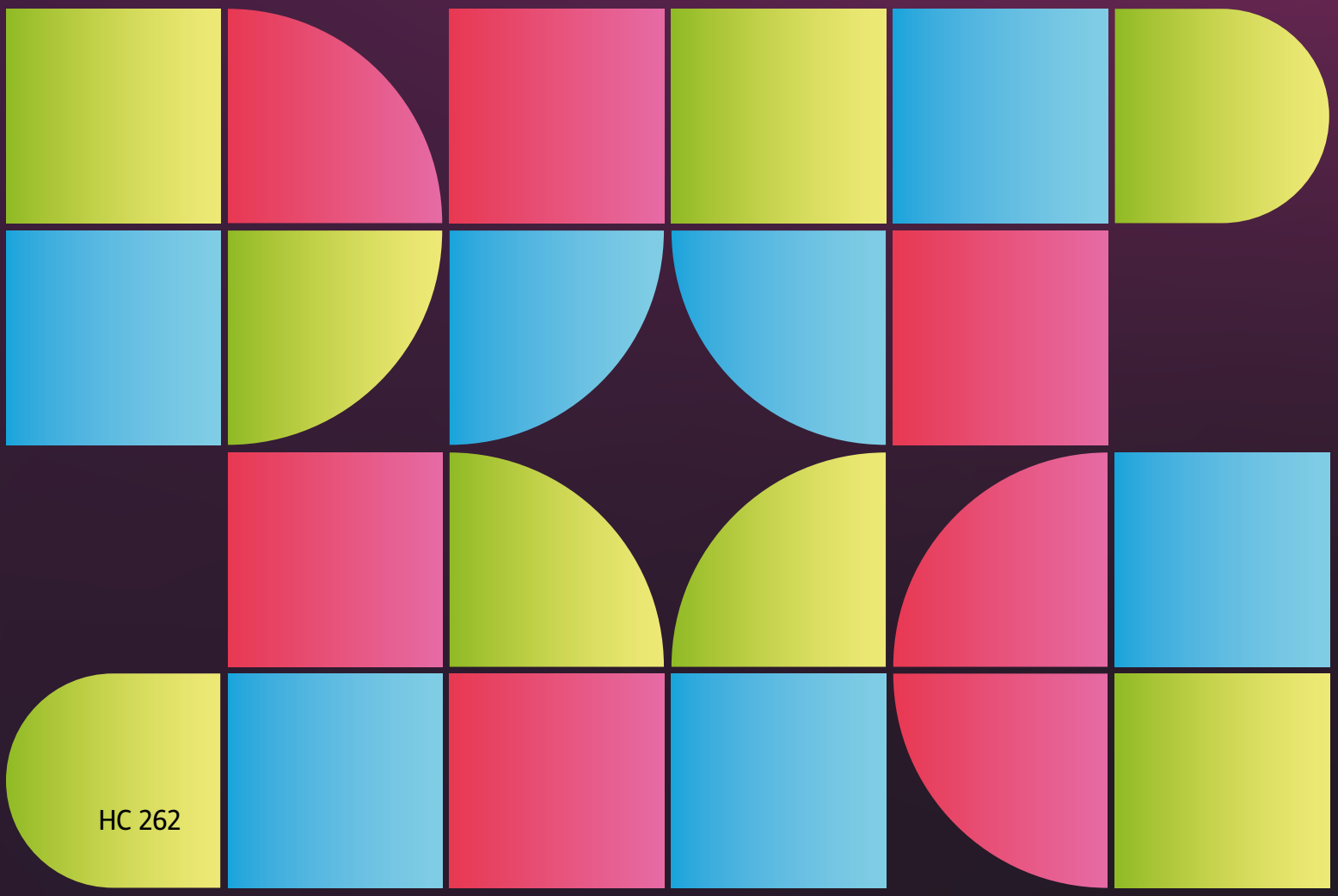
Department for Work & Pensions

ANNUAL REPORT and ACCOUNTS 2025-26



HC 262

Department for Work & Pensions

Department for Work and Pensions

Annual Report and Accounts 2025-26
for the year ended 31 March 2026

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

Annual Report presented to the House of Commons by Command of His Majesty

Ordered by the House of Commons to be printed on 9 July 2026

HC 262

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This is part of a series of departmental publications which, along with the Main Estimates 2026-27 and the document Public Expenditure: Statistical Analyses 2026, present the government's outturn for 2025-26 and planned expenditure for 2026-27.

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ISBN 978-1-5286-6536-0
E03615276 07/26

Printed on paper containing 40% recycled fibre content minimum.
Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

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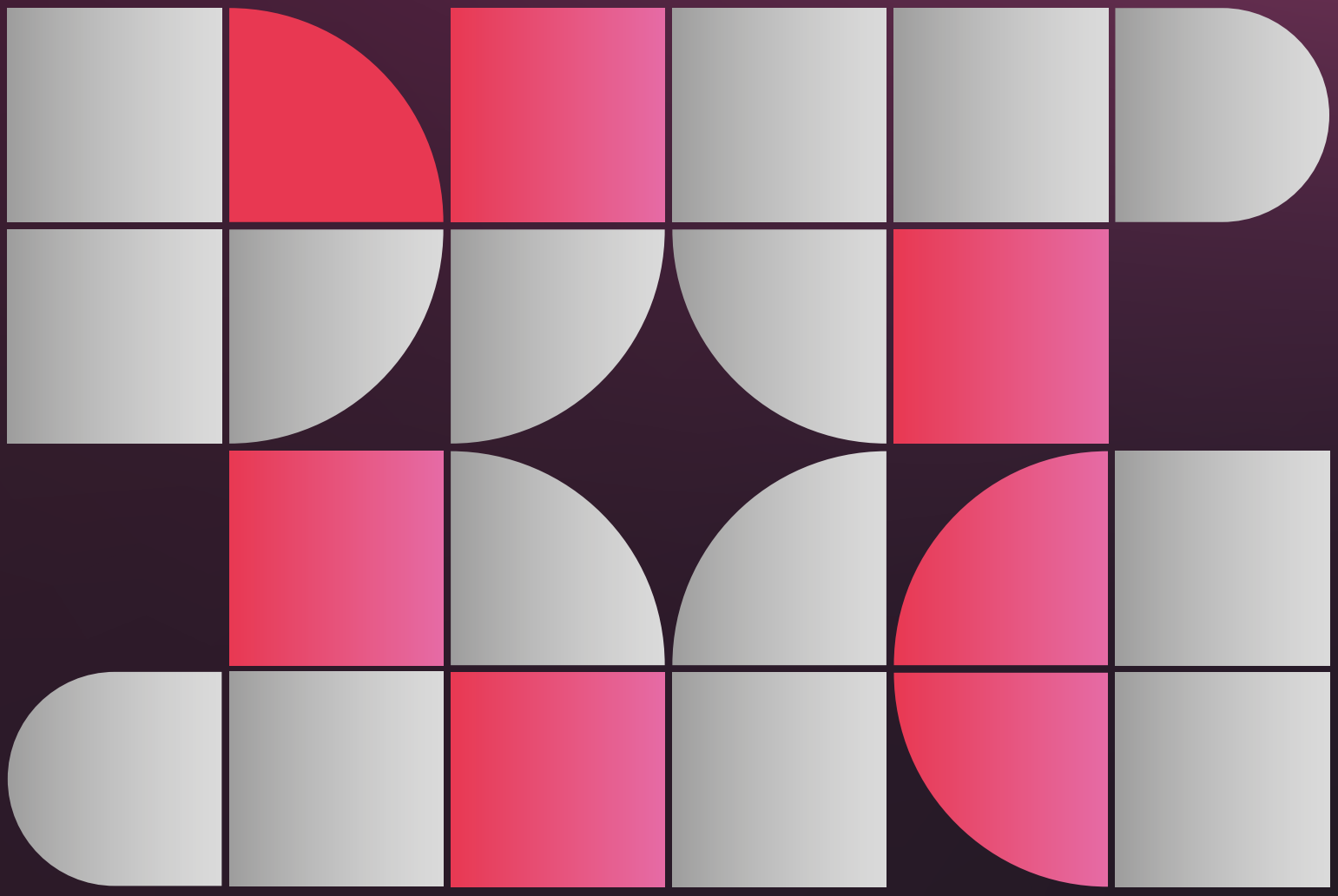
PERFORMANCE
REPORT



Secretary of State's Foreword

The Department for Work and Pensions is where policy meets real life. It touches the lives of millions of people every month – whether that is giving children the best start in life, helping people into jobs, protecting those who can never work, or ensuring dignity in retirement.

My priority has been to recast the welfare system to put work, skills and opportunity for young people at its heart. Moving to a system that more actively helps them to change the story of their lives. That is how we will tackle the deep-seated and long-term challenge of youth inactivity and the growing numbers signed off and written off on long-term sickness and disability benefits.

Work is one of the most important ways in which we realise the best versions of ourselves. Not just from earning a wage, but for pride, purpose and identity. However, too many young people are missing out – graduating from school to a life on benefits, let down by a system that too readily funnels them down a path labelled "unfit for work".

Having risen by a quarter of a million between 2021 and 2024, the number of young people not in education, employment or training is far too high at around a million. This can have scarring effects on their health and wealth for the rest of their lives and is a huge cost to the country and to businesses in lost talent. As the population ages and net migration falls, we need the young people of this country more than ever. They are our greatest asset. An investment in them is an investment in the future for all of us.

That's why my focus has been on bringing forward a better deal for young people through our Youth Guarantee – an explicitly pro young people package to help them learn and earn. More workplace training with a guaranteed interview; more youth apprenticeships after a 40% decline in starts in 10 years; hiring incentives for employers to take on young people in both regular jobs and apprenticeships; subsidised employment for young people remaining out of work; Youth Hubs across the country; 8 Youth Guarantee Trailblazers putting local leaders in the driving seat to tailor support in their areas.

And as the barriers to opportunity don't start when someone turns 16 or 18, we're also investing in early years – including lifting over half a million children out of poverty by 2030, because if you grow up poor, you're less likely to do well in school and more likely to experience health problems, earn less, or not be in work as an adult.

Alongside this, our practical welfare reforms are maximising the chances of those trapped on benefits to move towards work. We've legislated to reduce a significant disincentive to work in Universal Credit by narrowing the gap between the health element and the standard element. We've changed the law so claimants on sickness and disability benefits have the right to try work without the fear of automatically triggering a benefit reassessment. And we will be investing £3.5 billion in employment support over this Parliament for disabled people and those with health conditions.

And for the longer-term, with reviews into the welfare system led by Alan Milburn and Stephen Timms, we will ensure our system of help and support is fit and fair for the future, supports independence and has full participation in society as possible.

I'm also pleased we have continued to improve value for money and fairness, including for example through ongoing efforts to bear down on fraud and error.

Acting on the youth opportunity challenge is a cause for the whole of government, because the welfare system is often the end of a process in people's lives, not the beginning. It's also a shared national endeavour, not just of government, but government and business together – like the vanguard employers seeking to reduce workplace ill-health as part of Charlie Mayfield's Keep Britain Working Review.

By putting work and opportunity at the heart of everything we do, we are changing the job description of the DWP, so it not only protects those who need it, but provides a platform upon which people can rise. Not just a welfare state concerned with monthly income levels, but a working state that asks: "how do we help you change your life?"

Rt Hon Pat McFadden MP,
Secretary of State for Works and Pensions

Permanent Secretary's Overview

This is the ninth and final Annual Report and Accounts in my role as Permanent Secretary. It has been an incredible responsibility to oversee a department of such scale and reach, and a privilege to lead our colleagues in the crucial work they do to support people to live independently and achieve their potential.

Over the last year we have continued to support our customers in a range of ways and in a range of settings across the country, while also investing to modernise our services and progressing legislation and policy reform to further the support we provide.

In 2025-26 we spent £309.5 billion in Annually Managed Expenditure (AME) which provided financial support to approximately 23 million people across Great Britain. 57% of Resource AME in 2025-26 was paid to pensioners and 43% was paid to people of working age and children. The number of people receiving benefits also increased, in part reflecting a rise in the pensioner population, more people claiming disability and incapacity benefits, and claimants moving from receiving personal tax credits to Universal Credit. The cost of delivering our services and running the Department was £10.6 billion.

A primary motivation for all of us working for DWP is to help people achieve their potential, and at the heart of this is our national network of jobcentres supporting people into work. We've also worked with local mayors and councils to help tackle inactivity, and increased partnerships with employers, as guided by the Keep Britain Working Review. We've put particular focus on tackling youth inactivity and supporting youth employment. In September, the Department took on responsibility for adult skills and apprenticeships which is allowing us to align employment and skills support more effectively for jobseekers.

We are committed to tackling child poverty and hardship. The Child Poverty Strategy, published in December 2025, paved the way for the Universal Credit (Removal of the Two Child Limit) Act 2026 which removed the two-child limit. This extends support to additional children in Universal Credit households. We allocated £1 billion to the Crisis and Resilience Fund to enhance support for vulnerable households, distributed locally by councils in England.

We continued to strengthen support for disabled people and those with health conditions to live independently, and access work opportunities if they are able to do so. The Pathways to Work programme has placed around 1,000 Pathways to Work advisers in jobcentres to test new ways to help people move towards work. We modernised disability benefits by expanding the new Personal Independence Payment service, enabling over 90% of customers to submit health information online and testing a more personalised case-management model. The Timms Review has brought together disabled people and expert organisations, to co-produce a full review of Personal Independence Payments.

We are shaping the pensions system to serve the interests of savers and pensioners, ensuring decent, secure retirement incomes for all. Throughout the year we have actively promoted Pension Credit to help low-income pensioners access it. On State Pension, 82% of claimants are choosing to claim online via Get Your State Pension. The system allows customers to view important information about their claim and payments, as and when they need to. The State Pension caseload has grown as the population ages, and benefitted from annual uprating of pensions, in line with the triple lock, of 4.1%. The Pension Schemes Act 2026 enables a range of changes to the pensions framework, strengthening oversight across the system.

It is vital that we continue to modernise the way we deliver our essential services, and it matters that we treat everyone with dignity and respect. We are continuing to improve our processes, utilise data and deploy new technology. "Get proof of your benefits and State Pension" service launched in September 2025 across eight benefit lines, enabling customers to obtain instant proof of their benefits entitlements online, 24/7. Over the past year, we reduced backlogs and improved timeliness across key services and clearing more than 500,000 outstanding actions across multiple services. It is also essential that we put things right where they have gone wrong. The Department has accepted or partially accepted 38 of the 40 recommendations set out in the Sayce review on Carer's Allowance and has appointed a senior responsible officer to make sure we implement these recommendations.

I am pleased to report that our approach to reducing fraud and error is working. We have reduced overall cross-welfare fraud and error by a quarter since the peak of overpayments and are forecast to reach historic lows in the coming years. In Universal Credit we continue seeing a downwards trend and the Monetary Value of Fraud and Error forecast estimates the overpayment rate will halve from its peak of 14.7% in 2021-22 to 7.5% by 2028-29. We continue to invest in preventative activity alongside our strong detect functions to ensure we are stopping incorrect payments from the outset or correcting as quickly as we are able. In addition to this the Public Authorities (Fraud, Error and Recovery) Act 2025, which received Royal Assent on 2 December, modernises our legislative framework, to help identify, prevent, and deter fraud and to enable better recovery of debt owed to the taxpayer.

I have continued to travel around the country visiting our jobcentres, service centres and offices to see firsthand the dedication of our people to make a difference and support people. For example, at the Pathfinder in South Shields I saw how we are working with the Combined Authority, NHS integrated care board, skills providers, charities and employers to provide joined up services, accessed through different routes. I visited a jobs fair in Cardiff in which 2000 young people had the opportunity to connect with 40 employers with job opportunities. I visited a job club programme for ex-offenders in partnership with the Probation Service, and Creating Future Opportunities. This local service created a positive environment for people to access skills training and interview preparation as well as accessing local authority services such as housing.

I am particularly proud of the values we have embedded across the Department, how they have been taken to heart and adopted in how we work with each other, our customers and our partners. DWP is at its best when we deliver, we adapt, we work together, we value everybody, and essentially, we care. Thank you to the hundreds of thousands of colleagues who have embodied these values and worked tirelessly to serve our millions of customers for every day of the past year, and for the last nine years.

Sir Peter Schofield KCB
Permanent Secretary and Accounting Officer

Our 2025–26 Performance at a glance

£186 million

in Departmental efficiencies and savings exceeding the £170 million target

Average speed of call answering has reduced by

24%

in 2025-26

97,180 Sector-based Work Academy Programme (SWAP) starts

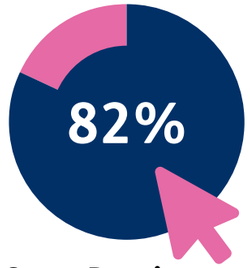
SWAP | SECTOR-BASED WORK ACADEMY PROGRAMME

120,000

children kept out of relative low-income due to child maintenance

£6.7 million

in grant funding to local authorities in England to deliver relationship support alongside their family help offer



of State Pension applications made online with 78% processed and paid automatically

90% of customers

enabled to submit Personal Independence Payment health information online

Get proof of benefits and State Pension,

80% of requests

via self-service

£309.5 billion

Was spent on Annually Managed Expenditure, the majority of which was on welfare spending

in the

Top 100

Apprenticeship Employers rankings

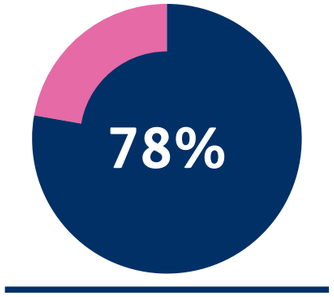
99.8%

of customer facing staff have completed **vulnerable customer training**

Movement to Work

2025 target

exceeded by



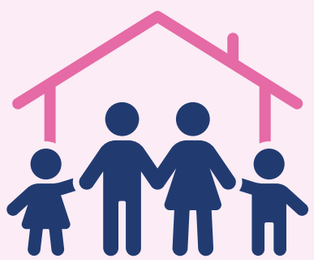
56.2%

of Senior Civil Servant roles based **outside London and South East against target of 50%**

Installation of remote building management system (BMS) connectivity at an additional 118 sites, optimising heating and ventilation control

£742 million

on Household Support Fund in 2025–2026



Get your State Pension, our digital customer platform, now supports

over 3m people

Performance Overview

This section provides a high-level summary of our strategic purpose, along with an overview of the Department's core activities and performance across the full financial year from 1 April 2025 to 31 March 2026. It outlines our organisational structure, key functions, and the employment, pensions and welfare services we delivered to help people thrive and achieve financial independence. Any reference to government relates to the administration in place at the time.

Our vision, our values

In 2025-26, **Our Vision** is to enable and empower everyone to thrive.

To deliver our vision we continue to focus on **Our Values,** which underpin how we work with our customers, colleagues and partners. They guide our culture and shape the way we lead, collaborate, adapt, and strive to make a difference in people's lives. They sit at the heart of everything we do for each other and our customers.

We care | We deliver | We adapt | We work together | We value everybody

Human Rights and Public Sector Equality Duty

We comply with the UK's obligations under the European Convention on Human Rights and we support the implementation of the UN Convention on the Rights of Persons with Disabilities and work across government to implement and deliver it.

We are also fully committed to meeting our responsibilities under the Public Sector Equality Duty, as set out in Section 149 of the Equality Act 2010. This includes having due regard to the need to:

- Eliminate unlawful discrimination, harassment, victimisation, and other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not

The duty applies to the nine protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex, marriage and civil partnership and sexual orientation.

In May 2024, the Equality and Human Rights Commission (EHRC) launched an investigation under Section 20 of the Equality Act 2006 into our compliance with the Public Sector Equality Duty. Details of the investigation are at page 90.

Our structure

We are led by the Secretary of State for Work and Pensions, who holds overall responsibility for our policies, and by the Permanent Secretary, the Department's most senior civil servant, who is accountable for the effectiveness, efficiency and financial stewardship of the Department. Together, they provide strategic direction and oversee the delivery of our priorities, operations and spending.

The Secretary of State chairs the Departmental Board, and together with the ministerial team, sets our strategic direction. The Permanent Secretary chairs the Executive Team and works closely with Director Generals, each of whom leads an area of responsibility and contributes to the corporate leadership of the Department. Details of our governance structure and Ministerial and Director General responsibilities over the year can be found in the governance statement on page 188 and are also available to read here.[1]

At 31 March 2026, our departmental group includes the core Department (DWP) and ten public bodies. See page 183 for further details.

Our priority outcomes

The Secretary of State has set five priority outcomes for the Department which were agreed at the HM Treasury Spending Review 2025:

- **Priority 1**: Enable people to get into work and to get on at work, ensuring employment opportunity for all.
- **Priority 2**: Tackle child poverty and hardship, ensuring financial security for all.
- **Priority 3**: Shape the pensions system to serve the interests of savers and pensioners, ensuring decent, secure retirement incomes for all.
- **Priority 4**: Pursue a just, equal and inclusive society, ensuring independence and control for all disabled people.
- **Priority 5**: Deliver high quality, efficient services, ensuring that people are treated with dignity and respect.

1 www.gov.uk

Performance Report

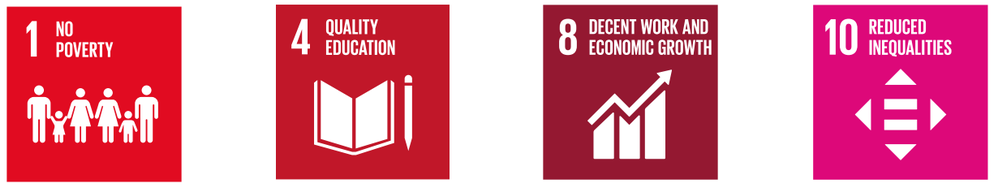
Priority outcome 1

Enable people to get into work and to get on at work, ensuring employment opportunity for all

Lead Directors General

- Directors General, Labour Market and Skills
- Chief Executive and Director General, Jobs and Careers Service Operations

UN Sustainable Development Goals supported SDG 1, 4, 8 and 10



Summary

Over the past year, we supported people to find good jobs, stay in work and progress in their careers through individual work coach support across our jobcentre network and specialised employment support programmes.

We offered tailored support to young people through our flagship Youth Guarantee initiatives, which aims to ensure every young person has the opportunity to earn or learn.

Responsibility for Adult Skills policy transferred to the Department in April 2026, bringing skills and employment policy closer together (see page 39). This followed a Written Ministerial Statement and included the transfer of funding, people and delivery infrastructure.

In October 2025, the Department jointly published the Post-16 Education and Skills White Paper with the Department for Education, setting out ambitions to build the skilled workforce needed for key sectors. Progress during 2025-26, prior to the transfer, is reported in the Department for Education and Skills England Annual Report and Accounts.

Key services we provided to support this priority in 2025-26:

Jobcentre Plus provides personal, tailored employment advice which – when combined with detailed knowledge of local labour markets – matches people to suitable job vacancies. The National Careers Service complements this by providing careers guidance and skills advice, supporting people to progress in work and increase their earnings.	**Restart** supports the long-term unemployed. The scheme is offered in England and Wales, with Scotland and Northern Ireland receiving consequential funding.	**Connect to Work** supports disabled people, individuals with long-term health conditions and people with complex non-health related barriers to employment. This scheme covers all of England and Wales.	**Sector-based Work Academy Programme (SWAP)** placements 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.		**Train and Progress** supports Universal Credit customers to participate in full-time, work-related training for up to 16 weeks enabling jobseekers to access vocational courses such as the Department for Education's Skills Bootcamps.	The **DWP Youth Offer** including Youth Guarantee supports unemployed 16 to 24-year-olds in the Universal Credit intensive work search group with tailored coaching, skills training and employment opportunities. It provides extra support for young parents and carers in the same age group.	**WorkWell** tackles ill-health related economic inactivity by providing support to help people stay in or return to work.	**The Disability Confident employer scheme** is a business-led scheme that encourages employers to think differently about disability and to take action to improve how they attract, recruit and retain disabled employees.

Priority 1 outcomes

- Employment rate of 18 to 66-year-olds
- Percentage of young people not engaged in education, employment or training (18 to 24-year-olds)

Performance analysis see page 34

Priority outcome 2

Tackle child poverty and hardship, ensuring financial security for all

Lead Directors General

- Directors General, Welfare and Pensions
- Chief Executive and Director General, Jobs and Careers Service Operations
- Director General, DWP Services and Fraud

UN Sustainable Development Goals supported SDG 1, 5 and 10

Summary

We are committed to tackling child poverty and building a fairer society in which every child has the chance to thrive. This includes strengthening financial security for families and supporting people to increase their income.

We played a key role in supporting the Child Poverty Unit and in developing the child poverty strategy, published in December 2025. The strategy sets out immediate and long-term actions to reduce child poverty, including removing the Universal Credit two-child limit, a change expected to lift an initial 450,000 children out of poverty.

Support for separated families is provided through the Child Maintenance Service, which now supports over 1.1 million children.

We provided £742 million to enable local authorities across England to support vulnerable households with the cost of household essentials such as energy and water through the Household Support Fund, which ran from 1 April 2025 to 31 March 2026. During 2025-26, we developed a new approach to local crisis support. The Crisis and Resilience Fund launched in April 2026, replacing the Household Support Fund. The Government has committed £1 billion per year (including Barnett impact) up to March 2029. In England, funding is delivered through local authorities to provide discretionary crisis payments, housing support and wider resilience services.

Key services we provided to support this priority in 2025-26:

The **Child Maintenance Service** supports separated parents to work together in the interests of their children and to set up family-based child maintenance arrangements when it is safe and appropriate to do so. The statutory scheme exists for parents that need it.	The **Reducing Parental Conflict** programme aims to decrease the number of children who have to live with damaging levels of parental conflict, by giving parents access to support to increase collaboration, whether they are together or separated.	**Universal Credit** is available to people living in the UK aged 18 and over who are on a low income or need help with living costs, including housing. Claimants may be out of work, working (including self-employed or part-time) or unable to work, for example, due to health conditions.	**New Style Jobseeker's Allowance** is a contribution–based benefit paid to people seeking employment.	The **Household Support Fund** enabled local authorities in England to provide discretionary and immediate crisis support to households most in need with the cost of essentials and supported the development of locally tailored schemes to prevent poverty and build local resilience.	**The Crisis and Resilience Fund** which was developed during 2025–26 and launched in April 2026 provides funding to local authorities in England to deliver discretionary support for households facing crisis or financial hardship, with consequential funding provided to devolved governments.

Priority 2 outcomes

- Percentage of children in relative poverty after housing costs
- Percentage of working age adults in relative poverty after housing costs
- Real earnings component of real household disposable income amongst non-retired households (all ages)

Performance analysis see page 41

Performance Report

Priority outcome 3

Shape the pensions system to serve the interests of savers and pensioners, ensuring decent, secure retirement incomes for all

Lead Directors General

- Director General, Welfare and Pensions
- Director General, DWP Services and Fraud

UN Sustainable Development Goals supported SDG 1, 5 and 10

Summary

We prioritise a pensions system that delivers secure, adequate retirement incomes by combining the State Pension with a strong private framework. The State Pension provides a reliable foundation, while private pension reforms improve value, governance, and outcomes for savers, creating a more resilient, sustainable system that supports financial security throughout working life and into retirement.

The Pension Schemes Act, introduced in June 2025 and receiving Royal Assent in April 2026, aims to create a more efficient and resilient pensions landscape focused on improving value and outcomes for savers. The Act will transform the Defined Contributions (DC) landscape, encouraging fewer, larger schemes capable of making longer-term investments in the UK. It also provides greater flexibility for trustees of well-funded Defined Benefit (DB) schemes to access and share surplus funds, establishing a permanent framework for DB super funds and enabling the Pension Protection Fund (PPF) to reduce its levy.

Alongside this, the government introduced changes to the DB pensions compensation system in the 2025 budget, benefiting more than 250,000 members through increases on payments from the PPF and Financial Assistance Scheme (FAS) on pensions built up pre-1997.

Progress has also continued across wider pensions reform. Automatic Enrolment remains successful, with around 9 in 10 eligible employees participating in workplace pension saving and opt-out have remained low at around 9%.

Get your State Pension is a digital platform to make new claims, view payments, update personal information and complete most common changes. An average of 82% of citizens now choose to claim State Pension online with 78% of those claims being awarded and paid automatically.

Throughout 2025-26 we have promoted Pension Credit to help low-income pensioners access essential financial support and the additional benefits it unlocks. The campaign is wide reaching, with advertising across TV, radio, social media and the press.

Key services we provided to support this priority in 2025-26:

State Pension is available to people who have reached State Pension age and have sufficient qualifying years on their National Insurance record by working, receiving credits or paying voluntary contributions.

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.

Attendance Allowance helps customers living in England and Wales with extra costs if they have a disability or health condition severe enough that they need someone to look after them. People who have reached State Pension age and have a disability or health condition can apply. Attendance Allowance is devolved in Scotland and has been replaced with Pension Age Disability Payment by the Scottish Government.

The **Money and Pensions Service** ensures that people have access to the information and guidance they need to help them make effective financial decisions.

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. The **Pensions Ombudsman** handles pension complaints and disputes.

Priority 3 outcomes

- Percentage of pensioners in relative poverty after housing costs
- Pensioner income levels

Performance analysis see page 52

Performance Report

Priority outcome 4

Pursue a just, equal and inclusive society, ensuring independence and control for all disabled people.

Lead Directors General

- Director General, Welfare and Pensions
- Director General, DWP Services and Fraud

UN Sustainable Development Goals supported SDG 1, 4, 8 and 10

Summary

We continued to strengthen support for disabled people and those with health conditions to live independently, access support when needed, and access work opportunities if they are able to do so. Over the past year, we have made progress in increasing employment, health and skills support for disabled people and those with long-term health conditions. This includes delivering on the Pathways to Work Green Paper, Universal Credit reforms and Right to Try to move towards and into work with confidence.

We supported disabled people, people with health conditions and those with complex barriers to enter and stay in work through specialist help including the roll out of Connect to Work and personalised one-to-one support from Pathways to Work Advisors in jobcentres.

We modernised our systems and services, including expanding digital access to Personal Independence Payment, improving case management, and reducing processing times for Disability Living Allowance for children, creating a more accessible, responsive and efficient experience for customers.

Throughout 2025-26, we continued to collaborate with disabled people and subject matter experts for specific work areas to provide discussion, challenge, and recommendations. Collaboration and co-production have been central to our approach this year, supported through structures such as our collaboration committees, the Independent Disability Advisory Panel, and the Timms Review.

Key services we provided to support this priority in 2025-26:				
Personal Independence Payments help people aged 16 and over with the additional costs associated with a disability or long-term health condition. Those who start receiving it before reaching pension age can continue to receive it afterwards. This is devolved in Scotland and has been replaced with Adult Disability Payment by the Scottish Government.	**Disability Living Allowance** is only available for new claims to people under 16 in England and Wales to help with extra costs associated with mobility and/or long-term health conditions. Disability Living Allowance is devolved in Scotland and has been replaced with Child Disability Payment and Scottish Adult Disability Living Allowance by the Scottish Government.	**Employment and Support Allowance** provides support to people with a health condition that affects how much they can work. Applicants must be under State Pension age.		**Pathways to Work employment support** offers personalised, voluntary support to disabled people and those with health conditions, helping them build skills, access services and move towards and into employment.

Priority 4 outcomes

- Percentage of long-term sick inactive of all 18 to 66-year-olds
- Disability employment rate gap
- Rate of relative poverty, after housing costs, for individuals in families where someone is disabled

Performance analysis see page 59

Priority outcome 5

Deliver high quality efficient services, ensuring that people are treated with dignity and respect

Lead Directors General

- Chief Executive and Director General, Jobs and Careers Service Operations
- Director General, DWP Services and Fraud
- Director General, Chief Digital and Information Officer

UN Sustainable Development Goals supported SDG 1, 5 and 10

Summary

We are focused on further improving our services across the administration of benefits, ensuring our customers are treated with dignity and respect.

Throughout 2025-26, we continued to enhance services by making improvements to the online Attendance Allowance new claims service, Child Maintenance Service and Pension Credit applications making these services more straightforward to use.

We have continued to focus on fraud, error and debt. The fraud, error and debt report on page 97 outlines how we have improved detection of fraud, reduced overpayments and prevented loss, and how we are managing debt recovery.

Priority 5 outcomes

- Monetary value of fraud and error (overpayment/underpayment by rate and value)
- Overall customer satisfaction with DWP

Performance Analysis see page 73

Corporate Performance

Lead Directors General

- Director General, Finance
- Director General, People and Capability
- Director General, Digital and Transformation
- Director General, Corporate Transformation

UN Sustainable Development Goals supported SDG 13 and 16

Summary

Our corporate functions are fundamental to achieving the Department's five priorities and enabling transformation across the organisation. They play a crucial role in supporting service delivery by recruiting and developing our workforce, processing payments to customers accurately and on time, and managing our estate with a strong emphasis on sustainability and delivering improving, cost-effective services.

They also lead the delivery and maintenance of our digital and online services, ensuring our technology is modern, efficient, and secure. Through this, they help create the digital foundations that allow us to operate effectively now and in the future.

By coordinating and strengthening these essential functions, we enhance our operational performance and make a significant contribution to the Department's overall success.

Performance analysis see page 142

Risks impacting the delivery of DWP's priorities

The Department maintained ongoing oversight and review of emerging risks throughout the year, including escalating cyber threats and risks to our data, and the increasingly sophisticated methods employed by organised fraud networks. Mitigations were adjusted at pace to respond to the evolving nature and scale of these risks, ensuring controls remained proportionate, timely and effective in supporting delivery of planned outcomes. Further detail on key risk themes, movements during the year, and the mitigating actions taken is set out in the Governance Statement on page 187.

Chief Finance Officer Overview

In 2025-26 we spent £309.5 billion in Annually Managed Expenditure which provided financial support to approximately 23 million people across Great Britain. We also spent £10.6 billion in departmental expenditure.

The departmental budget and how it is set

The departmental budget is split into these spend categories:

Annually Managed Expenditure (AME): These are costs that are demand-led and not easily controlled. Most welfare spending is classified as AME.

Departmental Expenditure Limit (DEL): These are primarily costs for delivering services and running the Department. DEL costs are split between programme (which covers costs to deliver policy objectives, services to the public and programme costs such as the Household Support Fund) and administration (which covers the core running costs of the Department).

Both DEL and AME are split into two further categories. Resource spending is money that is spent on day-to-day activities like welfare expenditure and our operational services in jobcentres. Capital spending is largely spent on investment. Further detail on spend categories is available in GOV.UK guidance[2]

Departmental budget vs actual spend in 2025-26

The table below sets out the Department's actual spend in 2025-26 against our final Supplementary Estimate budget.[3]

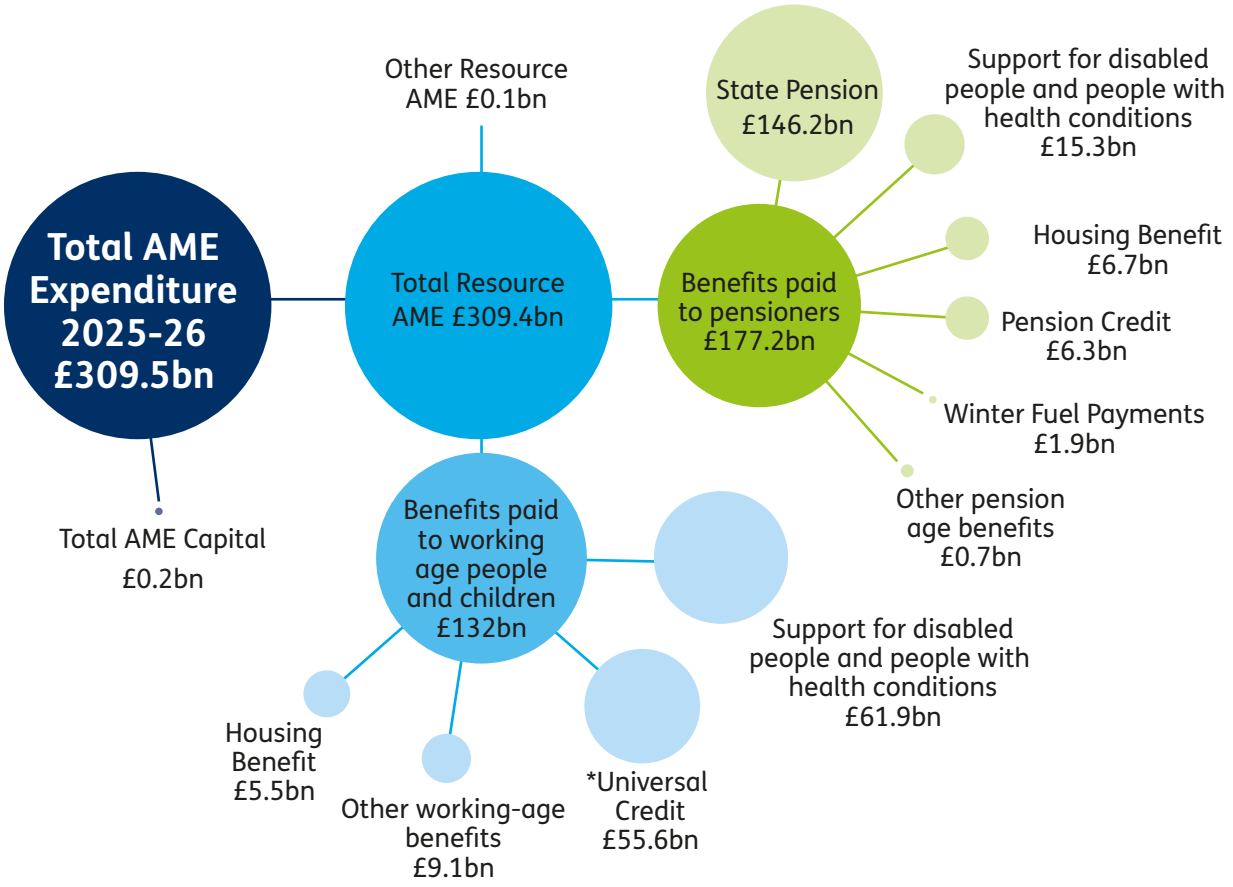
2 How to understand public sector spending' on GOV.UK
3 Totals may not sum due to rounding, this applies to both the diagram and the table in this section.

Spend Category	Budget	Actual	Variance
	£bn	£bn	£bn
Resource AME	314.7	309.4	-5.3
Capital AME	0.6	0.2	-0.4
Total AME	**315.2**	**309.5**	**-5.7**
DEL Administration	1.3	1.1	-0.2
DEL Programme	9.0	8.9	-0.1
Total Resource DEL	**10.3**	**10.0**	**-0.3**
Total Capital DEL	**0.7**	**0.6**	**-0.1**
Total Managed Budget Vs Actual Spend	**326.3**	**320.2**	**-6.0**

For further details, including trends over the past five years, see the core tables on page 285.

Annually Managed Expenditure

Welfare spend in 2025-26[4]



*Excluding UC for health element (plus standard element for those on health journey)

Resource Annually Managed Expenditure

In 2025-26, Resource AME was £309.4 billion in nominal terms[5], almost all related to benefit and pension expenditure. 57% of Resource AME in 2025-26 was paid to pensioners, and 43% of Resource AME in 2025-26 was paid to people of working age and children.

This was £21.7 billion (7.5%) more than in 2024-25, largely due to the annual uprating of pensions by 4.1%, in line with earnings growth[6] and other benefits by CPI inflation at 1.7%[7] as well as the number of people on benefits increasing. This in part reflects a rise in the pensioner population, more people claiming disability and incapacity benefits, and claimants moving from receiving personal tax credits to Universal Credit (UC).

4 Totals may not sum due to rounding, this applies to both the diagram and the table in this section.
5 All figures on Annually Managed Expenditure are quoted in nominal terms in this section.
6 The triple lock guarantees that the State Pension increases annually by the highest of inflation, average earnings growth or 2.5%, see page 52 for more detail.
7 For more information on uprating, see page 29.

How we spent Resource AME

£80.5 billion of Resource AME in 2025-26 was paid to people on UC, which includes £24.9 billion supporting people with disabilities or health conditions[8].

This represents an overall increase of £14.1 billion (21.2%) compared to 2024-25. Some of this increase represents a transfer of spending from His Majesty's Revenue and Customs (HMRC) to DWP. In 2024-25, the government spent £2.7 billion on personal tax credits, and a significant portion of these claimants have now moved to UC. The annual uprating of the benefit, in line with CPI inflation, increased expenditure by around £1.7 billion.

£8.4 billion of the increase was growth in the health journey caseload. A driver of the increase was the number of managed migration of non-health-related legacy cases from equivalent DWP and HMRC benefits to UC that subsequently reported a restricted ability to work. This migration is now close to concluding.

£12.2 billion was spent on Housing Benefit in 2025-26, a decrease of £2.5 billion (17.0%) compared to 2024-25. This was due to the migration from working-age Housing Benefit claimants to UC.

We spent £7.1 billion on Employment Support Allowance in 2025-26, a decrease of £5.2 billion (42.4%) compared to 2024-25. The decrease was due to the migration from Income-Related Employment Support Allowance to UC.

£77.3 billion of Resource AME (25%) supported people with a disability or health condition[9]. Of this, £15.3 billion went to pensioners and £61.9 billion to working-age people and children, which includes UC health expenditure. This was £6.9 billion more than in 2024-25.

£2.6 billion (9.9% increase compared to 2024-25) of this was higher spend on Personal Independence Payments (PIP), around 86% of which was due to increased number of people receiving the benefit. This reflects more people joining PIP than leaving it this year, although new awards have fallen marginally in 2025-26, but the number of people leaving PIP has fallen since it was introduced in 2013. Increases in awards at award review mean that the average award has also increased above inflation.

£177.2 billion of Resource AME in 2025-26 was paid to pensioners, with most of this expenditure being State Pension of £146.2 billion (82%). This is an overall increase of £12.8 billion (7.8%) paid to pensioners compared to 2024-25. Of this increase, £9.6 billion relates to State Pension, due to uprating of 4.1% and a greater number of pensioners, with number of people receiving State Pension increasing by around 217,000 as the population ages.

8 Universal Credit expenditure on supporting people with disabilities or health conditions includes the Health Element, and Standard Allowance for those receiving the Health Element

9 Benefits defined as supporting those with a disability or health condition are: Severe Disablement Allowance, Universal Credit (Health Element, and Standard Allowance for those receiving the Health Element), Income Support (Incapacity), Attendance Allowance, Personal Independence Payment, Disability Living Allowance, Incapacity Benefit and Employment and Support Allowance.

We spent £1.9 billion on Winter Fuel Payments, an increase of £1.6 billion compared to 2024-25. This was due to the government's change to the means-testing policy in 2025-26[10].

Capital Annually Managed Expenditure

We spent £180 million on Capital AME in 2025-26, £61 million less than in 2024-25. Capital AME is predominately benefit-related loans. This includes £150.8 million on UC advances and £51.5 million on Support for Mortgage Interest payments. This was offset by £36.0 million of Social Fund loan net repayments[11]. Estates dilapidations for exiting building leases cost £13.2 million. See more detailed information on benefit expenditure outturn and forecasts in the DWP benefit expenditure tables on GOV.UK[12].

Further information on planned expenditure in 2025-26 is available in the Supplementary Estimate memorandum[13].

Annually Managed Expenditure Forecasts

The Office for Budget Responsibility (OBR) forecasts welfare expenditure twice a year. The forecasts take account of any changes to the OBR's underlying assumptions about the economy, modelling changes, and tax and spending measures announced by the government. The OBR publishes the details of the forecasts in its Economic and fiscal outlook, most recently at the Spring Forecast[14].

Welfare cap

As part of its welfare expenditure forecasts, the OBR assesses whether the government will meet the welfare cap. The cap is a limit on the amount the government aims to spend on social security benefits. It excludes spending on the State Pension and jobseekers (more specifically recipients of contributory Jobseekers Allowance and UC recipients in the intensive work search group). Around half of welfare spending is included in the cap. A margin of 5% is set on top of the cap in 2029-30 to account for future uncertainty in the expenditure forecast. The welfare cap is breached if forecast expenditure is above the cap and margin when the cap is assessed at the first fiscal event of any new Parliament.

At Autumn Budget 2024, the government set a new cap for the period 2024-25 to 2029-30. The new cap is set at £204.2 billion in 2029-30 based on OBR's Autumn Budget 2024 forecast which includes the 5% margin. The next formal assessment of the cap will be at the first fiscal event of the new Parliament.

10 In 2024-25, Winter Fuel Payments were restricted in England and Wales to pensioner households receiving Pension Credit or certain other income-related benefits. In 2025-26 all pensioners in England and Wales with an income of, or below, £35,000 a year will receive a Winter Fuel Payment
11 Social Fund loan net repayments are payments made for Crisis and Budgeting Loans (including Funeral Payments) less repayments made on these loans
12 GOV.UK
13 Supplementary Estimate memorandum
14 Economic and fiscal outlook (EFO)

At Autumn Budget 2025, the OBR estimated that welfare spend subject to the cap would be £202.3 billion in 2029-30, an increase of £7.8 billion since Autumn Budget 2024. The Autumn Budget 2025 forecast leaves headroom of £1.9 billion against the welfare cap margin. The OBR will next report on the welfare cap at Autumn Budget 2026.

Resource Departmental Expenditure Limit budget

Our 2025-26 Resource DEL budget was set at £10.7 billion (including depreciation) at Main Estimate 2025. This included additional funding of:

- £240m to address rising economic activity and create an inclusive labour market through the Get Britain Working initiative
- £55m for the Functional Assessment Service, to deliver higher volumes of assessments including PIP Award Reviews and Work Capability Assessment reassessments
- £78m for the Synergy Programme, a major cross-government initiative aimed at transforming corporate services for four departments (DWP, DEFRA, Home Office and Ministry of Justice) by implementing shared-cloud based Enterprise Resource Planning technology
- £285m for the cumulative impact of the 2024-25 and 2025-26 pay awards and increase in the employer National Insurance contribution rate

Living within our funding allocation allowed us to agree a £63 million in-year budget transfer to the Department for Education to contribute to Skills Bootcamp expenditure and an additional £370 million budget transfer into future years to mitigate the impact of additional apprenticeship costs, for which responsibility is transferring to us under a machinery of government change.

As a result, we agreed a £10.3 billion (including Depreciation) Resource DEL budget at the Supplementary Estimate and ended within this funding allocation.

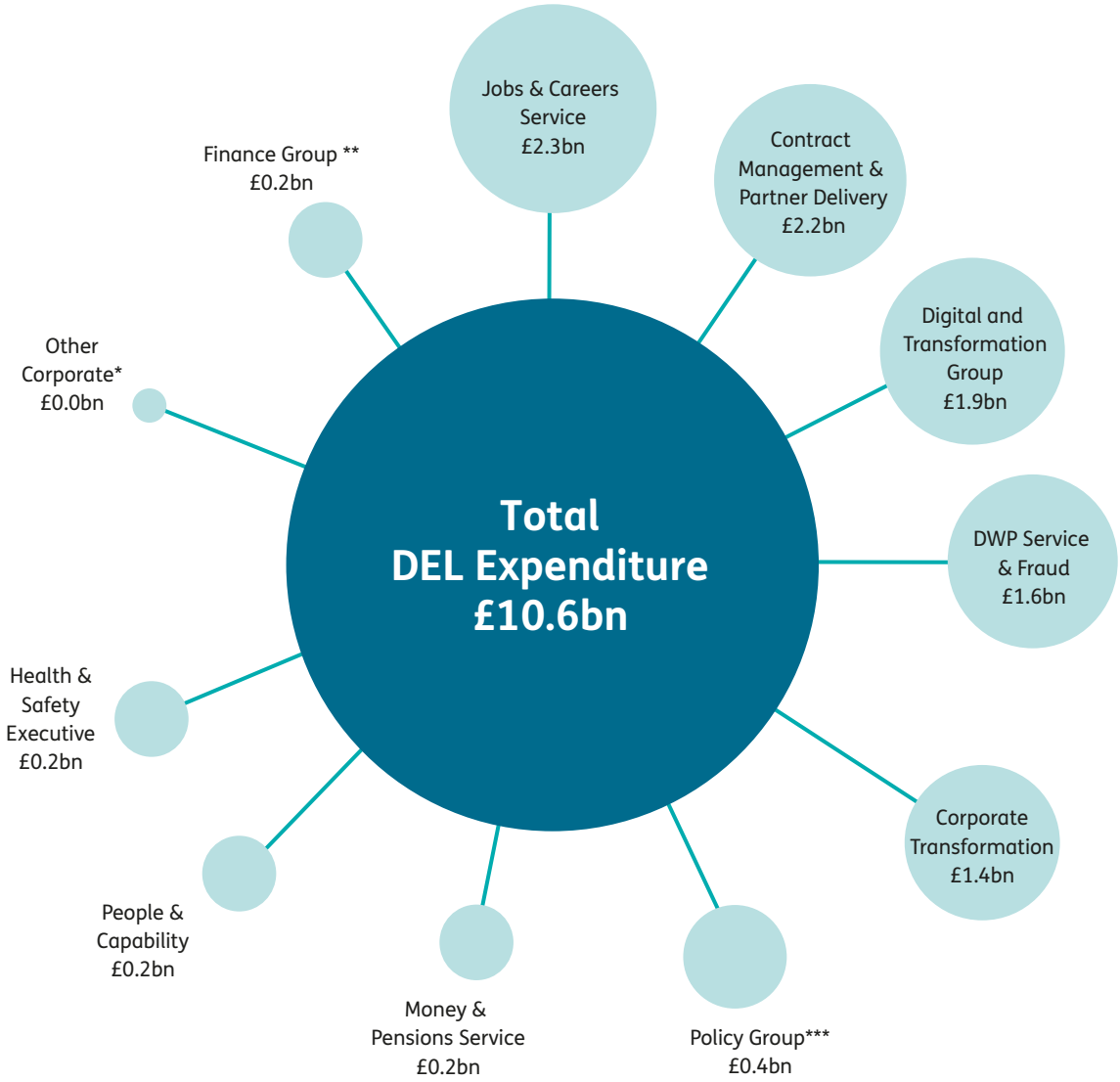
Capital Departmental Expenditure Limit budget

Our 2025-26 Capital DEL budget was set at £756 million at the Main Estimate 2025. This funding allowed us to:

- Undertake lease commitments within our estate
- Deliver additional activity through the Workplace Transformation Programme to create flexible, inclusive and affordable workplaces
- Increase expenditure within Digital linked to hardware and multi-year license renewals
- Make a £15 million budget exchange into 2026-27 to support our continued programme to meet our lease commitments was agreed by His Majesty's Treasury.

Departmental Expenditure Limit expenditure

Departmental spend in 2025-26



*Including Communications Directorate and Private Office
** Excluding Contract Management and Partner Delivery (shown separately)
*** Excluding MaPS (shown separately)

Whilst there were areas of financial uncertainty, detailed below, we were able to get clarity on spend patterns early in the financial year which provided greater flexibility to address future funding challenges at the Supplementary Estimate.

- Whilst demand for Access to Work grants has remained high, the rapid growth seen previously has flattened. To improve consistency and ensure fairer decisions, we introduced training in early 2024 focused on applying the Access to Work principles to make better quality decisions. This included a much clearer emphasis on employers' responsibilities under the Equality Act.

  We are working through a backlog of applications, with the volume of applications awaiting processing being 56,000 above acceptable levels in March 2026. Clearing

the applications backlog remains a priority – to tackle this, we are recruiting additional Case Managers and Case Workers to reach acceptable levels by the end of September 2027.

- The Functional Assessment Service, delivering Work Capability and PIP assessments, continues to have significant underspends and remains volatile. This is a complex landscape that continues to evolve. There are significant challenges to increasing volumes linked to healthcare professional recruitment and retention. We are exploring changes to drive increased volumes and the level of face-to-face assessments. Suppliers are working constructively on this as well as on options to drive improved productivity and to test new approaches to decision making in the Department.
- Capital expenditure in Estates, particularly on the Workplace Transformation Programme, and accounting for lease expenditure. We have kept a tight control on costs and focus on value for money through successful commercial negotiations, but our programme to transform our large estate and meet lease commitments is ambitious.

Efficiency and savings

We continued to identify and deliver efficiencies and savings across the Department, exceeding the challenge set at the 2025 Spending Review and supporting the government's ambition to maximise productivity and efficiency. Our approach focused on embedding stronger financial discipline, targeting activity where it delivers the greatest value, and maintaining delivery and service standards.

We delivered savings through a combination of cost control and productivity improvements, including reducing the size and running costs of our estate, improving value for money through our contract frameworks and securing better prices for end-user devices. We also improved operational efficiency by digitising processes and expanding self-service for claimants, while ensuring work coach time is prioritised on interventions most strongly associated with positive claimant outcomes.

As a result, we delivered £186 million in efficiencies and savings in 2025-26 against our 2024-25 baseline, exceeding the £170 million target set by HM Treasury. This performance reflects sustained delivery against our savings plans and continued focus on value for money across the Department's operating model.

The DWP Commercial team delivered £340 million in cashable savings through procurement activity and a further £168 million in non-cashable savings making a total of £508m.[15] The Department continued adoption of the Government Commercial Organisation Corporate Scorecard launched in 2023-24 and set a savings target of £456m, over achieving this target by more than 10%. The scorecard is a mechanism for defining and measuring the key metrics that will best represent the commercial function's performance priorities for the year, and is agreed between the Chief Commercial Officer, Finance Director General, and the Head of the Government Commercial Function.

15 DWP commercial teams work to detailed guidance covering the identification, measurement and reporting of savings. This guidance reflects the guidance issued by the Government Commercial Function, last updated in July 2023.

Performance analysis

This section builds on the Performance Overview and includes details of our activities and progress against our performance outcomes covering the period 1 April 2025-31 March 2026.

Priority Outcome 1

Enable people to get into work and to get on at work, ensuring employment opportunity for all

Introduction

The government is committed to delivering an employment support system that helps people get into work and progress. To achieve this, we are delivering long-term reforms to increase the rate of employment and create a system that enables greater participation, progression and productivity in the labour market.

Our activities against this priority focus on tackling rising economic inactivity levels, ensuring every young person is earning or learning, supporting people into good work and building an inclusive labour market that reflects the needs of local economies. This activity is central to the government's mission to drive economic growth.

There are four main areas of activity that support this priority:

- Supporting young people into training, education and employment
- Delivering employment services that help people to get into, and progress in, work

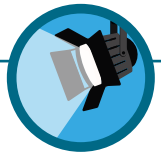
- Supporting more disabled people and people with health conditions to enter and stay in work (activity detailed in Priority 4 performance analysis)
- Equipping people with the skills they need to enter work and progress in their careers

Supporting young people into education, employment or training

Almost one million young people across the UK are currently not in education, employment, or training (NEET). That is why the government is delivering a Youth Guarantee, ensuring every young person has the opportunity to earn or learn.

Priority 1

Spotlight on the Youth Guarantee



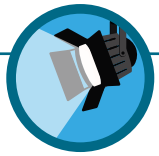
Progress in 2025-26

In 2025-26, we started delivering our Youth Guarantee, building a strong foundation for expansion across the Spending Review period. This included:

- **Youth Guarantee Trailblazers:** In partnership with the Department for Education, we are working with mayoral strategic authorities across England to deliver eight Youth Guarantee trailblazers testing innovative approaches to identify and deliver localised support to young people who are NEET or at risk of becoming NEET. All trailblazers have mobilised a range of support and continue to develop new insights.
- **Youth Hubs:** We expanded access to Youth Hubs across Great Britain during 2025–26, with over 100 hubs open by April 2026. A further 80 areas have been announced to open a Youth Hub in 2026–27, this forms part of a three-year expansion which will see Youth Hubs established in over 360 locations. Youth Hubs bring together employment, skills, health and housing support in local communities, working with Mayors and local authorities to deliver joined-up community based support to help young people move into work.
- **Youth Guarantee Advisory Panel:** Young people with experience of being out of education, employment and training are helping to shape the design and development of the Youth Guarantee as part of a Youth Guarantee advisory panel. The panel has met 6 times to discuss challenges facing young people today, including mental health and transport. They have directly shaped the development of a range of Youth Guarantee policies, and the design of our digital offer for young people, JobHelp.

Further expansion in 2026

Building on these strong foundations, the government has committed £2.5 billion additional investment into the Youth Guarantee and the Growth and Skills Offer over the next three years. This investment will support almost one million young people, and unlock up to 500,000 opportunities to earn and learn.



These will be delivered across the Spending Review period, with significant mobilisation in 2026-27. This includes:

- **Support to find a job:** Increased and intensive support, through a new Youth Guarantee Gateway, for nearly 900,000 young people on Universal Credit.
- **Youth Hub expansions:** Increasing the number of hubs to 360 areas across Great Britain so all young people aged 16-24 can access opportunities and wider support, with an additional 80 delivered in 2026-27.
- **Experience and training:** Creating around 300,000 additional work experience and training places by 2028-29, improving skills across sectors.
- **Youth Jobs Grant:** Around 60,000 employer hiring incentives worth £3,000 per young person, for recruiting those aged 18 to 24 who have been out of work and on Universal Credit for 6 months.
- **Apprenticeship hiring grant for non-levy paying employers:** A new £2,000 hiring grant for non-levy paying employers (typically small and medium-sized enterprises) in England when they take on new apprentices aged under 25.
- **Guaranteed jobs:** Around 90,000 fully funded six-month paid employment opportunities, for 18 to 24-year-olds who have been out of work and on Universal Credit for 18 months.

These measures show the government's commitment to backing young people to build a better future, growing the economy and ensuring background is no barrier to success.

Young People and Work Report

The government has commissioned the Rt Hon Alan Milburn to author an independent report that will seek to understand the drivers of the increase in the number of young people who are NEET. The findings of the report's discovery phase were published[16] on 28 May 2026 with the final report due to be published in Autumn 2026.

The independent report highlighted key findings such as:

- Without urgent action, **the number of NEET young people could rise to 1 in 6 within five years.**
- A "generational fault line" unless Britain confronts the whole-system failure that has seen one million young people become NEET.
- Our schools, health system, welfare state, and labour market, the institutions we built to carry young people from childhood into adult life, are no longer fit for purpose. For decades, Britain's unwritten social contract has been that each generation would do better than the last. That promise is being broken.

16 Young people and work: interim report – GOV.UK

- A system reset is needed from a Welfare State that is "exacerbating inactivity" to a Working State that "builds capability". New programmes layered on top of a broken system cannot work. **For every £1 that DWP spent on employment support for young people, around £25 was spent on welfare support for young people.**
- Britain's jobs boom of recent decades largely bypassed young people, with entry level jobs in sharp decline. Hospitality vacancies have halved in the last four years. Saturday jobs have long been in freefall. Apprenticeship starts among young people have fallen by 35% over the last decade.
- This is not a failure of young people. **84% of NEETs want to work**. The system fails to enable their participation in the labour market. Instead, all too often it ends up putting young people on a path to a life not in work. This should be the priority for the Government and wider society.

Delivering employment services that help people get into, and progress, in work

We need to fundamentally change the employment support we provide to help people get into and on in work. That is why we are bringing together Jobcentre Plus and the National Careers Service to create a new Jobs and Careers Service that will enable everyone to access support to find good, meaningful work, and support to help them to progress in work.

Personalised support

As part of our test and learn approach to developing the new Jobs and Careers service, we launched the first Pathfinder in Wakefield, West Yorkshire in April 2025. This Pathfinder is testing improved training for colleagues through the Get Britain Working Coaching Academy, more personalised and career-focused customer support, greater use of digital capabilities and stronger engagement with local stakeholders.

We announced two further Pathfinders in the North East and Nottingham in March 2026, focusing on how we can better support disabled people and people with health conditions, and young people, to move closer to the labour market, get into work and stay in work.

Local integration

We have aligned Jobcentre Plus boundaries with mayoral strategic authorities to strengthen partnerships with local and devolved government and support more coherent place-based delivery. We have also been testing changes to the Jobcentre Plus environment for customers and colleagues through our Innovation hubs, including services delivered from vans and within the community through outreach and pop ups. Following testing in three areas, the vans have been extended to six further areas across England, Scotland and Wales.

New digital service

We started the rollout of our new digital service in May 2026, so that customers can access support without needing to visit a jobcentre. This is helping customers to explore job options, create CVs, search and apply for jobs and get tailored training suggestions and support to understand what steps to take to achieve their goals.

Restart scheme

The Restart scheme provides up to 12 months' tailored and intensive support to customers who have been out of work for at least 6 months. From July 2021 to the end of October 2025, 720,000 people have had the opportunity of 12 months of support on the scheme. Of those, 44% have had first earnings and 30% have received a sustained job outcome (defined as earnings equivalent to 25 weeks at administrative earnings threshold). The total spend in 2025-26 was £418 million (total spend in 2024-25 was £358.2 million).

Equipping people with the skills they need to enter work and progress in their careers

Skills play a central role in supporting people to enter work, progress in their careers and meet the needs of the labour market. As set out in the Post 16 Education and Skills White Paper[17] published October 2025, the government's ambition is to create a more joined up, employer focused skills and employment support system.

In September 2025, it was announced that responsibility for adult skills policy would transfer to the Department, from the Department for Education, to bring skills and employment policy closer together. Skills are integral to our priorities including Pathways to Work, the Youth Guarantee and the development of clear routes into priority sectors.

Post-16 Education and Skills White Paper

Since publishing the Post-16 Education and Skills White Paper jointly with the Department for Education in October 2025, we have a significant programme of work underway on adult skills, as do strategic authorities who deliver the majority of Adult Skills Fund provision. This includes:

- Investing over £1 billion to deliver sector skills packages in construction, digital, defence and engineering
- Working with the Department for Business and Trade and sector owning departments to develop Jobs Plans to reduce vacancies across the eight Industrial Strategy sectors, plus construction and health and social care

The Adult Skills Fund supports around 1 million learners per year to gain skills up to Level 3. Devolution of the Adult Skills Fund allows Strategic Authorities to commission provision that focuses on the needs of local residents and businesses.

17 Post-16 education and skills white paper – GOV.UK

Sector-based Work Academy Programmes (SWAPs)

This programme offers eligible jobseekers training, work experience and a guaranteed interview for a job or apprenticeship. We delivered 97,180 SWAPs starts in 2025-26 (86,700 SWAPs starts in 2024-25). In March 2026 the government announced an expansion of SWAPs, with a focus on young people, increasing the annual target from 100,000 starts to 175,000 by 2028-29.

Research published in February 2025[18] showed that individuals who start a SWAP spent, on average, 90 days more in employment and earned £1,400 more during the 24 months following a SWAP start than someone who did not.

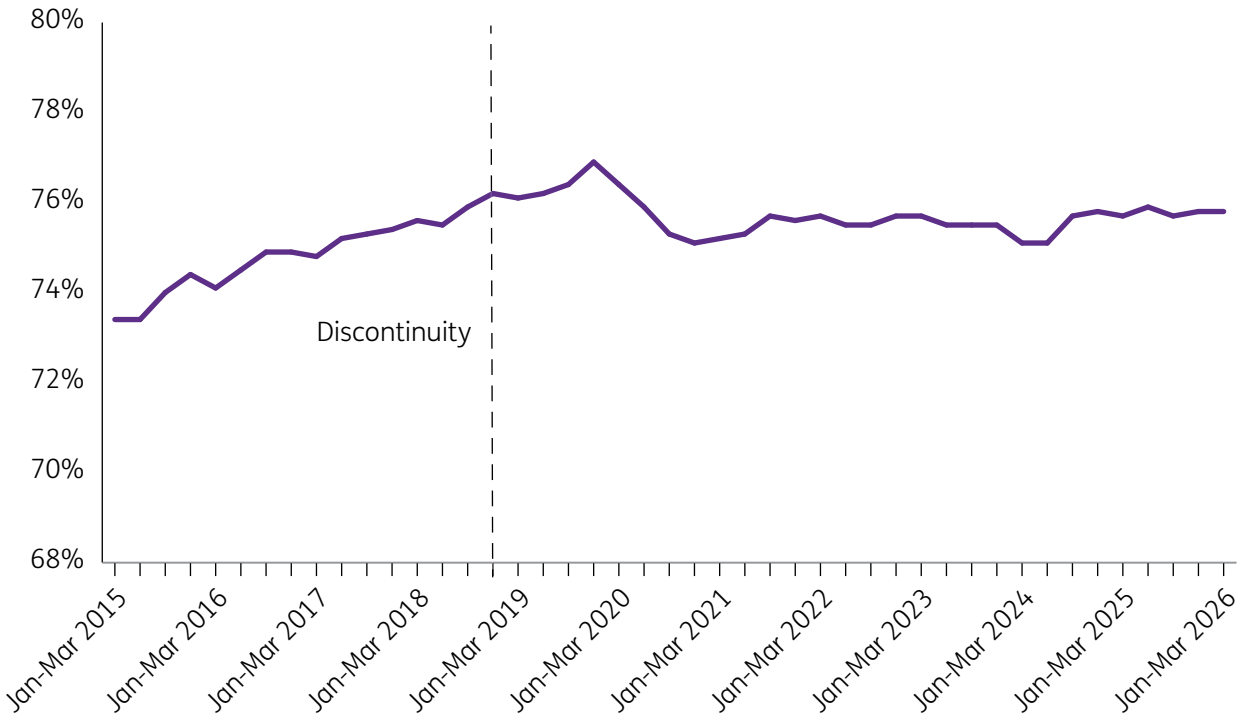
Formal accountability for Skills England; apprenticeships; adult further education, skills, training and careers moved to the Department in April 2026. The Department for Education and Skills England's Annual Report and Accounts sets out progress for April 2025 to March 2026.

Priority 1 Outcome

Employment rate of people aged 18 to 66

The employment rate of people aged 18-66 was 75.8% (Jan-Mar 2026) up 0.1 percentage point on the year. The employment rate is 0.3 percentage points below the 76.1% in Jan-Mar 2019, the comparable quarter before the pandemic.

Employment rate of people aged 18 to 66



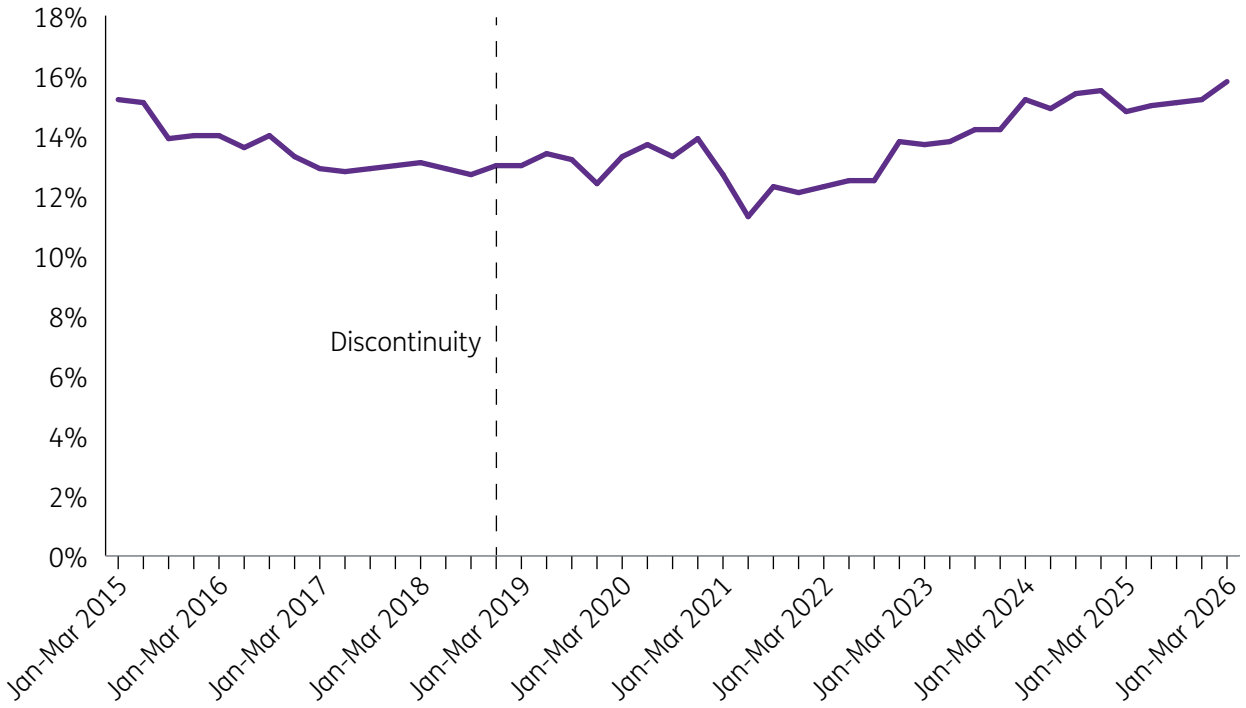
Source: DWP analysis of the ONS Labour Force Survey

18 Research published in February 2025

Percentage of young people not in education, employment or training (18 to 24-year-olds)[19]

The rate of 18–24-year-olds not in education, employment or training (NEET) was 15.8% (Jan-Mar 2026), an increase of 1.0 percentage point up on the year. It is 2.8 percentage points above its pre-covid level (Jan-Mar 2019).

People who were not engaged in education, employment or training (NEET) as a percentage of people aged 18-24



Source: Young people not in education, employment or training (NEET) – Office for National Statistics

19 Oct-Dec 2018 – Labour Force Survey re-weighting discontinuity

Priority Outcome 2

Tackle child poverty and hardship, ensuring financial security for all

Introduction

The government is committed to playing a leading role in addressing child poverty, creating a fairer society where every child has the opportunity to thrive, and supporting long-term social aims and economic growth. It has also committed to working towards greater financial security for individuals and households more widely by helping people to increase their income, reduce the cost of living and build resilience. Enabling people to get into and get on at work, as set out in Priority Outcome 1, forms a key part of the approach to ensuring financial security for all. Delivery of these goals supports the government's mission to break down barriers to opportunity.

In support of this goal, the government has been progressing work across four main areas of activity:

- Published an ambitious Child Poverty Strategy informed by the work of the cross-government Ministerial Taskforce on Child Poverty
- Established a new approach for local crisis support
- Completing the annual review of benefit rates in the Autumn
- Continuing to review aspects of Universal Credit (UC), the main working age social security payment

This goal reflects wider government priorities and has needed a cross-government focus on tackling child poverty and, within the Department, on reviewing Universal Credit and local welfare provision.

Interventions related to children

Child Poverty Strategy

The Department has played a key role in developing the Child Poverty Strategy, working alongside the Child Poverty Unit in the Cabinet Office, and across government departments, to develop the strategy and the monitoring and evaluation framework. The strategy, 'Our Children, Our Future: Tackling Child Poverty', was published on 5 December 2025, and sets out how government will tackle child poverty by boosting families' incomes through employment and the social security system, driving down the cost of essentials, and strengthening local support.

At Autumn Budget 2025, the government announced the removal of the two-child limit from Universal Credit, a measure also set out in the strategy.

The Department progressed urgent legislation to introduce this change and the Universal Credit (Removal of Two Child Limit) Act, which received Royal Assent on 18 March, legislates for the removal of the limit from 6 April 2026. This will lift 450,000 children out of poverty, rising to around 550,000 alongside other measures set out in the strategy. The strategy also set out a number of other DWP measures, including:

- Increasing UC childcare support to help with the childcare costs for all children instead of limiting the amount for two or more children. Eligible parents will receive up to £737.06 per month UC childcare support for each additional child beyond the first. This will be implemented during the financial year 2026-27, subject to the laying of secondary legislation and amendments to delivery systems.
- Extending eligibility for support with upfront childcare costs to parents returning from parental leave to ease the transition back to work, as well as making improvements to make it easier for parents to navigate the upfront childcare costs process.
- Introducing new earned income disregards in Housing Benefit for parents and young people living in temporary or supported accommodation, helping them to increase their earnings without worrying about losing support. This change will reduce barriers to work and improve work incentives, with around 300,000 households potentially benefitting. Regulations are planned to be laid in July, to enable changes to come into force from October 2026.

These measures, alongside others in the strategy, also support Priority 1, delivering a step-change in employment and skills support by removing some of the barriers that parents face when entering work or increasing their hours.

The strategy also set out our initial plans for monitoring and evaluation to ensure it is on track to tackle child poverty. We will publish a baseline report in Summer 2026 which will set out the latest statistics and evidence. Going forward, we will publish annual reporting to monitor and evaluate progress.

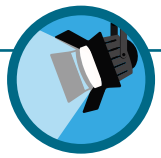
Otherwise in 2025-26 the Department progressed a range of measures, including developing and rolling out the Crisis and Resilience Fund which went live on 1 April 2026, see Local crisis support below, and continued to deliver a wide range of services supporting families with children, particularly through Universal Credit.

The Department also implemented the Fair Repayment Rate in Universal Credit, which places a limit on how much people in debt can have taken off their benefits to pay what they owe. The maximum amount that can be taken from someone's Universal Credit standard allowance payment to repay debt had been 25% – but from April 2025 this was reduced to 15%.

This means an average £420 extra a year for 1.2 million of the poorest households, including 700,000 households with children, while helping people to pay down their debts in a sustainable way. This approach aligns with the Department's wider work on managing debt and reducing overpayments, as set out in the Fraud, Error and Debt report (page 97), which outlines how we are improving fraud detection, reducing losses, and supporting sustainable debt recovery.

Priority 2

Spotlight on Child Poverty Strategy



In December 2025 the department, alongside the Department for Education, published the Child Poverty Strategy which set out a collaborative, cross-government approach to reducing child poverty.

The Strategy marks a significant step change in both ambition and scale. The removal of the two-child limit alone will lift 450,000 children out of poverty, rising to 550,000 alongside other measures. This will lead to the largest expected reduction in child poverty over a Parliament since comparable records began.

We have also set out a comprehensive programme of analysis which underpins the strategy and strengthens our understanding of child poverty with the introduction of a deep material poverty measure for the first time. It is estimated that 1.4 million children in deep material poverty will live in households that see an increase in income as a result of the modelled measures.[19]

Child maintenance

The Child Maintenance Service (CMS) supports separated parents to work together in the interests of their children and to set up their own private family-based child maintenance arrangements when it is safe and appropriate to do so, with the statutory scheme existing for parents that need it. Child maintenance payments significantly reduce child poverty, keeping around 120,000 children out of relative low income on an after housing costs basis.

The CMS offers two service types: Direct Pay, where the CMS calculates the amount of maintenance to be paid and parents make the payments themselves; and Collect and Pay, where the CMS calculates, collects and manages payments on behalf of parents,

20 For more details of deep material poverty see: Deep material poverty: Financial year ending 2024 – GOV.UK

including the application of fees – 4% for the receiving parent and 20% for the paying parent.

The Department has confirmed it aims to remove the Direct Pay service. This change will be made when parliamentary time allows. Moving to a single, strengthened Collect and Pay system will allow the CMS to monitor all payments, identify missed or partial payments immediately, and take faster enforcement action, ensuring we get more money to children. Additionally, fees for those using the CMS will be halved, maintaining a 20% fee for non-resident parents who refuse to pay on time and in full.

Alongside this work, we are exploring ways to externalise a range of messages and information to build confidence in CMS, increase take up and provide information and support about family-based arrangements.

From 30 April 2025, we changed the priority order for Universal Credit deductions so that CMS deductions are moved to the top, increasing the amount of maintenance that reaches receiving parents.

There have been 150,000 new applications to the CMS in the year to December 2025, an increase of 1% from the year to December 2024 and in the 12 months up to December 2025, the CMS arranged around £1.6 billion in child maintenance payments.

At the end of December 2025, the CMS was managing 800,000 arrangements for 720,000 Paying Parents. There has been a 6% increase in the number of arrangements since the end of December 2024.

At the end of December 2025 there were around 1.1 million children covered by CMS arrangements: 620,000 children were covered by Direct Pay arrangements, and 440,000 children were covered by Collect and Pay arrangements.

Of the 240,000 Paying Parents due to pay via Collect and Pay in the quarter ending December 2025, 75% (180,000) paid some maintenance compared to 68% in the same period last year.

Client Funds

In November 2025, HM Treasury issued a revised Accounts Direction for child maintenance client funds. This direction ceased the requirement to produce separate client fund accounts and instead requires the overall cash position for these funds to be audited and reported within the notes to the Department's Resource Account. See page 381.

The following table provides additional CMS scheme detail on the client funds received and paid and an analysis of the movements in unpaid maintenance balances across the year. The client fund data in this section for the year to 31 March 2026 has not been subject to audit. In the year to 31 March 2025 the Legacy scheme accounts were subject to a disclaimed audit opinion.

Child maintenance client funds

	Year to 31 March 2026		Year to 31 March 2025	
	2012 Scheme £'000s	93/03 Schemes £'000s	2012 Scheme £'000s	93/03 Schemes £'000s
Cash Received				
Child maintenance received from paying parents	350,488	11,815	284,514	14,106
Fees, charges and other recoveries collected on behalf of the Secretary of State	88,241		70,794	
Cash Paid				
Child maintenance paid to receiving parents	339,526	11,647	275,113	13,740
Refunds to paying parents/employers	9,691		7,012	
Fees, charges and other recoveries paid to the Secretary of State	88,241	155	70,794	201
Cash Balance held at 31 March	14,179	356	12,907	344

	Year to 31 March 2026		Year to 31 March 2025	
	2012 Scheme £'000s	93/03 Schemes £'000s	2012 Scheme £'000s	93/03 Schemes £'000s
Unpaid maintenance				
Unpaid child maintenance owed at the start of the year	711,075	150,419	623,933	172,490
Maintenance charged other adjustments	440,588	(1,199)	384,652	(1,670)
Maintenance received and allocated	(346,243)	(11,803)	(280,227)	(13,942)
Maintenance written off	(14,026)	(5,955)	(13,106)	(6,377)
Movement in unallocated cash and other corrections	(224)	(26)	(4,177)	(82)
Unpaid child maintenance owed at the end of the year	791,170	131,436	711,075	150,419

As at 31 March 2026, unpaid child maintenance totalled £791.2 million under the CMS 2012 scheme (31 March 2025: £711.1 million) and £131.4 million under the closed legacy CMS 93/03 schemes (31 March 2025: £150.4 million). Compared to March 2025, legacy unpaid maintenance fell by £19.0 million as arrears are collected and the caseload continues to wind down. Unpaid maintenance on the CMS 2012 scheme grew by £80.1 million, reflecting increases in newly accruing arrears, case volumes, and the movement of non-compliant Direct Pay cases into Collect and Pay.

Across all CMS schemes, total receipts in 2025-26 increased to £450.5 million, up from £369.4 million in 2024–25, while payments rose from £366.9 million in 2024-25 to £449.3 million in 2025-26. This change was driven by increases in the 2012 scheme that outweighed the falls in legacy scheme flows as those cases continue to wind down.

The accuracy of the CMS's maintenance calculations in 2025-26 was assessed at 99.6% (2024-25: 99.5%). This assessment compares the aggregate weekly value of correct and incorrect child maintenance calculations to determine the percentage of cases that have been correctly assessed.

Reducing Parental Conflict programme

Frequent, intense and poorly resolved conflict has proven negative impacts on children's development, mental health and life chances. The Reducing Parental Conflict Programme continues to improve children's outcomes by making relationship support available to families who need it, by working with a range of family service providers. Together we enable parents to access the support which will help them address parental conflict, whether they are together or separated.

Across 2025-26, we provided up to £6.7 million in grant funding to local authorities in England to deliver relationship support alongside their family help offer. We published the report into our second Reducing Parental Conflict challenge fund[21] which explored digital innovations in relationship support, and diversifying the support on offer to ensure all families can benefit from the programme's work. We began research and development supporting plans to expand availability of RPC support. This included commissioning user research into parents' support-seeking activities and gathering information on:

- Parental conflict support where a parent has been imprisoned
- Where a child or young person has gone missing
- If and where RPC interventions could support separated parents, through working with CMS colleagues.

Family Community Work Coaches (FCWC)

The Department spent approximately £15 million in our network of around 300 FCWC during 2025-26 in England. FCWC support families with multiple disadvantages to secure and sustain employment. They also provide a holistic 'whole family' approach to employment support, working closely with local authority Family Help teams and operating from jobcentres and community settings including family hubs, schools, and libraries.

Sure Start Maternity Grant

We have continued to provide families in England and Wales with financial support at a time of specific need. The Sure Start Maternity Grant provides a one-off payment of £500 to eligible parents to help with the costs of a baby (or babies in the event of a multiple birth). Regulated payments from the Social Fund for Sure Start Maternity Grants

21 Reducing Parental Conflict Challenge Fund: final learning report, March 2025 – GOV.UK

cost £26 million in 2024-25. In 2023-24 the regulated payments amounted to £24 million.

Parental leave and pay review

On 1 July 2025, we announced the launch of the parental leave and pay review, which is co-led by the Department for Work and Pensions and the Department for Business and Trade. This is an evidence-based review that reflects and considers the perspectives and experiences of those who engage with the parental leave and pay system.

We expect the review to run for a period of 18 months. The review will publish its findings in early 2027.

Financial security interventions

Local crisis support

We provided £742 million through the Household Support Fund, which ran from 1 April 2025 to 31 March 2026, a scheme enabling local authorities across England to deliver rapid support to vulnerable households facing immediate crisis, particularly with the cost of household essentials such as energy, water and food. The Devolved Governments received funding through the Barnett formula to be spent at their discretion.

Local authorities were able to deploy the funding flexibly to meet local needs, supporting a broad range of vulnerable households through direct payments, vouchers, application-based awards, grants to third-party organisations, the direct provision of food, and referrals to local community support. The funding also enabled some authorities to develop and deliver more in-depth, preventative support with longer-term, sustainable impacts, helping to prevent vulnerable households from falling into or falling further into crisis.

Case study research into the delivery of the Household Support Fund and Discretionary Housing Payments was used to inform successful implementation of the Crisis and Resilience Fund and was published on 26 February 2026.

Housing support

Ensuring people have a secure, decent, and affordable place to live is vital to tackling child poverty and hardship and ensuring financial security for all.

Based on 2024-25 outturn, we provided housing support to 5.7 million households in the social and private rented sector (Spring Forecast 2026) (compared to 5.5 million in 2023-24). Based on 2024-25 outturn we spent £39.9 billion on Housing Benefit and the housing element of UC to support with rental costs (real terms, 2026-27 prices – GDP deflators at market prices, and money GDP March 2026 (Spring Statement) – GOV.UK) (compared to £35.3 billion in 2023-24). We also maintained Discretionary Housing Payment support, delivered through local authorities, at £100 million for England and Wales in 2025-26.

For homeowners, we supported around 14,500 households to remain in their homes by providing Support for Mortgage Interest (SMI) loans in the quarter up to November 2025. Since eligibility was extended to UC claimants in work in April 2023, the number of working age claimants has increased from around 9,600 in Q2 of 2023, to roughly 12,600 by Q4 of 2025, around a 30% increase.

We have maintained close collaboration with the Ministry of Housing, Communities and Local Government and local authorities to test how sharing UC data can strengthen the enforcement of housing standards in the private rented sector, improving quality and recovering taxpayer funds spent on non-decent accommodation. As part of this work, a UC data sharing pilot was launched with 41 local authorities to increase the efficiency and accuracy of the rent repayment order process.

Annual review of benefit rates

The Secretary of State is required by law to undertake an annual review of State Pension and benefit rates following a review of trends in prices and earnings over the previous year. In November 2025, the Secretary of State conducted his statutory review of State Pension and benefit rates for 2026-27. In April 2026, relevant State Pension rates were increased by 4.8%, in line with earnings growth. The majority of other State Pension and benefit rates were increased by 3.8%, in line with the consumer prices index. The Department legislated, through the UC Act 2025, for the first sustained above inflation rise in the Universal Credit standard allowance since it was introduced. From 6 April 2026 it will be uprated by 3.8%, plus an additional 2.3%.

Priority 2 Outcomes

DWP Poverty Statistics

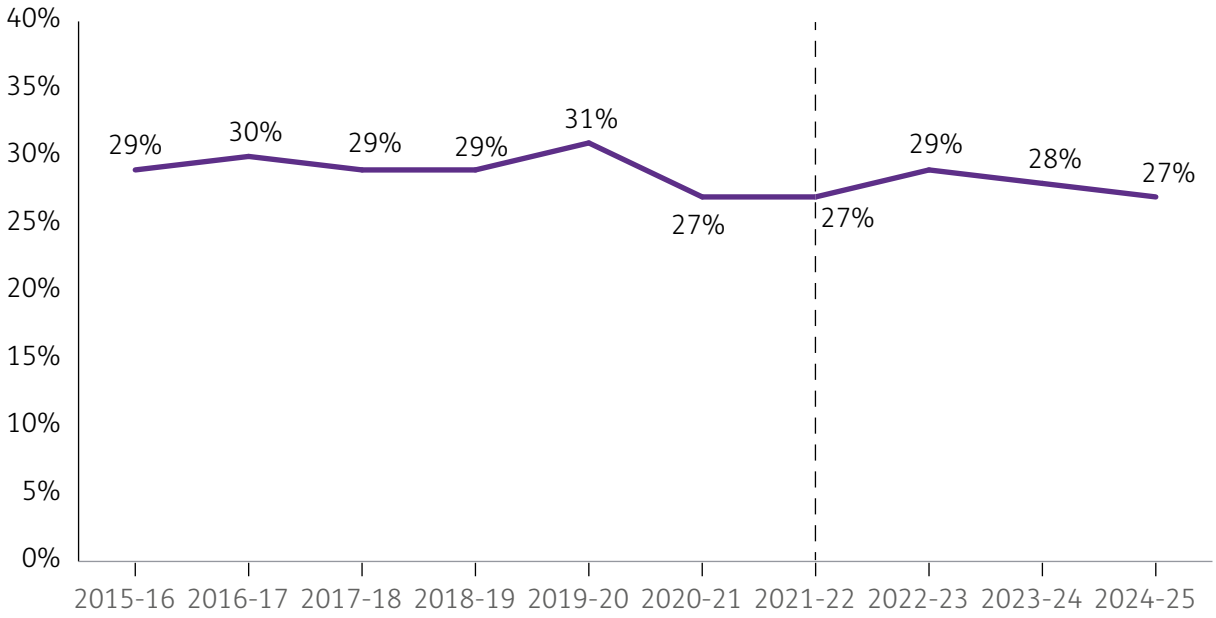
The government's preferred poverty measure is relative poverty after housing costs as the poverty line reflects changes in standards of living based on the overall median income in the specific year. The deep material poverty for children measure, first published with the Child Poverty Strategy in December 2025, is a second headline poverty metric for the Child Poverty Strategy and has now been incorporated in the annual Households Below Average Income statistics.

The latest poverty statistics, released in Households Below Average Income 2024-25, now integrate survey and administrative data, specifically replacing survey responses with administrative data for the major DWP and HMRC benefits. This improvement means key Household Below Average Income (HBAI) low-income measures, including relative poverty, have changed for all years from 2021-22 and there is a break in HBAI series at this point. Data for years before and after this break should not be directly compared.

Relative low-income rate, after housing costs, for children

In 2024-25, 27% of all children in the UK, or 4 million, were living in relative poverty after housing costs. This compares with 28%, or 4 million, in 2023-24.

Percentage of children in relative poverty after housing costs[22]



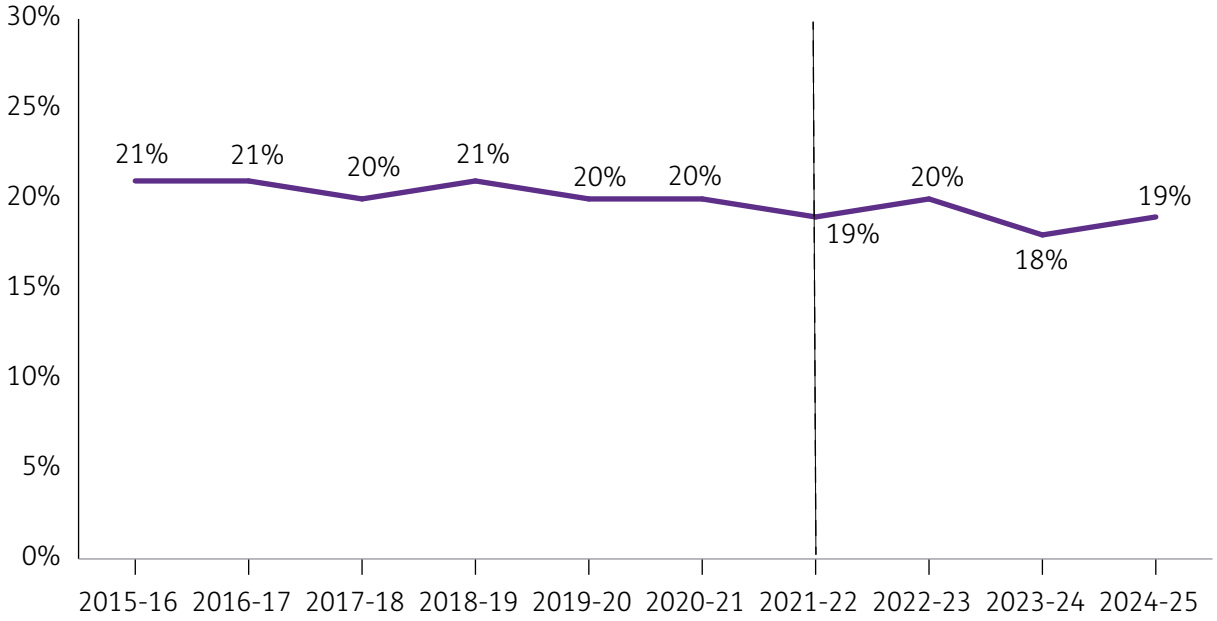
Source: Households below average income (HBAI) statistics – GOV.UK

Relative low-income rate, after housing costs, for working-age adults

The latest statistics show that the number of working-age individuals in relative poverty after housing costs increased by 300,000 between 2023-24 and 2024-25. In 2024-25, 19% of all working-age adults in the UK, or 7.7 million people, were living in relative poverty after housing costs. This compares with 18%, or 7.4 million, in 2023-24.

22 From 2021-22, survey data has been integrated with DWP and HMRC administrative records. This improved approach results in a break in the series between 2020-21 and 2021-22 and income data before and after the break are not comparable. Dotted lines and notes have been added to all charts which cover the break point to signal the change to administrative-linked data and other smaller updates to historical data.

Percentage of working-age adults in relative poverty after housing costs, 2014-15 to 2024-25[23]



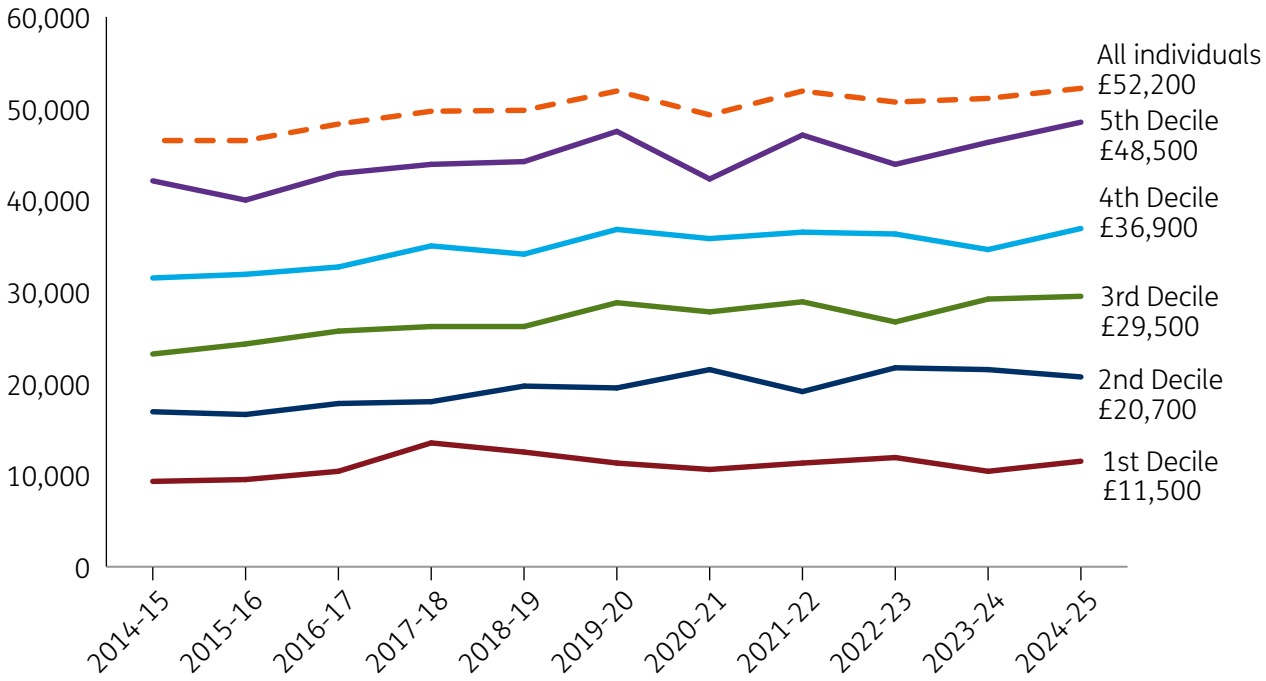
Source: Households below average income (HBAI) statistics – GOV.UK

Real earnings of working households, with a focus on the bottom half of the income distribution

Average (median) real earnings for all individuals have been on a slight upward trend and increased in 2024-25. At the bottom half of the income distribution (average (means) of 5th decile and below) most deciles showed some improvements, apart from the 2nd decile which saw a small decrease.

23 From 2021-22, survey data has been integrated with DWP and HMRC administrative records. This improved approach results in a break in the series between 2020-21 and 2021-22 and income data before and after the break are not comparable. Dotted lines and notes have been added to all charts which cover the break point to signal the change to administrative-linked data and other smaller updates to historical data.

Average gross household earnings in the bottom half of income distribution (5th decile and below), individuals below State Pension age, 2024-25 prices, 2014-15 to 2024-25



Source: Households below average income (HBAI) statistics – GOV.UK

Priority Outcome 3

Shape the pensions system to serve the interests of savers and pensioners, ensuring decent, secure retirement incomes for all

Introduction

The Department has continued to focus efforts on supporting people to have a decent, secure retirement income, both for today's pensioners and for future generations. We do this through the provision of the State Pension and pensioner benefits, regulation of the UK workplace pensions market to ensure performance and stability, steps to encourage increased pensions participation, and efforts to reform both the state and private systems. This year we have delivered the following:

State Pension and Triple Lock

Over the last year, we have continued our support to pensioners through implementing the Triple Lock; the government's commitment to increase the basic and new State Pensions each year by the highest of either inflation, average earnings growth, or 2.5%.

As a result, the basic and new State Pensions increased by 4.1% from April 2025 as earnings growth was the highest relevant rate. The full rate of the new State Pension increased from £221.20 to £230.25 a week, worth an additional £470 a year. The full basic State Pension increased from £169.50 to £176.45 a week, worth an additional £360 a year.

The Triple Lock is estimated to increase people's yearly State Pension by up to £2,100 by the end of the Parliament, seeing spending on people's State Pensions forecast to rise by over £30 billion more a year, compared with 2024-25.

Get your State Pension (GySP)

The GySP service now supports over 3 million citizens, offering a modern and reliable digital platform to apply for State Pension and manage ongoing claims. Digital engagement remains high, with 82% of applicants choosing to claim their State Pension online, and 78% of these claims being processed and paid automatically.

Since its launch, manage your State Pension (MySP) has undergone a series of iterative enhancements and can now support a broader range of citizen transactions, including updates that were previously only possible through staff intervention.

The MySP online service, now enables customers to securely access payment details, update personal information, and carry out the most common changes online without any intervention from the Department's staff. This enhanced online provision has now been extended to all State Pension recipients, including those on legacy systems, making it possible for them to update details such as their address online. By empowering State Pensioners to manage their information digitally, we have reduced pressure on our telephone services, ensuring that those who are unable to use online options can access dedicated support more easily.

Apply for Pension Credit

We have made improvements to both the online claim and telephony claim service to support the uptake of Pension Credit so that pensioners get the support to which they are entitled. Alongside this we are designing and delivering a new service to support people who claim both State Pension and Pension Credit to streamline their experience and deliver joined-up outcomes.

Pension Credit applications and awards

Maximising the take-up of Pension Credit has remained a priority with an ongoing communications campaign across television, radio, social media and the press. We have also engaged with other government departments, local authorities, housing associations and a wide range of local community organisations and national charities.

Changes announced in June 2025 meant that Winter Fuel Payments were no longer linked to receipt of Pension Credit. The Scottish Government took the decision to replicate this for Pension Age Winter Heating Payment. As a result, the volume of new Pension Credit applications was lower. Nevertheless, the Department still received 209,735 Pension Credit applications up to 22 February 2026, awarding 147,150 claims, compared to 327,330 applications up to February 2025, awarding 169,640 claims. Over a similar period, cases outstanding (awaiting a decision) reduced by 65% to 11,710 (year to 16 February 2026).

Latest figures show a continued increase of over 10,000 households receiving the Guarantee Credit, which is the income safety net element of Pension Credit, between February and August 2025.

Parliamentary and Health Services Ombudsman (PHSO) investigation: women's State Pension age

On 21 March 2024, following an investigation lasting six years, the Parliamentary and Health Service Ombudsman (PHSO) published their final report which included recommendations on the government's communication of changes to State Pension age. The government responded in December 2024.

Relevant evidence from 2007 relating to the effectiveness of letters emerged, and in November 2025 the Secretary of State committed to make a new decision on the State Pension age communications element of the previous December 2024 decision.

After considering the relevant information, on 29 January 2026 the Secretary of State announced in Parliament the government's new response.

The government accepted the PHSO's findings on maladministration and apologised for the 28-month delay in sending letters but concluded it would not be appropriate to pay compensation.

The full details of the decision and the Secretary of State's statement can be found on GOV.UK[24]. An action plan was published in June 2026, which sets out how will learn lessons from PHSO's investigation. Full details are available in the DWP action plan: State Pension age communications and complaints handling - GOV.UK

Automatic enrolment

Automatic enrolment has continued to support most employees in the UK to save for their retirement and participation continues to be strong. The latest statistics[25] show that around 9 in 10 eligible employees are participating in workplace pension saving and opt-outs have remained low at around 9%.

Pensions dashboards

Pension dashboards will allow people to view all their pensions securely and in one place, helping savers better engage with their pensions and retirement planning. The Pensions Dashboards programme (PDP), led by the Money and Pensions Service (MaPS), is responsible for delivery and significant progress was made over 2025-26[26].

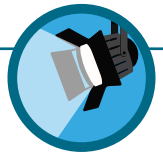
Over three-quarters of workplace and personal pension records in scope have been connected to the central digital architecture. State Pension data is also now connected, representing tens of millions of additional records. Low-volume user-testing of the MoneyHelper Pensions Dashboard started in October 2025 and is set to ramp up over the course of 2026. This work is pivotal to ensure that dashboards are safe, secure and operationally reliable.

24 https://www.gov.uk/government/publications/government-response-to-parliamentary-and-health-service-ombudsmans-investigation-into-womens-state-pension-age-communications-and-associated-issues
25 Workplace pension participation and savings trends of eligible employees: 2009 to 2024 – GOV.UK]
26 Homepage | UK Pensions Dashboards Programme

Government also remains committed to private sector dashboards. PDP has been engaging with the pensions industry on the groundwork needed to facilitate these, following the launch of MoneyHelper.

Priority 3

Spotlight Pension Schemes Act



The Pension Schemes Act was introduced in June 2025 and received Royal Assent on 29 April 2026. The reforms delivered through the Act will create a more efficient, resilient pensions landscape. The Act focuses on improving value and efficiency for workers' pension savings, with an average earner saving over their career potentially gaining up to £29,000 more by retirement[26].

The intention is for the reforms to transform the defined contribution (DC) landscape to focus on value and better outcomes for savers, with fewer, larger and less fragmented schemes empowered to make longer-term investments in the UK. The intention for the Act is to enable defined benefit (DB) pension scheme trustees to amend their scheme rules, modifying rules that restricted or prevented surplus release, giving more flexibility to share surplus funds with sponsoring employers and members, and legislates for a robust framework for DB superfunds, providing an option for employers with closed well-funded DB schemes unable to afford buy out.

Pensions Commission

In July 2025 we established a new Pensions Commission, which will assess the adequacy, fairness and sustainability of the pensions system for future cohorts of retirees and make recommendations to government on long-term change. The commission published its Interim Report[28] on 19 May 2026 and will make its final recommendations in spring 2027.

Collective defined contribution (CDC) pensions

CDC pensions pool risks and assets and have the potential to offer members a regular income for life without requiring complex investment decisions. In response to the increasing appetite in the pensions industry to provide CDC schemes, the Department legislated in October 2025 to enable multi-employer schemes to seek authorisation to offer these schemes to employers. These regulations will come into force on 31 July 2026. At the same time, we launched a consultation exploring how CDC pensions could provide a regular income in retirement for traditional DC savers and are considering the responses.

27 Pension Schemes Bill Impact Assessment
28 Interim Report

Defined benefit schemes

For Defined Benefit (DB) schemes, following the Pension Schemes Act, trustees of well-funded schemes will have greater flexibility to access surplus funds of their scheme. The Pension Protection Fund (PPF) will also be allowed to reduce the levy it collects, given its reserve. Both of these measures, as well as the creation of a permanent regime for DB Superfunds, are intended to support growth by allowing funds to be allocated more efficiently whilst ensuring DB pensions can remain a long-term pipeline for investment.

In the 2025 Budget, we made changes to the DB pensions compensation system, introducing annual increases in future on compensation payments from the PPF and Financial Assistance Scheme (FAS) on pensions built up before 6 April 1997. These will benefit over 250,000 members whose former schemes provided for these increases.

Trusteeship and governance

Across the DB, DC and CDC landscape for trust-based occupational pension schemes, trustee standards and good governance are essential for delivering value for members. That's why we have this year consulted on improving the standards of pension scheme trusteeship, governance and administration. The consultation closed in March and we will respond in due course.

State Pension age review

The government launched the third State Pension age review on 21 July 2025. The review will enable the Secretary of State to consider whether the State Pension age rules are appropriate for the coming decades. In considering this, the review will look at the latest Office for National Statistics life expectancy data, examine other relevant evidence and take into consideration a report from the government actuary in relation to the average time an adult can expect to live in retirement. The review will also consider an independent report on the balance between fairness and sustainability in setting State Pension age. We plan to publish the review by the end of March 2029.

State Pension age increase to 67 communications

In April 2026 State Pension age began increasing from 66, it will reach 67 in March 2028. In October 2025, we launched a marketing campaign across radio, press, social media and advertising in public spaces, encouraging people to check their State Pension age. We have also shared campaign messages with local authorities, housing associations and a wide range of local community organisations and national charities.

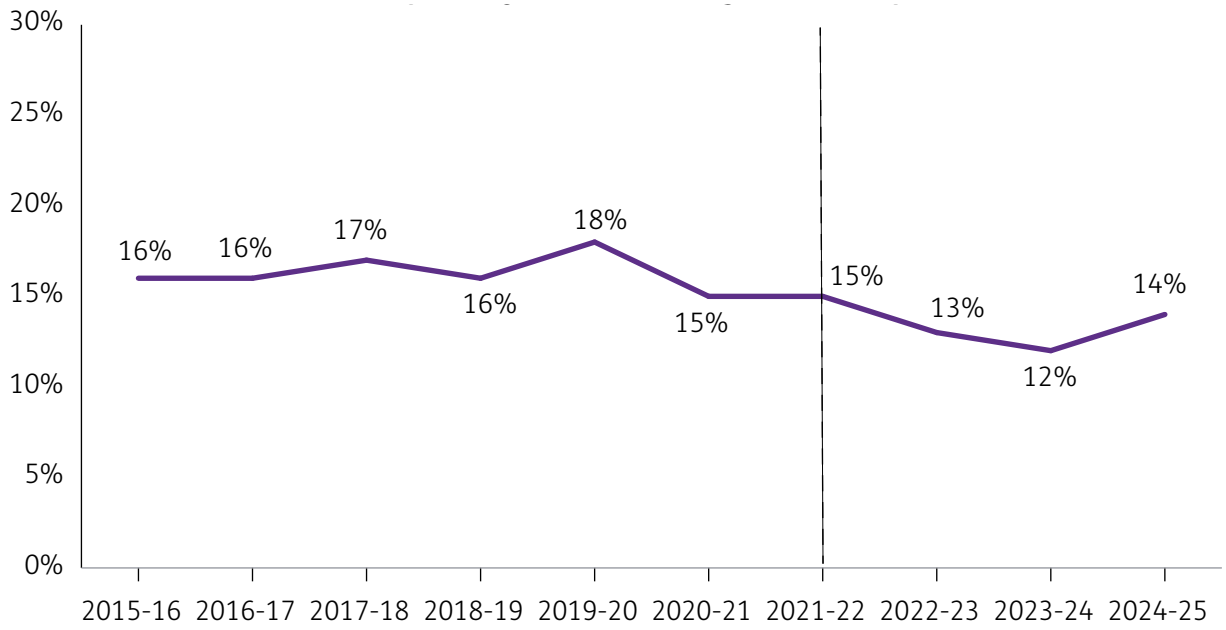
Between 2016 and 2018 we sent direct, personalised letters to all people with a State Pension age of between 66 and 67. The Department has also begun to send reminder letters to people with a State Pension age of 67, with around 4 million letters sent in 2025-26.

Priority 3 Outcomes

Relative low-income rate, after housing costs, for pensioners (UK)

In 2024-25, 14% of all pensioners in the UK were living in relative low-income households after housing costs. This compares with 12% in 2023-24.

Rate of relative poverty, after housing costs, for pensioners[29]



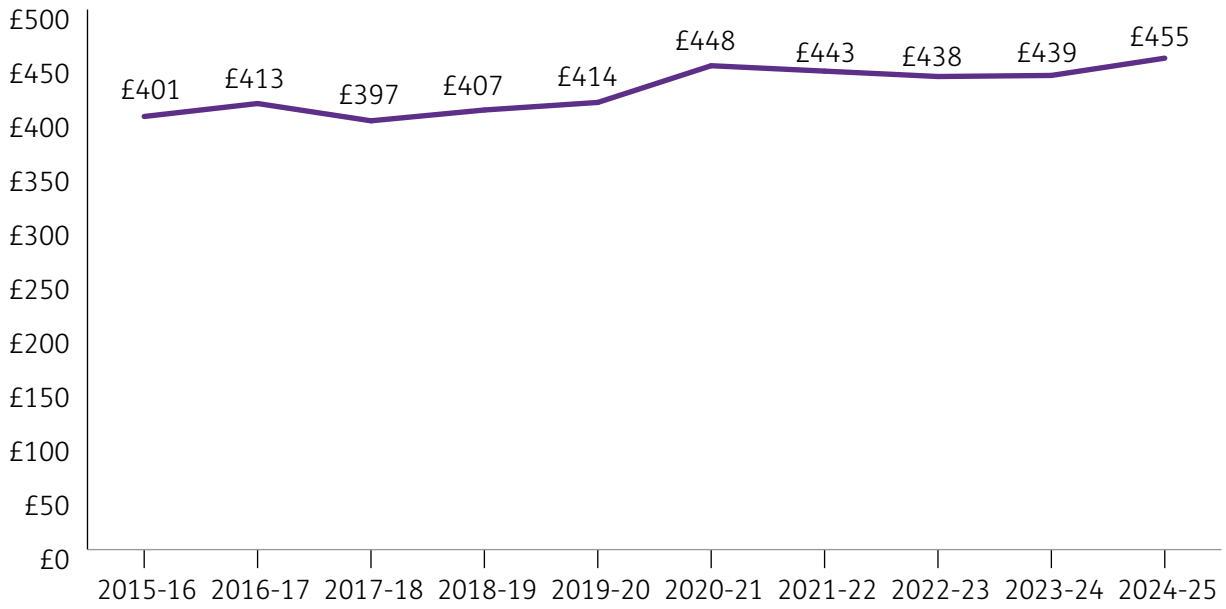
Source: Households below average income (HBAI) statistics – GOV.UK

29 From 2021-22, survey data has been integrated with DWP and HMRC administrative records. This improved approach results in a break in the series between 2020-21 and 2021-22 and income data before and after the break are not comparable. Dotted lines and notes have been added to all charts which cover the break point to signal the change to administrative-linked data and other smaller updates to historical data.

Pensioner income levels

Pensioner median income levels were £455 per week in 2024-25. This compares to £439 in 2023-24.

Pensioner median income levels[30]



Source: Pensioners' Incomes: financial years ending 1995 to 2025 – GOV.UK

30 From the March 2026 publication, administrative data has been integrated into the FRS to replace survey responses for the major DWP and HMRC benefits. This reduces the under-reporting of benefits that is currently seen in the FRS (and therefore PI).

This integration of administrative data impacts the proportion of benefit units on State Pension, disability benefits, and income-related benefits, as well as the average weekly amount, and thereby gross and net income. This will be seen in all years from FYE 2022 (in March 2026) and from FYE 2019 (in summer 2026). There is a structural break in the PI series at these points, and we advise users not to make a direct comparison of changes in income across the break. Please see section 2, 'Linking survey and administrative data' in this report and the PI Background, Information and Methodology (BIM) report for more information. For more information on the improved approach, see the latest technical paper

Priority Outcome 4

Pursue a just, equal and inclusive society, ensuring independence and control for all disabled people

Introduction

The Department has continued to strengthen support for disabled people and those with health conditions, helping them live independently and participate in society. We are improving financial support, assessments and employment services to reduce barriers and increase opportunity. Alongside this, we are modernising disability benefits and working with disabled people and their organisations to create a more accessible, responsive and inclusive system.

Priority 4

Spotlight on transforming support for disabled people through co-production and system reform

We launched the Timms Review, the first full review of the Personal Independence Payment (PIP), co-produced with disabled people and expert organisations. We modernised disability benefits by expanding the new PIP service, enabling over 90% of customers to submit health information online and testing a more personalised case-management model. We accelerated the Department's employment support through the Pathways to Work offer. These changes created a more accessible, responsive system and formed the foundation for long-term reform across disability, health and employment support.

Personal Independence Payment (Timms Review):

The Timms Review was announced in July 2025, which will be the first full review of PIP since it was introduced in 2013. The aim of the review is to make sure PIP is fair and fit for the future in a changing world and helps support disabled people to achieve better health, higher living standards and greater independence including through employment. The review is being co-produced with disabled people, the organisations that represent them, and other experts.

A 12-person steering group to lead the co-production process has been appointed. The group has established its ways of working, themes for the review and has launched a call for evidence, which will sit alongside a wide range of other methods of engagement to hear a range of views and voices. The review will publish an interim report of progress ahead of the review's final report to the Secretary of State by autumn 2026.

Expert Clinical Support

The Department is supported by an expert multidisciplinary clinical team that provide evidence based ethical advice and oversee the clinical governance within the department.

Clinical Governance is the process of continuous improvement underpinned by seven pillars. The pillars are patient involvement, clinical effectiveness, risk management and patient safety, clinical audit, education and training, staffing and leadership, and effective information management. Collectively, these pillars support continuous improvement, evidence-based practice and clear accountability ensuring services remain safe, ethical and aligned with best practice. Further details can be found in our clinical governance report 2025-26, published in June 2026.

During the year, we have enhanced the training provision for over 5,000 health care professionals, implemented new compliance visits to the providers of health assessments, reviewed our Internal Process Review Process to ensure clinical investigation learning is fully embedded, and laid new legislation so that all of our health care professionals undertake enhanced Disability and Barring Service checks before they commence employment.

Disability Living Allowance (DLA)

We allocated additional resources to the DLA processing teams handling claims from parents and guardians of disabled children, increasing Case Manager capacity from 231 FTE to a peak of 369 FTE between October 2024 and May 2025, supported by a structured programme of 11 training courses. As a result, the time taken to determine new claims reduced from a peak of 97 days at the end of 2024 to 31 days by early 2026, allowing families to receive financial support quicker.

At the start of the 2025 to 2026 financial year, DLA Child, one of the three DLA claimant groups alongside DLA Adult and DLA 65+, held 118,000 outstanding claims. We reduced this to a steady state level of 39,000 by 30 March 2026, below the acceptable head of work of 45,000 claims, which defines the steady state level of cases expected at any given time. There are plans to review this on a quarterly basis.

We also improved the speed of new claim clearances: at the beginning of 2025 only 2% of new claims were cleared within 45 days. In early January 2026, 86.5% of new claims were cleared within 45 days. Since the week commencing 16 March 2026, performance has been sustained at or above the 90% customer journey target in almost all weeks, with an average clearance rate of 91.6%, ensuring timely support for customers.

Employment and Support Allowance (ESA)

During the managed migration of people who had been receiving Employment and Support Allowance (ESA) to Universal Credit (UC), many of whom were disabled or had long term health conditions, the Department focused on minimising operational risk and supported disabled people to move to UC with clarity and confidence.

To ensure that disabled claimants and others at risk of disengagement received the right support, the Department introduced the Enhanced Support Journey, which was activated when an ESA claimant had not made their UC claim by week 12. Analysis showed that most claimants who were able to self-serve did so within 12 weeks of receiving their migration notice. Intervention at week 12 allowed additional support to make a claim for UC for those with barriers. This tailored approach included:

- Proactive contact via text and telephone, offering reassurance and personalised guidance
- Referrals to Citizens Advice, complex case support teams or the Help to Claim service, enabling specialist support for people with fluctuating conditions, limited digital confidence or additional access needs
- Home visits where disability, ill-health or personal circumstances made remote engagement difficult
- Automatic four-week extensions following home visits, recognising that disabled claimants might need more time due to health conditions, treatment, caring duties or accessibility barriers

Qualitative research with legacy benefit customers, including ESA claimants, strongly supported this approach. Participants who received a call from us found the support helpful, describing the calls as an opportunity to ask questions about the migration process, clarify how their benefits might change, and better understand what moving to UC would mean for them. Operational feedback showed the same pattern.

The research also highlighted the importance of flexibility particularly for ESA claimants. Many participants used these calls to request extensions to their migration deadline, which they valued greatly. Extensions were particularly significant for disabled people and those with caring responsibilities or health issues, who often needed additional time to complete their UC claim. Other participants used the call simply to confirm that they planned to claim UC independently and did not require further support; while they declined additional help, they emphasised that they appreciated being offered it and felt reassured that assistance was available.

To protect disabled claimants financially, those claimants who made a claim to UC by their deadline date were eligible for transitional protection. This is a temporary top-up that ensures a claimant moving to UC does not receive less benefit at the point of transfer than they did under the legacy system, provided their circumstances stay the same.

More detail on the ESA Move to UC journey can be found on page 73 under Priority 5.

Review of Carer's Allowance (CA)

In December 2024, the previous Secretary of State commissioned an independent review into Carer's Allowance overpayments, which we received in July 2025. In November 2025 we published the independent review into earnings-related overpayments of Carer's Allowance, and our response to the report's recommendations.

Our response can be found here: Government Response to the Independent Review of Carer's Allowance Overpayments – GOV.UK

We have accepted or partially accepted 38 out of the 40 recommendations. Some recommendations have already been delivered including updating guidance, while changes to modernise the system will take time to put in place. Progress will be reported to parliamentary committees every six months.

The review found issues with departmental guidance. We accept that, between April 2015 and 2 September 2025, the guidance on whether and how to average earnings did not accurately reflect the statutory position with respect to some people whose earnings fluctuated. The reassessment exercise began on 13 April 2026. In most cases, we already hold the information we need – carers do not need to take any action unless contacted by the Department.

The reassessment exercise addresses overpayments linked to earnings, correcting cases where irregular earnings fluctuations meant Decision Makers should have had discretion to apply averaging. Faulty guidance removed this discretion, preventing consideration of whether averaging was appropriate and over what period. Around 200,000 cases will be reassessed using existing data, with around 26,000 cases to be paid as refunds or reduced overpayments overall. Where the Department may no longer hold information due to data protection rules a straightforward online form will be made available to complete. Cases will be reviewed on a largely randomised basis, with cases where no date is held towards the end. The exercise began on 13 April 2026, and we will work through cases until completion, the funding runs from April 2026-March 2029, and totals £75 million, from Autumn Budget 2025. The reassessment covers Great Britain, including Scottish cases from 2018–2025 when the Department administered the benefit on behalf of Scottish Ministers.

We want carers to be able to increase their income by combining their caring responsibilities with some work, which is why we have increased the CA earning limit to match 16 hours' work at National Living Wage levels. This is the largest ever increase in the earnings limit since Carer's Allowance was introduced in 1976 and the highest percentage increase since 2001.

Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper

Since last year's Annual Report and Accounts, we have moved from consultation to delivery on the Pathways to Work Green Paper, securing Royal Assent for the Universal Credit Act 2025, and we will be investing £3.5 billion in employment support over this Parliament for disabled people and those with health conditions, and deepening

co-production with disabled people through new collaboration committees, reviews and advisory groups. We published an analysis of the responses to the Pathways to Work Green Paper consultation in October.

Universal Credit Act 2025

The Universal Credit Act 2025 received Royal Assent on 4 September 2025 and came into force on 6 April 2026. The Act rebalanced UC, addressing unintended incentives, supporting those who could work to enter or return to employment, and targeting support towards individuals with the most severe health conditions. The government made a sustained, above inflation increase to the standard rate of UC for the first time since it was introduced. Government rebalanced UC by reducing the UC health addition to £217.26 per month and froze it until 2029-30 for those newly defined as having limited capability for work and work-related activity. Claimants with severe, lifelong conditions who meet the severe conditions criteria, and those with less than 12 months to live where special rules for end of life apply, will continue to receive the higher UC health rate no matter when they apply. For further protection, those who meet the severe conditions criteria will not be called for a UC award reassessment.

Right to Try

During 2025-26, the government took forward work to strengthen the right to try work, aiming to give disabled people and people with health conditions greater confidence that trying work would not trigger an immediate reassessment. We published draft regulations in June 2025 setting out how this would operate for UC, New Style Employment and Support Allowance (NS ESA) and Personal Independence Payment (PIP). Following engagement with charities, disabled people's organisations, and other experts in a Right to Try collaboration committee, we amended the draft legislation to include volunteering in the scope of the Universal Credit, Personal Independence Payment and Employment and Support Allowance (Amendment) Regulations 2026. These came into force in April 2026 and aim to clarify in law that trying work, including voluntary work, will not, in and of itself, trigger a PIP award review or a work capability reassessment for NS ESA and UC Health customers.

Supporting more people with ill-health and more disabled people to enter and stay in work

Long-term sickness continues to be the most common reason for economic inactivity among the working-age population. In January to March 2026, 2.8 million working-age people were out of work due to health conditions – around 800,000 more than before the pandemic. The cost to the UK economy is now estimated at £212 billion a year, around 7% of GDP.

Pathways to Work

In our Pathways to Work Green Paper we set out our commitment to build towards, by the end of the decade, a guaranteed offer of personalised work, health and skills support for all disabled people and those with health conditions on out-of-work benefits.

We have begun to deliver towards that commitment through our Pathways to Work offer. We are creating a coherent and navigable offer of support by bringing together and building on a range of specialist initiatives to support individuals to stay in work and get back into work.

Our approach has some key elements:

- Ensuring there is an improved offer in jobcentres, linked to the process of making a benefit claim
- Delivering more intensive support, both through nationally consistent programmes and through locally tailored offers
- Making sure that health and employment support are well integrated
- Continuing to test and learn, so that we are clearer about what works, including in relation to which parts of the system are best placed to engage people
- Making it less likely that people fall out of work by working with employers, providing early support, and making sure people are aware of what is available (including through working with the health system)

Improving the offer in jobcentres: Pathways to Work advisers

Since July 2025, around 1,000 (FTE) Pathways to Work Advisers have been in place in jobcentres across England, Scotland and Wales, providing personalised one-to-one support to customers with health conditions and disabled people. Over the year 2025-26 more than 65,000 Universal Credit customers with Limited Capability for Work and Work-Related Activity (LCWRA) have accessed voluntary Pathways to Work Adviser support. Since 8 April 2026, customers with LCWRA now see a new notification banner on their Universal Credit account giving them information on the support available and allowing them to opt into being contacted by a Pathways to Work Adviser.

Continuing to test and learn: Support Conversation

We have launched a small-scale proof of concept to test offering a voluntary support conversation to disabled people and those with health conditions who are out of work and yet to have their Work Capability Assessment (WCA) and those who have undertaken their WCA and been determined to have limited capability for work and work-related activity. The purpose of the support conversation is to build a shared understanding of individuals' goals, aspirations, and support needs, and to signpost them to services including health, debt, housing and employment support that best matches their needs. The conversation is both an early opportunity to discuss support

needs separately from financial entitlement decisions, and to recognise that some individuals are better supported later, for example after treatment or recovery.

A nationally consistent but locally tailored offer: Connect to Work

Connect to Work is a voluntary, locally led supported employment programme across England and Wales for individuals who are disabled, have a health condition or another complex barrier to employment to find and sustain work. In 2025-26, the vast majority of Connect to Work areas opened for participants, with the few remaining areas opening in the first half of 2026 and the aim of supporting 300,000 people by the end of the decade.

In 2025-26, we agreed outcomes for the seven established mayoral strategic authorities (Greater Manchester, West Midlands, North East, West Yorkshire, South Yorkshire and the Greater London Authority – representing the four London sub-regional partnerships) due to receive their Connect to Work funding via the integrated settlement from April 2026. The Department agreed that from April 2026, the Greater Manchester Mayoral Combined Authority can use their Connect to Work funding to pilot their Prevention Demonstrator, instead of delivering Supported Employment.

Early support through the health system: WorkWell

Launched in pilot phase in 15 Integrated Care Board (ICB) areas from October 2024, WorkWell is a health and employment support service providing integrated holistic early help for health-related barriers to work. WorkWell is locally designed and delivered in local partnerships led by local health systems. Participants can be referred or signposted to the voluntary support from a range of settings including primary care, jobcentres, employers, local authorities and Voluntary, Community and Social Enterprise (VCSE). They receive a holistic assessment and a support package.

Following positive early findings in the pilot phase, WorkWell will continue to be delivered in existing sites and expand across all of England backed by up to £259 million investment over three years.

Evaluation to measure the effectiveness of the pilot is underway, including an independent consortium of evaluators using surveys, interviews, and econometric measures of success. A final report will be available in autumn 2028.

The WorkWell Primary Care Innovation Fund was a short-term pilot, offering the 15 WorkWell pilot sites a share of £1.5 million of single-year funding to boost capacity in primary care to provide better work and health support via the fit note process. The fund aimed to reduce pressure on GPs, improve patients' work and health outcomes, and build the evidence base for how the fit note process within primary care can be improved.

Sites mainly spent the money on hiring a range of additional roles such as social prescribers and work and health coaches to improve the wraparound offer for patients receiving a fit note or increasing the numbers of occupational therapists and physios to

issue fit notes instead of GPs. Learnings from the Innovation Fund are helping to inform future reform, including the design of the new fit note pilots announced in May 2026[31].

Integrated health and employment support: employment advisers in NHS Talking Therapies

Jointly funded with the Department for Health and Social Care, all NHS talking therapies services now offer employment support to patients being treated for mental health conditions. Between April 2025 and March 2026, the service has provided tailored employment support and advice to approximately 85,000 patients.

Economic inactivity trailblazers

Nine place-based economic inactivity trailblazers were launched from April 2025. They received a share of £80 million of funding to design and test new interventions to tackle economic inactivity. A further £80 million funding has been confirmed for 2026-27.

The economic inactivity trailblazer areas are: North-East Combined Authority, West Yorkshire Combined Authority, South Yorkshire Combined Authority, Greater Manchester Combined Authority, York and North Yorkshire Combined Authority, Greater London Authority (which delivers three Trailblazers), and the Welsh Government.

The areas are testing a combination of the following:

- The integration of work, health and skills support at the local level
- Identifying and engaging the economically inactive group
- Testing new interventions to support this group to participate in the labour market

Areas are working with partners including local authorities, the NHS, Jobcentre Plus, colleges, training providers, and voluntary and community services to address economic inactivity.

In 2025-26 areas have responded positively to the opportunity, designing and implementing a wide range of activities to improve their local health, skills and work system, including delivery of new employment and skills services to economically inactive people. They have implemented their year 1 delivery plans broadly as expected and are continuing to deliver their new services and activities as we enter year 2.

An evaluation of the Youth Guarantee and Economic Inactivity Trailblazers has been commissioned and will use a range of quantitative and qualitative methods to assess the effectiveness of the programme. We expect to publish interim findings in 2027 and a final report in 2027-28.

Insights from the trailblazers will help to inform future policies particularly in relation to supporting people with health conditions moving towards employment through our wider Pathways to Work approach. We will continue to work closely with Strategic authorities and Welsh Government as this is developed.

31 Broken fit note system to be overhauled – GOV.UK

Jobs Plus pilots

Following the launch in Summer 2024, we committed £2.1m to continue to work with the National Learning and Work Institute and social housing providers to trial the community-led Jobs Plus model across 10 social housing communities in England. Jobs Plus provides holistic support from a hub central to the community with no eligibility criteria, fostering a neighbourhood culture of work and inclusion.

The Institute for Employment Studies produced an evaluation of the pilots in June 2026. The report indicated positive findings including supporting over 1,000 participants in the first 18 months of delivery. The pilots have been extended for a further year to March 2027 and will feed into the wider Pathways to Work evidence base.

Access to Work

Access to Work (AtW) has supported disabled people and those with health conditions to enter and stay in work since 1994, funding workplace adjustments that go beyond employers' duties under the Equality Act 2010. While the scheme has remained broadly unchanged for 30 years, demand has grown significantly. In 2025-26, there were 144,983 applications for Access to Work support, compared to 76,100 applications received in 2018-19. This increase in demand has contributed to longer processing times and delays. In response, we have increased staffing and streamlined processes but recognise that we need to do more to improve the experience of our customers.

We have now concluded the AtW collaboration committees, in which we engaged with a range of stakeholders including disabled people's organisations and lived experience users to provide discussion, experience, and challenge to the design of the AtW Scheme.

In February 2026, National Audit Office (NAO) published its independent report[32] which focused on the purpose and administration of the scheme. We welcome its findings and, together with the insights gathered from the Pathways to Work consultation, are carefully reviewing their recommendations as we consider future improvements to the scheme.

Integrating health and employment support: Getting It Right First Time (GIRFT) Musculoskeletal Community Delivery Programme

The Getting It Right First Time (GIRFT) Musculoskeletal Community Delivery Programme aims to reduce waiting times for community musculoskeletal (MSK) appointments and enhance access to quality treatment including improving pathways to wider support services.

An evaluation[33] of health systems participating in cohort 1 between December 2024 and March 2025 suggested a rapid, statistically significant, decline of around 20% (or over 8,000 people) in the 18+ week waiting lists in participating ICBs. The qualitative findings demonstrated that the programme was widely seen as timely and effective in the short term.

32 National Audit Office (NAO) published its independent report
33 Evaluation shows MSK waiting lists reduced by 20% during GIRFT pilot

Improving in-work support: Statutory Sick Pay

As part of the government's Make Work Pay manifesto commitment, we delivered measures to strengthen Statutory Sick Pay (SSP) in the Employment Rights Act 2025. The waiting period will be removed so SSP is paid from the first day of sickness absence, and the Lower Earnings Limit will also be removed as an eligibility criterion. This will ensure that all eligible employees, irrespective of their income level, will have access to the safety net of SSP when they need to take time off work due to sickness. These changes came into force on 6 April 2026.

Keep Britain Working

The Keep Britain Working independent review, published on 5 November 2025, highlighted the scale of health-related economic inactivity and the important role employers can play in helping people stay in work. The development of a Healthy Working Lifecycle of best practice, underpinned by a certified standard;

- Creating effective, employer-facing workplace health provision
- Driving adoption through evidence and incentives

To deliver these reforms, the review called for the launch of a "Vanguard phase" to develop and test the ideas and initiatives in the review with volunteer employers, providers and UK regions. Therefore, since early 2026, we have been working with small groups of employers to iteratively develop the Healthy Working Lifecycle, focusing on data, prevention, and stay-in and return-to-work approaches. This work will continue across 2026-27.

In 2026-27, we will establish the Workplace Health Intelligence Unit, develop the Healthy Working Lifecycle as a standard in partnership with British Standards Institution, and the first iteration of a certification for Workplace Health Provision.

Occupational health provision for small and medium-sized employers

To address gaps in occupational health provision for small and medium-sized employers, we delivered a one-off funding programme providing Accredited Institution of Occupational Safety and Health training to line managers. This initiative aimed to equip up to 5,000 managers to hold better conversations about health and work, promote early intervention and support inclusive employment.

Working with disabled people and expert consultation

We worked closely with disabled people and organisations that represent them to ensure lived experience informed the design and improvement of our services. This helped ensure our approach was fair, accessible and responsive to people's needs.

The collaboration committees (July to November 2025) brought together disabled people, disabled people's organisations, charities, and experts to work in partnership with us, providing recommendations across five key policy areas. Some of these have

already been implemented such as including volunteering in the Right to Try legislation, guaranteeing that disabled people and those with health conditions can volunteer without triggering an immediate, automatic benefit reassessment. Our feedback surveys showed this resulted in strengthened trust, better relationships, and a better understanding of our position.

Through the Independent Disability Advisory Panel, we embedded disabled people's lived experience more systematically in the design of health and disability policy, strengthening our approach to employment-related reforms.

Disability Confident scheme

The Disability Confident scheme helps employers build more inclusive workplaces, with around 19,000 organisations participating, representing approximately 11 million employees. Following engagement with individuals and organisations, there are plans to reform the scheme to provide a more trusted and credible framework, with clearer standards, stronger support, and greater use of lived experience through the scheme's Professional Advisers Group.

Information and Guidance

Work has continued to improve support to businesses and employees on disability and health-related scenarios at work. The 'Support with Employee Health and Disability Service (SEHD)' is a digital resource aimed at small and medium-sized employers that helps them to feel more confident having conversations about health and disability, understand their legal obligations and access expert guidance.

Neurodiversity Employment

In line with the commitment outlined in Make Work Pay for government to raise awareness of neurodiversity in the workplace, the Department launched an independent panel of academics with expertise and experiences of neurodiversity in January 2025[34]. In addition, funding was provided to Advisory, Conciliation and Arbitration Service (ACAS) to run a series of free of charge masterclasses on neurodivergence for small and medium-sized employers between January and March 2026.

Health Transformation Programme

Expanding and modernising the new PIP service

The Health Transformation Programme is transforming the entire PIP service to improve customer experience and efficiency, build trust in decisions and support people to enter or remain in work. The Health Transformation Programme is a long-term project moving away from the current ways of operating gradually and carefully. It remains on track to conclude in 2029.

We increased availability of the alternative online route whereby customers can submit their health information online after they call us to begin their claim. This is available to

34 independent panel of academics with expertise and experiences of neurodiversity in January 2025

over 90% of PIP customers, and is benefitting customers by removing postage times and increasing accessibility, while also delivering value for money by reducing printing, postage and manual handling costs, and supporting more efficient processing of claims.

We also continue to develop a new PIP service. Since taking the first cases through this, in December 2024, we continued to develop and improve the service to handle a greater volume of applications from claim to payment. As part of this, we are testing a case management model, a more personalised approach helping us to understand our customers and build customer confidence and trust in the progression of their claim. We began testing where it is appropriate for case managers to make entitlement decisions without a full health assessment, supporting shorter journey times.

Exploration hubs

We explored new ways to support disabled people and people with health conditions move towards sustainable work. In March 2026, we launched a virtual employment support offer, increasing accessibility and take-up of wider support and employment. We commenced a small-scale test whereby occupational therapists delivered voluntary therapeutic interventions to disabled people and people with health conditions to test how valuable these direct interventions were in supporting people to move towards sustainable work.

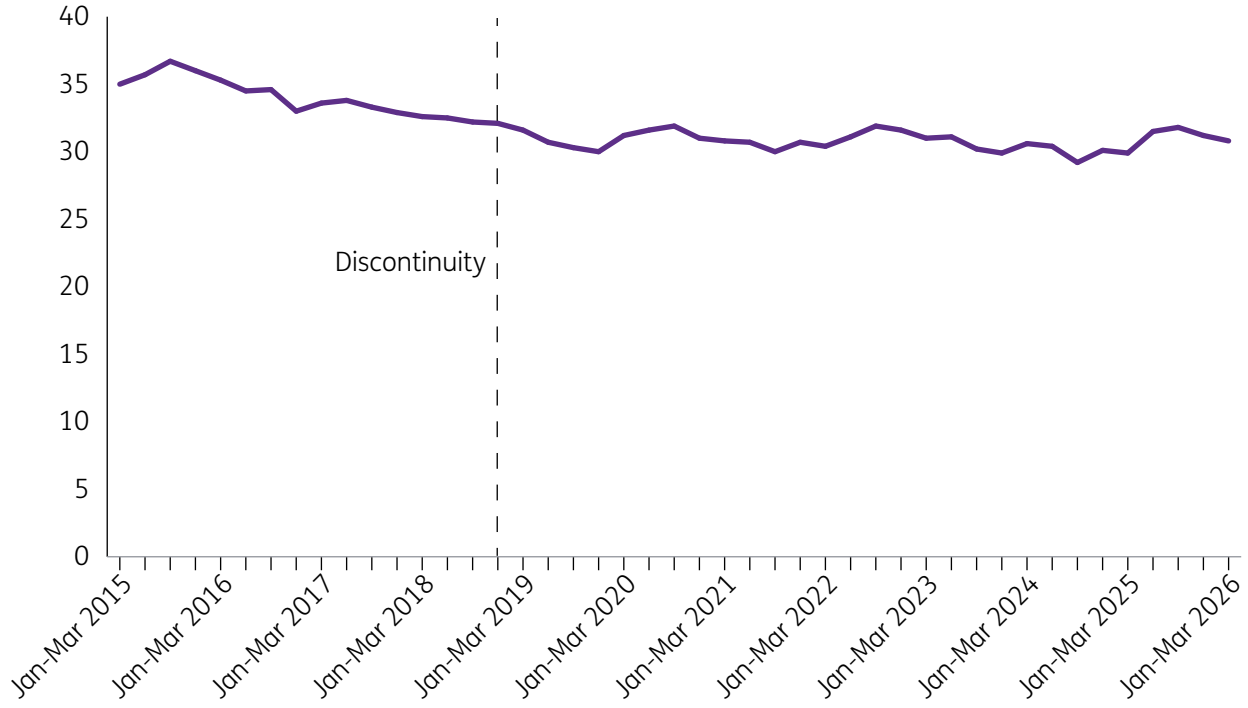
Testing the new health assessment service

The Programme is creating a new health assessment service and making digital and process enhancements to drive efficiency in the assessment service. We began testing the new health assessment service with all of our assessment providers on a small scale and received positive feedback. This service will eventually replace the IT and processes that our providers use to provide a more customer focused and efficient service. We also commenced small-scale testing of a transformed decision-making approach, in partnership with assessment providers, whereby healthcare professionals assess the functional impacts of a customer's disability or health conditions but do not provide a view on the customer's score against descriptors or award outcomes. Case managers continue to make the final entitlement decision using all available evidence. The aim of this operational change is to free up assessment provider capacity and improve decision making quality.

Priority 4 Outcomes

Disability employment rate gap, people aged 18 to 66

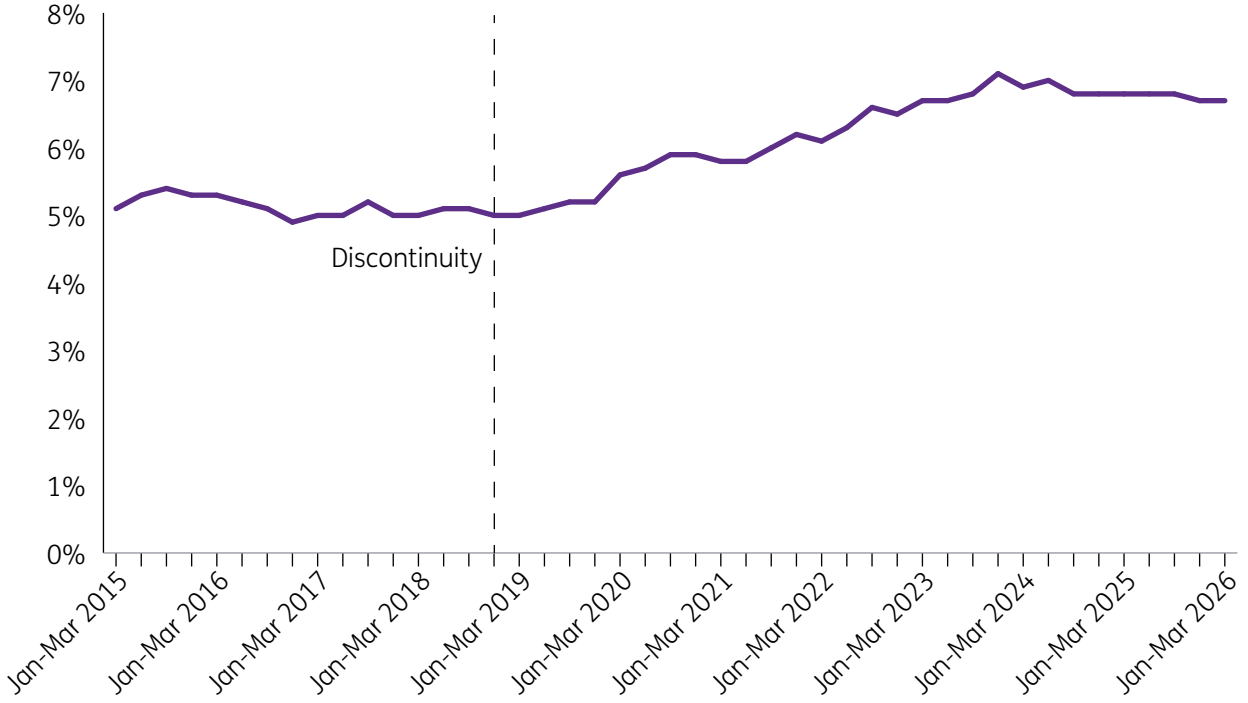
The gap between the employment rates of disabled and non-disabled people, aged 18-66, had been reducing over time. There is, however, a recent volatility in the data. It is at 30.8 percentage points, a 1.0 percentage point increase on the year but is 0.8 percentage point below pre-covid (Jan-Mar 2019).



Source: DWP analysis of the ONS Labour Force Survey, non-seasonally adjusted

Economic inactivity due to long-term sickness for people aged 18 to 66

Economic inactivity due to long-term sickness had been trending upwards among people aged 18-66 since 2019. It is since flattened and currently at 6.7%, unchanged on the year and 1.7 percentage points above pre-covid (Jan-Mar 2019).

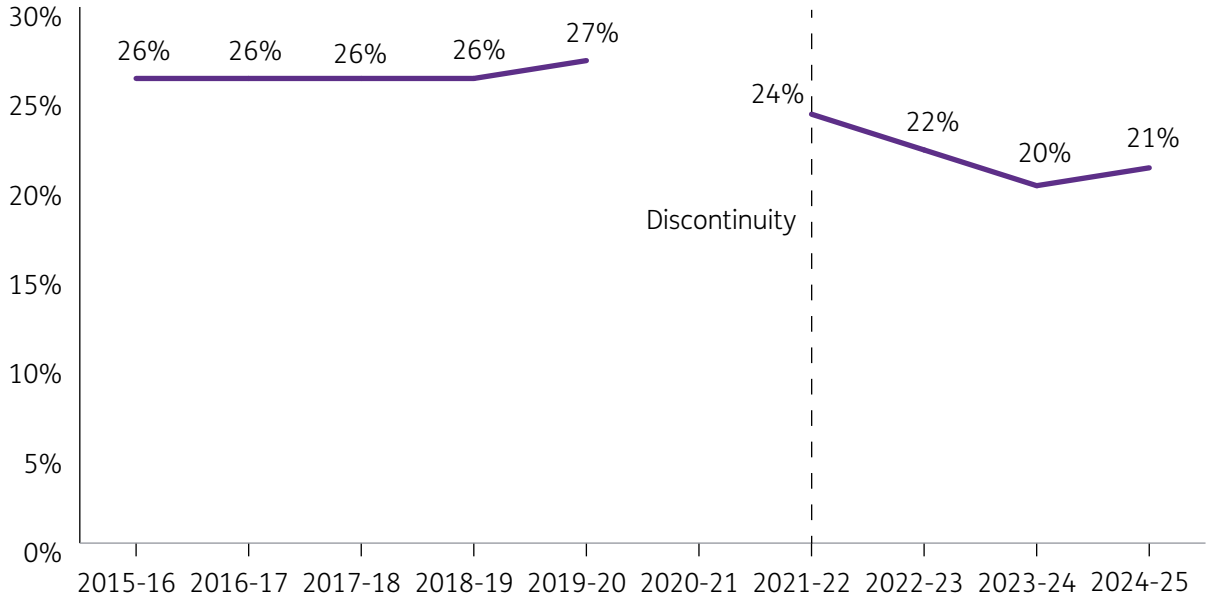


Source: DWP analysis of the ONS Labour Force Survey, non-seasonally adjusted

Rate of relative poverty, after housing costs, for individuals in families where someone is disabled[35]

In 2024-25 the rate of relative poverty after housing costs for individuals in a family where someone is disabled was 21%. This compares to 20% in 2023-24.

Rate of relative poverty (after housing costs) for working age adults in families where someone is disabled[36]



Source: Households below average income (HBAI) statistics – GOV.UK

35 Data relating to 2020-21 is not available in these tables or via Stat Xplore due to data quality concerns affecting many of the HBAI estimates calculated below UK (headline) level for that year. Further details can be found in the technical report which accompanied the release of the 2020-21 statistics. This report details the impact of the coronavirus (COVID-19) pandemic on the size and composition of the FRS sample.

36 From 2021-22, survey data has been integrated with DWP and HMRC administrative records. This improved approach results in a break in the series between 2020-21 and 2021-22 and income data before and after the break are not comparable. Dotted lines and notes have been added to all charts which cover the break point to signal the change to administrative-linked data and other smaller updates to historical data.

Priority Outcome 5

Deliver high quality, efficient services, ensuring that people are treated with dignity and respect

Introduction

In this section we discuss how our services performed during 2025-26, highlighting the steps we have taken to deliver high-quality, efficient services whilst always keeping dignity and respect at the heart of everything we do.

We will highlight how our modernisation activities, such as the new Customer Account Service, are delivering improvements for customers and colleagues. We also update on the final phase of Move to Universal Credit (UC).

Our performance analysis covers progress against key performance indicators, including reducing service delivery backlogs, improving Disability Living Allowance Child (DLAc) performance, raising quality standards and speeding up new claims timeliness and telephony.

Modernising services

In 2025-26 we have made significant progress in transforming our services, replacing outdated legacy systems, embedding a culture of innovation, and expanding digitally enabled delivery across more of the services that so many people rely on. Our commitment to modern, digitally enabled delivery means that more customers than ever can now complete tasks online at a time that suits them, helping us manage demand more effectively while ensuring we can provide dedicated support to those who need it most, including people with additional needs.

We have continued to enhance our online services, including making improvements to the online Attendance Allowance (AA) new claims service, Child Maintenance Service (CMS), and Pension Credit applications, to make them simpler and more straightforward for people to use. Building on this progress, we have plans in place to expand the use of improved technology across more of our services, including the careful introduction of automation and artificial intelligence where it can genuinely improve outcomes for the public.

Some Service Modernisation Successes in the last 12 months

Colleague View allows frontline colleagues to confirm payment data to customers receiving more than one benefit. This reduces the need to contact multiple benefit lines to gather simple payment information.

Beginning with 30 agents, over the last year this has evolved to **15,000** users. Agents have access to information covering five benefits, including up-to-date payment information.

To enhance the customer experience, we have developed an **Attendance Allowance (AA)** online claims service.

From 1 April 2025 to 1 March 2026, we received over **190,000 online applications** to AA.

Enhancements to the service now allow terminally ill customers to provide supporting medical evidence online, making it easier for people in some of the most challenging circumstances to access the support they need.

Predictive Analytics within Child Maintenance Services are helping to identify and flag cases where payments may be at risk of breaking down. Caseworkers can use this to proactively intervene and work with customers to address payment issues.

Live since March 2025, Predictive Analytics is helping us to address potential issues, provide solutions more quickly, and ensure the flow of maintenance to the families and children who are entitled to it.

Our **Modernising Customer Contact** project has made great progress in addressing our reliance on paper, print and post, modernising our communications without negatively impacting customer experience. Simply by removing DLA (Child) Christmas Bonus Letter we have saved an estimated 838,000 sheets of paper, equating to £530,000 in administration costs and 136 tonnes of carbon emissions this year alone.

Additionally, uprating notifications for 9.5million people claiming State Pension have been redesigned, resulting in clearer and more concise communications that will deliver savings and environmental efficiencies by reducing the volume of paper we produce.

Child Maintenance Service modernisation and improvement

Throughout 2025-26, CMS continues to focus on delivering services with greater effectiveness and efficiency. The aim is to better support separated families and contribute to reducing child poverty. As part of the wider DWP Service Modernisation Programme, CMS is reshaping the service offer by making better use of digital channels and helping more customers to self-service.

Enhancements to online services – including Get Help Arranging Child Maintenance, Apply for Child Maintenance (including Respond to Child Maintenance Application), and My Child Maintenance Case – have increased the functionality available to customers, enabling them to manage their arrangements, report changes, track progress, and make payments easily and at a time that suits them. The introduction of Customer Connect, allows customers to respond to requests for information in a quick and convenient way.

Alongside digital improvements, telephony services have been strengthened through improved call handling, clearer messaging options to direct calls and support for customers who need help using online services. Progress has been made in outbound communications, including clearer letters and wider use of text messaging and email, so information is clearer to understand and reaches customers faster.

Together, these digital and telephony improvements make it easier for customers to engage with CMS, keep maintenance arrangements on track, help to support children and contribute to reducing the risk of child poverty. Further improvement is planned for 2026-27.

CMS have 1,100 fewer staff to deliver services to over 50% more customers than in a pre-modernised service, as technology has reduced manual demand (e.g. 1.5m fewer telephone calls). See table below.

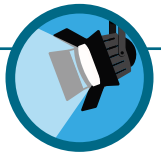
	2019-2020	2025-26
Caseload (exc Arrears Only Cases)	520,000 [1,7]	810,000 [4,6,7]
Change of Circumstances Received (exc Automated)	1,990,000 [1,7]	1,430,000 [4,6,7]
Complaints as % of Client Activity	0.23% [2,8]	0.15% [4,6,8]
Accuracy	99.0% [2,9]	99.7% [4,9]
Changes Raised Online	340,000 [2,7]	1,970,000 [4,6,7]
Parents Engaging Online Only	N/A [3]	79% [5,6,10]
Percentage of Calls Answered	79% [1,10]	82% [4,6,10]
Calls Offered	3,420,000 [2,7]	1,900,000 [4,6,7]
Staffing levels (FTE)	5,500	4,400

1. Source: Child Maintenance Service statistics: data to March 2020 (experimental) – GOV.UK
2. Source: Internal DWP MI 2019-20 CMG Data Summary
3. No online only products in 2019-20
4. Source: Internal DWP MI 2025-26 CMG Data Summary
5. Source: Internal DWP MI 2025-26 Channel Optimisation Dashboard
6. Only includes data from April 2025 to February 2026, excludes March 2026 due to incomplete data
7. Volumes rounded to the nearest 10,000
8. Percentage rounded to two decimal places
9. Percentage rounded to one decimal place
10. Percentage rounded to nearest whole number

CMS caseload will continue to grow, however our expectations are that this increase will eventually reach a point of stability. Modernisation will continue to be crucial to ensure that a continued rising demand can be managed without a significant increase to cost of services.

Priority 5

Spotlight on Customer Account



The first step towards digitising customer communications from physical to online is the online Customer Account. The Customer Account is a secure, online location where customers will be able to view their DWP-held information and make certain changes. We are making it possible for some customers to obtain instant proof of their benefits entitlements online, 24/7, helping them quickly unlock savings on household bills and access vital cost of living support.

The Get proof of your benefits and State Pension service launched in September 2025 across eight benefit lines (AA, Disability Living Allowance (DLA) for adults, Employment and Support Allowance (ESA), Income Support (IS), Jobseekers Allowance (JSA), Pension Credit, Personal Independence Payment (PIP) and State Pension). PIP customers who previously relied solely on the PIP telephony service line. Operational analysis for 2023-24 shows that demand included approximately 250,000 requests for proof of benefit letters, with almost half of these coming outside standard office hours – it has reduced pressure on telephone lines and improved the customer experience.

Since the service moved to Public Beta in September 2025, analysis has indicated that 80% of requests have been to download the Proof of Benefits Letter, with 18% selecting both download and one to be sent in the post, and only 2% selecting a postal letter only.

Many organisations – including energy companies, broadband providers and local councils – require proof of benefits before customers can access essential discounts and schemes. Previously, this meant calling during office hours or travelling to a jobcentre.

Move to UC: ESA transition

In 2026 we completed the implementation of UC by successfully completing the final Move to UC phase, getting claimants of income-related ESA to claim UC, (with the exception of claimants with appointees which will complete migration by the end of the financial year 2026-27).

The implementation of UC was a transformation of DWP services for eight million people. We introduced a modernised service, based on the latest digital technology which was carefully phased over several years to minimise the risks to customers and give time for people to adapt. This was change on a scale not previously attempted by the Department, conducted under intense scrutiny and external pressure. It has produced a system that is £500 million a year cheaper to run than the systems it replaced, has high levels of public satisfaction, incentivises work, and provides support to citizens in their hour of need.

The final phase of this huge reform was the implementation for the nearly 900,000 customers receiving ESA, widely perceived as the most challenging. We knew that many of these customers had been on ESA for a long time, might not be used to working digitally with DWP and had anxieties caused by past debates about the introduction of UC. We developed arrangements for transitional protection to support the approximately 440,000 ESA customers whose entitlements were lower under UC than previously.

As part of our planning, we discerned a need for bespoke arrangements to ensure that people could be supported, not just financially in the transition, but also in making the move. We worked with stakeholder groups, charities and the wider third sector to develop arrangements. In what ultimately became known as the Enhanced Support Journey, a series of interventions were developed to ensure cases did not fall out of payment during the transition process and that customers who had vulnerabilities could access support.

We also knew that at the start we would not have all the answers, so our plans needed to be flexible enough to allow us to adapt to what we found. For example, we found that some appointees (people who act for customers unable to do so for themselves) no longer wished to or no longer were acting as the appointee. Where these customers had no family or friends to act as appointees, we worked with local authorities to step in as corporate appointees. In all of this we were not driven by the timetable to complete the exercise, but by how long it would take to ensure the customers could move to UC safely.

Over 97% of ESA claimants who were sent a migration notice made a claim for UC and Operational MI at the end of March 2026 suggested under 2,000 claimants out of nearly 900,000 former ESA claimants were yet to move to UC because they (i) had been notified to claim UC but had not yet claimed or had their ESA terminated, or (ii) had their notification cancelled as they were awaiting an appointee. Legacy Tax Credits, IS and JSA have all been closed and customers have made the transitions to UC without difficulty. This major change has passed without issues seen in previous work at this scale.

Any programme delivering over a decade is prone to scope creep, Universal Credit invested in strong governance frameworks to enable impacting of policy changes and major unforeseen events (including the pandemic) to absorb necessary changes, impacting plans as appropriate and robustly defend against changes which distracted from Programme outcomes. Critically, emphasis was placed on feedback mechanisms throughout the operating model to ensure that outcomes at the front line met policy intent. This focus on outcomes through iterative design and agile delivery enabled teams to feel empowered to deliver and build momentum rather than chasing arbitrary milestones.

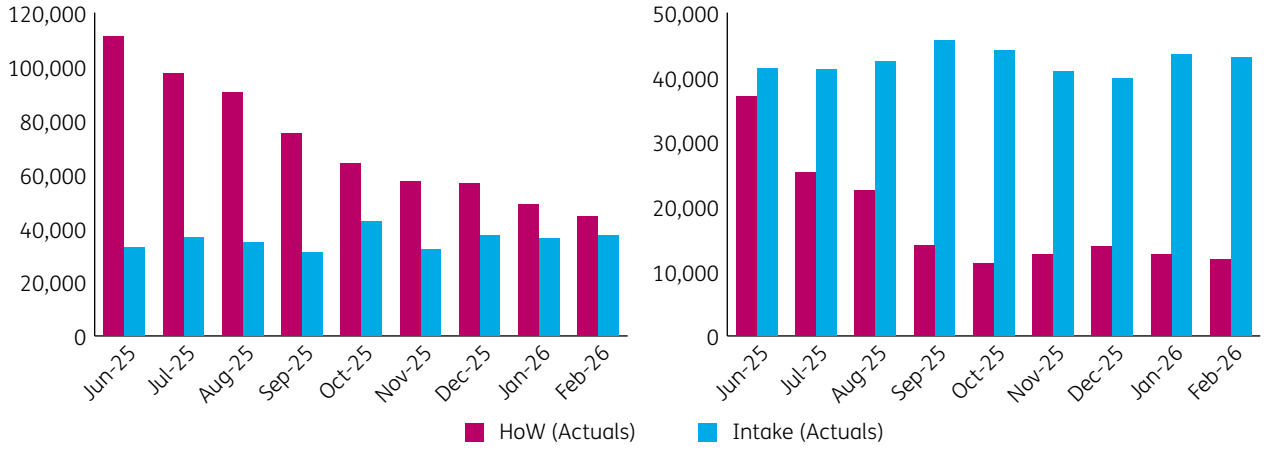
Our performance

Backlogs in service delivery

Heads of Work (HoW) are an inherent feature of service delivery, as some level of pending work is a natural part of, and in fact necessary, when efficiently managing a large and diverse caseload. However, in areas where outstanding HoW rise above levels that support efficient throughput or lead to extended customer journeys, we classify this as a backlog and take steps to address it.

Over the past year, we reduced backlogs and improved timeliness across key services through targeted recruitment, redeployment of colleagues to where they were needed the most, and continued rollout of modernisation initiatives. These combined efforts delivered sustained improvements in the volume of work processed and in the overall experience for customers. As a result, we have significantly reduced outstanding work, clearing more than 600,000 outstanding actions across multiple service backlogs, including those that experienced pressures in previous years such as Disability Services and Retirement Services.

Two of those longer standing backlogs which have been resolved in 2025-26 are Disability Living Allowance child and Attendance Allowance. The DLA(c) chart below shows the HoW peaked at above 111,000 and then gradually reduced to a steady state as we brought more colleagues into the service to clear older cases. The AA chart shows a similar picture, with the HoW at the end of the year one-third of what it was at the start. Both services are now out of backlog and operating within a steady state.



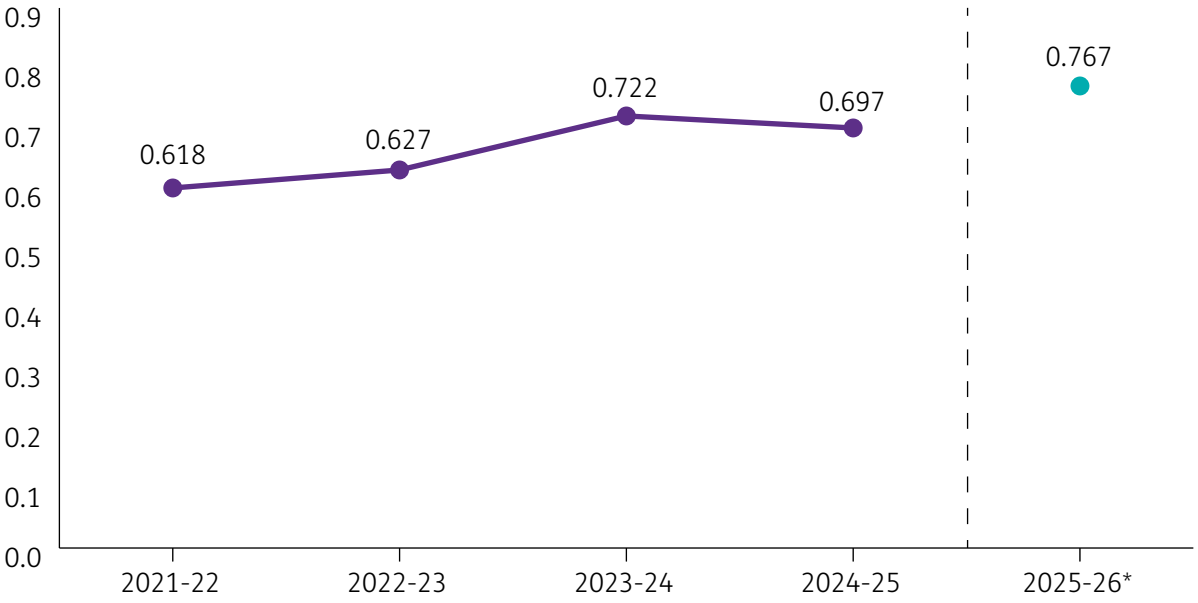
Source: Internal DWP management information
(Intake= number of new benefit claims coming into the system)

New claims timeliness

We have made efforts to enhance the processing of new claims in 2025-26 as signalled in last year's Annual Report and Accounts, to assess performance more consistently, we have aligned our timeliness data to be more comparable, consistent and capture the experience of customers right across their journey on making a new claim. This means that all services will now be working to the same expectation, aiming for 90% of claims to be cleared within the respective planned timescale for that benefit. This change in reporting (i.e. moving all data to a 90% measure where previously this varied) is shown in the chart below.

We processed 1.8% fewer claims throughout 2025-26 compared to 2024-25. Overall demand has reduced by 6% compared with 2024-25, however DLAc has seen a 15% increase on the previous year with Pension Credit having dropped on the previous year following the Winter Fuel Payment impacts last year.

The chart below shows that in 2025-26, 76.7% of new claims for UC, JSA, ESA, State Pension, Pension Credit, DLAc, PIP and CMS were processed within planned timescales.



*change to methodology in 2025-26

Source: Internal DWP MI data
*For 2025-26, we implemented changes to timescales for the following services, Child Maintenance has changed from 12-weeks to 50-days, Disability Living Allowance for Children has changed from 40-days to 45-days, Personal Independence Payment has changed from 75-days to 120-days.

The table below provides a breakdown of performance by service line.

New claims processed within agreed timescales					
Service	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
JSA	87.1%	67.8%	58.7%	51.5%	14.3%
ESA	42.5%	47.4%	39.5%	22.8%	19.6%
SP	45.6%	72.0%	96.2%	97.0%	96.4%
PC	74.3%	45.7%	77.7%	62.4%	84.4%
DLAc	35.6%	4.6%	3.5%	3.5%	45.9%
PIP	6.8%	38.4%	51.7%	51.0%	82.2%
CMS	84.3%	79.4%	79.6%	79.3%	93.1%
UC	85.7%	84.4%	83.6%	80.8%	83.5%
Service	2021-22	2022-23	2023-24	2024-25	2025-26
Overall	61.8%	62.7%	72.2%	69.7%	76.7%

Source: Internal DWP management information

Had the changes to timeliness measures not been made the DWP claims processed on time would have been 69.8% which is a 0.1% increase from 2024-25 and directly comparable.

Pension Credit timeliness improved significantly in 2025-26 as the system managed and recovered from the exceptional influx of applications caused by the Winter Fuel Payment policy change in autumn 2024, which linked eligibility to receiving Pension Credit. This resulted in an 81% increase in applications, leading to a considerable HoW during late 2024-25 and early 2025-26. Subsequently, we have seen a recovery in the processing of new claims within planned timescales.

Performance across JSA and ESA has been shaped by several structural and policy driven changes, including post-COVID changes to the claims journey, which introduced a more segmented process where an initial assessment is completed in the Service Centre and only eligible claimants progress to a Work Coach appointment. While this supports better use of Work Coach capacity, it has introduced additional hand-offs and reliance on telephony contact, which can slow progression to payment for some claimants. To address this, the process has since been streamlined by introducing a basic Claimant Commitment declaration at the point of claim, enabling more claims to be processed and awarded without waiting for a separate Work Coach interaction. Additionally, in the first half of the year, performance was further affected by the accelerated move to UC which created additional volumes and case complexity, particularly for customers with longer or more historic claims. To meet the ministerial priority of moving customers onto UC, experienced resource was redirected from JSA/ESA new claims, which temporarily suppressed timeliness rates for both JSA and ESA.

ESA started 2025–26 under considerable operational pressure, with only 6.6% of new claims processed within the target of 10 days in April (against an expectation of 85%). The average time to process claims cleared in April 2025 was 24.5 days. Subsequent redistribution of work, increased focus on backlogs from September and targeted recovery activity led to material improvements in timeliness. Recovery actions later in the year including deployment of additional resource, also contributed to stabilisation and recovery. By February 2026, ESA performance had strengthened considerably. Timeliness improved to 41.5% in 10 days, the highest level recorded in the previous 12 months.

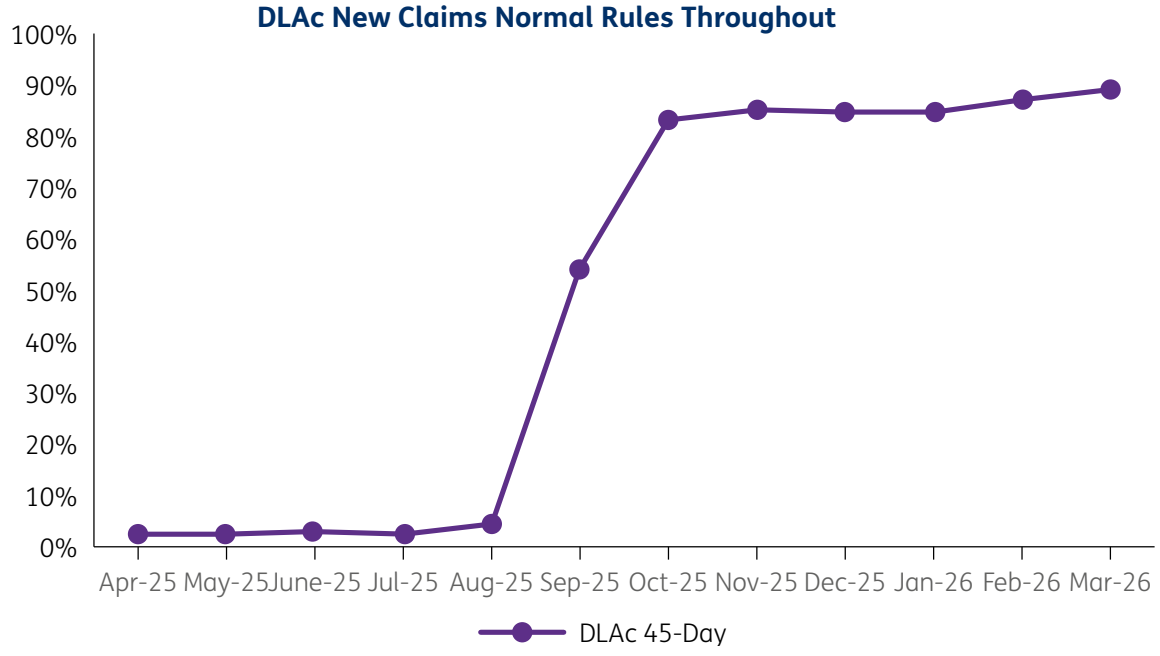
JSA experienced a period of particularly challenging performance in late 2025, driven by high intake and a growing volume of older, unprocessed claims. As more claims remained untouched for longer, fewer entered the process early enough to be completed within the 10-day target, reducing overall timeliness performance. Monthly clearance figures were not keeping pace with intake volumes (which were often higher than forecast), leading to the build-up of aged stock. For example, the age of untouched claims increased from around 13 days in April 2025 to 21 days in Q3, with the proportion processed within 10 days falling from 19.3% to 0.4%, and average clearance times increasing from 14.4 to 22.2 days. Since then, performance has shown clear and sustained improvement, particularly through funded overtime to support the clearance of older work. By March 2026, overall clearance times had returned to their strongest position since mid-2025, with nearly 45% of claims processed within 10 days.

UC payment timeliness remained strong throughout 2025-26, with a brief but expected dip in April caused by the annual Social Rented Sector uprating activity. Performance recovered quickly, returning above expected levels by early June – several weeks earlier than last year, peaking in mid-December and remaining consistently strong through the rest of the year. This improved stability reflected the impact of automation (including transitional protection processes), reduced Move to UC volumes, and strengthened case handling processes that have significantly lowered the number of issues delaying payments.

Priority 5

Spotlight on DLA Child (DLAc) improvements

The improvements in DLAc performance across 2025-26 tells a clear story of focus and resilience. Month by month, timeliness steadily strengthened as we cleared backlogs. The deployment of extra resource created a turning point, easing pressure on backlogs and allowing decision makers to focus on clearing cases quicker.



Source: Internal DWP management information

At the beginning of 2025, DLAc timeliness performance was adversely impacted by demand outweighing the available staffing resources. DLAc timeliness achieved 45.9% in total for the year, the story throughout the year shows a significant and sustained performance improvement, starting in April at 3.2% and reaching 90.6% in March 2026. This is linked to the recovery of backlogs which has invested in clearing older cases, in turn creating capacity to clear newer cases as the year went on.

Over the year, CMS delivered strong timeliness which demonstrates the impact of continued service modernisation and digitalisation, as well as strengthened case-handling processes.

Telephony

Telephony performance improved in 2025-26 despite continued high demand. During the year, we received 51.4 million calls, an increase of 1.3 million compared with 2024-25. A total of 45.7 million calls were answered across the DWP telephony network, including outsourced centres, representing a year-on-year increase of 2.7 million calls.

Overall, 88.9% of calls were answered, up from 86.0% in 2024-25. Call handling efficiency also improved, with the average speed of answer reducing from 7 minutes 22 seconds in the previous year to 5 minutes 36 seconds in 2025-26.

The table below provides a breakdown of the percentage of calls answered by service lines, excluding blocked calls. DWP also saw a significant reduction in the number of blocked calls down from 3.26% in 2024-25 compared to 1.34% this year. This is a 58.5% reduction in the number of blocked calls, from 1.69 million in 2024-25 compared to 0.7 million in 2025-26.

Percentage of Calls Answered excluding blocked calls

Service	2021-22	2022-23	2023-24	2024-25	2025-26
Universal Credit	87.5%	93.2%	93.3%	93.3%	94.7%
Jobseeker's Allowance	82.4%	78.0%	67.8%	63.5%	66.9%
Employment Support Allowance	70.8%	67.8%	67.2%	61.1%	71.9%
State Pension	76.5%	87.8%	87.6%	82.3%	83.9%
Pension Credit	81.2%	81.9%	81.9%	86.4%	93.3%
Disability Living Allowance (Child)	76.5%	76.2%	65.4%	85.2%	84.7%
Personal Independence Allowance	75.2%	72.8%	76.4%	80.5%	80.2%
Child Maintenance Service	75.7%	80.3%	78.3%	71.0%	82.1%
Carers Allowance	77.3%	88.2%	94.7%	92.3%	92.7%
Includes DWP maintained Telephony lines and Outsourced Telephony providers					
DWP Total (All lines)	**81.9%**	**84.6%**	**84.9%**	**86.0%**	**88.9%**

Source: *Internal DWP management information*

We have maintained a strong commitment to improving performance including investing in additional resources for our telephony operations. In addition, we have continued to invest in digital transformation (for example in Child Maintenance Service) and modernising telephony.

Our Contact Centre Modernisation Programme (CCMP) will enhance scheduling, monitoring and data, and customer experience. The initial roll-out of CCMP is due to finish by the end of September 2026 to migrate all DWP (and partner) agents off the current platform. We are modernising and standardising as part of that process.

Quality

We have strengthened our quality assurance framework and introduced a new quality model, developed collaboratively across the Department. The model supports capability building, continuous learning and consistent delivery as services evolve. This means we can understand where mistakes are happening, why they happen, and what we can do to fix them.

By introducing a quality model process checklist, we have delivered a 4% reduction in errors ahead of the ESA caseload transferring to UC. In Pension Credit, a similar checklist focusing on premiums has achieved a 10.9% reduction in errors. This approach helps ensure customers receive the right benefits at the right time.

We have launched a quality coaching database which provides a single digital platform for managers to record local quality assurance consistently. It enables timely, personalised coaching based on assurance findings, helping staff improve accuracy and build capability. We have enhanced the database by introducing a new application for nominated expert users. This streamlines quality assurance activity and supports effective team management.

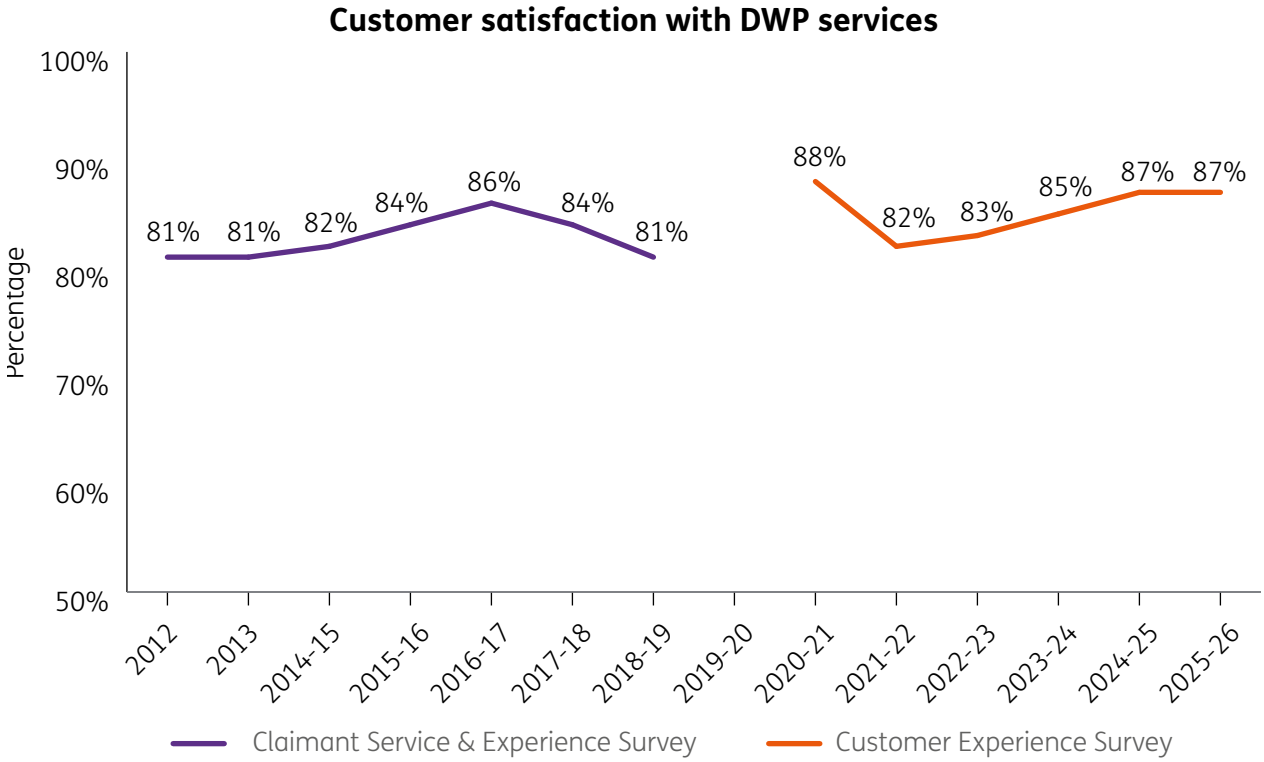
We have also launched a new Management Information (MI) portal for colleagues which enables earlier identification of learning needs and improvement opportunities, supporting better quality outcomes, enhanced customer experience and reduced Monetary Value of Errors.

Customer satisfaction and feedback

Our customer experience survey measures customer satisfaction with the overall service they received across eight of our benefit lines: Universal Credit (UC), Employment and Support Allowance (ESA), Personal Independence Payment (PIP), Disability Living Allowance for Children (DLAc), State Pension (SP), Pension Credit (PC), Attendance Allowance (AA), and Carer's Allowance (CA). From April to December, overall customer satisfaction with our services was 87%. This was unchanged from the full 2024-25 reporting year and above the 85% benchmark for good performance.

Compared to 2024-25, we have seen statistically significant increases in customer satisfaction for AA and DLAc, corresponding with reductions in backlogs. Customer satisfaction with ESA has also increased significantly, while CA and SP remain strong.

UC satisfaction was 87%, unchanged from 2024-25. This helps to explain why overall satisfaction remained stable despite improvements across most other benefit lines. As UC customers account for the biggest volumes of new claims, changes of circumstances and jobcentre appointments, their results have a bigger impact on the overall satisfaction score.



Source: internal DWP MI. This graph shows annual data for all years, except 2025-26, where data for the full year is not yet available. The 2025-26 score is based on the first three quarters of the year only (April to December 2025).
Please note: We moved to a new research contractor in 2025–26. While the survey approach and overall satisfaction question remain consistent, changes elsewhere in the questionnaire may have influenced how customers respond compared with previous years.

Percentage of customers who were satisfied with the services provided by the Department by benefit:

Benefit line	2021-22	2022-23	2023-24	2024-25	2025-26
Overall	82%	83%	85%	87%	87%
Universal Credit	83%	83%	84%	87%	87%
Employment and Support Allowance	78%	81%	81%	77%	84%
Personal Independence Payment	75%	77%	83%	81%	84%
Disability Living Allowance for Children	89%	88%	88%	87%	91%
State Pension	87%	93%	91%	94%	94%
Pension Credit	88%	89%	91%	90%	89%
Attendance Allowance	94%	94%	95%	94%	97%
Carer's Allowance	89%	91%	92%	91%	93%

Source: internal DWP MI. This table shows annual data for all years, except 2025-26, where data for the full year is not yet available. The 2025-26 score is based on the first three quarters of the year only (April to December 2025).
Please note: Scores for Employment and Support Allowance, Personal Independence Payment, Disability Living Allowance for Children, and Attendance Allowance have increased significantly from 2024-25 to the first half of 2025-26; all other changes from 2024-25 are not statistically significant.

Customer complaints

We operate a single tier complaints service which focuses on early resolution. If a customer remains dissatisfied with our response, they can escalate their complaint to the Independent Case Examiner (ICE), and if still dissatisfied to the Parliamentary and Health Service Ombudsman (PHSO).

In 2025-26 we received 31,600 complaints, an increase of 34% from 2024-25. Of the complaints closed in the year, 42% were upheld or partly upheld in the customer's favour, a 6% decrease compared to 2024-25.

The number of complaints received about our services continue to represent less than 1% of our customer base.

Demonstrating our commitment to transparency, we launched a new quarterly Official Statistics publication to share more information about our complaints. This includes data on complaints received, closed, and upheld by each business area, and categorisation of the reason for complaint. The first publication, with data up to the quarter ending September 2025, was published on 16 December 2025[37].

The table below shows the number of complaints received per quarter to the end of 2025-26, for each of our business areas for the last two years.

	Retirement Services	Universal Credit	Working Age (excluding UC)	Disability Services	Child Maintenance Service	Counter Fraud Compliance and Debt
Apr to Jun 2024	855	2,020	245	775	975	295
Jul to Sep 2024	790	2,200	255	710	980	325
Oct to Dec 2024	1,155	2,755	230	770	1,260	320
Jan to Mar 2025	1,105	2,835	235	985	1,205	300
Apr to Jun 2025	920	3,585	295	1,035	1,220	310
Jul to Sept 2025	970	3,935	305	1,150	1,235	370
Oct to Dec 2025	780	3,840	230	1,240	1,205	385
Jan to Mar 2026	850	3,985	260	1,595	1,425	475

37 DWP Complaints Statistics – GOV.UK.

The table below shows the percentage of closed complaints that were upheld or partly upheld, per quarter to the end of 2025-26, for each of our business areas for the last two years. Our Quarterly Statistics publication[38] includes more information on this.

	Retirement Services	Universal Credit	Working Age (excluding UC)	Disability Services	Child Maintenance Service	Counter Fraud Compliance and Debt
Apr to Jun 2024	65%	44%	54%	29%	47%	46%
Jul to Sep 2024	74%	43%	56%	40%	53%	51%
Oct to Dec 2024	71%	40%	52%	37%	47%	52%
Jan to Mar 2025	73%	35%	49%	37%	46%	54%
Apr to Jun 2025	71%	33%	53%	37%	45%	55%
Jul to Sept 2025	73%	29%	55%	31%	45%	51%
Oct to Dec 2025	71%	30%	57%	33%	42%	51%
Jan to Mar 2026	69%	33%	63%	33%	44%	50%

In 2025-26, we continued to strengthen our single tier complaints service by simplifying processes and improving the clarity and accessibility of customer guidance. We updated GOV.UK information to make it easier for customers to understand when and how to complain, while providing clearer escalations to ICE and PHSO. These improvements have created a more streamlined and customer-focused complaints journey.

We also introduced the customer impact remedy framework to drive greater quality and consistency in complaint handling. By establishing clear standards, defining remedy categories and improving decision making guidance, the framework ensures complaints are assessed for both process accuracy and the real impact on customers. This has resulted in more consistent outcomes, fairer redress, and a more professional complaints service.

We are strengthening our complaints capability by enrolling all complaint resolution managers in the PHSO's *Closer Look* accredited learning programme. Over 150 colleagues are already accredited, with the remainder completing the programme over the next 12 months – supporting more consistent, higher quality complaints investigations and resolutions.

Complaint volumes across the Department increased in 2025-26, however remain under 1% of our caseload. Rising volumes have impacted response times, and we are addressing this by recruiting and deploying additional resources to improve timeliness and maintain service standards.

Independent Case Examiner (ICE)

Customers who have completed our complaint process and remain dissatisfied can ask ICE to investigate their complaint.

38 DWP Complaints Statistics – GOV.UK

In 2025-26, ICE received 10,704 complaints against the Department. This represents a 54% increase in approaches and a 45% increase in the number of accepted cases on the previous operational year. Of the 2,513 complaints ICE cleared:

- 62 were withdrawn by the complainant
- 281 were resolved or settled with the complainant's agreement
- 1,138 were upheld, fully or partially by the ICE
- 1,029 were not upheld by the ICE
- In 3 cases the ICE was unable to reach a finding

ICE also investigates complaints relating to contracted providers, the Department for Communities (DfC) and the Child Maintenance Service in Northern Ireland (NI CMS).

All complaints including contracted providers, Department for Communities and Child Maintenance and Enforcement Division (Northern Ireland)	**2023-24**	**2024-25**	**2025-26**
Received by ICE	5,824	7,149	10,983
Accepted for examination by ICE	1,861	2,214	3,226
Cleared by ICE	2,658	2,236	2,667
Partially/fully upheld by ICE	765	893	1,153
Complaints against ICE partially/fully upheld by PHSO	0	0	0

In addition to investigating case-specific complaints of maladministration, ICE identifies wider Service Improvement Observations (SIOs) which aim to limit the scope for future service failures and improve the service provided to customers. In 2025-26 ICE highlighted 15 SIOs to us.

For example, following an investigation into a specific complaint, ICE identified that the information on GOV.UK about what happens to utility payment deductions when a customer moves to UC was unclear. Consequently, we reviewed the information on GOV.UK and added clearer guidance which now explains that utility payment deductions don't automatically continue when moving to UC, along with practical advice on how to arrange deductions.

The ICE annual report on complaints from 1 April 2024 to 31 March 2025 is available on GOV.UK

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

If customers remain dissatisfied with the outcome of ICE's intervention, they may pursue their case with the PHSO. An update on the PHSO investigation into complaints about women's State Pension age is at page 54.

PHSO's annual report and accounts gives details about the complaints they receive. The PHSO publishes its figures a year behind other data.

Complaints investigated by the PHSO	2022-23	2023-24	2024-25
Number of complaints investigated	21	27	8
Number not upheld	10	12	1
Number partly upheld	7	8	4
Number upheld	4	7	3
Number other outcomes	0	0	0
% not upheld	48%	44%	13%
% partly upheld	33%	30%	50%
% upheld	19%	26%	38%
% other outcomes	0%	0%	0%

Customer redress

In some cases, we will make an ex-gratia payment – a sum of money paid voluntarily, without any legal requirement to do so. In 2025-26, we made 8,264 ex-gratia payments totalling £1.45 million[39] (£1.37 million in 2024-25) for maladministration[40].

Ministerial correspondence

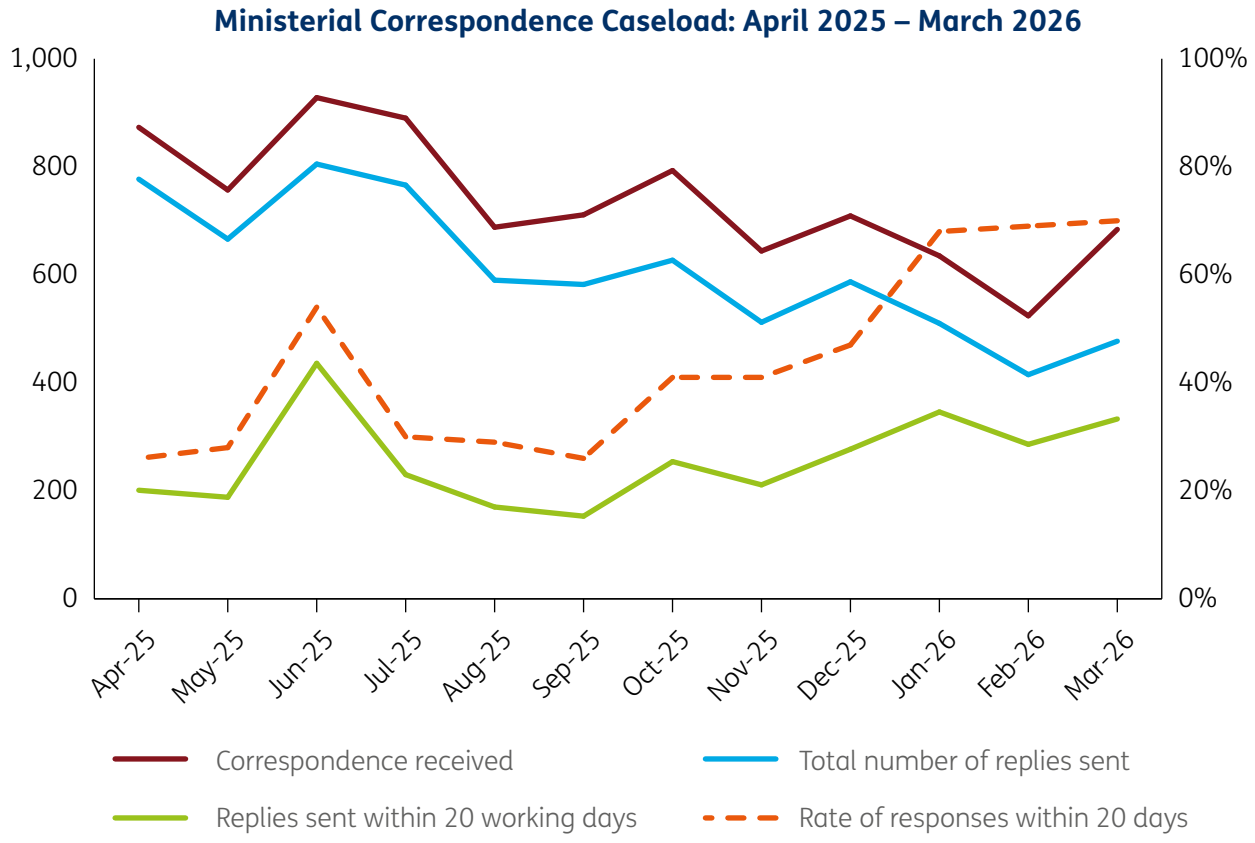
The ministerial correspondence team is responsible for drafting responses from ministers to policy-related correspondence from elected officials and members of the public.

The team has seen caseloads this year shaped by major policy changes, particularly around disability benefit reform, Winter Fuel Payments, child poverty, and wider pensions issues, all of which have driven spikes in correspondence received. Overall volumes also increased following parliamentary changes that brought the Minister for Skills into a joint DWP–Department for Education portfolio.

Alongside the rise in correspondence, the team has continued work to clear aged cases. This has included targeted activity to recover the backlog that began to build 2024-25, which has had an expected impact on performance against the 20-day target.

39 The figure excludes financial redress paid for loss of statutory entitlement because it is not an extra cost arising from maladministration, but payment of benefit that should have been made anyway.

40 The term "maladministration" is not defined but is sometimes used to describe when our actions or inactions result in a customer experiencing a service which does not match the Department's aims or the commitments we have given. It applies to situations in which we have not acted properly or provided a poor service. For example: wrong advice, discourtesy, mistakes, and delays.



Impact of our policies

Our policies have an impact on a significant percentage of the population. We work hard to understand the impacts of proposed policy changes, to ensure that they are proportionate and effective. We often consult members of the public, trade bodies and other interested parties through a public consultation process prior to introducing or amending policies. We take any feedback received into consideration when making final policy decisions.

Our lawyers regularly consider the legal and regulatory compliance of our policies and proposed legislation, including compliance with human rights. They also consider the merits of legal challenges.

Prior to introducing policy changes, we conduct Equality Impact Assessments, Data Protection Impact Assessments and Environmental Impact Assessments to understand the effect that policies, services and procedures have on people from protected groups, data protection, and the environment.

Through the UK judicial system, individuals and affected organisations can challenge the legality of our decisions. We scrutinise the decisions of the courts and tribunals to ensure we understand the human rights and other impacts of our policies.

Equality and Human Rights Commission (EHRC) investigation

On 22 May 2024, the EHRC launched an investigation under Section 20 of the Equality Act 2006 into whether the DWP has failed to make reasonable adjustments when making health assessment determinations, particularly for disabled customers with mental impairments.

The EHRC, using their powers under Section 31, has also been assessing whether in developing and implementing the related policy guidance the Department has failed to comply with the Public Sector Equality Duty (PSED).

The Department has engaged transparently and constructively with the EHRC throughout both the investigation and assessment processes, and we continue to do so. The EHRC has shared its draft investigation and assessment report with the Department, and we have submitted our formal representations in response. As this remains an ongoing investigation we cannot comment further at this time. Both the Department and the Commission are working with the shared aim of concluding the investigation and assessment as quickly as possible.

Supporting vulnerable customers

We started 2025 by publishing the first iteration of *Advanced Customer Support: Delivering support and transformation to help DWP customers with additional support needs.* The publication sets out how we help customers who need additional support, how we learn from customer experience and how we are using this learning to improve our services.

We have continued to build the capability of our people, working with industry experts to create a comprehensive learning package, ensuring colleagues have the right guidance and training available to support vulnerable customers, regardless of which part of the Department they are interacting with. Find out more about this on page 198.

In 2025-26 we also:

- Supported the Gaza Medevac scheme[41], ensuring the safe arrival in the UK and ongoing welfare of medically evacuated Gazan children, accompanied by immediate family members. Working closely with cross-government partners, local authorities and the NHS, we established clear operational routes for benefit access, safeguarding and wraparound support. This included coordinated national oversight, tailored guidance for frontline colleagues and the use of Advanced Customer Support. Our help ensured families could access essential financial support from UC and disability benefits at a time of profound upheaval and uncertainty in their lives.

41 UK Government response to the situation in Gaza: policy summary – GOV.UK

- Supported customers facing challenges with Winter Fuel Payment, especially where customers were at risk of harm due to accessibility barriers, vulnerability or lack of awareness about the available help. Our Advanced Customer Support senior leaders supported complex cases and shared intelligence on the cases they supported. This helped highlight risks to vulnerable pensioners, informed learning activity, and ensured that customer experience and vulnerability considerations were factored into operational responses.
- Promoted professional curiosity among our colleagues by delivering interactive upskilling sessions. These sessions made use of anonymised case studies to help colleagues build confidence in adapting their approach when supporting vulnerable customers. This work has encouraged colleagues to ask questions, challenge assumptions and act early when concerns arise, supporting all customers who interact with us.

Safeguarding

While vulnerability is a broad, non-statutory concept we use to identify people who may need extra support, safeguarding is the statutory process of protecting individuals from harm, abuse, or neglect, as set out in laws such as the Care Act and Children's Act.

We recognise that safeguarding is a serious issue that requires transparency, accountability and collaboration. Building on the success from implementing stronger safeguarding oversight and training in the clinical team across the Department and our health assessment providers, we established a Cross DWP multi-disciplinary Safeguarding team, which undertook a comprehensive review of our safeguarding practices, working with a safeguarding expert.

The review identified examples of good practice, but also variation in awareness, skills, and accountability. This work has resulted in the development of a multi-year strategy establishing a clear and consistent safeguarding approach across the Department.

On 8 December 2025, the Secretary of State published a Written Ministerial Statement, outlining our commitment to protecting individuals from harm, abuse or neglect.

We will embed a strong safeguarding culture across the Department. We have appointed an executive lead, established clear governance, and in November 2025 we ran our first Safeguarding Awareness Week. We continue to roll out Level 1 safeguarding training, offering this to all colleagues.

During the year our health care professionals identified over 700 Safeguarding concerns, 455 of which reached the threshold for referral to Local Authority Safeguarding teams.

We are committed to further strengthening our safeguarding practices and aim to publish our approach by December 2026.

Visiting Service and Advanced Customer Support Senior Leaders (ACSSLs)

All colleagues who directly support customers are trained to put in place the right support for vulnerable people. We make further specialist help available for the most complex cases. A key part of the additional support we provide is our Visiting Service, which provides valuable face-to-face support to customers who cannot access our services in any other way. This may be because, for example, they have complex needs, are disabled, are a vulnerable person making a claim for the first time, have nobody else to support them, or cannot claim benefits in any other way.

The Visiting Service has supported key areas of work across 2025-26, such as helping customers move onto UC. During 2025-26, our Visiting Service received 248,705 referrals. 230,524 of these were from internal colleagues and 18,181 were from external partners, resulting in 172,403 effective visits.

During some visits, visiting officers may look at whether customers with an existing claim may be entitled to other benefits. More information on this is included in the unfilled eligibility section on page 95.

The most vulnerable or at-risk customers can require multi-agency intervention. Our national network of ACSSLs builds strategic relationships with local authorities, social services and other agencies in their geographical area to enable timely interventions, build mutual awareness of shared challenges and ensure local support meets customer needs.

ACSSLs ensure other agencies understand our role and how we can support vulnerable customers. During 2025-26, our ACSSLs recorded relationships with 1,177 external partners. The proportion of external referrals made to ACSSLs has increased to 54% of all referrals in 2025-26 (up from 45% in 2024-25), meaning that we supported 6,475 customer cases thanks to other organisations.

ACSSLs also provide support, guidance and coaching within the Department. 5,429 of referrals to ACSSLs in 2025-26 came from colleagues across our services. Through specialised learning and coaching sessions, ACSSLs build our colleagues' understanding and awareness of the issues our customers can face, helping them to better identify and support those who need it. Across 2025-26, ACSSLs and their teams delivered 436 learning sessions. These sessions reached 17,289 people and covered issues such as: identifying vulnerabilities, making large payments, ACSSL awareness, and the importance of professional curiosity.

Customer accessibility

During 2025-26 the Customer Accessibility Standards and Assurance team have continued to enhance accessibility in our services, through our British Sign Language (BSL) plan and strengthening process guidance.

BSL Plan

We are almost one year into our BSL five-year plan and have made good progress against our short-term goals. This includes:

- Deployment of the Video Relay Interpreting service into all jobcentres and Universal Credit Review service centres
- Developing our first set of BSL video standards, these are currently being reviewed by stakeholders prior to implementation. Reviewing all existing learning content, identifying improvements for deaf and hard of hearing customers
- Creating our first 'YouTube Short' in BSL to improve our target reach and communication mediums

Alternative formats

We have reviewed and improved our cross-benefit alternative format instructions, making them clearer, more streamlined, easier to navigate and addressed gaps and duplication. There is now clear ownership for these instructions, backed by a strong governance approach to ensure our guidance remains accurate and up-to-date for our operational colleagues.

We have worked closely with frontline colleagues to test the instructions' effectiveness. Feedback showed our revisions improved the quality, clarity, and accessibility of operational guidance.

Overall, this work helps ensure operational instructions are more user focused, accessible, and reliable, supporting consistent decision-making and better outcomes for customers and colleagues.

Operational Stakeholder Engagement Forum (OSEF)

We continue to engage with a network of national charities and other government departments to improve our services.

In 2025-26 we held 10 OSEF webinars to share information and gather feedback on emerging issues.

We held 43 ad-hoc stakeholder insight workshops and 60 individual collaboration sessions, inviting external organisations to quality assure, test and shape products before launch.

This resulted in:

- Facilitation of expert employability sessions for the Department and employers on addressing barriers faced by people with sight loss
- Shaping the content of the WCA50 capability for work questionnaire, which has replaced the forms ESA50 and UC50 capability for work questionnaires, from concept to delivery to enable a more consistent, efficient process for customers
- Improvements to our alternative communications format offer

Our approach to engaging with stakeholder organisations was recognised as good practice in the 2025 NAO publication.[42]

Organisational learning

Our dedicated Internal Process Review (IPR) team undertakes reviews of serious cases from across our services. Each IPR considers whether our processes were followed and, if not, looks at the reasons for this. The learning from IPRs provides perspective on some of our most vulnerable customers, their circumstances, experiences and the issues they face. This has informed wider improvement work across the Department, including through our Advanced Customer Support teams and the Serious Case Panel. More information on the Serious Case Panel is included in the governance statement on page 198.

During 2025-26 we have placed more information about IPRs in the public domain than ever before. We publish the learning identified from reviewing the case, the action we said we would take, and the learning put in place[43].

To increase awareness of the IPR process across the Department, we have continued offering learning sessions for customer-facing colleagues. These sessions ensure they can identify cases where an IPR would be appropriate. During 2025-26 we delivered sessions to 5,816 colleagues.

Over 2025-26, there has been an increase in the number of cases where the Department is among the organisations supporting wider external reviews (such as multi-agency Safeguarding Adults Reviews). A number of these cases automatically meet the criteria for an IPR to be completed, regardless of whether there is an allegation against the Department. This, alongside the improvement in colleagues' awareness of IPRs, means there has been an increase in the number of cases referred and accepted for an IPR.

During 2025-26, 189 cases were referred for an IPR, of which 166 met the criteria and were accepted for investigation. Of those referrals accepted, 110 were made following the Department being notified of a customer's death, and 56 where a customer suffered serious harm.

In 2025-26, 230 key findings were shared with product leaders to agree action and ownership for continuous improvement activity.

42 Smarter delivery – improving operational capability to provide better public services – NAO insight
43 Advanced Customer Support: Learning and improving from serious cases – GOV.UK

Unfulfilled Eligibility

Unfulfilled eligibility refers to cases where claimants are eligible for a higher award but have not provided the correct information needed to calculate that award. The claimant might have provided the incorrect information or failed to inform and report about changes to their circumstances which would have resulted in a higher award.

On 14 May 2026 we published our most recent estimates on unfulfilled eligibility[44].

We measure unfulfilled eligibility to understand the levels, trends and reasons behind it – helping us identify what we can do to reduce the level of unfulfilled eligibility in the benefit system. The total unfulfilled eligibility rate for 2025-26 was 1.2% (£3.7 billion) across all benefit expenditure, compared to 1.3% (£3.7 billion) in 2024-25. The analysis showed for 2025-26, Disability Living Allowance (DLA), Personal Independence Payment (PIP) and Universal Credit (UC) accounted for 80% of the total value for unfulfilled eligibility. For UC, the unfulfilled eligibility rate was measured at 1.6% (£1,290 million) in 2025-26, compared to 1.5% (£970 million[45]) in 2024-25. The rate of unfulfilled eligibility in PIP was 3.3% (£950 million) in 2025-26 compared to 4.1% (£1,060 million) in 2024-25. The DLA unfulfilled eligibility rate was 8.5% (£710 million) in 2025-26, which is a statistically significant decrease compared to 11.1% (£750 million) in 2023-24[46]. For more information on unfulfilled eligibility rates see the Financial Statements (from page 414).

What have we done to support people to claim what they are eligible for during 2025-26?

Disability Benefits

We support claimants to receive their full Personal Independence Payment entitlement through working closely with assessment providers so that assessments are completed at the earliest opportunity, making decisions without a re-assessment where there is robust evidence, and using short-term award extensions to ensure that claims remain in payment whilst waiting for a review. At Autumn Budget 2025, the government announced changes to the frequency of most PIP award reviews to deliver a more efficient health assessment service, reducing the need for award reviews to be extended and increasing the number of assessments conducted face-to-face.

These assessments conducted by our health assessment providers with claimants assess function, are undertaken by a qualified health care professional. During the assessment there are robust processes in place where if new or worsening medical conditions are identified, appropriate NHS care pathways will be activated[47]. When this occurs, these changes in circumstances may also result in increased benefit entitlement

44 Unfulfilled eligibility in the benefit system: financial year ending (FYE) 2026 estimates – GOV.UK

45 This figure (£970 million) has been restated from £980 million last year. Background Information and Methodology Note: Unfulfilled eligibility in the benefit system: financial year ending (FYE) 2026 estimates – GOV.UK, para 1.8

46 Unfulfilled eligibility was not measured in Disability Living Allowance in 2024-25.

47 Clinical Governance Annual Report 2025 to 2026 – GOV.UK, Clinical Governance Framework section, Pillar Six, unexpected findings

for the claimant, if those conditions affect the person's function, based on their new circumstances.

We provide information via GOV.UK to help people understand the PIP eligibility criteria and evidence requirements for claiming that benefit. This includes instructions on reporting a change of circumstance and how to contact the Disability Service Centre who administer PIP. We encourage PIP claimants to report any change in their needs. Priority is given to claims where claimants report a change to ensure we are paying the right amount and we will increase reminders to ensure that changes are reported promptly.

Disability Living Allowance (DLA)

We have enhanced our communications through notification letters to remind claimants to declare any changes that may affect their award and by promoting DLA by working closely with the Supporting Families Network. We continue to improve processes to ensure that unfulfilled eligibility is addressed when a decision is taken on a claim award.

Universal Credit

We support claimants to receive their full Universal Credit (UC) entitlement by ensuring people moving from legacy benefits do not miss out during the transition to UC. Through the Move to UC process, we are identifying and addressing areas where entitlement has previously been missed, particularly housing costs. Through the UC review we have engaged claimants and stakeholders to understand their experiences to help us refine UC policies and processes, helping to ensure people can access the full support to which they are entitled.

DWP Visiting Service and Customer Experience – Operational Stakeholder Engagement Forum

Our Visiting Service, described on page 92, offers valuable face-to-face support to claimants who cannot otherwise access our services. During 2025–26, 28,350 cases were referred for a visit to support reviews of existing benefit claims, which supports identification of unfilled eligibility and helps ensure accuracy of payments. The Operational Stakeholder Engagement Forum (OSEF) gives us an opportunity to promote initiatives to increase the reporting of changes with which our members can support our claimants.

Fraud, Error and Debt report

Introduction

The Fraud, Error and Debt report sets out our strong track record of reducing fraud and error and recovering debt when it is identified.

Part 1 of the report outlines **what we have done to improve payment accuracy through preventing and detecting fraud and error**.

Part 2 of the report looks at **how we are preventing and detecting underpayments to ensure people are paid their full entitlement**.

Part 3 of the report **sets out the management of debt recovery**.

Measuring incorrect payments

We estimate the level of incorrect payments through a sampling exercise. The sample of claims that are selected are assessed to determine whether the benefit award is correct or not. If the claim is incorrect, the amount of money the claim is wrong by is calculated. Fraud and error is made up of overpayments and underpayments[48] of benefit that fall into one or more of the following three categories: Fraud, Claimant Error or Official Error. The categories are defined by how an incorrect payment is measured in the Fraud and Error National Statistics[49].

48 An overpayment happens when people are paid too much benefit, which happens in instances where fraud has been committed, where we have made an error, or our claimants have made an error. An underpayment happens when people are not paid enough benefit, which happens in instances where we have made an error, classified as official error.

49 Following the Sayce review on Carers Allowance we have updated our definitions of fraud and error in the statistics to bring further transparency on the measurement as per our commitment featured in this report and our statistical publication – Fraud and error in the benefit system: Financial Year Ending (FYE) 2026 estimates – GOV.UK.

For an incorrect claim to be classified as **Fraud** or **Claimant Error**, the following must apply:

- The claimant does not meet the conditions for receiving part or all of the benefit in payment
- Benefit payment has stopped or reduced as a result of the claim review

Fraud

An overpayment has occurred where the claimant has provided inaccurate or incomplete information or failed to report a change in their circumstances. Additionally, the claimant could be reasonably expected to understand how this affects their entitlement **and** there is evidence of fraud or a suspicion of fraudulent intent.

Claimant Error

An overpayment has occurred where the claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, **but** there is **no evidence or suspicion** of fraudulent intent on the claimant's part.

Official error

The benefit has been paid incorrectly due to a failure to act, a delay or a mistaken assessment by the Department, a local authority or HM Revenue and Customs, to which no one outside of that department has materially contributed.

Since our 2023-24 accounts, we have reported on the statistical series unfulfilled eligibility in the Benefit System[50] (unfulfilled eligibility was previously classified as claimant error underpayments within the Fraud and Error National Statistics). The statistical series presents how much extra money benefit claimants could be getting if they had told us about their current circumstances correctly which they are required to do[51]. The estimates relating to unfulfilled eligibility in the benefit system are reported outside of the Fraud, Error and Debt report, but still within Priority 5 of this performance report (page 95).

The Monetary Value of Fraud and Error (MVFE) is the headline statistic for overpayments and underpayments and a recognised National Statistic[52]. Derived from detailed scrutiny of a random sample of benefit cases, and extrapolated to provide an estimated, aggregate figure, that represents the percentage of the total amount of benefit that is paid incorrectly. The estimated percentage is then applied to the overall benefit expenditure to estimate the monetary amount (in £s) of fraud and error.

Whilst we record monetary amounts, if comparisons across time are made then the percentage rate of overpayment or underpayment is the better measure to use in any comparisons. Monetary amounts are not adjusted for inflation or any changes to benefit rates. For this reason, it is possible for the rate of expenditure overpaid or underpaid to decrease whilst the monetary value increases, and vice versa.

50 Unfulfilled eligibility in the benefit system: financial year ending (FYE) 2026 estimates – GOV.UK
51 Unfulfilled eligibility does not include individuals who might be eligible to claim for a particular benefit but do not, for any reason. Estimates of the take-up of the main income-related benefits are published within a separate statistical release.
52 Fraud and error in the benefit system: financial year ending (FYE) 2026 estimates – GOV.UK

To calculate the level of incorrectness, the following methodology is used:

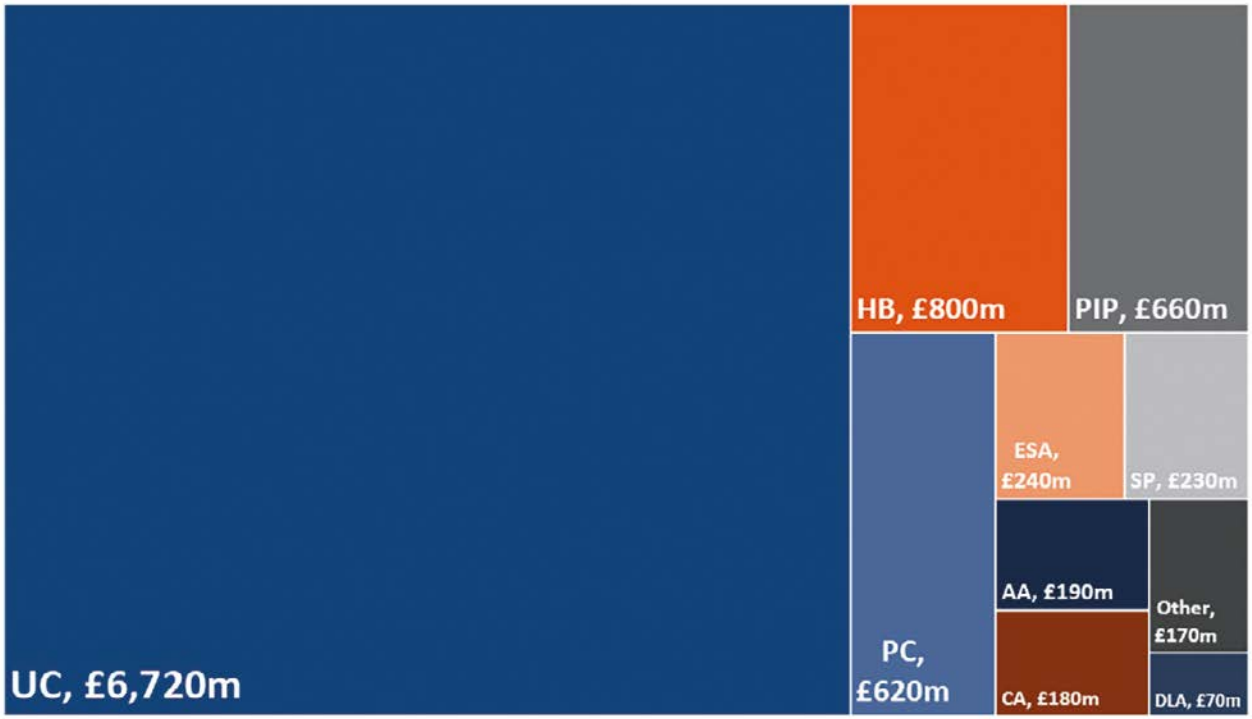
- The Fraud and Error National Statistics calculate overpayments and underpayments in accordance with what is due under the law.
- A preview is completed to collate information on the claimant's case and circumstances based on information from the Department and local authority systems. We identify any inconsistencies and areas we would want to check and confirm with the claimant. The claimant is contacted by telephone and their circumstances are reviewed, following up on anything identified at the preview or during the call. At the end of the review, the claimant is asked to provide evidence to verify their circumstances. This process identifies where a claimant may have been overpaid, underpaid and whether claimants have unfulfilled eligibility.
- The results from the sample of benefit reviews are used to estimate rates of fraud and error and unfulfilled eligibility in the population. These rates are then applied to the benefit expenditure for the financial year to estimate the monetary amount of fraud and error and unfulfilled eligibility.
- The fraud and error and unfulfilled eligibility estimates need to cover all benefit expenditure administered by us. Some benefits which were not measured this year were measured in previous years. For these benefits, the rate from the last time the benefit was measured is applied to the current year's expenditure, to get an estimate of the monetary value of fraud and error and unfulfilled eligibility. Some benefits have a small amount of expenditure and therefore are unlikely to ever be selected for measurement. For each of the benefits that have never been reviewed, a similar or passporting benefit rate of fraud and error or unfulfilled eligibility is used as a proxy and applied to the expenditure on that unreviewed benefit to get an estimate of the monetary value of fraud and error or unfulfilled eligibility.
- This year the sampling period took place between July 2024 and August 2025 and reviews were carried out between September 2024 and October 2025. The review, evidence gathering and measurement periods of the selected cases can span a wider timeframe than the sample period itself, with some reviews and categorisations still being completed up until the beginning of March 2026. The sample year and the financial year do not align. This means a proportion of expenditure for benefits reviewed this year cannot be captured by the sampling process.

Parliament sets out how benefit entitlement is defined. Some benefits can be targeted to focus eligibility on those most in need while balancing costs to the taxpayer. The amount of support an individual is entitled to or eligible for can depend on their circumstances including, but not limited to their household composition, earnings and savings. Administering a targeted system is challenging, because the rules of targeting introduce complexity relative to a universal system, which in turn introduces opportunities for fraud and risk of error.

The National Statistics for Fraud and Error in the Benefit System[53] show that in 2025-26, the estimated level of overall overpayment expenditure in the benefit system was 3.2% compared to 3.3% in 2024-25. Fraud is the greatest cause of loss, remaining at 2.2% of overall expenditure, compared to the previous year.

UC has the second largest benefit expenditure (£79 billion in 2025-26), behind State Pension, and is the largest source of overpayments in monetary terms, as shown in Figure A.

Figure A: Fraud and error losses by benefit



Note: Universal Credit (UC), Housing Benefit (HB), Pension Credit (PC), Employment and Support Allowance (ESA), Personal Independence Payment (PIP), State Pension (SP), Carer's Allowance (CA), Attendance Allowance (AA), and Disability Living Allowance (DLA)

More details on the levels of fraud and error in the benefit system for 2025-26 can be found on page 123.

53 Fraud and error in the benefit system: financial year ending (FYE) 2026 estimates – GOV.UK

Measuring savings in monetary terms

We also measure the **impact of fraud and error controls and activities in terms of Annually Managed Expenditure (AME) savings** – i.e. how much the cost to the Exchequer has reduced as a result of interventions. These savings are estimated by adding up both historical overpayments that have been identified (discounted to take account of debt recovery rates) and future overpayments estimated to have been prevented (based on assumptions about how long the overpayment would have continued to exist if it had not been found). For the purposes of this report, savings from future overpayments prevented are attributed to the year which experienced the reduced expenditure, even where the activities that generated those savings may have occurred in a previous year. Similarly, some of the interventions performed to date will have a further impact on the expenditure of future years, but those savings are not included here. Savings estimates from our controls are calculated by comparing with a counter-factual world where that control does not exist.

Devolution

Following the devolution of social security powers to the Scottish Parliament under the Scotland Act 2016, we have supported the Scottish Government in developing its own fraud solutions and the two departments now have several joint or reciprocal processes to help prevent, identify, investigate and prosecute fraud. The Scottish Government has developed its own processes for tackling overpayments and is in the process of establishing how to handle the outstanding devolved Scottish debts that we were managing on their behalf until the Agency Agreements ended in March 2026. Social security policy is 'transferred' in Northern Ireland and delivered by the Department for Communities.

1. Preventing and detecting fraud and error

Management summary

Our strategic approach to reducing fraud and error is working, with the cross-welfare rate of fraud and error now forecast to reach a historic low below the pre-pandemic level (see Figure P, page 126) and below the level when the Department of Social Security accounts were first qualified in 1988-89[54]. We have continued to make progress at reducing fraud and error throughout 2025-26 by preventing and detecting incorrect payments when customers first claim and throughout the claim lifecycle.

- We have saved around £27 billion in 2025-26 in preventative frontline controls and detection by counter fraud teams
- Fraud and error in Universal Credit has continued to fall from its peak of 14.7% in 2021-22 to 8.5%[55] in 2025-26 and is forecast to fall to 7.5% by 2028-29, almost halving the level at its peak
- Our efforts since the peak of overpayments have so far contributed to the overall cross-welfare level of fraud and error reducing by a quarter, from a peak of 4.3% in 2021-22 to 3.2% in 2025-26

We have secured funding to extend the success of our Targeted Case Review in Universal Credit to Pension Credit, strengthened our data and analytics capability and modernised our legislative framework to help better identify, prevent, and deter fraud and to enable smoother recovery of debt owed to the taxpayer, through the Public Authorities (Fraud, Error and Recovery) Act.

Through continuous improvement to strengthen our system controls, we are reducing fraud and error, despite increasing tolerance of fraud in society. We forecast that the overall cross-welfare fraud and error rate will reach a historical low of 2.8% by 2028-29 – the lowest rate since tax credits were first introduced in 2003. This shows not only our determination to continue to reduce fraud and error to levels not seen before but reflects the confidence the Office for Budget Responsibility has in what our planned initiatives will achieve.

Our progress has been recognised by the National Audit Office (NAO) in their recent Report[56], where they concluded that we have 'started to make headway... successfully deployed a range of counter-fraud interventions in recent years, including making use of data analytics. These are generating savings and helping it [the Department] to detect and correct overpayments'[57].

54 Parliamentary under Secretary for Department of Social Security Gillian Shepherd MP stated in Parliament that error rates in Income Support had reduced by 31% to 7.9% in 1989-90, indicating that the Monetary Value of Error rate was 11.4% in 1988-89. Income Support, Volume 175: debated on Monday 2 July 1990, 36, Income Support – Hansard – UK Parliament
55 The statistics are a central estimate, subject to confidence intervals.
56 Tackling benefit overpayments due to fraud and error – NAO report
57 Tackling benefit overpayments due to fraud and error – NAO report, pg. 10

Our plans set out in this report show we will go further. Following NAO's confirmation of the removal of Unfulfilled Eligibility from our accounts qualification[58] and with the support of the Public Accounts Committee Chair in December, we seek to achieve the removal of NAO's qualification on the regularity of benefit expenditure as soon as possible by demonstrating a cost-effective controls environment and continuing to drive down the Monetary Value of Fraud and Error (MVFE) in line with our forecasts.

Through our governance and strategic decision-making, we are successfully identifying, testing and implementing value for money initiatives that drive reductions in fraud and error across key loss areas while also delivering other departmental objectives with our overall resources.

This chapter will report on the progress we are making to reduce all overpayments including fraud, customer error and official error. This includes:

a. Details on our strategic approach to preventing fraud and error entering the benefit system whilst also providing a strong deterrent against fraud through our effective detect functions and plans to apply learnings from Targeted Case Reviews in Universal Credit to Pension Credit. This includes detail on our progress on delivering our data strategic objective.

b. We will report how we are improving payment accuracy through key initiatives and the delivery of savings through our core controls (see page 104), as well as how we are working to review and improve these controls in a way that provides value for money for the taxpayer. (See page 107).

c. We will update on plans to implement the Public Authorities (Fraud, Error and Recovery) Act 2025. We will explain how this will give us better access to data that will help verify entitlement, ensure payments are correct and minimise opportunities for overpayments and claimant debt to build up. (See page 126).

d. Details on the levels of fraud and error reported through the national statistics, the Spring Statement 2026 fraud and error forecast, and our progress towards achieving our multi-year ambition to reduce the rate of overpayments to pre-pandemic levels. (See page 125).

Reducing fraud and error

Our current strategy focusses on preventing fraud and error from entering the system whilst continuing to enable our strong detect and correct capabilities to address inaccurate payments at the earliest opportunity.

We established a Fraud, Error and Debt Board in 2024, which provides cross-cutting oversight and scrutiny of activity and performance to reduce fraud and error. The Board brings together senior officials from across the Department, including people with direct responsibility for fraud and error, such as those people responsible for service delivery and staff from cross-cutting and enabling teams such as digital experts. This key

58 The C&AG outlined the removal of Unfulfilled Eligibility from the NAO's qualification within their report – DWP Annual Report and Accounts 2024 to 25, pg. 307

accountability drives initiatives supporting our approach to achieving continuous reductions in fraud and error.

We are continuously learning from all our fraud and error initiatives and are strengthening this further through our evaluation programme. The programme is in place to measure the impact of our interventions, further enhancing our understanding on how each initiative contributes to the effective reduction of fraud and error while also representing the best value for money for the taxpayer.

Delivery of our core controls

We estimate that we have saved around £27 billion this year through preventative activity through frontline controls and detection by counter fraud and Targeted Case Review teams. This represents an increase compared to the savings we have achieved in previous years. Between 2023-24 and 2024-25 the total savings grew by £3.3 billion, followed by a further rise of £2 billion in 2025-26.

The table below **(Figure B)** presents the estimate for how much higher current benefit spend would be against a counterfactual scenario where benefits were paid out on demand. It estimates the value of the activities we do to verify eligibility and to ensure that entitlement remains correct by processing claimants' changes in circumstances and performing interventions. The activities and controls that protect the benefit system from overpayments include:

- Up-front checks which prevent incorrectness from getting into the system at the claim start, such as verification of claimant-provided information and of basic conditions of entitlement such as identity
- Functional assessments which confirm entitlement to disability benefits
- Processing of changes of circumstances reported by claimants, whether reported on time or late, or identified through the automated use of Real Time Earnings information from HM Revenue and Customs
- Pro-active counter fraud and error activities, including Targeted Case Reviews which are discussed in greater detail later in the report

This is the fourth year the department has attempted to estimate the level of savings this way. The estimate remains an experimental metric as the methodology continues to be developed and refined, and as such it has been necessary to restate the previous two years to present a comparable back series.

Figure B: Amount of potential expenditure loss from overpayments saved – broken down by function

Function		2023-24	2024-25	2025-26
Dedicated counter-fraud and error resource	Counter Fraud and Compliance Directorate	£1.6bn	£1.8bn	£1.8bn
	Targeted Case Reviews	£0.1bn	£0.6bn	£1.1bn
	Verify Earnings and Pensions (VEPs)	£0.1bn	£0.1bn	£0.1bn
	Subtotal	**£1.8bn**	**£2.4bn**	**£3.0bn**
	Of which			
	Expected recoveries from debt referrals	£0.6bn	£0.7bn	£0.8bn
	Prevented future overpayments	£1.3bn	£1.7bn	£2.2bn
Other downward adjustments to current or past entitlement	Where an overpayment was identified	£3.1bn	£3.5bn	£4.1bn
	In advance of an overpayment occuring	£8.5bn	£9.0bn	£8.9bn
	Subtotal	**£11.6bn**	**£12.5bn**	**£13.0bn**
	Of which			
	Expected recoveries from debt referrals	£0.5bn	£0.7bn	£0.9bn
	Prevented future overpayments	£11.0bn	£11.8bn	£12.1bn
Specific upfront checks on claimant entitlement	**Functional Health Assessments**	**£5.1bn**	**£6.3bn**	**£7.2bn**
	Other disallowances	**£3.6bn**	**£4.2bn**	**£4.2bn**
	Of which			
	Universal Credit Identity Verification	£0.4bn	£0.4bn	£0.5bn
Total expenditure saved		**£22.1bn**	**£25.4bn**	**£27.4bn**

1. Functional Health Assessments: these are checks done on conditions of entitlement at the start of a disability benefit claim.
2. Other disallowances: these are checks done on conditions of entitlement at the start of a non-disability benefit claim for other benefits. The estimate currently includes UC and Pension Credit only.
3. UC Identity Verification: these are specific checks of a claimant's identity at the start of a UC claim.
4. Measuring the savings associated with all these processes requires a variety of estimation methodologies and analysis of different data, meaning some elements of the overall estimate are more robust than others. The estimated savings from dedicated fraud and error resource (Counter Fraud Compliance and Debt Directorate; Targeted Case Reviews; Verify Earnings and Pensions programme) are based on established methodologies which are considered more robust than those used to evaluate preventative savings from front-line controls.
5. The scope of the estimate (benefits with smaller, or declining caseloads have been excluded) and the nature of the assumptions used means that all the figures are more likely to be an underestimate than an overestimate. In particular: we are not currently able to accurately measure savings achieved from the verification of some claimant-provided information such as the amount of capital and household composition.

6 We have not attempted to estimate the additional savings that arise from deterring claimants from committing fraud and making mistakes in the first place, as a consequence of the things that we have done and the messages that have been promoted

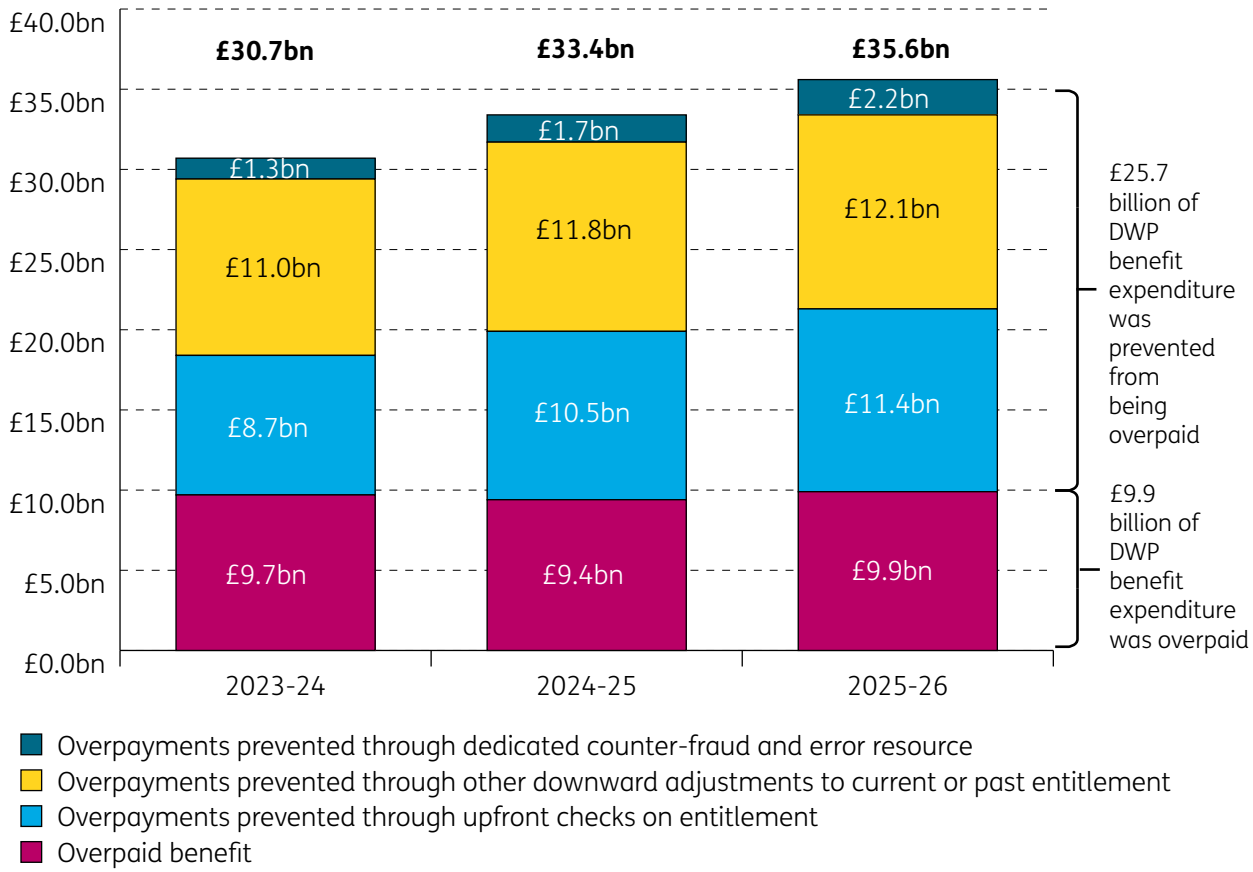
7. The estimates for 2023-24 and 2024-25 have been restated since last years published Annual Report and Accounts due to a variety of improvements to the analytical methodology. However, many of these offset each other, so the change to the total savings is relatively minor. The most significant change is evident within the dedicated counter fraud functions as we have refreshed some of our analytical assumptions relating to the expected duration of overpayments. We have also improved the methodology for estimating the savings from "Other downward adjustments to current entitlement – In advance of an overpayment occurring", primarily to better reflect the impact of legacy benefits moving to UC and made small improvements to the estimate of savings from "Specific Upfront checks on claimant entitlement".

8. Numbers in the table may not sum due to rounding

How this relates to the level of overpayments paid out

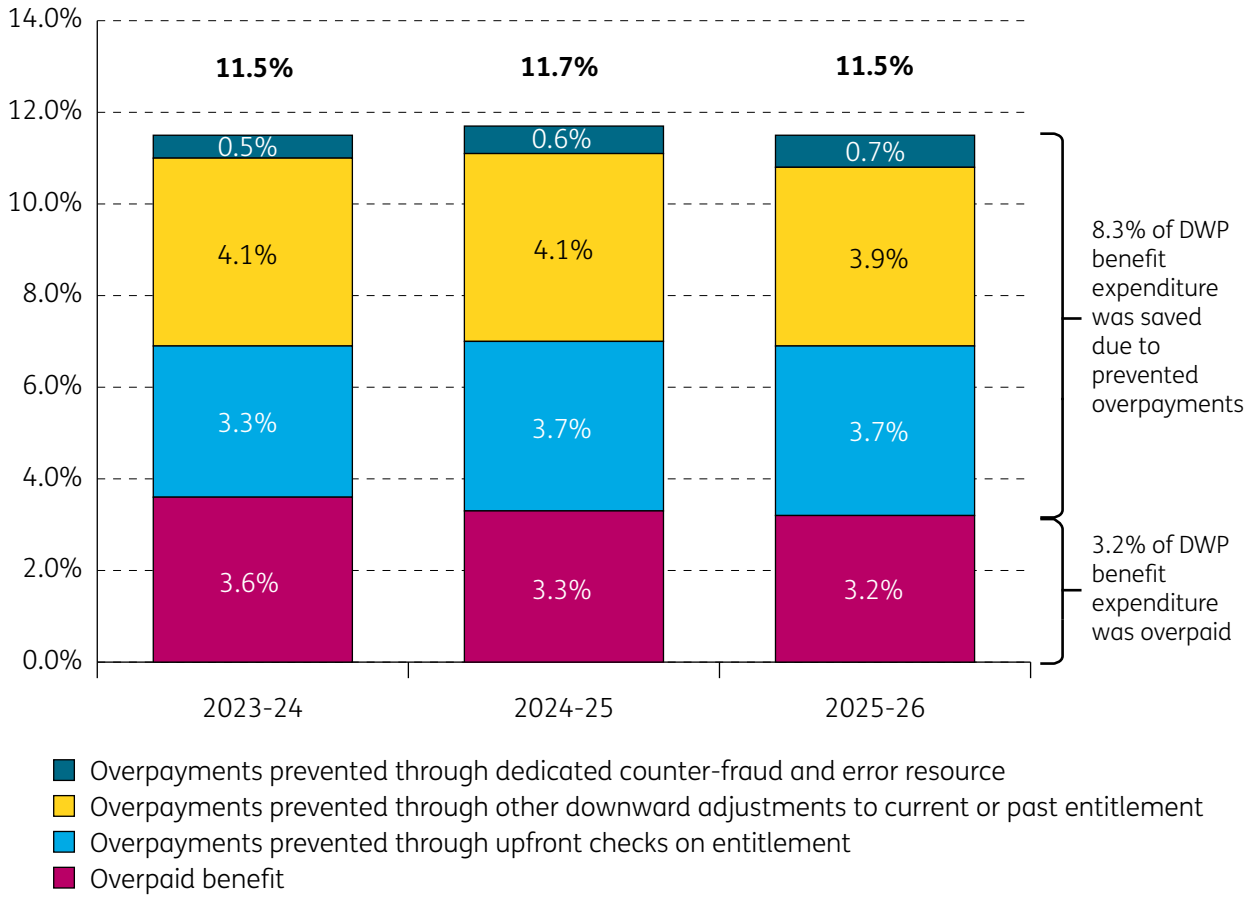
The published level of overpayments paid out this year was 3.2% of benefit expenditure (£9.9 billion). Our estimates indicate that a further £25.7 billion (8.3% of 2025-26 expenditure) has been prevented from being overpaid as a result of counter fraud activities and controls. Without our efforts, overpayments would have been at least £35.6 billion (11.5% of 2025-26 expenditure).

Figure C: Amount of expenditure overpaid and prevented from being overpaid[59]



59 The chart incorporates the saving from prevention from Figure B above. Numbers may not sum due to rounding. The estimates for 2023-24 and 2024-25 have been restated since last year's published Annual Report and Accounts due to a variety of improvements to the analytical methodology.

Figure D: Percentage of expenditure overpaid and prevented from being overpaid[60]



Operating a cost-effective control environment

We continue to reduce fraud and error through a system-wide approach, underpinned by our strategic controls framework. Our controls remain our key defence to prevent fraud and error from entering the benefit system (saving an estimated £27 billion) and ensuring claimants receive their correct entitlement. Through our strategic controls framework and effective governance, we assess the value for money effectiveness of our controls in mitigating fraud and error. This informs decision-making and planning to support a resilient and cost-effective control environment and our response to evolving risks.

Data and analytics

Better use of data and analytics to prevent, detect and correct fraud

To support our commitment to improving payment accuracy, the effective use of data is crucial in identifying and correcting incorrect payments. This includes enabling more

60 The chart incorporates the saving from prevention from Figure B above. Numbers may not sum due to rounding. The savings are expressed here as a percentage of the actual benefit expenditure that was paid out each year. In reality, had the prevented savings not been achieved then those benefit expenditures would have been higher. The estimates for 2023-24 and 2024-25 have been restated since last year's published Annual Report and Accounts due to a variety of improvements to the analytical methodology.

proactive measures to prevent, detect, and correct fraud and error, for example, through the collection of real-time information on Pay As You Earn (PAYE) earnings data shared by HM Revenue and Customs to verify earnings in Universal Credit.

In 2025, new powers were secured, as part of the Public Authorities (Fraud, Error and Recovery) Act 2025 (PAFER). This enables us to require banks and other financial institutions to examine their own datasets and provide limited data to help identify where someone may not be meeting the specific eligibility criteria of a benefit. We will use the information received, along with other information held on the claimant, to determine whether benefit payments may be incorrect. This will mean that claimants are paid more accurately, more errors are found and resolved, and any suspected fraud can be identified and investigated sooner. For more information see PAFER section (page 126).

Our comprehensive approach to using data will enable us to more promptly detect and correct some claims, where claimants have not reported changes in their circumstances. This year we focused on exploring opportunities to incorporate data sources earlier in the claimant journey to support upfront eligibility verification, utilising advanced analytics techniques to detect fraud risks sooner and making better use of data that is not in standard format, such as journal messaging. This will further enhance the accuracy of information used for calculating entitlements and to modernise current processes, thereby improving our ability to effectively and efficiently prevent fraud and error from entering the benefit system.

As recognised in the recent National Audit Office report,[61] data analytics are a valuable tool in addressing fraud and error and helping to make sure that benefit claimants receive the right amount of money. The Public Accounts Committee report on Government use of data analytics on error and fraud[62] notes that DWP is one of the few departments with advanced use of data analytics. The report states that outside the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC), government use of data analytics to tackle fraud is far less developed, which indicates that DWP is one of the more established departments in this area.

Current use of data capabilities and advanced analytics in fraud

Data analytics is part of our overall response to the challenge of reducing fraud in the Department and we continue to adopt a 'test and learn' approach to machine learning, while evaluating its effectiveness to inform our future direction.

We will continue to modernise our approach to benefits administration to support our efforts to prevent fraud and error, provide lasting change and immediate improvements for customers and the public purse. As a starting point, we are developing a Single Customer View (Customer Account), which will serve the dual purpose of giving our customers more control over their benefits and State Pension online and establishing core customer data standards. This prioritises the information that is most valuable for day-to-day operations and helps create a foundation for better identity verification and service design, while recognising that different benefits and service lines have

61 Using data analytics to tackle fraud and error – NAO report
62 Government use of data analytics on error and fraud pg. 1

developed differently over time. For more information see 'Spotlight on Customer Account' section of the Performance Report, (page 76).

There is currently one fraud and error machine learning model in full deployment on Universal Credit (UC) Advances. While the UC Advances machine learning model has delivered savings of £8.7 million since it was introduced in 2022, this represents only a very small proportion of our total annual fraud and error savings achieved by all of our controls. Although the model is effective within its scope, it is just one small component of our broader counter-fraud strategy.

Through our established governance processes, we have made the decision to expand the rollout of two further models to live claims in 2026, focused on reducing Living Together and Self-Employed Earnings overpayments. Further models remain under development and testing. The model referral and the follow-up checking by a human decision maker will allow erroneous claims to be corrected before the first payment is issued. The model and end to end service are being tested in live claims. As with earlier deployments, it will take time for sufficient evidence to be generated to robustly assess effectiveness. Once this assessment is completed, we will publish the findings in line with our transparency commitments. For more information on Artificial Intelligence see the Governance Report (page 221).

Safeguards

When using advanced analytics to reduce fraud and error, we ensure that appropriate safeguards are in place to guarantee the lawful, proportionate, and ethical use of data and technology. These safeguards align with best practices, and government standards, codes and working principles. There is no automated decision making used in our counter fraud and error activities and our use of advanced analytics does not replace human judgement. Decisions regarding benefit entitlement or payment are made by our colleagues who look at all available evidence before making a decision.

Effectiveness assessment

At every stage of model development, we ensure checks and balances are in place and have safeguards to minimise the risk of unfair treatment or detrimental impact on legitimate customers, irrespective of their protected characteristics. However, as highlighted in the National Audit Office report[63], public bodies must balance transparency about their use of data analytics with the risk of making it easier for fraudsters to take advantage.

In line with this and as set out in our 2024-25 Annual Reports and Accounts (ARA), we published, for the first time, detailed information on the fairness and effectiveness of the Universal Credit (UC) Advances machine learning model[64] meeting its commitment to improve our transparency about the use of machine learning. This set out our assessment that it remained reasonable and proportionate to continue running the model.

63 Using data analytics to tackle fraud and error – NAO report
64 Universal Credit Advances Model – Fairness Assessment – GOV.UK

Aligning with public commitments, we intend to publish an updated Effectiveness Assessment of the Universal Credit Advances model in the coming months alongside a narrative commentary on the not-yet-deployed retrained model. Model retraining is part of routine maintenance to ensure continued effectiveness in identifying fraud risk. We continue to assess that there are minimal concerns overall of discrimination, unfair treatment or detrimental impact on legitimate claimants arising from the UC Advances model, taking account of the safeguards and governance in place and ongoing model assurance activity. Therefore, it remains reasonable and proportionate to continue operating the Advances model as a fraud prevention control.

Algorithmic Transparency Recording Standard

We apply the Algorithmic Transparency Recording Standard (ATRS), a cross-government standard led by the Government Digital Service (GDS), to support transparency around the use of algorithmic tools. In line with this standard, we published an ATRS record for Universal Credit Advances model on GOV.UK on 16 December 2025[65]. As further models move into live use, we will publish additional ATRS records, with updates made available via the central ATRS repository in accordance with cross-government requirements.

Driving continuous improvement

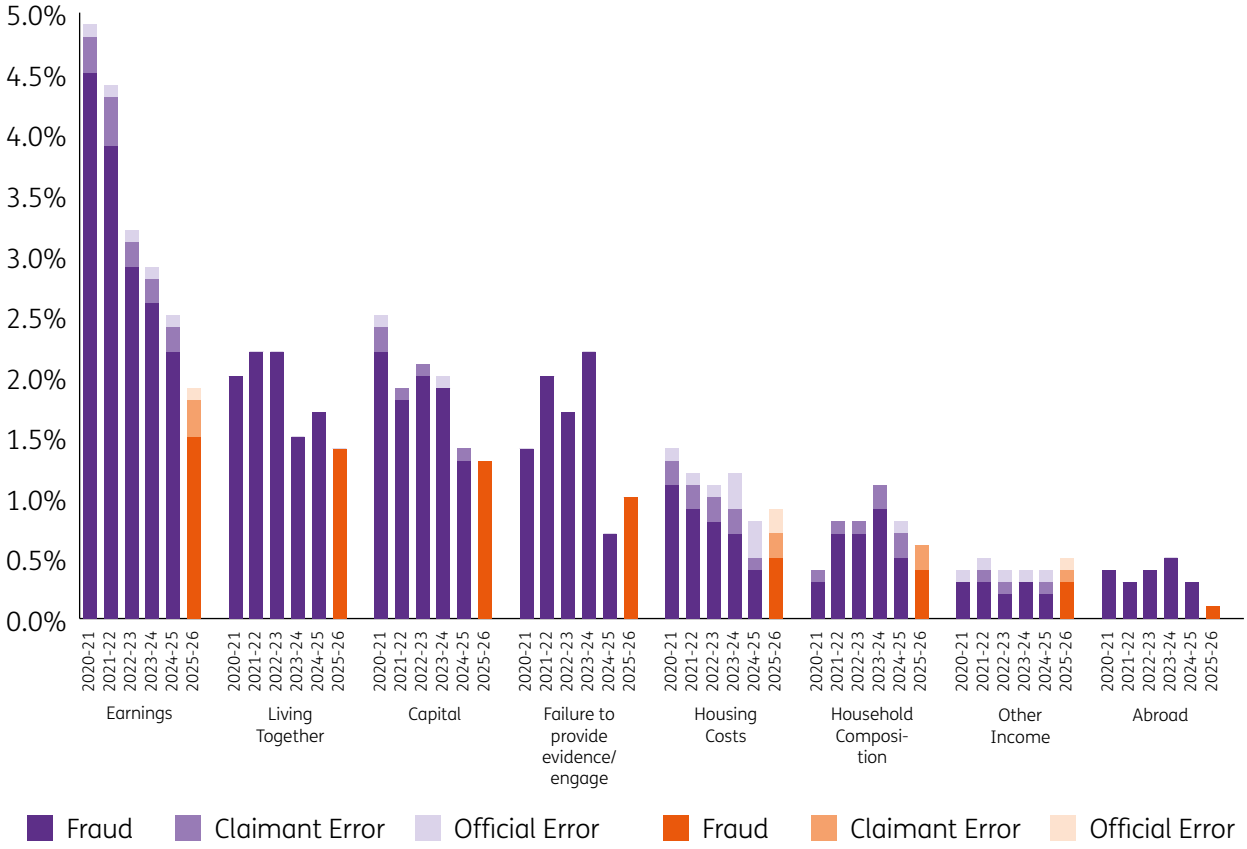
Universal Credit

We continue to see progress in reducing fraud and error levels in Universal Credit (UC). The latest Fraud and Error National Statistics show that we have reduced UC from the peak of overpayments in 2021-22 of 14.7% of UC expenditure to 8.5% in 2025-26, which brings the UC estimate back to pre-pandemic levels and is below the Office for Budget Responsibility forecast level of 9.1%. This represents a reduction in the rate of UC overpayments of more than 40%, equivalent to £5 billion of UC expenditure (in today's terms). Our forecasts expect that UC overpayment levels will continue to come down, so that by 2028-29 we expect them to have dropped to around 7.5% of UC expenditure (see page 125 for further details).

As Figure E below shows, the key loss areas in UC are overpayments caused by undeclared earnings (predominantly self-employed earnings), an undeclared partner ('living together'), and undeclared capital (savings and investments). Although undeclared earnings remain the largest error reason, at 1.8% of UC expenditure in 2025-26, we have seen this error category more than halve since the peak of overpayments in 2021-22.

65 DWP: Universal Credit Advances Model – GOV.UK

Figure E: Percentage of Universal Credit expenditure overpaid by key loss area



We know much of this reduction in the UC overpayment rate seen in recent years reflects improvements we have made to the UC service, which includes improvements to claimant reporting and verifying information, focusing on our key loss areas. This is in addition to internal agents checking claims as part of Targeted Case Review. Further details are listed in the table below, Figure F.

Our approach to reducing fraud and error in UC brings together multi-disciplinary teams to focus on activity to reduce the levels of loss. There is a team for each loss area responsible for understanding insight and learning from key activities such as Targeted Case Review to identify the root causes of fraud and error that need resolving to target preventative measures and prevent future losses. This enables Universal Credit to focus on delivering our mission to **pay the right claimant the right amount at the right time.**

To do this we:

- Use a variety of evidence (including seeking advice from frontline colleagues and using data) to identify potential improvements in UC processes
- Go through a testing process to understand whether the proposed changes will be successful and therefore can be implemented across the service
- Focus our proposed changes on prevention of fraud and error entering the system

Examples of continuous improvement initiatives in 2025-26

Throughout 2025-26, we have continued with several initiatives to further enhance the UC service to prevent fraud and all types of error including official error:

Figure F Continuous improvement initiatives in Universal Credit

Risk Area	Continuous Improvement Activity
Failure to report changes	We have: • Introduced periodic redeclaration of Universal Credit (UC) claims which will prompt claimants to review their declared circumstances and report any changes. We expect to save around £1.2 billion from this measure over the next five years (0.27% of annual UC expenditure when fully rolled out), whilst preventing claimants from building up avoidable debt.
Earnings (including self-employment) causes overpayments of 1.8% of expenditure	We have: • Continued to enhance the information available to self-employed UC claimants to support accurate reporting of income and expenses. This includes clearer digital guidance on allowable expenses and explicit prompts to declare all sources of income. These improvements were designed to reduce misunderstanding at the point of declaration, helping to prevent fraud and error from entering the system and reducing the need for downstream corrective action. • We have introduced an enhanced Income and Expenses Review Team (IERT) to strengthen verification for self-employed UC claimants. This approach includes reviewing evidence of business activity, such as bank statements, early in the claimant journey. We are improving the way we gather information so that claimants understand what they need to declare. The revised approach aims to apply increased verification checks to up to 6% of Self-Employed cases each month.
Living Together causes overpayments of 1.4% of expenditure	We have: • Made improvements to claimant guidance in gathering their personal information to support them to understand the definition of living together to ensure we have their correct relationship status. This includes asking extra questions to establish entitlement. • Conducted research to help claimants declare their correct living circumstances to ensure accurate entitlement • Continued to encourage claimants who declare a change to their relationship status, to report other changes in their circumstances

Risk Area	Continuous Improvement Activity
Capital causes overpayments of 1.4% of expenditure	• We have continued to improve the UC service approach to verifying claimants' savings and investments. We now require claimants to tell us the balance of their bank account that the UC award is paid into and improved the service to increase claimant understanding of other financial products which must be declared to make a decision on entitlement. • We are testing how to use different channels to enhance upfront capital verification which has included trialling the use of Open Banking
Housing Costs causes overpayments of 0.8% of expenditure	We have: • Delivered a series of targeted improvements to reduce the risk of overpayments arising from changes in housing costs including improving data quality through improved landlord data integration through the Social Rented Sector Landlord Portal, updated operational processes to prevent delays, and enhanced communications • Continued to improve verification of the annual rent change for housing costs in the social rented sector
Household Composition causes overpayments of 0.6% of expenditure	We have: • Maintained and improved the process introduced in 2023-24, asking claimants with children/young people between the age range of 16-19 in the household, to confirm and record their education status
Conditions of Entitlement causes overpayments of 0.2% of expenditure	To receive UC, claimants must live in the UK. We have improved the UC service by: • Improving reporting – if a claimant is going outside of Great Britain, they can declare the period of time they will be out of the country, and the service will determine the correct pathway for an agent to correctly action the absence and ensure the correct award is paid. We have built on this to ensure changes can be actioned for future, current and past absences. • Making better use of data, to confirm UK immigration status and where appropriate move towards greater automation. This process was recently updated to include newly available data from online sources.

Other benefits

For benefits other than Universal Credit, many of the key loss areas are specific to each benefit. However, some loss areas are common across multiple benefits, such as incorrect capital (savings and investments). As Figures G and H below show, the National Statistics for Fraud and Error show undeclared capital as the biggest source of overpayments in the other means-tested benefits. The introduction of the Eligibility Verification Measure will enable us to identify undeclared capital (see the section on the implementation of the Public Authorities (Fraud and Error Recovery) Act on page 126 for further details).

The Personal Independence Payment (PIP) overpayment rate increased to 2.3% in 2025-26 from 1.3% in 2024-25, largely because claimants are not reporting improvements in their condition to us. In many cases this is not deliberate; conditions can improve slowly and people do not always realise they need to tell us. Improvements that we are introducing to how we communicate with customers will help to prevent incorrectness moving forward (see page 95 within the Unfulfilled Eligibility section for further information).

Figure G: Percentage of Pension Credit Expenditure overpaid by key loss area

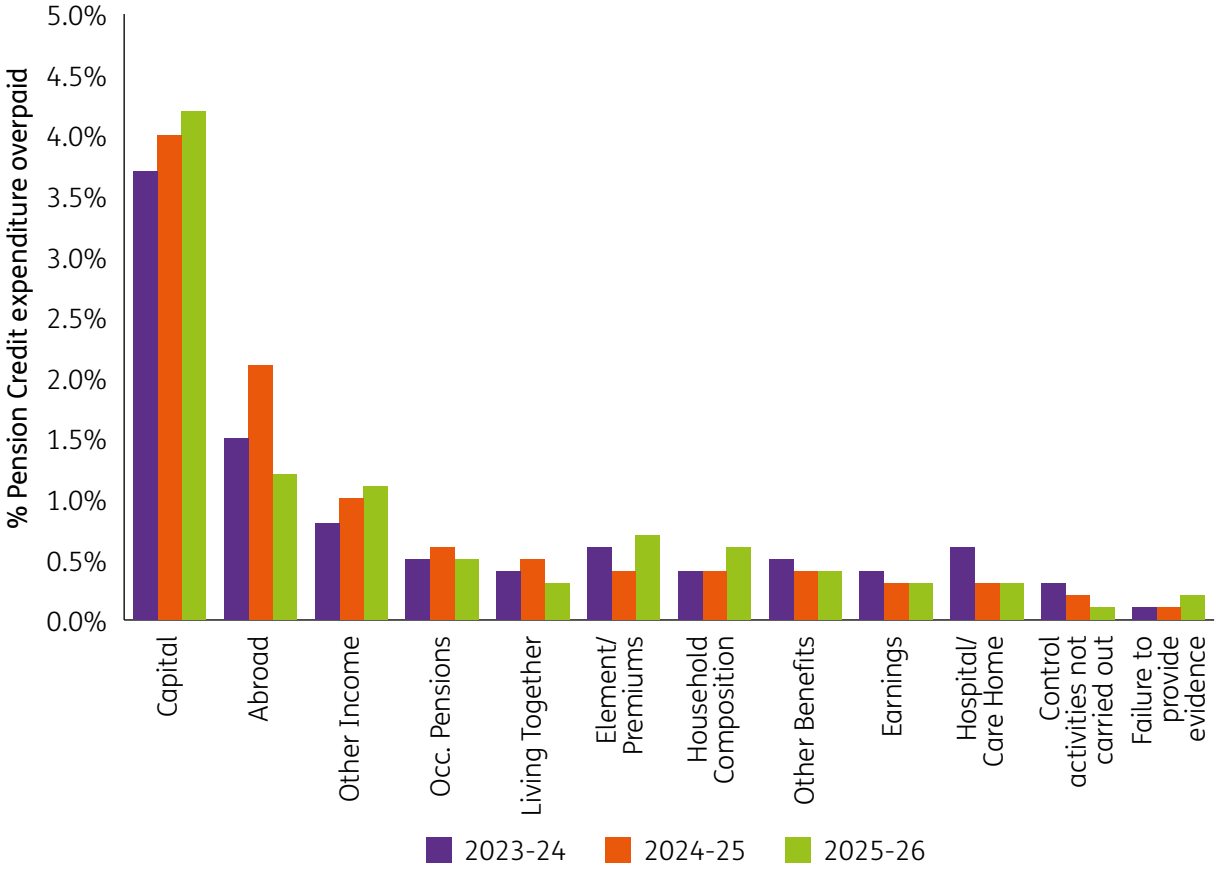
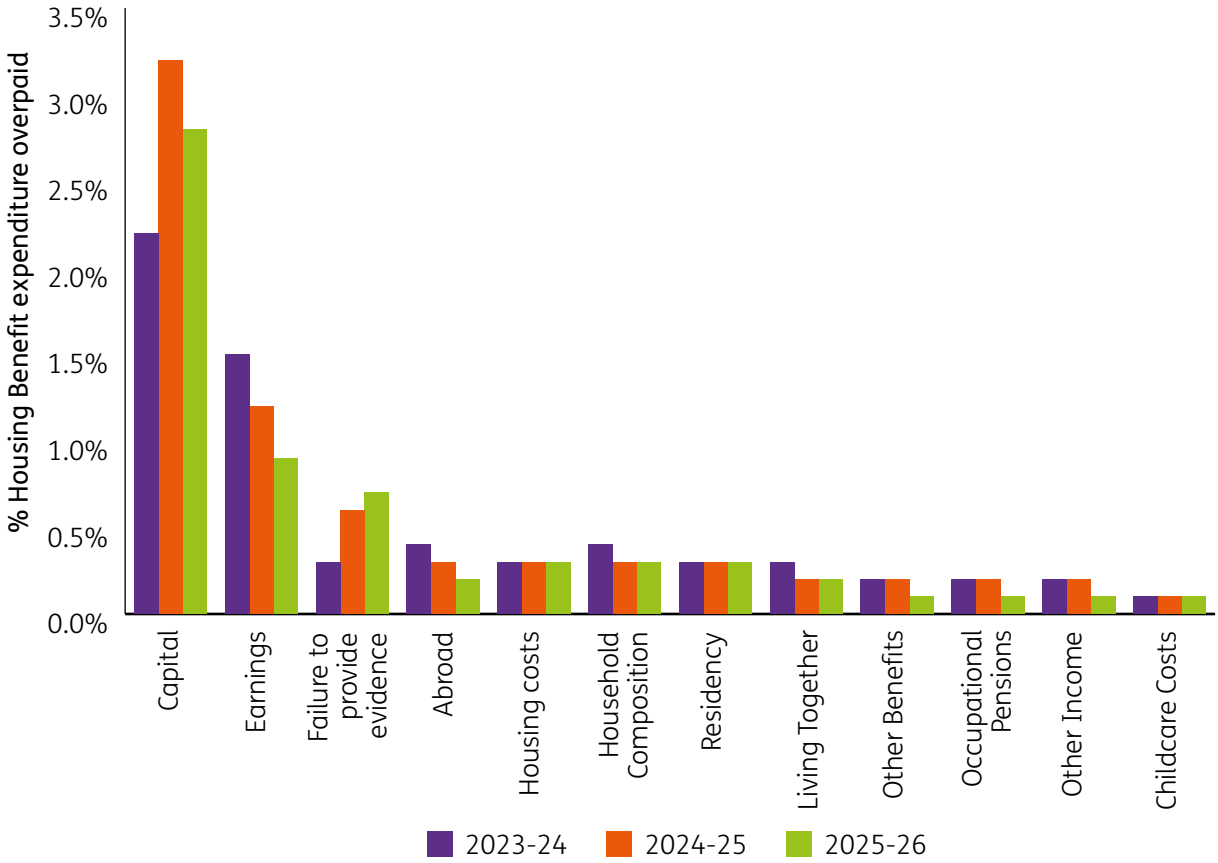


Figure H: Percentage of Housing Benefit expenditure overpaid by key loss area



Overpayments in Pension Credit are primarily due to undeclared capital and claimants going abroad for longer than the permitted duration, and together account for two-thirds of fraud overpayments in 2025-26. Alongside the Eligibility Verification Measure, in 2026 we are introducing Pension Credit Case Review to further improve accuracy and provide assurance that the correct level of benefit is being paid.

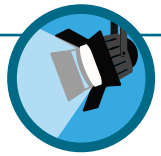
In 2025-26 the Housing Benefit (HB) caseload sampled for review included claims for passported (this is where a customer is in receipt of a qualifying income-related benefit to receive HB) and non-passported pension age groups. The estimates for the HB working age groups are based on reviews undertaken in previous years. The pension age group represents over half of the HB caseload. This year we saw overall HB overpayments reduce by 14% compared to last year, with pension age HB overpayments dropping by over 20%. This reduction is partly driven by changes in the caseload composition, which has also meant that our Housing Benefit Award Accuracy initiative is now focusing more on improving claim accuracy in the pensioner caseload (further details are listed in the table below, Figure I).

Figure I: Improvement initiatives in other benefits (excluding Universal Credit) to support reducing fraud and all types of error including official error

Improvement area	Key activity
Communications	We have: • Continued to improve communications to help carers fulfil their responsibility to accurately report change of circumstances, when they happen.
Data alerts and data matching	We have: • Enhanced data systems and increased staffing to action all notifications received on changes to earnings and pensions across benefits in a timely way in Carer's Allowance (CA) and Pension Credit. This initiative has ensured carers and pensioners receive the correct amount of benefit at the right time. This has led to an increase in the number of alerts reviewed and actioned in a timely way, and significant reductions in aged overpayments. For more information see CA overpayments (page 62). • In Housing Benefit (HB), we continued to provide local authorities with support through funding, performance monitoring, data sharing and data matching to help keep claims right and reduce fraud and error. • We have tested the use of government travel data to identify HB claimants who have been abroad for more than 28 days. Following a trial, a new HB matching rule will be introduced to tackle abroad fraud.
Verifying claimant entitlement and changes in circumstances	We have: • Continued to deliver the Housing Benefit Award Accuracy (HBAA) initiative to help local authorities (LAs) target full case reviews in the remaining parts of the caseload as the majority of working-age claims have now migrated to Universal Credit. For 2024-25 the benefit cost ratio was estimated to be around 5:1 (£4.97 saved for every £1 spent). Across HBAA activity to date (from 2020–21 to the end of 2024–25), the programme has delivered £128 million in savings. • Funded local authorities through HBAA to conduct a full case review on all their standard cases (where the claimant is not in receipt of another qualifying benefit, which ensures Housing Benefit entitlement). These cases have not been reviewed regularly for some years. This approach will continue for 2026-27.

Improvement area	Key activity
Modernising our internal systems and processes	We have: ● Continued to enable people to claim their new State Pension through their channel of choice with Get Your State Pension, with most completing their application online. The streamlined application process is more efficient and reduces the opportunity for inaccurate State Pension claims through better use of data and automation. Improvements continue to be made across the platform. For more information see Get Your State Pension (page 53).
Improving capability (New)	We have: ● Increased staffing to meet increased Pension Credit demand, following Winter Fuel Payment announcements. ● Commenced a Later Life (Pension Credit and State Pension) capability and knowledge build investment programme with new tools, improved instructions and training material to help reduce fraud and error in key Pension Credit risk areas. This supports accurate entitlement and payment outcomes and improving agent capability and confidence to get it right first time in a more efficient service.

FRAUD ERROR AND DEBT



Spotlight on External communications campaign (Tell DWP)

A communications campaign to increase understanding amongst benefit claimants of which changes in circumstances customers need to notify us about; and raise awareness of the consequences of not keeping UC claims up to date has been delivered between February-April 2026.

Messaging for the Tell DWP campaign was tested with the target audience. The campaign is based on the proposition: If you've told someone else, tell us too, to avoid a penalty.

The multi-channel marketing campaign was delivered on video on demand, radio, social and digital channels, billboards as well as through partnerships and forums. It was supported by a trial at three Jobcentre Plus locations in the West Midlands. The evaluation of this campaign is underway, and results will be published. Initial metrics are positive, showing the campaign has performed well against Government communications benchmarks for audience engagement. Further waves of the campaign will be launched later in 2026.

Correcting fraud and error

What has changed?

Delivering £3 billion AME savings

Our dedicated teams focused on detect and correct activity have delivered £3 billion[66] AME savings in 2025-26, up from £2.4 billion in 2024-25[67]. The AME savings were delivered through a range of activities, undertaken across multiple teams, by detecting fraud and error and correcting claims (see Figure J below).

Figure J: AME savings actuals- broken down by function

Function	2025-26 AME savings actuals[68]
Counter Fraud and Compliance	£1.8 billion
Targeted Case Review	£1.1 billion
Verify Earnings and Pensions	£0.1 billion
Totals	**£3.0 billion**

Correcting error

Targeted Case Review

Targeted Case Review (TCR) continues to play an important role in helping ensure Universal Credit (UC) payments are accurate and claimants' circumstances are correct. The continued delivery and expansion of TCR, which has matured from a test and learn initiative into a core operational control within our wider system of assurance, has played a key role in driving down fraud and error and future forecasts. Insights from this work are supporting wider improvements to UC processes and contribute to the overall trend of improving payment accuracy across the welfare system.

In 2025-26, the programme operated at full scale, reviewing nearly 1.2 million UC claims. Through this work, we have identified and corrected approximately 250,000 awards, contributing to the continued reduction of fraud and error within UC. These reviews saved £1.1 billion during 2025-26, this brings total savings delivered by TCR since inception to £1.7 billion.

The predicted savings for TCR are reliant on several factors, including the number of completed reviews, number of reviewed cases found to be incorrect, and the average value of the incorrectness on each claim.

66 Figures are rounded to the nearest £100 million. Data sourced from our management information.
67 This is a restating of the £2.0 billion AME savings quoted in the 2024-25 DWP Annual Report and Accounts as the analytical assumptions have been updated.
68 Figures are rounded to the nearest £100 million. Data sourced from our management information.

Figure K: TCR performance drivers

Performance drivers	Outturn
Productivity: cases reviewed per day, per FTE[69] agent, average monthly productivity rate	1.00
Hit rate: claims reviewed found to be incorrect, annual average	21%
AME[70] **per hit**: average savings per incorrect claim, annual average	£7,949
AME savings achieved in 2025-26	£1.1 billion

TCR is delivered through a blended model that combines skilled departmental staff with additional review capacity delivered by TP[71] to ensure activity can be carried out at the scale required.

This period has been one of transition for the programme as it continued to embed the changes introduced through full-scale operations. We have focused on stabilising delivery, refining processes, and supporting review teams to adapt to new requirements. While there has been steady progress in strengthening capability and consistency, this remains an ongoing process and further work is needed to fully consolidate the operating model.

The addition of complex case types, like those involving multiple changes or self-employment, led TCR teams to refine processes and improve training for review agents. This year, safeguards for vulnerable customers were strengthened through even clearer guidance and targeted support. Operational and policy teams collaborated to ensure consistent handling, maintaining fairness and accuracy while recognising claimants' differing needs.

TCR also moved to comprehensive claim reviews, assessing entire awards rather than specific risks. This approach helps agents identify multiple issues, improves accuracy, and enables detection of linked problems. It enhances communication with claimants, ensuring claims are correct, and reduces future errors in the UC system.

As new case types and more complex scenarios have been introduced, the operational environment has become more demanding. This has required continued adjustment to tools, training and guidance, and we recognise that these changes may take time to embed fully across all delivery routes.

Overall, TCR has delivered important benefits during 2025-26 and continues to evolve, with an ongoing focus on strengthening capability, improving consistency and embedding learning to support effective delivery at scale.

We remain committed to applying learning from this transitional period to further improve performance and sustain progress over the coming years. Insights from full scale delivery this year have also strengthened understanding of how incorrectness

69 Full Time Equivalent
70 Annually Managed Expenditure – AME per hit reflects the total savings per incorrect claim, which includes savings that will be realised in future years.
71 TP, formerly Teleperformance, are the external provider used to supply additional reviewing agents to support TCR.

enters the UC system, building on themes highlighted in last year's Annual Report and Accounts.

- Reviews continue to show that many errors arise when claimants do not regularly update their circumstances, supporting development of the periodic redeclaration measure
- Bank statement information has again proven valuable in identifying discrepancies, contributing to wider exploration of how Open Banking could support additional verification types
- Ongoing operational feedback from review agents is helping to map emerging patterns of incorrectness and shape improvements to claimant communications, targeting and preventative controls

Planned improvements for 2026-27

Pension Credit Case Review

Building on the success of Universal Credit Targeted Case Reviews (see page 118), the Chancellor announced at the Autumn Budget, the introduction of Pension Credit Case Review. From 2026 to 2029, we will be conducting full case reviews of Pension Credit awards to improve accuracy, and to ensure we are paying the correct amount of benefit.

This activity will include identifying any unreported change of circumstances that may have an impact on the award and provide an improved customer service focus, reducing any ongoing underpayments and overpayments. While these initiatives are expected to improve accuracy and reduce fraud, error and debt, their full impact will not be immediate and will be realised progressively as the initiatives are embedded.

Dedicated counter fraud activity

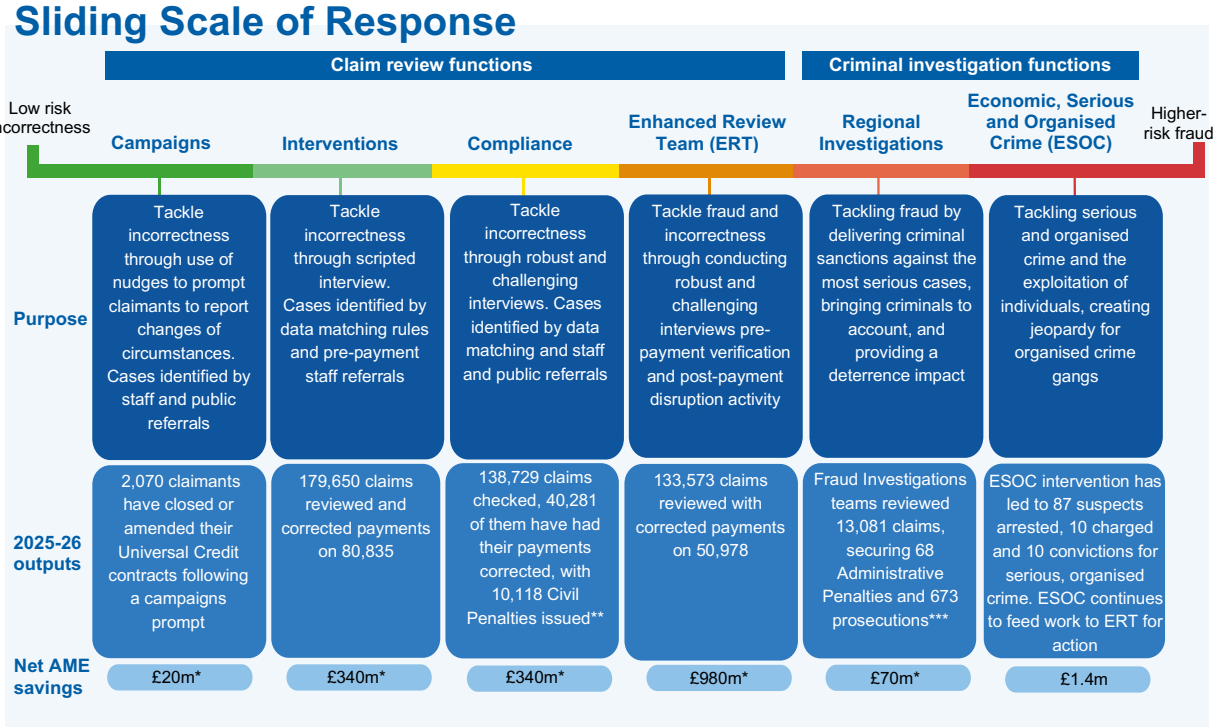
Counter Fraud and Compliance function

We deploy our Counter Fraud and Compliance (CFC) resources to emerging and high-risk areas, detecting and correcting where needed and proactively looking to prevent and disrupt fraud at the earliest opportunity. This approach has seen CFC deliver £1.8 billion savings for 2025-26.

Within CFC we prioritise resources to work with the highest areas of loss of public funds and fraud risk. We employ a combination of early triage and data-driven, risk-based scoring, particularly in cases where criminal activity is suspected, to establish an effective societal deterrent to fraud. The government's investment in up to 3,000 extra departmental staff for data, analytics, and investigations will follow this model. In addition to tackling fraudsters, we play an important role in safeguarding vulnerable claimants, for example by stopping human trafficking and modern slavery (see Spotlight on Partnership Working, page 122).

CFC has different approaches to tackling fraud depending on the nature and severity of the fraud. Using a diverse range of expertise, technology and intelligence, the teams tackle all types of fraud from non-criminal fraud cases through to sophisticated attacks on our benefits system, correcting benefits where appropriate and bringing the most serious cases to justice (see Figure L below).

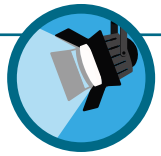
Figure L: Counter Fraud and Compliance teams' response



***AME savings rounded to nearest £10 million**
****Only includes Civil Penalties issued by Compliance teams and not more widely across the Department**
*****Prosecutions refer to cases where the prosecuting authority (Crown Prosecution Service in England and Wales, Procurator Fiscal in Scotland) has reviewed the case and deemed it suitable for prosecution**
******The majority of ESOC AME savings are claimed in ERT due to cases being actioned there

FRAUD ERROR AND DEBT

Spotlight on Partnership Working



We remain committed to working closely with law enforcement and partner agencies to better tackle fraud. Throughout 2025-26 our Economic and Serious Organised Crime team (ESOC) has embedded a small number of investigators into a national network of investigators and law enforcement agents from a wide range of law enforcement and partner agencies with the aim of identifying, disrupting and tackling organised crime.

This investment allows us to provide a rapid, robust and agile response to the complex threat that organised crime groups pose to both the Department and society as a whole. In 2025-26, the work these investigators completed as part of this network has resulted in us taking forward over 200 fraud investigations.

Through their work, these investigators have also been involved in the identification of around 1,300 individuals who are believed to be victims of Modern Day Slavery. Through this approach, we have not only addressed serious and organised fraud but have also ensured that we do everything possible within our remit to support victims of serious and organised crime.

Administrative Penalties

An Administrative Penalty (Ad Pen) is a financial penalty that we can offer as an alternative to a criminal prosecution. It can only be offered – and never imposed – in cases of suspected benefit fraud where the evidence gathered is sufficient to afford a realistic prospect of conviction.

This year, we have considered our use of Administrative Penalties, particularly opportunities to further strengthen the controls around their use. This resulted in introducing improvements, such as updated training for all criminal investigators, enhancements to operational guidance, a new permanent approach to deciding when an Administrative Penalty may be offered and bringing in more independent senior decision makers. Furthermore, through the Public Authorities (Fraud, Error and Recovery) Act 2025 (PAFER), we will be introducing new independent inspection of our end-to-end criminal investigations. (For more information see page 126). This will bring greater assurance to our processes, as well as ensuring robust decisions are taken consistently in future cases.

As part of this work, we identified that some Administrative Penalties that were offered and accepted should not have been offered in the first place and action has been taken to correct this. Reasons for this included procedural errors and evidence gathered which, on re-examination, was not deemed sufficient to have a reasonable prospect of securing a conviction or where circumstances of a case were not fully factored into the decision making. As a result, 197 Administrative Penalties (128 penalties from 2023-24 and 69 penalties from 2024-25) issued across 2023-24 and 2024-25 are being removed

and refunded, with affected customers being contacted to discuss this correction[72]. In all these cases, the benefit overpayment will continue to be recovered, where it is outstanding.

National Fraud and Error Statistics 2025-26 outturn and forecast

In May 2026 we published estimates of the levels of fraud and error in 2025-26. The overall level of overpayments across all of our benefits was 3.2% (£9.9 billion) of benefit expenditure compared to 3.3% (£9.4 billion[73]) in 2024-25. We have seen a continuous downwards trend in the cross-welfare overpayment rate since the peak in 2022 (4.3%) and have now achieved a statistically significant reduction of a quarter since then.

As Figure M below shows the rate of overpayments due to fraud and error within UC was 8.5% of UC expenditure compared to 9.5%[74] in 2024-25. Pension Credit overpayments remained stable in 2025-26 at 10% of Pension Credit expenditure, compared to 10.3% in 2024-25. Pension Credit has the highest rate of overpayments of all benefits for the second consecutive year, but due to the size of its expenditure it is the fourth largest source of overpayments in monetary terms.

Figure M: Overpayments and underpayments by benefit, 2025-26 compared to 2024-25[75]

	Overpayments				Underpayments			
	FYE 2026		FYE 2025		FYE 2026		FYE 2025	
All Benefits	**3.2%**	**(£9,900m)**	**3.3%**	**(£9,400m)**	**0.4%**	**(£1,200m)**	**0.4%**	**(£1,200m)**
Benefits measured in 2025/26								
Universal Credit	8.5%	(£6,720m)	9.5%	(£6,210m)	0.4%	(£350m)	0.6%	(£390m)
State Pension	0.2%	(£230m)	0.1%	(£180m)	0.3%	(£390m)	0.3%	(£430m)
Personal Independence Payment	2.3%	(£660m) ▲	1.3%	(£330m)	0.2%	(£70m)	0.2%	(£40m)
Housing Benefit	6.2%	(£800m) ▼	7.2%	(£1,100m)	0.3%	(£40m)	0.4%	(£60m)
Disability Living Allowance	0.9%	(£70m)	0.5%	(£40m)	2.3%	(£190m) ▲	1.0%	(£80m)
Pension Credit	10.0%	(£620m)	10.3%	(£610m)	1.3%	(£80m)	1.2%	(£70m)

Table footnote:
Arrows show where there has been a statistically significant change between FYE 2025 and FYE 2026 (red arrow indicates an increase; green arrow indicates a decrease).

72 In 2024-25, we reported that 272 Administrative Penalties had been offered and accepted. The review has resulted in 69 Administrative Penalties being removed from this figure, as they have been rescinded. The previously reported figure of 567 Administrative Penalties in 2023-24 has been reduced by 128 for the same reason.
73 Monetary value restated
74 Figure restated
75 The estimates for 2024-25 have been restated since last year's published Annual Report and Accounts due to a variety of improvements to the analytical methodology.

Figure N Percentage of departmental expenditure overpaid each year, broken down by benefit[76]

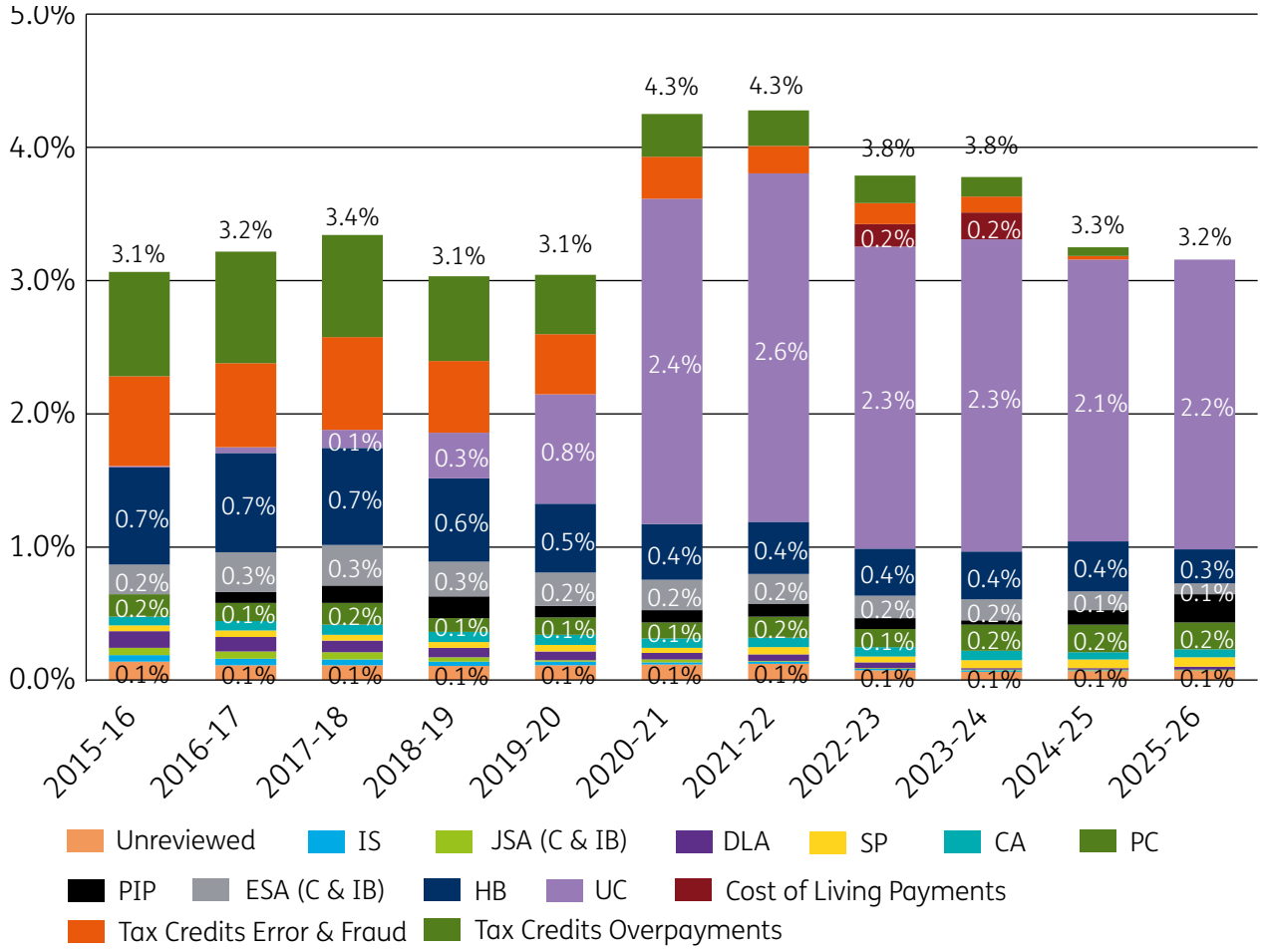


Chart footnote:
We include Tax Credits expenditure and its error and fraud and overpayment levels in this comparison, to account for the migration of Tax Credits to the Department, as this provides a consistent long-term caseload to compare against. A full explanation can be found from page 58 in our Annual Report and Accounts 2021-22.

The fall in the level of UC overpayments in recent years is the main reason for the drop in our overall level of overpayments since the peak of overpayments.

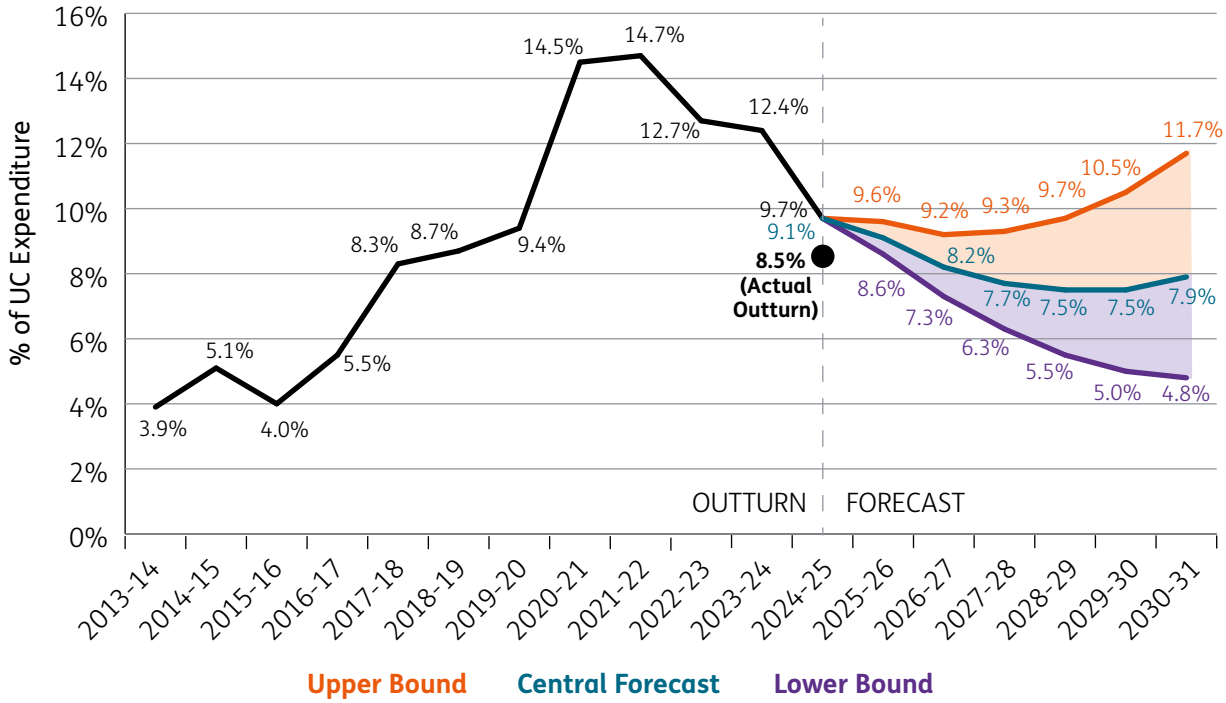
The Spring Statement 2026 central forecast for UC was created before the release of the National Fraud and Error Statistics in May. It was created by first estimating a baseline level of overpayments that would be expected to occur if we did not introduce any new or expanded measures and then by subtracting the expected savings from the planned additional activities, such as Targeted Case Reviews. The baseline is estimated by applying the latest available fraud and error rate estimates, which at the time of Spring Statement was for the 2024-25 financial year, to internal forecasts of how the UC caseload composition is expected to change over time.

76 The estimates for 2024-25 have been restated since last year's published Annual Report and Accounts due to a variety of improvements to the analytical methodology.

Additionally, the baseline accounts for external factors outside of the Department's control that could lead to an increase in fraudulent activity. We do this by applying a 5% upwards pressure assumption, based on evidence of trends in wider society. The forecast accounts for uncertainty by applying alternative assumptions of 10% and 0% upwards pressure, to create an upper bound and lower bound estimates respectively.

At the time of the 2026 Spring Statement, the rate of overpayments in UC for 2025-26 was forecast to be 9.1% of UC expenditure, with a steady decline in the rate of UC overpayments over the next five years. The outturn UC 2025-26 overpayment rate published in the National Statistics in May 2026 was lower, at 8.5%, outperforming expectations. Office for Budget Responsibility will be reviewing our forecasting methodology over the forthcoming year.

Figure O Spring Statement 2026 forecast for Universal Credit overpayments[77]



MVFE multi-year ambition

In last year's Annual Report and Accounts, we set out our ambition to reduce overpayment levels to the cross-welfare, pre-pandemic rate of 3.1% of expenditure. We include Tax Credits expenditure and its overpayment levels in the comparison, to account for the migration of Tax Credits to the Department, as this provides a consistent long-term caseload to compare against (See Figure O)[78].

Our approach to reducing fraud and error is working, as reflected in the downward trend in the cross-welfare overpayment rate observed since the peak of 4.3% in 2021-22 to 3.2% in 2025-26.

77 The estimates for 2024-25 have been restated since last year's published Annual Report and Accounts due to a variety of improvements to the analytical methodology.

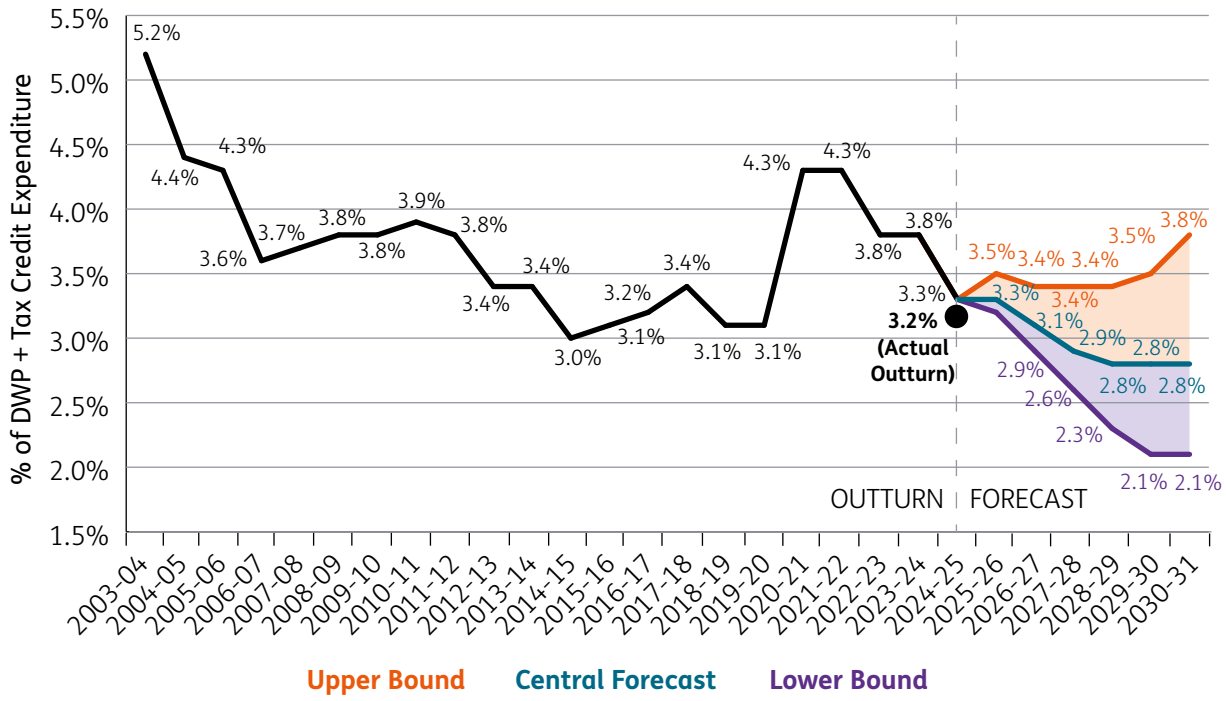
78 A full explanation can be found from page 58 in our Annual Report and Accounts 2021-22.

Building on this strong progress, we have set a new ambition to go further and reduce the overall Monetary Value of Fraud and Error (MVFE) overpayment level to 2.8% by 2028-29. This would represent the lowest cross-welfare overpayment rate since the introduction of Tax Credits in 2003-04, exceeding the historical low level of 3.0% recorded in 2014-15, as shown in Figure P.

The Spring Forecast 2026 central estimate forecasts that, based on current plans, we will now meet our previous ambition of 3.1% in 2026-27 and our updated ambition of 2.8% by 2028-29. Our current outturn of 3.2% demonstrates clear momentum towards both of these goals.

We will continue to publish our annual Spring Forecast in the Annual Report and Accounts, alongside our MVFE overpayment levels from the annual statistics, to measure our progress against this updated ambition.

Figure P: Spring Forecast 2026 for cross-welfare overpayments (DWP benefits plus Tax Credits)[79]



Looking ahead

Implementing Public Authorities (Fraud and Error Recovery) Act 2025

The Public Authorities (Fraud, Error, and Recovery) Act 2025 achieved Royal Assent on Tuesday 2 December. The Act will help to address the significant challenge of public sector fraud and error, which costs the taxpayer billions of pounds annually.

79 Note that the forecast level for future years assumes that the rates of overpayments in Tax Credits is unchanged from the last published rates. As Tax Credits represents only a small proportion of the overall welfare expenditure in future years, the cross-welfare forecast is not sensitive to adjustments to that assumption.

The Act will modernise our legislative framework, to help identify, prevent, and deter fraud and to enable better recovery of debt owed to the taxpayer. It will also further help us to protect claimants by stopping errors earlier and therefore minimise debts. It is expected to deliver benefits to the taxpayer of £2.1 billion over the next five years, as certified by the independent Office for Budget Responsibility (OBR).

New powers included within the Act will:

- Modernise our investigation powers to help prove or disprove suspected fraud more quickly
- Allow us to take greater control in our investigations into serious organised crimes through new powers of entry, search and seizure
- Bring greater fairness to debt recovery by allowing us to recover debts from individuals who can pay money back but have avoided doing so and enable us to apply to the court to disqualify someone from driving where all other attempts at recovery have failed
- Through our Eligibility Verification Measure, require banks and other financial institutions to examine their own data sets to highlight where someone may not be eligible for the benefits that are being paid
- Update the penalties regime by extending the penalties we can apply for fraud to non-benefit payments (for example, grants) to deal with fraud across the social security system and remove the Loss of Benefit penalty where an Administrative Penalty is accepted, reserving this for prosecutions

Safeguards, reporting mechanisms and independent oversight are all in place to ensure the proportionate and effective use of the powers. Further information can be found on GOV.UK.

Three draft Codes of Practice have been developed and published, to ensure the safe, effective and proportionate use of our new powers. The Act also included a statutory obligation for the Government to publicly consult on the Codes of Practice for the Eligibility Verification Measure (EVM) and Debt Recovery measures before the powers are used for the first time. Relating to the Information Gathering powers, the Secretary of State (DWP) similarly has a duty to consider representations on the draft Code under Section 3 of the Social Security Fraud Act 2001.

Input provided by financial institutions, businesses, debt charities and advice sector, other government departments, and parliamentarians during the passage of the 2025 Act were all considered when preparing the draft Codes of Practice.

Stakeholders and members of the public were invited to share their views on these Codes of Practice earlier this year.[80]

The different measures contained in the Act will now come into force across different dates between the 2026-27 and 2028-29 reporting years. Implementation and digital change are already ongoing. We will report on the progress of each measure in further detail in next year's report.

80 Current link to closed consultation: Public Authorities (Fraud, Error and Recovery) Act DWP Codes of Practice: Verifying Eligibility in the Welfare System, Obtaining Information and Recovering Debt – GOV.UK Government response to the Public Authorities (Fraud, Error and Recovery) Act DWP Codes of Practice consultation – GOV.UK

2. Underpayments

Overview

We always look to address any underpayments as soon as reasonably possible. This section (Part 2) of the report also describes how this is being done for a number of Legal Entitlements Administrative Practice (LEAP) exercises. Targeted Case Review (TCR) is detecting underpayments in Universal Credit (UC) claims. By proactively reviewing UC claims and discussing claimant circumstances, TCR identifies and corrects inaccuracies, ensuring that claimants receive their full entitlement. In addition to TCR, potential underpayments will be picked up by wider data initiatives, Periodic Redeclaration and Pension Credit Case Review to ensure payment accuracy.

The overall rate of underpayments in 2025-26 was 0.4% (£1.2 billion), remaining the same as levels reported in 2024-25. In UC, the underpayment rate in 2025-26 was 0.4% compared with 0.6% in 2024-25. The proportion of UC claims underpaid was 2 out of 100 claims in 2025-26. We are continually improving the UC service to reduce the risk of both overpayments and underpayments. Incremental changes will enable us to respond effectively and help reduce official error. The overall rate of underpayments specifically due to official error in Personal Independence Payment (PIP) was 0.2% (£70 million) in 2025-26, compared with 0.2% (£40 million) in 2024-25. The proportion of PIP claims underpaid was less than 1 in 100 claims in 2025-26.

The rate of underpayments in Disability Living Allowance (DLA) this year was 2.3% compared to 1.0% when the benefit was last measured in 2023-24. Underpayments are treated seriously and we will always look to ensure that individuals receive the correct level of payment. We have already begun reviewing and strengthening our decision-making processes and evidence gathering, with a particular focus on complex areas like night needs. We are also investing in targeted training and development to improve the quality of decisions.

For more information about potential increases in benefit entitlement where a claimant has not notified us of a change in their circumstances, see the section in the wider Performance report on unfulfilled eligibility from page 95.

Official error underpayments

Legal Entitlements and Administrative Practice (LEAP) exercises

Background

A LEAP exercise is relevant when there is an error on the part of a government department, and the error could have deprived groups of individuals of legal rights.

From time to time, we become aware of situations where claimants have not received what they are entitled to or where we have not followed our statutory processes or where a judgement in the court has changed understanding of entitlements. This situation may occur when:

- The **Upper Tribunal or a higher court makes a ruling** which widens access to benefits for groups of our claimants
- Or there is an **error in the implementation of guidance**, procedures, or systems which has resulted in groups of claimants being underpaid benefit or not receiving their correct statutory entitlement

We are required to correct these issues, as soon as is reasonably possible, and the process for doing so is called LEAP.

When we need to undertake a LEAP exercise, we manage it by:

- Changing our approach so claimants receive the correct entitlement going forward
- Agreeing procedures and instructions for carrying out the LEAP exercise
- Conducting an exercise to try to ensure those who have missed out receive what they are entitled to
- On completion, carrying out a lesson learned review to inform future exercises

Progress continues to be made against each of the LEAPs outlined below. Up to 31 March 2026, we have paid arrears of £860.5 million with administrative costs of £44.2 million since the commencement of the exercises below.

Details relating to the action to address the legacy Employment and Support Allowance Severe Disability Premium (ESA SDP) exercise and explanation relating to publicised figures can be found on page 133 of this report.

Figure Q: New LEAP Exercises

Name of LEAP Exercise	Nature of the Error	Estimated No. of records to be reviewed	No. of records reviewed to 31 March 2026	Total arrears of benefit paid to 31 March 2026
Child DLA	Following an update to medical guidance in 2020, we are looking again at some DLA decisions we made for children with congenital heart disease between 1 February 2017 and 13 October 2020.	3,156	3,113	£0.7m

Figure R: Ongoing LEAP Exercises

Name of LEAP Exercise	Nature of the Error	Estimated No. of records to be reviewed	No. of records reviewed to 31 March 2025	No. of records reviewed to 31 March 2026	Total arrears of benefit paid to 31 March 2026
Disallowed export of non-contributory cash sickness benefits	Court ruling where claimants whose cash sickness benefits were stopped between 2012 and 2020 solely because they had moved to the EEA/Switzerland.	*N/A	269	497	£2.4m
UC Work Allowance	Identified that Universal Credit guidance and processes did not align with the regulations in relation to Work Allowances for people living in Supported Housing leading to the Lower Work Allowance being incorrectly applied to residents of Supported Housing and those in Temporary Accommodation in error since 2018.	21,000	17,000	17,000	£6.4m
PIP No National Insurance Number	A PIP claim can be made without a National Insurance number. A number of claimants without a National Insurance number had not had their application progressed correctly.	N/A	455	506	£0.7m

* Qualifying conditions are advertised on GOV.UK, claimants who potentially fall into scope are being asked to self-present.

Figure S: LEAP Exercises completed during 2025-26

Name of LEAP Exercise	Nature of the error	Claimant records reviewed	Total arrears of benefit paid
PIP Daily Living Activity 9 (MM)	Concerns the definition of 'social support' in activity 9 of the PIP regulations, and how far in advance that social support can be provided.	350,000	£270m
Legacy ESA SDP Premia	Errors identified through national statistics in both under and overpayment of Severe Disability Premia payments for ESA claimants.	16,000	£562m
PIP Suspensions	Transfer of PIP claimants to Adult Disability Payment [Social Security Scotland] led to the identification of cases with a payment suspension leading to a loss of entitlement.	4,882	£15m
Inherited Pensions	Inherited pensions were not disregarded when claimants made a claim for New Style Jobseeker's Allowance during the COVID-19 pandemic due to easements in processes.	22,000	£0.1m
Diminution of Capital	Issue relates to diminution. A policy which should be applied in cases of capital overpayments, was not being routinely applied in Universal Credit (UC). This meant that in some cases, calculations of capital related overpayments were higher than they would have been had diminution been applied.	13,123	£1.8m
Retrospective application of a UC determination to ESA	A small number of cases were identified where a claim to Employment and Support Allowance had been made, and the claimant was not referred for a Work Capability Assessment within the 92-day assessment period. Subsequently their ESA claim ended, and UC was claimed (without a gap) Customers were seen for a Work Capability Assessment in UC and received a financial uplift from receiving an extra monetary component within UC due to their health condition. This outcome has retrospectively been applied to their ESA claim and arrears backdated to Day 92.	180	£1.4m

State Pension

Home Responsibilities Protection update

Home Responsibilities Protection (HRP) was available between 1978 and 2010 for people with caring responsibilities. For people reaching State Pension age before 6 April 2010, HRP reduced the number of qualifying years needed for a basic State Pension.

Following the Fraud and Error exercise for 2021-22, we identified an issue with the historical recording of HRP on some people's National Insurance records in HM Revenue and Customs. Most people received HRP automatically where there was a claim for Child Benefit, however, in some cases this has not happened. We pay State Pension based on National Insurance records, which are administered by HM Revenue and Customs. This issue led to some underpayments of State Pension. This section covers in more detail the work that has been done following the closure of the Home Responsibilities Protection (HRP) LEAP exercise to continue to correct State Pension awards where underpayments have occurred as well as those within disability benefits and means-tested benefits (means-tested benefits can be claimed where claimants can demonstrate their benefit unit's income and capital fall below a defined financial level).

Correction

The government has taken significant steps to correct historical errors with Home Responsibilities Protection (HRP). This included HM Revenue and Customs writing over 370,000 letters to potentially affected customers, and extensive media and stakeholder engagement on the subject. Since April 2025, new HRP applications have been corrected through business as usual processes.

Between 1 April 2025 and 31 March 2026, the further processing of remaining cases from the LEAP exercise plus new cases processed as part of business as usual led to payments of State Pension arrears being made, totalling around £7 million.

The government will continue to support people on an ongoing basis to apply for missing periods of HRP to be added to their National Insurance record and get their State Pension revised. For more information on HRP, see the Financial Statements (page 394).

If people think they have missing HRP, they can go to GOV.UK and search 'Home Responsibilities Protection'. There is an online eligibility checker, and they can claim online. We encourage all those who think they could be affected by missing HRP to check on GOV.UK to see if they are eligible to apply.

Legacy ESA SDP Premia

Employment and Support Allowance (ESA), introduced in 2008, had two strands: income-related and contributory. Income-related ESA was paid at different rates depending on an individual's household circumstances and their stage in the claim process. Flat rate premiums were payable to certain groups receiving income-related ESA who were recognised as having additional needs – for example, carers, severely disabled people, and those over State Pension age. These premiums, including the Severe Disability Premium (SDP), were intended to be paid automatically once entitlement had been confirmed. To enable this, claimants were required to provide up to date information on their circumstances, such as the number of non-dependants living in their household.

Although some of this information was available on our systems, in practice further evidence from claimants was often required to confirm entitlement. Where this additional information was needed and not provided, claimants could miss out on premiums to which they were entitled, particularly where they had not notified us of changes in their circumstances.

The Legacy ESA SDP Premia exercise was undertaken to correct existing errors and prevent new errors in premium-related cases.

The exercise had now been completed. Existing errors were corrected, and processes were introduced to prevent new errors arising in premium-related cases. The work was undertaken alongside the migration of income-related ESA claimants to Universal Credit through Move to Universal Credit, to ensure alignment and avoid interdependencies. As of December 2025, 167,000 referrals had been cleared, resulting in 44,900 awards and £562 million paid.

3. Debt Recovery

Overview

This section looks at how our Debt Management Unit recovers money.

The Secretary of State has an obligation to protect public funds and to ensure that, wherever legislated, overpayment and penalty debt is recovered in accordance with the rules set out in legislation.

We continue to have a good track record in recovering debt when it is identified, including benefit overpayments, Tax Credit debt, Universal Credit Advances, Eligible Loans, Integrated Loans (on behalf of the Home Office) 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).

Debt recovery totals

We recover significant sums of money for the exchequer responsibly, balancing the interests of people with debts and taxpayers through application of the relevant legislation.

Our total recovery in 2025-26 amounted to £2.95 billion (excluding Housing Benefit recovered by local authorities but including £37 million Housing Benefit debt recovered by us). The percentage of cases that are in recovery has risen over the last few years from 64.9% in 2019-20 to 78.3% in 2025-26. Our overall approach to recovery is grounded in fairness and respect. It prioritises affordable and sustainable repayment plans, taking action where repayment of debt is ignored, and ensures support is available to those who are vulnerable or experiencing financial hardship.

2025 to 2026 recovery

The table below (Figure T) sets out total recoveries for 2025-26 and shows the breakdown between benefit overpayments and other debt types. 68% of the £2.95 billion total recoveries are via deductions from benefit, where there are maximum deduction limits in place – for example, in Universal Credit (UC), deductions were limited to 15% of the Standard Allowance in 2025-26.

Figure T: Debt Management recovery 2025-26

		Value (£m)		
Debt Type	**Definition**	**2023-24**	**2024-25**	**2025-26**
Advances	Recovery of Universal Credit Advances – including Budgeting Advances, New Claim Advances and Benefit Transfer Advances	934	1,104	1,157
Overpayments	Benefit overpayments including Universal Credit and non-Universal Credit overpayments	769	814	937
Tax Credit	Recovery of Tax Credit debt that has migrated from HM Revenue and Customs	390	485	333
Social Fund	Recovery of Crisis and Budgeting Loans, including Funeral Payments	310	244	82
Compensation Recovery	Recoveries from insurance companies for compensation claims made by benefit recipients	324	361	371
Housing Benefit	Housing Benefit overpayments	46	50	37
Recoverable Hardship Payments	Repayment of loans associated with sanction activity	26	33	24
Other	Includes Administrative and Civil Penalties. Also includes sums held in suspense awaiting allocation at the time the data was collected	15	9	7
Total		**2,814**	**3,101**	**2,948**

Note: Totals may not sum due to rounding.

We also recovered debt on behalf of the Home Office and eligible credit unions in 2025-26.

Figure U: Debts recovered on behalf of the Home Office in 2025-26

Debt Type	**Definition**	**Value (£m)**
Home Office Integration Loans	Fund to help refugees with the cost of integrating into UK society.	2.3
Eligible Loan Deduction Scheme	Government initiative to allow eligible lenders such as credit unions recover loans from benefits.	1.9
Total		**4.2**

Note: Totals may not sum due to rounding.

Means of debt recovery

Out of a total of 5.98 million accounts held by Debt Management, the number of customers currently in active recovery is 4.7 million (78.3%) compared to 4.5 million (76.9%) last year.

In 2025-26, 68% of the £2.95 billion total recoveries were made through deductions from benefit, down from 73% in 2024-25.

The overall amount we can recover by deduction from benefit is set by Parliament, and priority is given to a number of other deductions above those for overpayment recovery. Deductions from benefit remains the main source of recovery.

Our Debt Enforcement team seek to recover debt from those not making repayments. Customers in scope of debt enforcement activity are those who are not in receipt of one of our benefits, including off-benefit customers in Pay As You Earn employment, who can repay but decline to do so. The service was set up in February 2022; to date, 425,369 customers have been contacted and 53,316 plans have subsequently been set up with recoveries worth £83.3 million. In 2025-26, 314,590 customers were contacted, and 35,291 plans set up with recoveries worth £46.6 million.

Figure V: Recovery breakdown

Recoveries by Method			**Value (£m)**
	2023-24	**2024-25**	**2025-26**
Deductions from Universal Credit	1,520	1,878	1,756
Deductions from other benefits	205	187	200
Direct Earnings Attachments (deduction from earnings)	112	106	105
Private sector suppliers	3	0	0
Voluntary repayments	383	368	466
Social Fund repayments (primarily deductions from legacy benefits)	267	200	50
Recovery from awards of compensation	324	361	371
Total	**2,814**	**3,101**	**2,948**

Note: Totals may not sum due to rounding.

Around 1.2 million customers are not currently in active debt recovery as their cases sit at different points in the debt journey or are temporarily not recoverable. This includes customers in earlier stages awaiting action, those where recovery is paused due to circumstances (for example insolvency or no contact details), cases where recovery is not legally enforceable (for example deceased estates), and those where all standard recovery options have been exhausted and will be recycled as part of the new debt powers secured under the Public Authorities (Fraud, Error and Recovery) Act 2025. Where recovery is taking place, it is constrained by the Fair Repayment Rate, meaning many customers repay at low, affordable amounts and balances reduce slowly over

time. Whilst we take action to recover the majority of debts, in certain circumstances we do not pursue recovery, for example where it would not be cost-effective to do so. For more information see page 137.

Supporting customers with a DWP debt

We are committed to supporting people who may be in hardship and struggling with repayments.

We strive to set affordable and sustainable repayment plans and encourage people to contact us if they are unable to afford the proposed repayment rate. All of our communication signposts people to the appropriate support, including debt charity services, when they face difficulties.

We will work with anyone who is struggling with their repayment terms. Customers who contact us are never pressured to pay a set amount; repayment terms are negotiated based on individual circumstances, not the amount owed. When someone makes contact because they are experiencing financial hardship through repayment of the money that they owe, the rate of repayment can be reduced or, depending on their financial circumstances, a temporary suspension of repayment can be agreed (although in fraud cases, repayments can only be reduced in exceptional circumstances, or where there are children in the household). We do not capture data on the reasons why people seek a lower repayment rate as this is based on their individual circumstances.

Where a reduced repayment rate has been negotiated, we may review this annually recognising that financial pressures may not change in the short term. However, customers can contact us at any time to discuss repayment terms, and our communications make this clear.

We seek to ensure that everyone is aware of their options and can make an informed decision on whether they ask for a reduction in their repayment terms; in some cases, the amount deducted to repay an overpayment may have reduced as a result of other, higher priority deductions and a person may be comfortable with the lower rate of the overpayment deduction resulting from this.

We continue to work in partnership with the Money Adviser Network (MAN) offering free, professional, independent and impartial money and debt advice. Indebted customers are routinely offered a referral to this service with their consent.

We operate in line with HM Treasury's Breathing Space policy, which provides those with problem debt the right to legal protections from creditor action for a period of 60 days to enable them to receive debt advice and enter an appropriate debt solution.

Our policy is to recover debt where it is reasonable and cost-effective. In exceptional cases, we may waive recovery of benefit overpayments at our discretion, considering factors such as financial circumstances, the impact of recovery on health and wellbeing, and how the debt arose. These factors do not in themselves justify a waiver. In 2025–26, we received 617 applications; 176 debts were fully waived and 66 debts partially waived.

Supporting the most vulnerable

Safeguards are in place to help protect vulnerable customers. We have a network of Advanced Customer Support Senior Leaders who work with our Debt Management Advanced Customer Support team to provide additional support to our most vulnerable customers. Agents can also refer people directly through the Severe Financial Hardship routeway.

Debt Management continues to utilise the Vulnerability Hub, a well-established central resource containing information, guidance and tools to help colleagues identify and support customers in vulnerable situations. The Hub ensures vulnerable people or people with complex needs are supported to manage any debts.

Making it easier for customers to repay debt

We are inviting customers to use the self-service channel (Repay and Manage Benefit Money You Owe), which allows them to view and manage their debt, and set up or adjust repayment plans. The service offers a more efficient, cost-effective way to manage debts and is available to eligible off-benefit and Universal Credit (UC) customers.

At the end of 2025-26, 192,119 customers were making payments through the service. During 2025-26, £67.79 million was recovered through the service, reflecting repayments from off-benefit customers and payments made by UC customers in addition to their standard benefit deductions.

The service has been expanded to include an income and expenditure tool for eligible UC claimants, helping them assess disposable income and set affordable repayments. It also provides access to support, including a dedicated Debt Management helpline and signposting to external advice.

Our commitment to excellent customer service

We continue our longstanding commitment to the Customer Service Excellence Standard (CSE) which tests customer priority areas, and considers various criteria such as focus on delivery, timeliness and professionalism. This is an external assessment by an independent certification body which compares delivery against the specific criteria of the standard. This year we received our strongest Customer Service Excellence score since our first accreditation in 2010, being compliant across all measures, with 61% of measures assessed as exemplary, or Compliance Plus in CSE terms. Special recognition was given to the pride colleagues have in ensuring an excellent customer service is delivered.

While recovering debt is essential, our priority remains engaging with people in a compassionate way. The Debt Fairness Charter[81] makes clear to customers what they can expect. This is demonstrated in a desired ethos to get ‘people out of debt’ rather than ‘debt out of people.’ The support provided by our Debt Management to customers and liaison with charitable groups including Citizens Advice, Christians Against Poverty

81 Debt Fairness Charter – GOV.UK

and Money Advice through our External Debt Advisers Line is consistently insightful and beneficial to understanding people's needs and preferences. This service continues to expand with a number of third-party debt organisations interested in being involved. We will continue to evolve this service in a compassionate and consistent way.

Debt stock totals

In line with our forecasts the debt stock increased in 2025-26 to stand at £11.6 billion. This was largely driven by Universal Credit (UC) Advances, the migration of Tax Credit debt and introduction of the Fair Repayment Rate in April 2025 which reduced the maximum recovery from a Universal Credit household's standard allowance from 25% to 15%[82]. The debt stock has also risen as a result of our continued focus on identifying high-risk fraud and error. In 2025-26, £2.2 billion of detected overpayments added to the debt stock. For more information see Debt stock forecast (page 140).

At the end of 2025-26, Debt Management held 5.98 million accounts with a total balance of £11.6 billion. This included outstanding UC Advances of £2 billion and 0.02 million accounts on the Social Fund system with a balance of £4.4 million.

Figure W: Summary of debts referred to Debt Management

New Debts Referred						
Financial Year		**2023-24**		**2024-25**		**2025-26**
	Debts	**Values**	**Debts**	**Values**	**Debts**	**Values**
Debt Mgt. Core Recovery	5.0m	£3.0bn	6.5m	£4.0bn	5.8m	£3.9bn
Social Fund	0.4m	£0.06bn	0.2m	£0.05bn	0.1m	£0.03bn
Total	**5.5m**	**£3.1bn**	**6.7m**	**£4.1bn**	**5.9m**	**£3.9bn**

Note: Totals may not sum due to rounding.

Figure X: Summary of debt stock

Debt Stock						
Date		**March 2024**		**March 2025**		**March 2026**
	Debtors	**Values**	**Debtors**	**Values**	**Debtors**	**Values**
Debt Mgt Core Recovery	5.2m	£9.4bn	5.8m	£10.6bn	6.0m	£11.6bn
Social Fund	0.3m	£0.1bn	0.1m	£0.0bn	0.0m	£0.0bn
Total	**5.4m**	**£9.5bn**	**6.0m**	**£10.7bn**	**6.0m**	**£11.6bn**

Note: Totals may not sum due to rounding.

82 This figure represents the value of debt recorded as outstanding for collection by Debt Management, rather than the estimated overpayment figures in the fraud and error publication. The two measures differ because recovery action can only be taken where a specific overpayment has been identified and referred to Debt Management; not all overpayments are detected.

Figure Y: Debt stock breakdown

Debt Stock Breakdown			
Date	**March 2024**	**March 2025**	**March 2026**
Debt Type			**Value (£bn)**
Overpayments	£4.9bn	£5.7bn	£6.7bn
Advances and Hardship	£1.7bn	£2.0bn	£2.1bn
Tax Credit	£2.4bn	£2.5bn	£2.2bn
Housing Benefit	£0.3bn	£0.3bn	£0.3bn
Social Funds (DM)	£0.1bn	£0.1bn	£0.1bn
Social Fund (SFCS)	£0.1bn	£0.0bn	£0.0bn
Other Debts[83]	£0.0bn	£0.0bn	£0.0bn
Total	**£9.5bn**	**£10.7bn**	**£11.6bn**

Note: Totals may not sum due to rounding.

Tax Credits debt transfer

The migration of Tax Credits overpayments from HM Revenue and Customs (HMRC) to the Department was completed on 31 March 2025. Some historical Tax Credit debts were still transferred after this date, for example where procedural appeals were concluded. From the 31 March 2026, we have stopped accepting any new Tax Credit debt from HMRC.

At the end of 2025-26, the debt stock included £2.2 billion of Tax Credit debt, which is a decrease from £2.5 billion at the end of 2024-25. In 2025-26 a total of £0.1 billion Tax Credit debt was transferred to the Department for recovery. We continue to work closely with HM Revenue and Customs to safeguard public funds after transfer and recover overpaid Tax Credits. We continue to support people to understand and repay their Tax Credit debt.

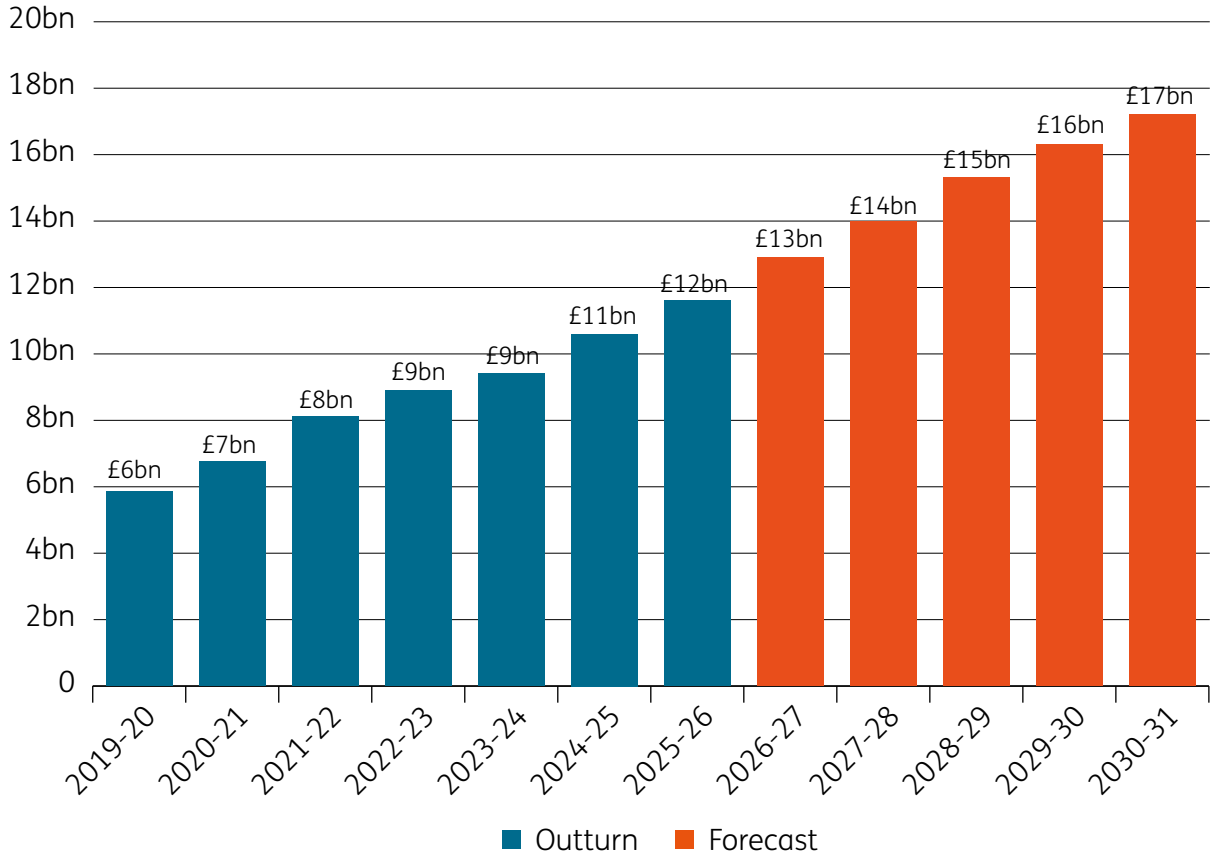
Debt stock forecast

At £11.6 billion in 2025-26, the debt stock has been growing steadily from £6 billion in 2019-20 and is forecast to continue to grow to around £17 billion by 2030-31. This growth reflects our increased success in detecting fraud and error already within the welfare system, the use of Universal Credit Advances to support customers, the migration of Tax Credit debt, and policy decisions designed to mitigate financial hardship. Together, these factors mean that the value of new debt identified and referred for recovery continues to exceed the amount recovered each year, leading to an increase in the debt stock going forward.

83 Figures are rounded to the nearest £100m. As a result, totals may not sum precisely. 'Other debts' are included within the totals shown; values in this category have been negligible and are presented as £0 in each of the past three years.

Policy safeguards ensure that recovery remains affordable and protects customers from hardship. Measures such as the Fair Repayment Rate, introduced in April 2025 for Universal Credit (UC), reduced the maximum recovery from a household's standard allowance from 25% to 15%. This change means that around 1.2 million households will retain an average of £420 per year. This along with legislated priority order of recoveries and statutory third-party deduction rules for essential arrears including rent, fuel, and child maintenance support a balanced approach to recovery. As a result, although the level of debt in active recovery remains historically high, the overall debt stock will continue to increase as customers repay at lower rates.

Figure Z: DWP Core Debt Stock Forecast[84]



Legislative changes: widening scope of debt recovery powers

The Public Authorities (Fraud, Error and Recovery) Act 2025 (PAFER) received Royal Assent in December 2025, broadening our recovery powers to bring those who have the means to repay their debt but choose not to[85] into recovery. For more information on PAFER see page 126.

84 Internal departmental forecast at Winter 2025. Chart shows Core Recovery Debt Stock (Values) – excluding Social Fund Computer System (SFCS) and Compensation Recovery Unit (CRU). The forecast uses past data, trends, known policy changes and operational knowledge, alongside estimates of new debts which will be identified by detect initiatives and recoveries through enhanced recovery powers in the Public Authorities (Fraud Error and Recovery) Act.

85 Public Authorities (Fraud, Error and Recovery) Bill Overview: Factsheet – GOV.UK

Corporate performance

Our Strategy for 2030

The Department's Strategy for 2030 provides the overarching framework for how we will deliver our mission over the rest of the decade.

It brings together our service ambitions (simpler, faster and more accessible services), our transformation agenda (modern technology, data and continuous improvement), and the enablers that make delivery possible (our people, our estate and the way we work).

The sections that follow describe what we delivered in 2025-26 and how key parts of the organisation are contributing to delivery of our Strategy for 2030.

Our people

On 31 March 2026 our headcount was 84,109 FTE which is a slight decrease of 0.4% (304 FTE) compared to 31 March 2025 when the Department had 84,413 FTE colleagues.

Although overall headcount reduced slightly over 2025-26, a key area of growth over the year was within the Counter Fraud and Compliance Directorate to support our strategic ambitions to further tackle fraud and error, with an increase in headcount of 1,340 FTE.

Digital Group, as a critical enabler of our wider transformation, saw the largest growth within our corporate functions, increasing by 197 FTE. This reflects our continued focus on using technology to deliver more efficient, personalised, and easier-to-access joined-up services.

Both increase in FTE reflects deliberate investment following the 2025 Spending Review settlement.

The Department rolling 12-month average staff turnover rate for permanent resource is at 6.5% at March 2026 which is 0.5 percentage points higher than March 2025 but fallen by 0.7 percentage points over the last two years.

Strengthening our Leadership through Capability, Learning and Talent

As we implement our updated DWP Capability Strategy, the Department's vision of a culture of continuous learning remains integral to being an organisation where colleagues work confidently across service and product lines. As we shape a future-ready workforce and embrace new technologies to improve our services and meet customer expectations, it is essential that our people have the capability to lead, deliver and drive positive outcomes. The strategy focus remains on supporting our people to develop the skills and capabilities to deliver now and in the future, which includes maintaining and developing a strong and diverse talent pipeline.

We delivered 178,066 delegate days of learning during 2025-26. Delivery of technical role-specific learning in 2025-26 included learning to 7,624 DWP new starters, of which 1,676 were work coaches. We supported Service Delivery colleagues by delivering Keeping Safe mandatory learning to 1,722 delegates. 945 colleagues completed the Enhanced Case Review learning contributing to our commitment to reduce fraud and error.

Around 7,000 more customer-contact colleagues completed learning that ensures they are better equipped to support and respond to the needs of our most vulnerable customers and signpost to external experts for support as appropriate. This means that 99.8% of the Department's operational staff have now completed this course.

Our learning products continue to support the Department's priorities. Examples include:

- The migration of working-age benefits claimants from Employment and Support Allowance to Universal Credit (UC) through the Move to UC programme. 512 colleagues have undertaken Move to UC learning.
- Supporting delivery of the Jobs and Careers Service by developing learning for their new Coaching Academy which draws on insight to align with real operational challenges. Around 400 colleagues have received the National Pillar of the Academy. Our Service Delivery technical role-based learning remains current, targeted, evidence-based and is positioned to support key departmental priorities.

In 2025-26 we expanded our leadership training, including coaching techniques. 8,469 colleagues participated in our facilitated 'core leadership essentials' webinars, and 343 colleagues engaged with our advanced leadership offer.

Together, this expanded offer which spans leadership learning, coaching, systems leadership, HMRC's Leading Within The Enterprise (LWTE) and core leadership essentials, supports the development of leaders who can lead across the organisation and drive transformation.

We also marked 70 years of Summer School, our flagship development opportunity for emerging leaders. Nearly 100 colleagues from diverse backgrounds, grades, and business areas participated in a series of learning touchpoints throughout the year, alongside delivering projects sponsored by Executive Team members. This continues to play a key role in nurturing future leadership capability.

Alongside this, we are evolving our broader talent management approach. As we evaluate programmes such as *Leaders Like You* – which supports middle managers from diverse backgrounds – we are moving towards a more inclusive talent offer. This will be underpinned by intuitive digital toolkits and focused on developing leaders who can navigate change and build trust in a transforming environment.

Apprenticeships were a major focus during what was a transitional year for the Department. Following the conclusion of the Civil Service Apprenticeship Strategy 2022-2025 and wider system reforms, we prioritised improving the quality of the apprenticeship experience, securing new training providers, and shaping our future direction. This has culminated in the development and approval of the new *2030 Apprenticeships, Growth and Skills Strategy*, positioning the Department to respond effectively to future changes in the apprenticeship landscape.

During this period, the number of apprentices on programme decreased from 2,132 at the end of 2024–25 to 1,750 at the end of 2025–26. New apprenticeship starts also declined slightly, from 934 to 888. However, this was accompanied by a significant improvement in outcomes: achievement rates rose to 64.5%, reflecting our focus on quality and on supporting apprentices to successfully complete their programmes.

Our commitment to excellence was further recognised nationally. In 2025, the Department ranked 6th in the Department for Education's *Top 100 Apprenticeship Employers* and was named the top public sector employer for the fifth consecutive year. This recognition reflects the strength of our learner experience, supported by a HigherIn apprenticeship review score of 4.1 out of 5.

Our ambition is to build capability creating a skilled, digitally confident and adaptable workforce

Our most recent digital skills survey showed us that we need to do more to build digital confidence to support our plans for digital transformation. We are expanding skills support to help colleagues build confidence with digital tools, which are needed for modern service delivery.

Our one-day digital confidence course delivers core digital learning to new entrants, and 7623 colleagues completed this course in 2025-26.

The Department's network of around 1200 digital workplace champions provides face-to-face local digital learning and support. Additionally, a new 'essential digital skills checker' identifies learning needs and creates a bespoke learning plan for users.

Alongside this, over 13,000 colleagues attended virtual, facilitated 'Engage and Learn' digital upskilling sessions between October and March 2025-26, with more sessions scheduled for 2026-27.

Over 73,000 colleagues (more than 73%) participated in the Cabinet Office's One Big Thing 2025 initiative, building their skills in Artificial Intelligence (AI) as part of their continuous learning while strengthening digital awareness and capability.

Modernising our colleague services and improving experience

To enhance the skills of our customer-contact colleagues engaging with vulnerable customers, we have collaborated with the Department's psychologists, clinical experts, and external subject matter experts from academia to develop a consistent, Department-wide 'Supporting Customer Needs' learning offer. The learning builds capability to identify and support vulnerable customers, incorporating key topics including neurodivergence, violence against women and girls, mental health issues and customers at risk of harm. Launched in spring 2026, the learning is mandatory for new starters, with refresher and point of need learning for circa 60,000 existing colleagues.

As part of our support to Service Modernisation, we have continued to develop the Colleague View learning. Colleague View is a digital tool that provides colleagues with a single, joined-up view of a customer's benefits and interactions across multiple service lines (such as Pension Service, ESA, PIP and Carers Allowance), including claim details, payments, and contact history. In 2025-26 over 5,000 colleagues completed the Colleague View learning supporting 133,427 customer enquiries.

To support the transformation of our services, we continue to modernise our colleague experience through improved processes, new technology and data-informed tools. In 2027 the Synergy programme will implement its new Business Process Service contracts in transactional HR, Finance and Commercial. As part of this, we plan to bring in the position management approach which enables us to track the workforce more clearly using standardised jobs and monitor vacancies – as well as financial aspects. In readiness for this, a job catalogue is under construction, and job profiles have been built for approximately 60% of 'common' roles (such as those appearing across multiple Civil Service departments in established professions). A 'local' job catalogue for the Department specific roles is also being created, with a view to supporting more effective resource deployment across our business areas to meet operational needs. This also defines clear career pathways for those in the operational delivery profession.

The Department has introduced and piloted a manual system of position management in two corporate areas to support getting early release benefits. This is a significant culture shift in ways of working, but early feedback is indicating that the clarity and oversight from this approach is beneficial in recruitment and workforce planning decision making.

Shared Services Connected Ltd (SSCL) is the largest provider of critical business support services for government, police and defence clients delivering a contracted-out shared finance, human resources, and procurement services.

To support the delivery of the shared services, SSCL is responsible for a Customer Contact Management (CCM) function for the Department via the Shared Service contract. This function handles customer queries and correspondence, manages complaints and service requests and acts as a front-facing contact point between the Department and SSCL service teams.

CCM includes a contact centre telephony service. From March 2026, SSCL, implemented LUNA – an intelligent voice assistant within contact centre telephony services. LUNA supports our colleagues by handling frequently asked questions and guiding them to

relevant resources. The service is designed with appropriate safeguards, does not store personal data and escalates sensitive queries to human advisors. By streamlining routine interactions, LUNA supports our wider ambition to modernise colleague services and enable future digital innovation.

Enhancing our workforce through social mobility, widening access to opportunity and supportive workplace adjustments

We remain focused and committed to inclusion, social mobility and equitable access to opportunities. This will create better, more fulfilling jobs, remove barriers, and attract a broader, diverse talent pipeline into the Department.

Onboarding is tailored to new starters as part of our commitment to social mobility, removing barriers and ensuring colleagues from diverse socio-economic backgrounds have equitable access to work and opportunity. In 2025-26 we filled 16% of all suitable Civil Service Administrative Officer and Executive Officer vacancies using Life Chances schemes, including direct temporary recruitment and Social Mobility Apprenticeships, surpassing the Cabinet Office's ambition of 5% and targeting those furthest from the labour market.

Movement to Work continues to deliver at scale with strong employer engagement. We surpassed our 2025 commitment to deliver 2,400 Movement to Work placements by 78%, providing 4,271 opportunities. These placements support young people aged 16 to 30 facing barriers to work. Using the Movement to Work Recruitment Government's Going Forward into Employment (GFiE) scheme, we offered 328 young people fixed term appointments across the Civil Service, with 86 in the Department. In 2025 the Department won Employer of the Year at the Movement to Work Youth Employability Awards, with continued representation in award shortlists and individual recognition for staff contributions.

We have an established employer brand, supporting colleagues with recruitment campaigns and outreach activities. We continue to develop this to make it more inclusive and representative of the Department. In 2025-26 we have updated our recruitment branding videos to include British Sign Language, so we are inclusive by design. We have also published an AI candidate guide on the Civil Service Careers website to support candidates in using AI appropriately.

The Department is a Disability Confident Leader (level 3) and is recognised as a Visibly Better Employer by the Royal National Institute of Blind People. We partner with Vercida, an online jobs board that targets applicants with protected characteristics to reach underrepresented groups and were shortlisted for seven awards in their Employer Excellence Awards 2026, winning Neurodiversity Champion and Inclusive Communication Champion.

In 2025-26 we have continued to strengthen our support for colleagues requiring workplace adjustments. Results from the 2025 People Survey show that 77% of colleagues with a long-term limiting condition reported positive managerial support – exceeding the Civil Service benchmark by three percentage points. We have maintained steady demand for the service, demonstrating good awareness and engagement from line managers.

Improvements to our processes have enabled adjustments to be delivered more efficiently, supporting colleagues to remain productive and reducing time away from frontline delivery. The use of Workplace Adjustment Passports has continued to increase, providing greater consistency and portability of support and reinforcing our commitment to being a disability confident employer.

We have also enhanced our wellbeing offer by introducing the Champion Health App in December 2025. It is a free, all-in-one web portal and mobile application that gives colleagues access to a comprehensive range of health and wellbeing resources, including the 24/7 PAM Assist confidential helpline and messenger service, tailored wellbeing programmes, confidential support tools and signposting to further help.

Health, safety and environment performance overview

Our health and safety practices continually evolve, aiming to be consistent with assessment frameworks for other functions (ISO9001 Quality Management and ISO14001 Environmental Management). Senior leaders benefit from a coherent view of performance across all functions across the Department. Our approach reflects ISO45001 Occupational Health and Safety Management, which we use as the primary benchmark for safety compliance and improvement.

We have a health and safety management system comprising our policy, standards, procedures and guidance. Designed to help colleagues work safely and avoid harm, it sets out how we manage safety and helps colleagues understand their role and responsibilities.

The table below presents the health and safety data recorded between April 2024 and March 2025, and between April 2025 and March 2026.

	2024-25	2025-26
Incidents (both major and minor)	2,119	2,079
Accidents	1,749	1,343
Near Miss	390	864
RIDDORs	25	17

The figures for 2024–25 have been revised from those previously published to reflect late reports, updated event classifications following investigations, and the correction of previous double counting.

Figures for 2025–26 reflect the introduction of the updated Safety Online Accident Reporting System (SOARS) on 1 April 2025, which simplified reporting, improved categorisation, and enhanced the reporting of psychological risk and stress-related incidents. The rise in incident reporting is largely due to improved awareness and reporting practices following the introduction of SOARS, a supporting communications campaign, and enhanced Senior Responsible Officer training. HSE data for 2025–26 has not yet been published. However, in 2024–25 the HSE reported 209 injuries per 100,000 employees, significantly higher than the Department's Reporting of injuries, diseases and dangerous occurrences, (RIDDOR) rate for the same period. In 2025–26 to date, the

Department has recorded 16 RIDDOR incidents across a workforce of 93,657 employees and is likely to continue reporting a substantially lower injury rate than the national average.

Anti-bribery and corruption.

We have established protocols, policies and commercial agreements with suppliers to prevent, detect, and respond to fraud, bribery and corruption. We investigate any allegations and take appropriate action, including legal and disciplinary measures.

We foster a culture that actively combats fraud through ongoing education and training for all staff, as well as regular fraud awareness initiatives and themed events. All colleagues participate in annual security and data protection training and Fraud and Error awareness training events.

The Government Internal Audit Agency provides us with specialised counter-fraud services, including investigations and engagement with senior leaders and other internal stakeholders, to understand our vulnerability and exposure to fraud and enhance our counter-fraud response through robust preventative action. For further information, please see the whistleblowing section on page 203.

Digital, Innovation and Data

Delivering reliable, secure, and cost-effective digital services

Core service performance remains strong. Across the 401 million hours that the reported services were available to colleagues and customers, only 0.05% (around 206,000 hours) were affected by either full outages, partial or limited-service availability – well within the 0.25% target.

User incidents, where technical issues are formally logged, have fallen by approximately 13% in line with target – around 35,000 fewer than this time last year.

Our contact centre modernisation programme presents an opportunity to transform the way we interact with our customers and support our colleagues through a new modern telephony platform. Payment Services teams in Birkenhead and Sheffield recently made a seamless transition onto the new platform, with our colleagues benefiting from a smarter, more responsive service. This was a major step in a phased migration across the Department, paving the way to deliver new capabilities such as richer customer insights and more effective feedback loops.

Our digital security and risk management approach continues to protect against evolving cyber threats. We have improved the visibility of our overall security position, with enhanced tooling identifying potential threats at an earlier stage and are working towards the aim of providing 'near real time' management information. The adaptive security programme continues to ensure our services are secure by design and

continually assessed against industry recognised controls. We have also grown the capability within our Cybersecurity Function and the cyber champions initiative currently stands at approximately 150 people.

In November 2025, the global Sha1 Hulud 2.0 cyber-attack was swiftly detected and contained, with no compromise identified. Data repositories were temporarily closed as a precaution, and an emergency change approvals board was established to ensure safe deployments afterwards.

With improved productivity and efficiency in focus, we continued a test-and-learn approach to adopting AI, ensuring safe, ethical, and cost-effective use. Generative AI tools are deployed only when they meet technical and business standards and demonstrate clear value, for example the Department built:

- GAIL (Generative Artificial Intelligence for Learning) to use AI to help colleagues create learning materials. GAIL's ability to summarise complex source inputs as well as help create supporting materials for training saves learning designers time and gives them greater opportunity to be creative and produce more interactive and engaging learning. In 2025-26, GAIL was rolled out across the Department's learning community and we are exploring how we can use this capability elsewhere.
- DWP Ask, a generative AI tool to help our colleagues quickly locate the most appropriate guidance to better support their customer queries. Its ability to locate and generate summarised responses from over 400 pages of guidance whilst providing source document links to guidance pages aides our colleagues in providing the correct answer to questions asked by their customers in a shorter time, driving better quality conversations. This is currently being rolled out to all Work Coaches across the UK with an end date of July 2026.

Reducing reliance on outdated IT (Technical Debt)

Long-term investment across multiple spending review periods is increasing system reliability and reducing risk. We have a 3-year modernisation plan which aims to address inherent risks in our outdated IT systems. In year one we have reduced those risks by circa 14% against a 5% target, on track towards an overall 58% reduction by March 2028 against the mid-2025 baselined position. Key achievements include:

- Enabling colleagues to provide a more proficient service to customers following the migration of jobcentre agent records to the new Managing Working Age Claims platform, facilitating the retirement of the legacy Labour Market System
- Starting to release the full benefits and maximise the efficiencies that the Get Your State Pension (GySP) service provides, we've safely migrated 10% of New State Pension cases from our Pension Strategy Computer System to GySP since work commenced in October 2023
- Reducing technical debt and ensuring support to 2033 for the Central Payments System with a significant upgrade
- Providing high performance, resilient Wi-Fi infrastructure to all our offices with upgrades that are benefitting customers and colleagues alike

Providing secure platforms and modern hosting

The hosting transformation programme has continued to move services to cloud infrastructure, strengthening security, scalability and resilience while reducing technical debt. 86% of our business services are now cloud hosted, surpassing the 85% target. Key service areas are showing strong progress:

- Severe Disablement Allowance (SDA), a legacy benefit supporting over 10,000 customers, has migrated to a modern, cloud-based platform. This reduces technical debt and provides a more stable and resilient service to our customers
- Our core operational system used by Pension Centre agents to manage State Pension and Pension Credit claims has moved to the cloud, delivering more reliability and providing a better service to users
- The Housing Benefit Subsidy Data Collection system which is used to collect and verify data from local authorities to calculate and pay Housing Benefit subsidy has moved to cloud, making it easier to manage and more secure

More complex migration journeys for other key services such as Personal Independent Payment and Debt Manager continue to make significant progress with transition expected to complete early in 2026-27.

Transforming data use across the Department

We have introduced a new hub and spoke model for the Department's data management, embedding data skills directly into digital teams and centralising critical capabilities within a hub to ensure data is used safely and consistently across the organisation (spokes). Dedicated data leads provide strong local leadership and enable teams to work independently, collaboratively and at pace on data and analytics initiatives – reducing duplication, avoiding localised solutions and lowering costs.

Our new data governance framework assigns clear accountability for data within each spoke, supported by:

- Data owners, ensuring their data is understood, well controlled and used appropriately
- Data stewards, providing subject matter expertise on data standards, policies and requirements
- Specialist hub support, ensuring safe and consistent data practices across the Department

Our first hub service is already helping teams understand how effectively they collect, manage, use and learn from their data, directly supporting better decision making and shaping our planning. Further services are in development, including enhanced data quality support and improved data accessibility across government and trusted partners through our data catalogue.

Estates

Our estate is made up of our jobcentre network, plus service and support centres where we provide virtual services and do not need to see customers face-to-face, and where corporate teams, such as HR, digital, policy, finance are also based. Almost all our offices deliver services directly to customers, and our teams are responsible for securing and equipping the estate.

In 2025-26, with our workplace transformation programme, we continued to modernise and right size our outdated estate, creating more affordable, responsive, sustainable and inclusive workplaces that meet the needs of our business and create a better environment for colleagues and customers. This year we have:

- Continued work to return the jobcentre network to its pre-pandemic size by decommissioning the 194 temporary jobcentres established to support customers during the COVID-19. There is now only one temporary jobcentre still open which will be converted into a permanent jobcentre location offering more suitable accommodation and better value for money than our existing office.
- Exited 4 established jobcentres and 4 service and support centres, moving colleagues and services into other DWP sites generating future savings for the department.
- Continued to progress our plans to move our London base from Caxton House to Sanctuary Buildings, where we will share space with the Department for Education. This will provide an opportunity to share space with another department that has close links with much of our social policy agenda and create financial savings across the government estate.
- Completed improvement work at 30 jobcentres creating better environments for both customers and colleagues.
- Completed the move of approximately 3,000 colleagues into the new Fylde View building in Blackpool, contributing to wider local authority plans to regenerate the town centre. This will create long-term savings for the department.

Through the Workplace Transformation Programme, we have delivered net recurrent cash savingsof £72.2 million for the period 2022-23 to 2024-25 and further estimated net recurrent cash savings of approximately £39 million are forecasted for the 2025-26 financial year.

The Workplace Transformation Programme will continue to right-size and improve the estate, while supporting the Jobs and Careers Service's ambition to modernise its services and deliver across England, Wales and Scotland. A Place Control Centre has also been created to lead on people change, advise and oversee implementation of digital services and infrastructure, represent operations and establish location requirements.

Workplace services programme

- New workplace services contracts, covering essential services including security guarding, facilities management and safety works, went live across our estate on 1 October 2025. This was preceded by robust procurement and mobilisation activity. This was essential as the previous contracts were due to end and could not be extended further. These contracts support us in ensuring that our sites are open, safe and compliant – helping customers, colleagues and communities.
- ISS is our new facilities management provider, and Mitie FM took over security guarding and control centre services. To provide specialist, independent expertise and objectivity we have awarded three separate contracts for asbestos (Lucion), water (SMS Environmental) and fire safety (Mitie).
- The Total Facilities Management contract with ISS covers key services such as cleaning, building and grounds maintenance, catering, and repairs. These services are essential to keeping our offices open, safe, and running properly.

A key goal of the procurement programme was to switch to a new provider when the previous contract ended, without disrupting day-to-day operations.

The new contract will:

- Deliver a joined-up service via a single regional facilities manager
- Improve value for money through standard national pricing schedule
- Strengthen asset data to inform investment decisions

The security guarding and control centre contracts (Mitie FM) are delivering benefits, including:

- Improved oversight of incidents and alarms through a single national control centre
- Clearer, accredited roles and career paths for guards, with enhanced training
- Stronger assurance through improved data, reporting and performance measures
- Value for money by replacing fragmented legacy contracts with a single, consistent, and continuously improving model

Essential works

Estates continue to deliver a structured programme of essential works to maintain an ageing estate that is open, safe, and fit for purpose. Preventative lifecycle investment addresses historic underinvestment by upgrading or replacing outdated assets in a planned manner, reducing repair costs, and avoiding major service disruption, including heating failures and roof defects. Unplanned works are addressed promptly, as demonstrated at Treforest, with a focus on staff safety and maximising lifecycle improvements.

We continued to deliver our critical security infrastructure programme, which replaces obsolete technology and introduces new alternatives to keep people and places safe in modern, efficient ways. By March 2026 we have introduced new technology successfully

across 543 sites, with work continuing into 2026-27. Evaluation demonstrates that colleagues feel the programme has positively improved safety at their buildings.

Estates Management Policy

DWP Estates manages its portfolio through ongoing lease renewals, regears (renegotiating the terms of an existing lease) acquisitions and disposals.

A tiered leasing approach aligns the estate to workforce demand, service delivery, and place-based models, balancing long-term stability with flexibility to reduce risk and improve resilience.

The strategy is regularly reviewed through governance forums across Estates and the Workplace Transformation Programme (WTP). Leasing and wider estate decisions are tested through site-level business cases to ensure alignment with business need.

Flexibility is delivered through active lease management, using valuation, landlord engagement, and market insight to exit, consolidate or reconfigure space, address under-utilisation, and respond to risks. In a leased portfolio, this enables adaptation through mechanisms such as regears and break options.

Commercial and valuation insight underpins decision-making, supporting value for money, reducing long-term costs, improving utilisation, and maintaining flexibility to respond to future demand.

Places for Growth

The Department has continued to make progress against our Places for Growth targets in 2025-26.

Target 1: The Department has continued to increase the percentage of Senior Civil Service (SCS) roles outside of London. In February 2026, 56.2% of SCS roles were based outside of London and the South East against a 50% target. In the last 12 months, 61% of new SCS appointments have been outside of London.

Target 2: The Department has achieved its target to reduce SCS roles in functional areas based in London to 40% by December 2022. In February 2026, 38.1% of functional SCS are based in Caxton House, London.

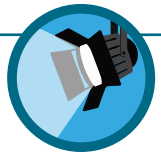
Target 3: The Department has already achieved its target to announce a headquarters location outside of London by designating Quarry House in Leeds as our second headquarters in 2022.

Target 4: The Department has exceeded its commitment to move 400 roles out of London and the South East by 31 March 2025. By February 2026 we had relocated 1,056 roles out of London.

89% of the total workforce is based outside of London. We have continued to develop our talent and enable career progression in the regions, using our service and support centre sites in Glasgow, Treforest, Birmingham, Leeds, Sheffield, Newcastle, Manchester and Blackpool.

Corporate Performance

Spotlight – Newcastle Estate Consolidation



We completed the consolidation of Tyneview Park colleagues and functions into Benton Park View (BPV) at the end of 2025 as part of the wider Newcastle estate transformation. This decision, confirmed in January 2025, was taken to reduce operational risk, improve efficiency, and bring Newcastle colleagues together on one site ahead of the move to 1 Pilgrim Place in 2027. The transition began with internal works at BPV in July 2025, followed by phased relocations from September to December. Around 5,300 colleagues were supported through the move.

Consolidating teams onto a single site strengthened collaboration, maintained business continuity, and ensured the Department could operate more efficiently within existing capacity under the 60% hybrid attendance model. The move was delivered on time, within the delivery budget, and will generate significant savings.

1 Pilgrim Place will be a fundamental part of transforming and regenerating Newcastle city centre.

Synergy

Synergy will transform the business-critical services (HR, finance, commercial) for us, as well as three other government departments (Department for Environment, Food and Rural Affairs, Ministry of Justice and the Home Office). It is one of five clusters delivering the Shared Services Strategy for Government transforming the way we deliver these services, through modernisation, simplification, automation, and leveraging economies of scale.

We are the lead department for the Synergy cluster, with our Permanent Secretary as the lead Accounting Officer. Synergy will be delivered through shared capabilities and technology as a platform for innovation, automation and improved user experience. It will make it easier for our colleagues to do their job, deliver better HR and finance data for strategic decision making and efficiencies that free up resources to focus on public outcomes.

Synergy delivered significant milestones in 2025-26. It formally exited Common Design after a collaborative approach to converge processes across departments, finalised the Business Process Services (BPS) Procurement and signed a contract with Capita. The contract followed a robust and evidenced 12-month process in line with government procurement regulations and in partnership with Government commercial, and receiving relevant Cabinet Office and HM Treasury approvals. A combination of these outcomes secured an amber level confidence rating from the National Infrastructure and Service Transformation Authority. Additionally, Synergy contributed to the NAO audit of the Cabinet Office's Shared Services Strategy.[86] At the end of March 2026, Synergy has also formally exited Local Design for the Department and entered the 'build' phase.

86 https://www.nao.org.uk/wp-content/uploads/2026/03/update-on-government-shared-services.pdf

Sustainability report

Introduction

This report summarises the Department's sustainability performance across its operations, including progress on key environmental metrics.[87]

We play a leading role on sustainability across government, recognising both our responsibility to not contribute to a crisis that disproportionately affects our customers, and the opportunity the green economy presents for high quality jobs and economic growth.

Over the year, the Estates sustainability team continued to make progress towards net zero by 2050 through a range of projects. We have also continued to strengthen our approach to climate change adaptation, with compliance with the Taskforce on Climate-Related Financial Disclosures (TCFD) demonstrating our commitment to transparency in managing climate risks.

This report also sets out our work on sustainable procurement, digital sustainability, and policy development. Through collaboration across the Department, we aim to support the transition to a greener economy and contribute to the government's broader sustainability objectives.

Materiality assessment

A materiality assessment has been completed for all non-mandatory environmental categories as defined in HM Treasury's Sustainability Reporting Guidance. All categories assessed as material are included in this report.

Estates sustainability

Net zero – mitigating climate change: working towards net zero by 2050

Over the past year, we continued to deliver against our sustainability and net zero commitments. Key projects led by the Estates sustainability team included:

- LED lighting replacements across 49 sites
- Solar design works initiated at 17 sites to enable future installation

87 The boundary for qualitative data is the Department only and does not include arms-length bodies (ALBs). This is because ALBs publish their own annual reports disclosing relevant information and the Department's involvement and influence is limited however, where our policies and activities have direct impacts or dependencies on ALBs and vice versa, we ensure this is communicated via existing governance structures.

- Two heating system decarbonisation projects installed with a further 14 in progress
- Installation of remote Building Management System (BMS) connectivity at an additional 118 sites, providing enhanced control and optimisation of heating and ventilation systems
- Developed a net zero scenario planner to provide greater visibility of required investments

Minimising waste and promoting resource efficiency

We are undertaking a waste audit across our estate to identify opportunities to improve waste management operations and highlight interventions that will reduce waste across the Department.

Reducing our water use

The Department has produced a water management plan and has procured the roll out of automatic meter readers for all sites in England which will begin in the next financial year. This will enable us to reduce water consumption and reduce costs.

Sustainable construction

Sustainability remains integral to our major construction and refurbishment activity. Environmental performance requirements are embedded in procurement and contracting to align with our sustainability goals and design standards. Qualifying projects continue to apply Building Research Establishment Environmental Assessment Method (BREEAM) in line with government buying standards.

During 2025-26, we strengthened assurance by reviewing our governance and compliance checking processes and began refreshing our design standards to ensure sustainability is fully optimised across all future construction and refurbishment projects.

Adapting to climate change

We continue to review the impacts of climate change across the estate with a focus on flooding and extreme heat. A baseline risk has been developed, and we are putting in place measures that will ensure our estate is more resilient to these climatic events, thus reducing their impact.

Reportable environmental incidents

We are enhancing our environmental incident reporting processes to ensure all reported information is material, accurate and aligned with the requirements of annual reporting.

Climate change adaptation

Climate change adaptation is embedded within our overall governance, decision making and assurance processes as detailed in the TCFD governance arrangements section on page 159.

We comply with the Environmental Principles Duty and Green Book guidance on the effective use of evidence in policy making, which includes adaptation and is discussed further on page 146. Guidance for projects and programmes is provided on sustainability impact assessment and reporting.

Cross-departmental sustainability

Building a sustainable culture

In 2025 we developed work on sustainability engagement with large scale campaigns for colleagues, including one on reducing food packaging waste. We regularly ask our network of sustainability champions to support our campaigns through small but powerful actions, and our research shows that 60% of champions are active in support.

During 2025 we also co-created and released a video on workplace behaviours which is now part of induction for new starters.

Our focus on leadership remains, and we have attended numerous meetings to build sustainability into decision making. These campaigns have contributed to our continued emissions reduction through building sustainability into day-to-day work.

Sustainable procurement

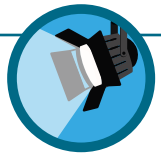
We ensure compliance with all cross-government procurement policies and standards related to sustainability and annually measure against Commercial Functional Standard (GovS 008) using the Commercial Continuous Improvement Assessment Framework (CCIAF).

A new sustainable procurement plan to support government sustainability performance is in development and will be published through our GOV.UK Procurement at DWP page. This will address how we apply the government buying standards, environmental and sustainability policy and regulatory requirements within contracts.

We developed a new sustainable transport delivery plan. This includes a lift share application which is being trialled across selected sites for 12 months to assess behaviour change with the aim of reducing emissions and widening commuting options for colleagues.

Corporate Performance

Spotlight – Sustainable Transport



The Department has completed its new Sustainable Transport Delivery Plan, setting out a clear pathway to reduce transport-related emissions. The plan strengthens the Department's contribution to national net zero goals and supports the transition to a 100% zero-emission fleet. It aims to improve colleague travel options and the customer journey to support a modern, resilient organisation.

The plan is built on transport studies across 20 sites, detailed GIS mapping, typology modelling, and engagement with colleagues, customers and transport operators. Insights gathered informed a strategic framework and tailored recommendations for workplaces across the estate.

It includes a phased implementation roadmap, physical infrastructure improvements, policy recommendations, behaviour-change measures, and a comprehensive monitoring framework to track modal shift and emissions reductions. The project also includes recommendations to support long-term adoption. Together, these outcomes position us to make meaningful, measurable progress towards a more sustainable transport future.

Zero emission vehicles

We have a fleet transition strategy and are collaborating to install further Electric Vehicle (EV) charging points across priority business sites.

We are actively managing vehicle lease expiries to prioritise EVs. Currently, 99% of our fleet (excluding exempted vehicles) consists of Ultra Low Emission Vehicles and 26% of the fleet are fully battery electric vehicles.

Digital

We have begun a benchmarking exercise which will rate all our most high-profile services against environmental best practice, with the aim of driving down technology emissions across the Department. We are also responding to the growing concerns around AI's environmental impact through changes to our governance model, as well as staff education and awareness.

Additionally, we are developing resources to facilitate the quantification of emissions resulting from digitisation of services as part of ongoing efforts to embed sustainability impact assessments in change processes. We are also aware of non-emissions related digital impacts, for example, consumption of natural resource which include:

- Rare minerals – associated with the purchase of devices such as mobile phones and
- Water – used for cooling in data centres and electricity generation

We remain committed to better understanding and, where possible quantifying, these impacts as more information becomes available.

We have developed tools to quantify emissions from service digitisation where possible and will continue to improve these as sustainability becomes embedded in change processes. We also recognise wider digital impacts, including the use of rare minerals in devices and water for data centre cooling and electricity generation. We will continue to improve our understanding of these impacts and quantify them where feasible.

Policy

In 2025-26 we have continued to strengthen how environmental impacts are considered across policy making. We further embedded the environmental principles policy statement by updating guidance, improving submission templates, and delivering targeted capability building for Policy Group. This is work in progress that we will evaluate.

We also advanced green jobs work by enhancing evidence on emerging skills needs and aligning labour market programmes with the requirements of a growing green economy. Our jobcentre network continues to support the transition to net zero through its flexible demand-led offer, including work coach guidance, Sector-based Work Academy Programmes (SWAPs), jobs fairs, funding, and the Find a Job service – all of which help match jobseekers to green roles.

In pensions, we are promoting greener investment by embedding climate-risk duties for trustees and requiring TCFD-aligned reporting. Our ongoing TCFD review, alongside

wider system reforms, aims to strengthen action on disclosed risks and increase investment in sustainable assets going forward.

Taskforce on Climate-Related Financial Disclosures (TCFD)

TCFD compliance statement

We have reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, including:

Pillar	Disclosure	Status	Page(s)
Governance	(a) Describe the board's oversight of climate related risks and opportunities	Compliant	160
	(b) Describe management's role in assessing and managing climate-related risks and opportunities	Compliant	160
Risk Management	(a) Describe the organisation's processes for identifying and assessing climate-related risks	Compliant	160
	(b) Describe the organisation's processes for managing climate-related risks	Compliant	160
	(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Compliant	161
Strategy	(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Compliant	161
	(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Compliant	161
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Compliant	161
Metrics and Targets	(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Partially Compliant[88]	163
	(b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions and the related risks	Compliant	163
	(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Partially Compliant[87]	163

Following a strategic review of departmental risks, we formally elevated climate change to a principal risk in October 2025. This change in risk status accelerated our timeline for disclosures. Therefore, we are pleased to be either compliant or partially compliant with all of the TCFD disclosures. This was achieved through work with the Government

88 We have assessed our disclosure as partially compliant as we report environmental metrics in line with the HMT Sustainability Reporting Guidance. These metrics and targets reported relate directly to identified climate risk of 'reputation'.

Actuary's Department (GAD), which began in 2026. GAD have since been supporting us to better understand our climate-related risks and opportunities. Where we are partially compliant (Metrics and targets (a) and (c)) we plan to continue our work to ensure full compliance in next year's reporting.

The boundary for all TCFD disclosures is the Department only and does not currently include Arms-Length Bodies (ALBs).

Governance

Our governance arrangements on sustainability and climate align with the governance statement found on page 187 and are as follows:

Board oversight

- All the Department's principal risks are overseen by the Executive Team and the departmental risk board and are reviewed quarterly
- There is also ministerial oversight for climate change, with the Minister for Transformation's portfolio including sustainability in areas such as estates and workplace transformation
- At departmental board level, one of our non-executive directors includes sustainability, net zero and climate within their portfolio

Management's role

- There are dedicated sustainability teams, who have active roles in managing sustainability and climate-related risks, within Corporate Transformation and Digital Group
- Our Senior Civil Servant-level Sustainability Leadership Forum, chaired by our Chief Sustainability Officer, is convened on a quarterly basis and focuses on sustainability and climate strategy, performance and risk

Risk management

Our risk management arrangements for sustainability and climate are as follows:

- This year we completed a full review of our existing climate-related risks and opportunities, as well as a prioritisation exercise to ensure we had captured all our risks, and they were being managed at the appropriate level.
- Climate risks were assessed according to their likelihood and impact, in line with our risk framework and scoring processes. Decisions are made on whether to mitigate, transfer, accept or control those risks.
- Climate risk is managed as part of our overall risk management framework. Our framework aligns with the HM Treasury Orange Book: Management of Risk – Principles and Concepts. These will be reviewed iteratively as part of our risk management process to capture new or emerging risks.

- Information from various sources is used to assess risks, including the Cabinet Office national security risk assessment, Climate Change Committee's UK Climate Change Risk Assessment (UKCCRA), Defra's National Adaptation Plan (NAP) and Cabinet Office briefing rooms unit's six-monthly forward look. This intelligence is used to develop and review resilience and response planning for risks such as flooding, storms, snow and ice, heatwaves and droughts.
- Additionally, within our portfolio of ALBs is The Pensions Regulator (TPR), which enforces and monitors TCFD-aligned climate risk reporting for regulated pension schemes. Information on this can be found on their website.

Strategy

During this financial year, we have worked to improve our climate risk understanding under future scenarios, which included agreeing new time horizons. Our short, medium and long-term time horizons[89] for climate-related risks are:

- Short-term – 2030 to 2040
- Medium-term – 2050 to 2060
- Long-term – 2070 to 2080

Our bespoke climate scenarios are for different future worlds we could operate in under 2°C, 3°C and 4°C scenarios (each respectively aligned to IPCC reference scenarios and CMIP6 emission Pathways: SSP1-2.6, SSP3-7.0 and SSP5-8.5).

The Department's strategy is most resilient within the low emissions pathway, as this scenario enables an orderly transition to net zero and 2°C warming level. Whereas under a high emission warming pathway, more urgent action will be required to ensure ongoing operational resilience against increasingly frequent and severe weather events. However, we understand that our climate scenario analysis is subject to the typical limitations of climate modelling, including variance in data quality and consideration of interactions between risks.

As described in the Estates section of this sustainability report, work on climate adaptation and mitigation, including capital investment in our estate will continue, please see page 155. Our climate risk work is also being used by our futures and horizon scanning team to stress test our 2030 strategy. Work will continue into the next financial year to determine the financial implications of the different scenarios.

Tables 1 and 2 summarise our key risks and opportunities, by time horizon.

89 Our short-term horizon aligns with DWP's near to medium-term strategic and operational planning. Our medium-term horizon aligns with the UK Net Zero target of 2050. Our long-term horizon is consistent with the Office for Budget Responsibilities (OBR) labour market forecasts which is relevant to the Department's risks.

Table 1: DWP climate-related risks

Risk Type	Category	Description	Time Horizon
Physical (Acute)	Extreme high temperature	Causes transport disruption, staff and customer illness, building and/or data centre overheating that disrupts the ability of the Department to deliver services and increases costs.	Medium – Long
	Extreme low temperature	Disrupts transport, increases cold-weather benefit demand and damages estate assets, impacting service delivery and increasing costs.	Short
	Extreme precipitation	Causes flooding, transport disruption and water ingress to buildings, reducing productivity and increasing repair costs.	Medium – Long
	Severe Windstorm	Disrupts transport and damages buildings and infrastructure, causing service delays and higher maintenance costs.	Medium – Long
Physical (Chronic)	Changes in average temperatures	Harms general population health, disrupts supply chains and shifts employment patterns, increasing social security demand and operational costs.	Long
	Changes in average precipitation	Affects certain sectors (for example agriculture), increases estate maintenance needs and heightens local flood risk, impacting service delivery, demand for services and costs.	Long
Transition	Labour market disruption	The low-carbon transition leads to skills mismatches. The Department may face increased benefits demand and weaker labour market outcomes.	Short – Medium
	Disruption in financial markets	Rapid repricing of carbon-intensive assets weakens returns and pensions and savings values. Increasing demand for Pension Credit and working-age benefits.	Short – Medium
	Technology-driven transition cost	New regulations and green technologies require expensive upgrades to our estate, digital systems and delivery processes.	Short – Medium
	Market driven transition cost pressures	The Department faces higher-than-anticipated costs from the net zero transition, including supply chain disruption, green premiums, rising energy prices and the cost of specialist skills and technologies.	Short – Medium
	Reputation	Missing climate commitments or increasing emissions reduces stakeholder confidence and affects recruitment and public trust.	Short – Medium

Table 2: Climate-related opportunities

Type	Description
Growth in green jobs	Changes in climate lead to an increased demand for climate-related jobs, increase productivity and reduce demand for social security system.
Regional growth	Climate change results in regional shifts in opportunities for work across the UK, increasing productivity in areas that need it.
Pensions invested in climate solutions	Consumer pensions are invested responsibly in climate solutions to help drive forward a green economy and just transition, diverting investment away from industries that contribute to the climate crisis.
Reduced cost of services	The transition to net zero and the rise of renewable energy results in reduced energy costs and lowers costs for us to deliver services.

Metrics and targets

Next year we will continue to better understand our climate-related risks and opportunities and develop metrics to assess climate-related risks alongside new targets we will use to manage them. This will build on our existing metrics such as those used by Estates and Business Continuity teams to monitor risks to our sites.

Please see table DWP environmental metrics on page 164 for a full break down of our performance against environmental metrics.

Sustainable Development Goals

We support the UN Sustainable Development Goals under the 2030 agenda. See the performance overview (Page 14) for how our priority outcomes align with goals.

Environmental Performance

We continue to support the government's commitment to reduce its impact on the environment. The tables below give a summary of our progress in 2025-26 against 2024-25[90],[91]. The information presented in these tables includes both the core Department's data and those arms-length bodies deemed part of our reporting boundary.[92]

90 Where landlords do not provide emissions data, DWP Estates uses an estimation technique based on applying consumption per m^2 based on sites at which data is available. Further, when data gaps exist for any category, historic averages are used to fill them. We continually review the quality of our data, and reporting approaches, including running 'lessons learned' sessions at the end of each reporting period to strengthen future reports.

91 Please note all metrics applicable to DWP that are either a mandatory requirement or deemed material have been reported even in the absence of data. Therefore, any metrics not included are not applicable to DWP, e.g. Major Mineral Waste, purchased licenses.

92 A full review of reporting boundaries was completed in 2025-26. ALBs which are consolidated and report in line with Greening Government Commitments are now included within sustainability reporting boundaries, where data is available: HSE, TPO, MaPS and TPR. This means that some 2024-25 data differs from figures published in the 2024-25 ARA.

DWP environmental metrics

	2024-25[93]	2025-26	Reduction against Previous year
GHG Emissions Overview			
Total Greenhouse Gas Emissions tCO_2e	62,236	56,245	-10%
GHG Emissions – Scope 1 (Direct)[94]			
Scope 1 Carbon Emissions – Direct Emissions from Owned or Controlled Source tCO_2e	31,367	30,421	-3%
GHG from gas combustion (tCO_2e)	29,792	28,683	
GHG from Oil Combustion (tCO_2e)	380	340	
GHG from Fugitive Emissions (tCO_2e)	373	498	
GHG from Fleet Vehicles (owned or leased) (tCO_2e)	823	901	
Gas Consumption kWh	162,884,694	156,770,830	
Oil Consumption kWh	1,482,378	1,325,362	
GHG Emissions – Scope 2 (Indirect – purchased energy)			
Scope 2 Carbon Emissions – Indirect Emissions from the Generation of Purchased Electricity Consumed tCO_2e	22,962	18,217	-21%
GHG from Electricity (tCO_2e)	22,767	18,057	
GHG from Purchased Heat/Steam (tCO_2e)	195	160	
Electricity Consumption kWh	109,956,792	102,018,785	
Purchased Heat via District Heat Networks kWh	5,572,109	4,590,610	
GHG emissions – Scope 3 (Other Indirect Emissions that Occur in DWP's Value Chain) TCO_2e			
Scope 3 Emissions relating to Official Business Travel Directly Paid for by the Department (tCO_2e)	7,907	7,606	-4%
Distance Travelled by Domestic Business Flights (km)[95]	1,296,739	1,263,552	
Emissions from Domestic Flights (tonnes)[94]	209	171	

93 Financial year 2024-25 data is included to provide a point of comparison for performance in financial year 2025-26. No baseline or targets are reported this year as we await publication of Defra's new Greening Government Commitments framework.

94 Scope 1 covers direct emissions owned or controlled by DWP. Scope 2 emissions are indirect emissions from purchased energy. Scope 3 emissions are all other indirect emissions across the value chain.

95 These metrics include DWP data only. ALB data was incomplete at time of reporting. Where data becomes available after reporting deadlines it will be restated in the following financial year's report.

	2024-25[93]	2025-26	Reduction against Previous year
Total Number of Domestic Business Flights[95]	2,010	1,949	
Distance Travelled by International Business Flights (km)[95]	786,444	663,235	
Distance Travelled by International Business Flights (short haul, km)[95]	167,171	158,848	
Distance Travelled by International Business flights (long haul, km)[95]	619,273	504,387	
Emissions from International Flights (tonnes)[96]	91	79	
Government Fleet Commitment: 100% of the central government car and van fleet will be fully zero emission by 2027.			
Car Fleet Percentage Categorised as Zero Emission Vehicle (includes vehicles on order)	21%	23%	
Van Fleet Percentage Categorised as Zero Emission Vehicle (includes vehicles on order)	5%	12%	
Paper Consumption			
A4 Equivalent (Reams)[95]	175,225	171,795	-2%
Water Consumption			
Total Water Consumption (m^3)[96]	472,761	641,115	36%
Municipal Waste			
Total Municipal Waste Arising (tonnes)[97]	6,089	7,228	19%
Total Municipal Waste Recycled (tonnes)[97]	4,175	4,852	16%
Total Municipal Waste Composted/Food Waste (tonnes)[97,98]	32	2	
Total Municipal Waste Incinerated for Energy Recovery (tonnes)[97,99]	1,797	2,287	
Total Municipal Waste Incinerated without Energy Recovery (tonnes)[97, 99, 100]	0	6	

96 The water supplier underestimated water consumption in 2024-25, which was corrected in 2025-26 leading to 'catch-up' billing creating an artificial consumption spike in 2025-26.

97 Waste volumes have increased because DWP has changed to a new facilities management supplier in 2025-26, who use different calculation methods and it's due to increased in-office attendance

98 Composted waste was reported as anaerobic digestion in 2024-25 however these waste streams have been de-aggregated in this 2025-26 report in line with best practice.

99 In line with supplier zero-waste policies, where possible less waste is being sent to landfill and more waste is sent to incineration with energy recovery.

100 Data on hygiene waste has become available via DWP's supplier. Hygiene waste must be disposed of at separate incinerations plants which do not have energy recovery.

	2024-25[93]	2025-26	Reduction against Previous year
Total Municipal Waste to Anaerobic Digestion (tonnes)[97,101]	Data collection began in 2025-26	762	
Total Municipal Waste to Landfill (tonnes)[99]	117	48	-59%
Percentage of Total Municipal Waste to Landfill	2%	1%	
Percentage of Total Municipal Waste Recycled	69%	67%	
ICT Waste			
Total ICT Waste Recycled, Reused and Recovered Externally (tonnes)[102,95]	124	187	
ICT Waste Reused (tonnes)[103,95]	Data collection began in 2025-26	142	
ICT Waste Recycled (tonnes)[95]	Data collection began in 2025-26	45	
ICT Waste Reused (Number of devices)[95]	Data collection began in 2025-26	51,451	
ICT Waste Recycled (Number of devices)[95]	Data collection began in 2025-26	32,984	

101 Due to the introduction of the Simpler Recycling legislation in 2025, food bins have been introduced to several sites. Additionally, reporting mechanisms from our suppliers has improved thereby enabling us to report on this waste stream for the first time.
102 All DWP ICT is reused or recycled, none is sent to landfill.
103 Reused ICT waste refers to devices donated within government, to charities, schools or other non-government organisations (NGOs), or sold.

DWP Sustainability related financial disclosures

	2024-25 Performance	2025-26 Performance
Gross expenditure on the purchase of energy	£42,846,413	£37,964,289
Reported Areas of Energy Gas	£9,548,326	£8,049,702
Reported Areas of Energy Oil	£109,835	£106,185
Reported Areas of Energy Electricity	£32,723,739	£29,422,913
Reported Areas of Energy Heat	£464,512	£385,489
Expenditure on accredited offset purchases	No offsets purchased	No offsets purchased
Total expenditure on official business travel	£29,961,101	£30,926,417
Total expenditure on Municipal Waste	£2,499,925	£2,183,120
Total expenditure on Municipal Waste Recycled	£1,575,423	£1,074,192
Total expenditure on Municipal Waste Sent to Landfill	£45,273	£18,851
Total expenditure on Composted / Food Municipal Waste	£10,399	£142,365
Total expenditure on Municipal Waste Incinerated	£797,047	£872,779
Total expenditure on ICT waste recycled, reused and recovered (externally)	£1,372,729	£2,060,940
Total expenditure on ICT waste reused externally	Data collection began in 2025-26	£2,008,559
Total expenditure on ICT waste recycled	Data collection began in 2025-26	£52,381
Total value returned on ICT waste recycled, reused and recovered (externally)	Data collection began in 2025-26	£2,820,254
Paper Costs (Inc Vat)	£628,162	£592,832
Total Water Cost (Inc Water and Sewerage Costs)	£2,225,106	£3,103,733
Total expenditure on Carbon Reduction Projects[104]	Data collection began in 2025-26	£8,298,879

104 This covers carbon reduction projects delivered by DWP estates sustainability team and includes installations of LED lighting, building management systems, solar and heating efficiency projects across the DWP estate. Note, this does not cover any ALB expenditure on carbon reduction projects.

Scope 3 emissions disclosures

The table below presents a summary of DWP's Scope 3 carbon emissions.

Scope 3 emissions arise from departmental activities but occur from sources not owned or controlled by DWP. This includes all indirect emissions across the value chain, including upstream emissions from purchased products and services and downstream emissions associated with the use of DWP services. This includes colleague commuting, homeworking and business travel, supplier emissions, commissioned health and employment providers and scheme administrators and grant disbursement intermediaries arising from delivering goods and services for DWP.

ALBs are included in Scope 3 via spend-based calculations.

DWP measures and reports Scope 3 emissions in line with the Greenhouse Gas Protocol and relevant government guidance, using a range of activity data and spend based methodologies across categories. This approach involves a number of assumptions, including projecting the last quarter of data where only calendar year data is available. DWP continues to monitor and improve data quality and methodologies over time.

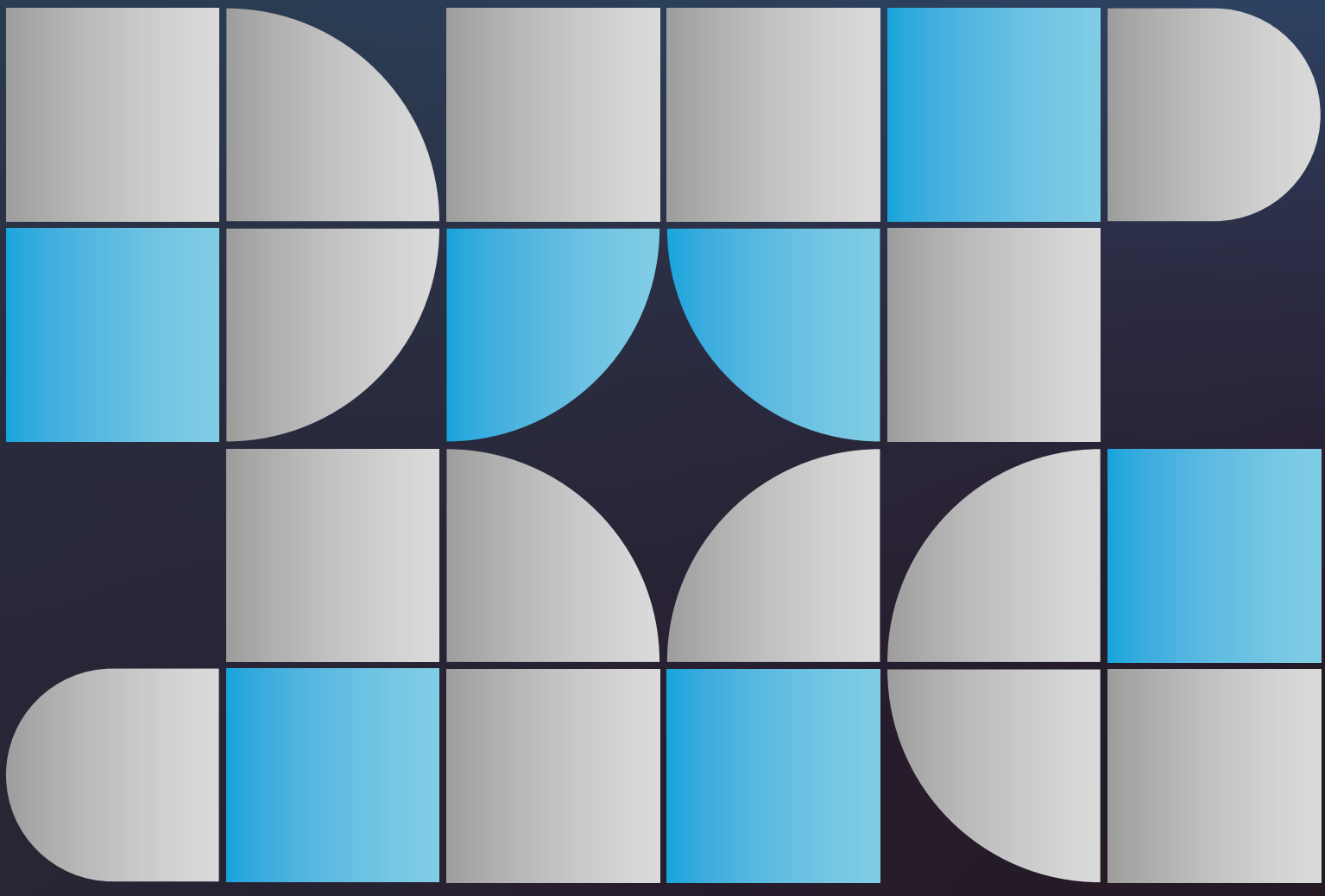
DWP Carbon Footprint Breakdown[105]

	2024-25	2025-26	% Change
Total additional Scope 3 carbon emissions (TCO_2e)	662,602	649,278	-2%
Indirect emissions that occur in DWP's value chain beyond GGC reporting			
Cat1: Purchased goods and services [B][106]	218,222	249,112	+14%
Cat2: Purchased capital goods [B][107]	61,832	44,582	-28%
Cat3: Fuel and energy-related activities [A][107,108,109]	5,284	5,061	-4%
Cat4: Upstream Transportation & Distribution [A,B][108] *Paper, Print and Post*	1,898	2,158	+14%
Cat5: Waste generated in operations [A][109,110]	184	178	-3%
Cat6: Business Travel [A][108,109]	1,192	1,002	-16%
Cat7: Employee commuting [A][108,109,111]	74,463	94,945	+28%
Cat7: Homeworking [A][108]	18,207	17,132	-6%
Cat8: Upstream leased assets [A][108] *Leased cloud storage*	893	664	-26%
Cat11: Use of sold products [A][112] *Claimant travel*	28,895	23,859	-17%
Cat12: End-of-life treatment of products [A][108] *Customer letter disposal*	29	27	-7%
Other: Outsourced customer services and grants [B][107] *Commissioned health & employment services and grants administration*	251,500	210,577	-16%

Sir Peter Schofield KCB
Permanent Secretary
2 July 2026

105 Calculations follow the GHG Protocol using [A] activity data and/or [B] spend data, with UK Government GHG conversion factors unless otherwise stated.
106 For FY2025-26, emissions were estimated using prior year Q4 ratios where Q4 spend data was unavailable and calculated with DEFRA emission factors, scaled from a 2022 baseline for inflation.
107 Activity data for FY2025-26 has been estimated by using the relationship between CY2024 and FY2024–25 activity to scale CY2025 activity data, for each contributing category.
108 Includes only emissions not reported within GGC disclosures. Emissions factors are primarily from the UK government and GHG conversion factors, with alternative government recommended or supplier/ sector specific factors used where appropriate.
109 GGC data differs from elsewhere in the ARA due to incomplete data at the time of calculation; the latest available versions were used with Q4 estimates. Estimates are produced by applying the 'calendar year 2024: financial year 2024' ratio to calendar year 2025.
110 Waste data includes ICT and non-ICT data. Non-ICT waste is estimated using FY2025-26 monthly profiles applied to FY2025-26 data to estimate missing months; ICT waste uses CY2025 data due to limitations
111 CY25 data was based on a snapshot received on 17/02/2026. CY25 staff numbers have been used for FY2025-26 results.
112 FY2024-25 activity data was partially estimated from FY2025-26 data using national transport trend data..

ACCOUNTABILITY
REPORT



Lead Non-executive Director's report

I took up the role of Interim Lead Non-Executive Director (NED) on 1 January 2026, following the departure of Ashley Machin and Valerie Hughes-D'Aeth at the end of December 2025. I would like to thank them both for the important contributions they made to the Department, from Ashley on transformation, and Valerie on senior leadership talent and capability.

At DWP, NEDs are members of the Departmental Board and Chair the four sub committees that provide assurance or advice to the board, as listed in the Governance Statement. We also chair or join a range of other committees, including sub-committees to the Executive Team. We all invest time with colleagues outside of these which help us better understand the Department and enable us to be both challenging of and supportive to the Department's senior leaders.

A key focus for me and my non-executive colleagues this year was supporting, shaping and challenging the Department's transformation strategy to be bold and ambitious while staying realistic and deliverable. This has included challenging the clarity of plans and integration across the Department, and advocating for new governance mechanisms to bring senior leaders together and ensure the Department stays on track to deliver. In doing this, I have worked closely with the Director General, Digital and Transformation and the Minister for Transformation. One of our non-executive members, Martin Duggan has been acting as a transformation strategic advisor, working across the Department to help ensure plans are robust, strategically aligned, and deliverable.

Charlie Steel has used his knowledge of the Department and the risk framework to identify topics to come to Departmental Audit and Risk Assurance Committee (DARAC) for scrutiny, such as data management, cyber security and Synergy implementation. In between committee meetings, Charlie, Taalib Shaah and the DARAC non-executive members have supported a series of deep dives. On fraud and error, they have looked at GDPR rules on data retention and shared approaches in banking and other sectors on using data to serve customers, in particular identifying vulnerable customers. They have also provided independent assessments on deliverability of changes to the two-child limit and the Child Maintenance Service.

Using her experience in Clinical Governance, Gina Radford has prompted work to safeguard claimants when interacting with the Department, foster transparency and accountability, and ensure the Department becomes a learning organisation with feedback loops to all parts of the organisation. Feedback loops and learning, coupled with transparency are also important for the Serious Case Panel, chaired by David Bennett. This has looked at improvements to the appointee processes, large payments to vulnerable customers and the introduction of a comprehensive supporting customer needs learning package.

The non-executive cohort within the Department consists of seven non-executive directors and eight non-executive members. We each bring different experiences and knowledge and have differing perspectives on the Department. We strive to add value as individuals and importantly, come together as a collective to share and utilise that insight and fresh perspective to support the Department in delivering policy objectives for ministers, managing taxpayer money and delivering essential services for millions of people across the country.

Arabel Bailey
Interim Lead Non-Executive Director

Accountability report 2025-26

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.

Directors' report

Our ministers

Ministers at 31 March 2026

The Rt Hon Pat McFadden MP
Secretary of State for Work and Pensions
(from 5 September 2025)

The Rt Hon Sir Stephen Timms MP
Minister of State (Minister for Social Security and Disability)
(from 8 July 2024)

Rt Hon Dame Diana Johnson DBE MP
Minister of State (Minister for Employment)
(from 6 September 2025)

Torsten Bell MP
Parliamentary Secretary in HM Treasury and Parliamentary Under-Secretary of State (Minister for Pensions)
(from 14 January 2025)

Andrew Western MP
Parliamentary Under-Secretary of State (Minister for Transformation)
(from 9 July 2024)

Rt Hon Baroness Smith of Malvern
Minister for Skills
(from 6 July 2024)

Baroness Sherlock OBE
Minister of State (Minister for Lords)
(from 17 December 2024)

Our executives

Executives at 31 March 2026

Sir Peter Schofield KCB
Permanent Secretary and Principal Accounting Officer
Appointment
January 2018

- Executive Team Committee (Chair)
- Departmental Board
- Executive Leadership Board

Neil Couling CB CBE
Director General, DWP Services and Fraud
Appointment
October 2014

- Executive Team Committee

Barbara Bennett[113]
Chief Executive and Director General, Jobs and Careers Service
Appointment
June 2022

- Executive Team Committee

113 Barbara Bennett left the Department on 31 May 2026

Catherine Vaughan CB

Director General, Finance

Appointment

November 2022

- Executive Team Committee
- Departmental Board
- Departmental Audit and Risk Assurance Committee

Sophie Dean CB

Director General, Welfare and Pensions

Appointment

December 2022

- Executive Team Committee

Katherine Green CB

Director General, Labour Market and Skills

Appointment

December 2022

- Executive Team Committee

Julie Blomley[114]

Director General, People and Capability

Appointment

1 April 2024

- Executive Team Committee
- Departmental Board
- Executive Leadership Board (Talent and succession planning conversations only)

Helen Wylie

Interim Director General, Chief Digital and Information Officer Digital Group

Appointment

1 November 2024

- Executive Team Committee
- Transformation Advisory Committee

Sarah Homer

Director General

Corporate Transformation

Appointment

2 February 2026

- Executive Team Committee

114 Julie Blomley left the Department on 12 June 2026

Our non-executive board members

Non-executives at 31 March 2026

Arabel Bailey

Interim Lead non-executive Appointment

January 2026

- Departmental Board
- Executive Leadership Board
- Transformation Advisory Committee (Chair)

Charlie Steel

Reappointment

February 2026

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

Reverend Professor Gina Radford

Reappointment

February 2026

- Departmental Board
- Health Transformation Board (Chair)
- Clinical Governance and Excellence Board (Chair)

David Bennett

Reappointment

May 2024

- Departmental Board
- Serious Case Panel (Chair)

Taalib Shaah

August 2024

- Departmental Board
- Departmental Audit and Risk Assurance Committee (vice Chair)

Other non-executives at 31 March 2026

Sally Cheshire CBE	Departmental Audit and Risk Assurance Committee Reappointment August 2023
Ian Wilson	Departmental Audit and Risk Assurance Committee Reappointment August 2023
Simon Sear	Transformation Advisory Committee Reappointment September 2024
Richard Newsome	Departmental Audit and Risk Assurance Committee Appointment December 2024
Gayle Sparkes	Departmental Audit and Risk Assurance Committee Appointment December 2024
Oliver Rowlands	Transformation Advisory Committee Appointment December 2024
Martin Duggan	Transformation Advisory Committee Appointment December 2024
Professor Malcolm Morley OBE	Workplace Transformation Programme Board Appointment January 2025

A comprehensive list of directors and non-executive board members' interests as of 31 March 2026 is available on www.gov.uk

Direct Ministerial Appointments

Separate to Public Appointments, Ministers have made nine Direct Ministerial Appointments (DMAs) during 2025-26. These provide expertise for specific short-term pieces of work.

Department board and committee attendance 2025-26, by member, of meetings eligible to attend

Name of board	Departmental Board	Departmental Audit and Risk Assurance Committee	Executive Leadership Board	Transformation Advisory Committee
Number of meetings held	4	5	4	9
Ministerial Team				
The Rt Hon Liz Kendall MP	1/2	–	–	–
The Rt Hon Pat McFadden MP	2/2	–	–	–
Alison McGovern MP	2/2	–	–	–
Rt Hon Dame Diana Johnson DBE MP	2/2	–	–	–
Rt Hon Baroness Smith of Malvern	0/2			
The Rt Hon Sir Stephen Timms MP	3/4	–	–	–
Andrew Western MP	2/4	–	–	–
Torsten Bell MP	3/4	–	–	–
Baroness Sherlock OBE	4/4	–	–	–
Non-executives				
Ashley Machin	3/3	–	4/4	–
Valerie Hughes-D'Aeth	3/3	–	4/4	–
David Bennett	4/4	–	–	–
Reverend Professor Gina Radford	4/4	–	–	–
Charlie Steel	4/4	5/5	–	–
Arabel Bailey	4/4	–	–	9/9
Taalib Shaah	2/4	4/5	–	–
Sally Cheshire CBE	–	5/5	–	–
Ian Wilson	–	5/5	–	–

Name of board	Departmental Board	Departmental Audit and Risk Assurance Committee	Executive Leadership Board	Transformation Advisory Committee
Simon Sear	–	–	–	9/9
Richard Newsome	–	5/5	–	–
Gayle Sparkes	–	5/5	–	–
Oliver Rowlands	–	–	–	7/9
Martin Duggan	–	–	–	8/9
Executives				
Sir Peter Schofield KCB	4/4	1/1	4/4	–
Amanda Reynolds	–	–	–	–
Catherine Vaughan CB	3/4	4/5	–	–
Helen Wylie	–	–	–	9/9
Julie Blomley	2/4	–	2/2	–
Sarah Homer	–	–	–	–

Changes to our board and executives in 2025-26

The following changes took place between 1 April 2025 and 31 March 2026:

Role	Name	Change
Ministerial changes		
Secretary of State for Work and Pensions	The Rt Hon Liz Kendall MP	Left the Department 5 September 2025
Secretary of State for Work and Pensions	The Rt Hon Pat McFadden MP	Appointed 5 September 2025
Minister for Employment	Alison McGovern MP	Left the Department 6 September 2025
Minister for Employment	Rt Hon Dame Diana Johnson DBE MP	Appointed 6 September 2025
Minister for Skills	Rt Hon Baroness Smith of Malvern	The role became part of the Department on 6 September 2025
Executive level changes		
Director General, Strategy and Transformation	Amanda Reynolds	Left the Department on 25 April 2025
Interim Director General, Strategy and Transformation	Nagesh Reddy	Appointed 28 April stepped down 7 July 2025
Director General, Chief Digital and Information Officer	Helen Wylie	Appointed 7 May 2025
Director General, Social Security, Disability and Pensions Policy	Katie Farrington	Left the Department on 31 May 2025
Director General, Corporate Transformation	Debbie Alder	Left the Department 31 December 2025
Interim Director General, Corporate Transformation	Craig Varian	Appointed 11 December 2025 stepped down 31 January 2026
Director General, Corporate Transformation	Sarah Homer	Appointed 2 February 2026

Role	Name	Change
Non-executive level changes		
Lead non-executive	Ashley Machin	Left 31 December 2025
Interim Lead non-executive	Arabel Bailey	From 01 January 2026
Non-executive board member	Valerie Hughes-D'Aeth	Left 31 December 2025

The departmental group

Since 16 September 2025, policy responsibility (not budgetary) for apprenticeships, adult further education, skills, training, and careers for people aged over 19 has moved from the Department for Education to the DWP. As part of this change, we have brought three new arm's length bodies into the Department: Skills England, which operates as an executive agency, and two training boards – the Construction Industry Training Board and the Engineering Construction Industry Training Board. As a result of this change, the Department now oversees a total of 13 public bodies. A public body is an organisation that delivers a public service but is not a ministerial government department.

At 31 March 2026, our Accounting Officer was responsible for the core Department (DWP) and ten public bodies[115]. Our public bodies consist of non-departmental public bodies (NDPB), tribunal or advisory bodies and public corporations. They operate independently but are accountable to the Department. Collectively our public bodies have a net expenditure of around £478 million[116]. This figure excludes expenditure for the three new bodies, which our Accounting Officer took over accountability from 1 April 2026.

The Department manages our relationships with our public bodies in accordance with the Cabinet Office's Arm's Length Body Sponsorship Code of Good Practice[117] – which ensures a consistent approach.

The table below sets out our public bodies as at 31 March 2026 which our Accounting Officer was financially responsible for.

115 The Pensions Ombudsman is a single public body which supports the two legally separate roles of the Pensions Ombudsman and the Pension Protection Fund Ombudsman. Both Ombudsman roles are held by the same person.
116 Excluding public corporations which fall outside our accounting boundary.
117 https://www.gov.uk/government/publications/arms-length-body-sponsorship-code-of-good-practice

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 Money and Pensions Service
Tribunal or advisory non-departmental public bodies	The Pensions Ombudsman	Industrial Injuries Advisory Council Social Security Advisory Committee
Other		Remploy Pension Scheme Trustees Ltd

Data Incidents

During 2025-26, we notified 15 Personal Data related incidents to the Information Commissioner's Office (ICO). The table below sets out the detail:

	Number of breaches reported to the ICO		
Category	**2023-24**	**2024-25**	**2025-26**
Alteration of personal data	2	1	3
Failure to redact	0	0	0
Loss/theft of paperwork or data left in insecure location	2	0	0
Verbal/written disclosure (including Postal Security Incidents)	3	6	5
Processing of wrong citizen's personal data	2	2	1
Unauthorised access (staff member)	2	3	5
Other	8	2	1
Total	**19**	**14**	**15**

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 2025 No.268 together known as the 'departmental group', consisting of the Department and sponsored bodies listed on page 183.

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 or equivalent as the Accounting Officer for each arm's length 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 2025-26 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 determining that it is fair, balanced and understandable.

As Accounting Officer, I have taken all reasonable steps to ensure that I am aware of all relevant audit information and that this information has been made available to the auditors. To the best of my knowledge, 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.

Sir Peter Schofield KCB
Permanent Secretary

Governance statement

Our Accounting Officer System Statement (AOSS), available on www.gov.uk sets out how the Permanent Secretary, as the 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[118]. 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 any changes made to increase the robustness and efficacy of governance throughout 2025-26 and up to the date these accounts are certified. Additionally, it provides assurance which the Permanent Secretary has received from his directors general, 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.

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 in providing strategic advice to achieve the Department's goals effectively.

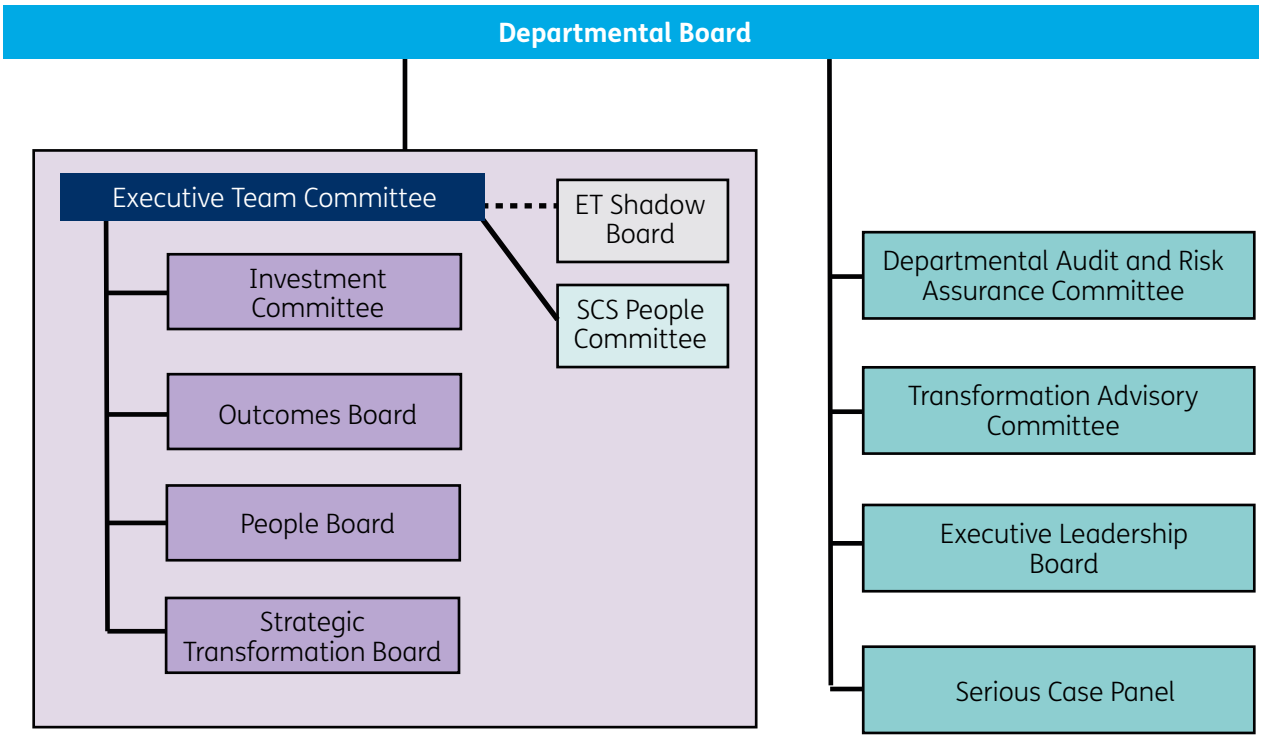
The system of control also includes the Departmental Board sub-committees, the Executive Team Committee, and its sub-committees, along with our control framework which is supported by internal and external assurance processes. In addition, temporary control arrangements were put in place to manage the transfer of Adult Skills policy, and the related support functions, from the Department for Education to the Department between September 2025 and March 2026. This was supported by a formal Accounting Officer agreement between the two Departments.

118 A document outlining a government Department's proposed maximum spending for a specific financial year.

Structure of senior governance

The chart below sets out the structure of the Department's senior boards for 2025-26. These are the cross-cutting boards and committees that enable the Department's senior leadership to set the strategic direction of the Department, manage performance and risk, and prioritise the allocation of resources against key priorities. This structure, and board/sub-committee terms of reference and membership, are kept under regular review.

2025-26 began with a refreshed senior governance structure that is more streamlined, drives enterprise decision-making, and is better aligned to strategic priorities.



This chart only covers the senior boards and committees. It does not include the main delivery boards that carry out management and assurance functions within the Department, some of which report into the main boards above.

Departmental Board	
Chair	Secretary of State
Meetings in 2025-26:	4

Purpose: Comprising the collective strategic leadership of the Department, its purpose is to provide strategic advice to achieve the Department's goals effectively. The Departmental Board has complied with the main principles in 'Corporate governance in central government departments: code of good practice'.

Activities/Focus in 2025-26

- Provided oversight of the Departmental Plan, including scrutiny of the underlying assumptions, deliverability risks, mitigation strategies and progress in delivery of planned outcomes.
- Reviewed the Department's performance, financial position, and consolidated views of transformation savings across the Spending Review period and beyond. The Board received data through good quality systems; it scrutinises performance via a dashboard containing clear, consistent and comparable information.
- Considered the Department's key risks and appetite, including a focus on cyber security.
- Challenged the Department's arrangements for delivery of its 2030 Strategy.
- Reviewed the Strategic Framework for 2026–29, shaping how priorities, resources and activities will align to deliver long-term impacts for citizens and the wider welfare system.

Board effectiveness

The Board effectiveness review remains in progress due to recent changes in both ministerial leadership and the non-executive director cohort. These shifts have required additional time to ensure the review fully reflects the board's updated composition and captures an accurate assessment of its current strategic effectiveness.

Executive Leadership Board (Departmental Board sub-committee)	
Chair	Valerie Hughes-D'Aeth, Non-executive board member until 31 December 2025
Meetings in 2025-26:	4
Purpose: To provide a forum for strategic discussions and decisions on talent, succession planning, pay and performance of directors general.	
Activities/Focus in 2025-26	
• Reviewed Executive Team development, performance and accountabilities. • Reviewed both end of year reward arrangements and refreshed director general succession plans to provide appropriate scrutiny.	

Departmental Audit and Risk Assurance Committee (Departmental Board sub-committee)

Chair	Charlie Steel, Non-executive Director
Meetings in 2025-26:	5

Purpose: To support the Accounting Officer by providing an independent view as to the appropriateness, integrity, adequacy and overall value for money of the governance, risk, control, audit, accounting and reporting and associated assurance processes that are in place in the Department and its public bodies.

Activities/Focus in 2025-26

- Received regular departmental updates and reports on emerging issues.
- The Chief Risk Officer provided an update on the risk landscape at every meeting. Non-executives have continued to challenge the completeness of the Department's understanding of the risks it is facing and the management of risks outside of tolerances.
- Agreed the GIAA Annual Plan, and monitored delivery progress, key findings and overall opinion.
- Considered the external audit and value for money work undertaken by the National Audit Office.
- Made recommendations to the Accounting Officer on the Annual Report and Accounts 2024-25 and reviewed progress of the Annual Report and Accounts preparation for 2025-26.
- There are briefings to DARAC members outside the formal meetings.
- Areas of specific focus included:
  - Adult Skills Machinery of Government change
  - Transformation risks and data strategy
  - AI Governance
  - Business Critical Models
  - Departmental culture, including the Department's response to Carer's Allowance overpayments
  - Assurance on arm's length bodies
  - Cyber security
  - Fraud and error performance, controls and strategic roadmap
  - Synergy implementation
  - Whistleblowing arrangements

Board Effectiveness

An evaluation of the effectiveness of the Departmental Audit and Risk Assurance Committee (DARAC) commenced during 2025-26, with findings to be considered in the following reporting year and used to inform further enhancements to DARAC effectiveness in 2026-27.

Transformation Advisory Committee (Departmental Board sub-committee)	
Chair	Arabel Bailey, Non-executive Director
Meetings in 2025-26:	9

Purpose: To provide independent expert advice on the Department's strategic vision for transformation and continuous improvement activity, including digital enablement, automation and use of data.

Activities/Focus in 2025-26

- Provided strategic oversight and challenge to the Department's transformation agenda, helping shift the organisation to integrate its change activity towards a more coherent, enterprise-wide approach, and providing advice on best practice.
- Advised on major transformation workstreams and continuous improvement activity.
- Shaped the key enablers of transformation by driving improvements in risk management, measurement frameworks, data strategy and ownership, supporting governance reforms, and guiding the development of both the Strategic Transformation Board and the future Transformation Office.

Executive Team Committee	
Chair	Sir Peter Schofield KCB, Permanent Secretary
Meetings in 2025-26:	49

Purpose: To provide executive leadership and management of the Department. As the senior decision-making body of the Department, it sets the strategic direction for the Department by overseeing strategy, fiscal events, performance and risk.

Activities/Focus in 2025-26

- Ensured progress on major policy and delivery priorities aligned with ministerial and strategic objectives.
- Drove forward the Department's transformation agenda and 2030 Strategy, the Departmental plan, its deliverability and the associated departmental funding allocations.
- Agreed departmental funding allocations and assessed deliverability against the Strategic Plan for 2026-29.
- Undertook quarterly reviews of finance, performance and risk positions.
- Considered key issues raised by GIAA reports, including issues escalation.
- Reviewed security and resilience, including agreeing the Security Assurance Plan, understanding the findings from the Departmental Security Health Check and Cyber Assessment Framework, and testing incident response plans.
- Signed off on key people matters - including pay and reward strategy, and arrangements for people performance management.
- Steered the Department's sustainability strategy - ensuring alignment with workforce priorities, affordability and longer-term organisational objectives.
- Reflected on the 2025 People Survey results, including discussion of key themes affecting engagement, leadership, capability and workforce experience. The Committee used this insight to inform its oversight of people priorities, organisational culture, and related workforce and reward strategies.

Outcomes Board (Executive Team sub-committee)	
Chair	Katherine Green CB and Sophie Dean CB, Directors General, Policy Group
Meetings in 2025-26	2

Purpose: To drive the progress and achievement of the departmental outcomes by providing strategic direction, monitoring performance, and ensuring alignment across the organisation.

Following a review, the four separate Outcome Boards were consolidated into a single Outcomes Board. This strategic decision was made to enhance the management of cross-pillar interdependencies and strengthen accountability for delivering the organisation's strategic outcomes. By unifying the boards, we have established a more cohesive governance structure that better supports our commitment to achieving key objectives. The first meeting of the newly formed Outcomes Board took place in November 2025.

Activities/Focus in 2025-26

- Considered the Department's Strategic and Performance Frameworks.
- Identified priority reforms and capability gaps to strengthen departmental readiness for rapid change, with agreed actions to address them.
- Clarified the Department's contribution to reducing child poverty, including agreed monitoring and governance, key delivery risks and mitigations, and how progress will be tracked following the Child Poverty Strategy announcement.
- Set out how policy levers will be used to improve the Health and Disability outcome (poverty reduction and disability employment equality), and agreed the evidence and metrics needed to demonstrate change.
- Agreed priorities for improving later life outcomes, with a focus on reducing pensioner poverty and supporting economic growth and identified actions to address variance between forecast data and departmental goals.

People Board (Executive Team sub-committee)	
Chair	Julie Blomley, Director General, People and Capability
Meetings in 2025-26:	7

Purpose: Maintain strategic enterprise-wide leadership and oversight of the Department's people agenda and cross-cutting workforce issues, including overseeing the delivery of the People Strategy and ensuring coherence with the Department's 2030 transformation goals. Provide collective leadership of long-term workforce design, commission and approve the annual workforce plans and five-year strategic workforce plans, guide actions impacting workforce capacity and capability, and monitor performance with the new people dashboard.

Activities/Focus in 2025-26

- Provided strategic oversight of workforce planning, ensuring alignment with departmental priorities, transformation aims and efficiency requirements.
- Strengthened workforce supply controls, including recruitment governance, redeployment, and use of flexible resourcing.
- Led cross departmental action on location strategy, including management of Whitehall Campus workforce reductions and emerging capacity risks in other locations, ensuring decisions remain aligned with estate plans and future capability needs.
- Directed improvements to recruitment processes, ensuring consistent, efficient and compliant decision-making.
- Supported enhancements to people performance, wellbeing and line-management capability.
- Endorsed unified safeguarding and customer capability training, including the introduction of the Supporting Customer Needs Learning Journey.
- Monitored hybrid working and estate utilisation.
- Supported development of a strengthened apprenticeship strategy.

Investment Committee (Executive Team sub-committee)	
Chair	Catherine Vaughan CB, Director General, Finance Group
Meetings in 2025-26:	14

Purpose: To provide assurance on large-scale investments, taking decisions on the prioritisation and commencement of new activities and investments that exceed Investment Committee approval limits. The Committee also oversees the Department's in-year financial position and scrutinises multi-year plans, providing strategic steers to balance affordability and delivery.

Activities/Focus in 2025-26

- Considered and approved 32 business cases to support transformation of DWP services, including employment support, digital and estates programmes and initiatives to improve outcomes for people seeking work.
- Maintained strong grip on the Department's financial position, overseeing the Central Risk Reserve, monitoring in-year budget pressures, reinforcing updated approval thresholds, and ensuring proposals were directed to the appropriate governance forum with proportionate assurance.
- Scrutinised delivery of efficiency plans, ensuring the Department was on track to meet its targets, and recommending mitigation actions where appropriate.
- Considered systemic reasons for underspend, commissioning analysis to understand key drivers and agreeing actions to improve departmental forecasting accuracy.
- Worked jointly with the Department for Education on skills and young people-focused proposals, supporting cross-government alignment on employment, skills, and early labour-market interventions through scrutiny of DfE-led business cases and pipelines.
- Focused on the use of evidence and quality of evaluation plans as a theme across business cases, ensuring programmes are designed using a fuller range of existing evidence and can be robustly evaluated to understand what works.

Strategic Transformation Board (Executive Team sub-committee)	
Chair	Helen Wylie, Director General, Digital and Transformation
Meetings in 2025-26:	3
Purpose: To provide dedicated stewardship and leadership of the Department's transformation journey and Strategy for 2030.	

Activities/Focus in 2025-26

- Provided collective leadership of departmental transformation shaped to deliver the 2030 Strategy.
- Improved alignment, clarified accountability, and created a more consistent enterprise-wide approach.
- Strengthened the core foundations for transformation by shaping a coherent view of enterprise-level risks.
- Clarified ownership of key activities and reinforced the leadership and cultural conditions needed to deliver change at scale.
- Drove forward work to streamline decision-making routes, ensure governance and risk appetite evolve, and strengthen the organisational narrative that supports a unified transformation approach.

Serious Case Panel	
Chair	David Bennett, Non-executive Director
Meetings in 2025-26:	4

Purpose: The Panel considers issues identified from serious cases and other sources where customers may have complex needs. The Panel provides leadership and strategic direction on DWP's approach to vulnerability, ensuring that recommendations are implemented.

Minutes of Panel meetings are published on GOV.UK. This year we have provided more detail on Panel discussions, actions, and progress updates. We have published revised Terms of Reference strengthening the Panel's role in relation to vulnerability and clarifying accountability of Panel members for agreed actions.[119]

Activities/Focus in 2025-26

The panel has enabled:

- Targeted work to strengthen colleagues' understanding when making large payments to vulnerable customers. This included a review of guidance, supported by a communication campaign reaching 8,453 colleagues by 31 March 2026.
- End to end review and improvements to Appointee processes, particularly around streamlining interactions. Work has begun to digitise parts of the process, building a better service for vulnerable customers and their representatives.
- Agreement to develop a digital solution to enable effective sharing of information where customers rely on multiple DWP services, ensuring understanding of our vulnerable customers and their circumstances.
- Introduction of a comprehensive Supporting Customer Needs learning package which draws on work commissioned by the Department from industry experts. This will be rolled out to all new frontline staff in 2026-27, building our capability in understanding the needs of vulnerable customers.
- The Panel continues to promote increased transparency. We have published information setting out how we are improving the identification, support and understanding of customers with additional support needs[120]. We have also committed to ongoing publications about the learning identified from serious cases[121] .

119 DWP Serious Case Panel - GOV.UK
120 Delivering support and transformation to help DWP customers with additional support needs - GOV.UK
121 Advanced Customer Support: Learning and improving from serious cases - GOV.UK

Clinical Governance

The Chief Medical Advisor holds responsibility for clinical governance within the Department.

The Department is responsible for over 5,000 registered clinicians who are directly employed, loaned to, or contracted by the Department. These clinicians provide clinical leadership, policy advice, audit and assurance, training, and the delivery of health assessments, of which around two million are carried out each year.

During 2025–26, we continued to embed our clinical governance framework, aligned to NHS best practice and structured around the seven pillars of clinical governance. Over the year we have strengthened oversight, accountability and consistency across our clinical services.

The Clinical Governance and Excellence Board, chaired by a non-executive director and convened by the Chief Medical Advisor, continues to guide clinical governance strategy, monitor performance, advise on significant risks and provide assurance to the Executive Team and Ministers. Our Clinical Governance structure ensures that service user engagement and independent external scrutiny are considered and acted upon through established governance routes, providing formal assurance, accountability, and oversight.

We continue to strengthen clinical governance oversight through the introduction of a formal programme of Clinical Governance Assurance Visits. During the year the team has expanded. We have appointed a Head of Safeguarding, a Deputy Clinical Profession lead, a Deputy Responsible Officer and a Curriculum and insights lead. Each of these roles supports alignment with best practice and contributes to the delivery of safe, fair and accurate policies and procedures.

The arrangements in place provide assurance that clinical services are delivered safely, ethically and professionally, with clear accountability, robust oversight and a sustained focus on continuous improvement.

Machinery of Government change governance

The Adult Skills Machinery of Government (MoG) change transferred responsibility for apprenticeships, adult further education, skills training and careers, and Skills England and sponsorship of the Construction Industry Training Board and the Engineering Construction Industry Training Board from the Department for Education to the DWP. Ministerial responsibility transferred in September 2025, reflecting the intent to better align skills policy and delivery with labour market participation and progression. The formal transfer of financial accountability, budgets, staff and resources successfully took place on 1 April 2026.

To support this change, we established a programme board and an executive steering committee as joint forums across both Departments with each forum meeting regularly to discuss operational issues and to promote the safe and secure transition of the policy areas and impacted staff. The Programme Board was chaired by the appointed Programme Director within the Department, and the Executive Steering Committee was

co-chaired by the nominated Senior Responsible Owners of the MoG change for both Departments. The governance forums for the Adult Skills MoG Programme were dissolved in May 2026 following successful transfer of policy and staff on the 1 April 2026.

Change governance

During 2025–26, we continued to maintain a single, Department-wide view of all change activity through the Departmental Change Portfolio. This meant that all new proposals followed the same gateway process, giving us better visibility of the pipeline and helping us decide which initiatives were most important and ready to proceed.

The Change Portfolio Board provides scrutiny and assurance of the delivery and performance of the Department's entire portfolio of change. The board also provides assurance, scrutiny and approval of business cases that fall below the Investment Committee's threshold.

During 2025-26, we continued to oversee delivery of four Government Major Projects Portfolio (GMPP) programmes:

- *Health Transformation Programme*
- *Service Modernisation Programme*
- *Workplace Transformation*
- *Connect to Work (formerly Universal Support)*

We also continued to oversee GMPP programmes for which our Permanent Secretary holds Accounting Officer responsibility, but where the work is delivered outside the Department. These programmes are the Pensions Dashboards Programme (delivered by the Money and Pensions Service) and the Core Synergy Shared Services Programme.

Throughout the year, we worked closely with the National Infrastructure and Service Transformation Authority (NISTA) and HM Treasury to provide independent assurance of our GMPP programmes. During 2025–26, NISTA undertook five independent reviews across the Core Synergy, Workplace Transformation, Connect to Work, Pensions Dashboards, and Service Modernisation Programmes.

To support the successful delivery of these and other programmes, we continued to invest in the capability and professionalism of the project delivery function. Around 271 colleagues are now accredited through the Infrastructure and Projects Authority Accreditation Scheme. Our nine Communities of Practice have seen significant growth, with membership rising to around 650. These communities play a key role in sharing expertise and driving professional maturity, and insights from their development are being used to shape future capability plans.

Annually managed expenditure

We jointly manage the Department's annually managed expenditure (AME) with HM Treasury. Although we are responsible for AME spending, we did not have any delegated authority to make spending decisions during 2025–26.

HM Treasury is involved in all major decisions relating to our AME. Throughout the year, we hold regular meetings to review AME spending and to check whether it is on track against the welfare cap. More information about the welfare cap is available in the Chief Finance Officer's report.

Within the Department:

- The Director General, Finance is responsible for making sure we follow all the rules that apply to our AME spending. This includes ensuring we secure the necessary spending approvals from HM Treasury.
- The Director General, Welfare and Pensions is responsible for managing the welfare cap. They monitor longer-term risks to our AME spending and provide policy leadership during fiscal events.

They are supported by our internal AME Board. It is chaired by the Director General, Welfare and Pensions.

The AME Board oversees all our work related to managing AME spending. This includes keeping track of any risks that could increase AME costs. The board also reviews potential liabilities linked to benefit spending, such as those that might arise from legal cases, judicial reviews, and appeals.

Further details are provided on page 389.

Management of interests

All of our colleagues are bound by the Civil Service Code – the framework on which the Department's standards of behaviour are built. The Department's Standards of Behaviour Policy and Procedures apply to colleagues at all grades.

It is mandated in the Department's Standards of Behaviour Procedures that colleagues' interests and activities outside of work must not create a conflict of interest or the potential for a perceived conflict of interest with their official role and they must not bring the Department into disrepute.

Our Senior Civil Servants and non-executive directors and 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 the Departmental Audit and Risk Assurance Committee. A list of Senior Civil Servants outside remuneration as at 31 March 2026, agreed through the process of declaration and management of outside interests, is reported at DWP register of senior civil servants' secondary paid employment – GOV.UK in accordance with The Code of Good Practice and HM Treasury Public Expenditure System (PES) guidance.

At the beginning of every Departmental Board and its sub-committees 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 meeting, it is recorded in the minutes, and the board member takes no part in any discussions relating to that matter. There was only one conflict of interest registered during board meetings in 2025-26.

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 there are no relevant interests to be published**.**

Additionally, none of our ministers held directorships that conflicted with their management responsibilities in 2025-26**.**

Direct Ministerial Appointments

Ministers sometimes personally appoint individuals to certain public office-holder positions that are not included in the formal public appointments' procedure. These roles are usually short term and linked to specific pieces of work or activities. During 2025–26, our Ministers appointed nine suitably qualified individual to lead specific areas of work.

Management of business appointments

The government's Business Appointment Rules require any employee wishing to accept a job offer made by a person, company or firm with whom they formed a relationship during their official duties to seek permission. The Business Appointment Rules are published internally, on GOV.UK, and individuals leaving the Department must be made aware of them under the department's leaving procedures. Applications under these rules are initially 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 and Capability team scrutinise countersigned applications for assessment and ensure consistency between applications that are approved (either unconditionally or with conditions) or rejected. Any restrictions are proportionate to the grade and previous role(s) of the applicant and can apply for up to two years after the employee has left.

In compliance with Business Appointment Rules (BARs), the Department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on Business Appointment Rules | Civil Service Commission.

During 2025-26 the number of requests made is contained in the table below.

	SCS3	SCS2	SCS1	Total
Number of Senior Civil Service exits from DWP	3	10	36	49
Number of exits where Business Appointment Rules applications were required	1	1	2	4
Number of exits that did not require a Business Appointment Rules	2	9	34	45
Number of exits where Business Appointment Rules conditions were set	1	1	2	4*
Number of applications that were found to be unsuitable	0	0	0	0
Number of breaches of the rules in the preceding year	0	0	0	0

*In addition, Business Appointment Rules conditions were set for one former member of the delegated grades below the SCS.

The Civil Service Commission took over responsibility for the Business Appointment Rules in 2025-26. They consider applications from the most senior levels:

- Ministers
- Permanent secretaries (and their equivalents)
- Directors general (and their equivalents)

Advice given by the Civil Service Commission regarding specific business appointments is published on Business Appointment Rules | Civil Service Commission.

Advice given by the Advisory Committee on Business Appointments – ACOBA before responsibility transferred to the Civil Service Commission is published on Advisory Committee on Business Appointments – GOV.UK

Whistleblowing

We continue to work closely with the Government Internal Audit Agency (GIAA) to make sure our whistleblowing arrangements are independent, professional, and trusted. GIAA manages our whistleblowing hotline at arm's length and carries out the initial assessment of all whistleblowing cases. This means our colleagues can raise concerns with an independent team. Colleagues can also choose to raise concerns outside the Department, either with the Civil Service Commission or with the Comptroller and Auditor General at the National Audit Office.

Under the leadership of our Senior Whistleblowing Champion, we updated our internal whistleblowing process. Since October 2025, our Nominated Officers have worked separately from the HR Casework Team. This change helps avoid conflicts of interest, such as when someone advises managers and is later involved in a whistleblowing or conflict of interest issue. All our Nominated Officers are listed on the intranet as part of

our whistleblowing guidance. This gives colleagues more choice about who they contact, including someone inside or outside their directorate, or contacting GIAA directly either in writing or through the whistleblowing hotline.

Over the past two years, the number of calls and requests for help received by Nominated Officers has increased. When we relaunched the Whistleblowing Policy in October 2025, Nominated Officer activity rose by 37%. This shows that our employees are aware of, and using, the different ways available to report concerns.

During 2025–26, our communications and our involvement in the Civil Service's National Speak Up Week helped us keep awareness of whistleblowing at the same high level as the previous year. A total of 538 people attended Speak Up events in full, and our DWP whistleblowing process video was viewed 100 times. During Speak Up Week in September, 2,229 users visited our Speak Up Safely pages, compared with 1,425 users in August 2025 and 593 users in October 2025.

In 2025–26, we received 147 whistleblowing cases in total. Of these, 79 came through GIAA and 68 were raised directly with our Nominated Officers. This is an increase compared with 2024–25, when we received 98 cases overall.

Since updating our internal process in October 2025, we have received 41 internal cases. Of these:

- Two were found to have a case to answer
- Four were found to have no case to answer
- 29 were not whistleblowing matters
- Six are still ongoing

The main types of concerns raised include:

- Bullying, victimisation, and risks to wellbeing
- Manipulation of performance or customer records
- Misuse of government systems and resources
- Serious professional misconduct

Once all ongoing investigations are completed and outcomes are confirmed, we will report anonymous details of all cases internally to the Departmental Audit and Risk Assurance Committee and externally to the Cabinet Office.

Controls and assurances

Functional Standards

Corporate functions are groupings aligned across government to manage functional work such as human resources, commercial, or finance. Functions are embedded in departments and arm's length bodies (ALBs). Government Functional Standards provide the mandated framework for how corporate functional activity is directed, managed, assured and continuously improved across central government. These standards apply to the Department's corporate functions and are distinct from operational or service level uses of the term "function" elsewhere in the Department's reporting.

Each central function (primarily in Cabinet Office or HM Treasury) is responsible for managing its own standards and commissioning departments and ALBs to demonstrate their compliance.

During 2025–26, we continued to use functional standards as a key part of how we run and oversee our corporate services governance and assurance arrangements. These standards help us take a consistent and proportionate approach to assurance, risk management, and improving our capability. They also support us in delivering good value for money for taxpayers. By doing this, we have aligned our approach with the Cabinet Office's Productive and Agile State ambitions, focusing on making our corporate services more effective and efficient so they better support our priorities.

As set out in the Office of Value for Money's "Reforming the spending control and accountability framework" report published on 26 November, the government announced significant reforms to the public spending control and accountability framework, known as Project RESET. In preparing for the introduction of the Project RESET reforms from 2026–27, we worked closely with the Cabinet Office during the year to understand what the changes will mean in practice. This includes clearer departmental accountability, simpler approval processes, and a more proportionate approach to assurance.

This joint work has helped shape how we apply functional standards and assessment frameworks. It supports continuous improvement, reduces unnecessary burden, and strengthens our contribution to a more productive and agile public sector.

Risk management

The Department manages a wide-ranging and continually evolving risk environment shaped by its scale, the complexity of welfare delivery, the sensitivity of citizen data, and the operational demands of supporting millions of claimants. DWP's *Accounting Officer System Statement,* available on www.gov.uk describes the Department's risk management approach which is focusing on identifying system-level pressures early, strengthening resilience across operations, and ensuring risks are addressed in a way that maintains service continuity and protects public value.

During the year, we undertook a comprehensive review of our principal risks, informed by sector developments, external insights and internal assurance. This included assessing enduring structural risks alongside dynamic risks that emerge or change rapidly in response to shifts in demand, technology, the labour market and wider economic conditions. Enduring risks include those that persist over time, such as payment service resilience, cyber security, workforce capability, fraud and error, financial, legal and regulatory compliance, people safety and operational resilience. Dynamic risks reflect fast-moving pressures related to transformation programmes, external market conditions, emerging technologies, or changes in policy intent.

As part of this assessment, we observed that while the risk environment became more challenging during the year, active management and mitigation led to reductions in the significance of a number of risks, with other long-standing risks remaining stable and continuing to require sustained management attention.

Our review strengthened the realism and consistency of risk assessments across the Department. We evaluated the assumptions underpinning scores, examined the evidence base supporting risk judgements, and challenged the feasibility and clarity of mitigations in relation to risk appetite and tolerance.

Key to assessment and trends:

Latest Risk Assessment as of March 2026

Latest Risk Assessment as of 31 March 2026	High	Medium	Low

Risk Trend as of 31 March 2026	Risk increase	Risk decrease	Risk unchanged
	▲	▼	⇕

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Payment service resilience* ⇕	There is a risk that disruption to DWP or banking payment systems, arising from internal or external events, affects the Department's ability to deliver timely and accurate payments to customers, with consequences for service continuity and public confidence. *This risk remains Medium given the importance and complexity of payment systems, with resilience arrangements and oversight supporting continued management of this risk.*	• Implementation and regular testing of contingency and recovery arrangements to maintain continuity of payment services in the event of system disruption. • Development and testing of alternative payment mechanisms to ensure payments can continue during incidents affecting core systems. • Strengthening of governance and oversight arrangements, including regular monitoring of payment system performance and identification of emerging risks.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Cyber security	There is a risk that a cyber security breach affecting DWP or its supply chain disrupts systems and services, or compromises the availability, integrity or confidentiality of data, impacting delivery of services and the Department's ability to achieve its objectives. *This risk remains High given the persistent cyber threat environment and the Department's dependence on digital systems and data, supported by established security, monitoring and assurance activity.*	• Continued strengthening of the Department's cyber security framework and assurance arrangements, including alignment to recognised standards such as the Cyber Assessment Framework (CAF) and the NIST Cybersecurity Framework. • Technical assurance, including IT health checks, simulated attacks and penetration testing, to identify vulnerabilities and validate the effectiveness of security controls. • Embedding of secure-by-design principles across systems, services and development activity to reduce exposure to vulnerabilities at source. • Ongoing modernisation and improvement of technology and security controls to address legacy risks and strengthen resilience. • Development of data, monitoring and response capabilities including exercises to improve detection, management and recovery from cyber incidents.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Financial, legal and regulatory compliance*	There is a risk that weaknesses in financial control or compliance arrangements result in inaccurate financial management, breaches of legal or regulatory requirements, and associated legal, financial or reputational consequences. *Whilst the risk has reduced, it remains Medium given the importance and complexity of financial control and compliance requirements, with governance and assurance arrangements supporting continued oversight of this risk.*	• Maintenance of a robust financial control and governance framework, including defined accountability, delegated authority and structured oversight of key spending decisions. • Implementation of comprehensive assurance arrangements, including independent audit and internal review activity, to monitor the effectiveness of financial controls and ensure compliance with legal and regulatory requirements. • Provision of legal and compliance input into policy development and operational design to support early identification and management of legal and regulatory risks. • Operation of control processes and system controls, including segregation of duties and approval limits, to support accurate and compliant financial management.
People safety	There is a risk that health and safety arrangements, training or safeguards may not operate effectively in all circumstances, resulting in harm to staff or customers, with associated legal, financial and reputational consequences. *This risk remains Medium given the importance of effective health and safety arrangements across a complex operational environment, supported by established policies, controls and oversight.*	• Maintenance of comprehensive health and safety policies, standards and legislative compliance frameworks to support safe working environments. • Implementation of monitoring, reporting and assurance arrangements to identify incidents, assess trends and support continuous improvement. • Strengthening of governance and oversight arrangements, including review of incidents and sharing of learning to improve safety outcomes.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
External economic and labour market environment	There is a risk that external economic and labour market conditions, including technological change, affect demand for DWP services and wider outcomes, reducing the Department's ability to deliver intended impact and maintain public confidence. *This risk remains Medium given the uncertainty and variability of external economic and labour market conditions, with monitoring, planning and governance arrangements supporting management of this risk.*	• Ongoing monitoring of labour market conditions and service demand, supported by analysis of economic indicators and operational data to inform decision-making. • Use of scenario planning to assess potential changes in demand and support preparedness for a range of external economic conditions. • Strengthening of data sharing, insight and evaluation capability to monitor outcomes, track performance and inform timely intervention. • Development of outcome and accountability frameworks to support oversight of delivery and improve consistency of performance across local areas.
External disruption*	There is a risk that significant external events or hazards disrupt DWP services, affecting delivery and service continuity. *This risk remains Medium given the potential impact of significant external events on operational delivery, supported by resilience, planning and response arrangements.*	• Ongoing horizon scanning and monitoring of external risks, supported by use of national risk assessments and cross-government insight to identify potential impacts to operations. • Development of operational resilience capability, including planning and preparedness arrangements to manage a range of disruption scenarios. • Establishment of response and governance arrangements to coordinate management of disruptions, including prioritisation of critical operational functions during incidents.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Fraud and Error	There is a risk that rapidly advancing technologies enable new forms of fraud or exploitation that outpace existing controls, resulting in financial loss, operational disruption and loss of public trust. *This risk remains Medium given the evolving nature of technology-enabled fraud risks and the uncertainty associated with their impact, with controls and response arrangements in place to address this exposure.*	• Strengthening of horizon scanning and technological intelligence capability to identify emerging threats, supported by a preventative and multi-disciplinary approach integrating policy, operational and analytical expertise. • Development of adaptable and scalable control arrangements, supported by a strategic controls framework to strengthen prevention, detection and response to evolving risks from new technologies and methods of exploitation. • Use of scenario planning and stress testing to assess the resilience of existing control frameworks, alongside implementation of legislative and policy measures to strengthen the Department's ability to prevent, detect and respond to fraud and error.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Delivery of labour market programmes	There is a risk that constraints in funding, capacity and delivery planning limit the Department's ability to deliver labour market programmes and respond effectively to demand, resulting in reduced delivery, variable outcomes and reputational impact. *This risk remains Medium given continued uncertainty in funding, demand and delivery requirements, supported by planning, governance and performance management arrangements.*	• Use of strategic planning and prioritisation processes, supported by clear criteria and analysis, to inform allocation of resources and delivery decisions. • Development of scenario planning capability and demand modelling to support preparedness for changes in labour market conditions. • Strengthening of governance and coordination arrangements to support prioritisation of delivery activity and alignment of policy and operational objectives. • Development of common metrics, outcome frameworks and data sharing arrangements to monitor performance, improve accountability and support consistent delivery across different areas.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Multi-tier delivery co-ordination*	There is a risk that coordination and oversight across a multi-tier delivery system may not operate effectively in all circumstances, reducing the effectiveness of targeted employment support and leading to poorer outcomes, inconsistent delivery and reduced value for money. *This risk remains Medium given the complexity of delivering services across a multi-tier system, with governance, data and assurance arrangements supporting coordination and oversight.*	• Strengthening of capability and delivery arrangements to support effective implementation of localised services and improve consistency of delivery across areas. • Development of outcome and accountability frameworks to support oversight of delivery, measurement of performance and improved value for money. • Enhancement of data sharing and integration arrangements to improve coordination across services and enable more effective delivery and decision-making. • Implementation of evaluation and assurance processes to assess delivery effectiveness, inform continuous improvement and support future decision-making.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Strategic transformation programmes	There is a risk that strategic planning, prioritisation and delivery of the change portfolio may not operate effectively in all circumstances, resulting in a failure to realise expected benefits and deliver long-term strategic objectives and commitments. *Whilst the risk has reduced, it remains High given the scale, complexity and interdependencies within the Department's change portfolio and strategic ambitions, supported by governance, planning and assurance arrangements.*	• Strengthening of strategic planning, prioritisation and governance arrangements to support effective delivery of the Department's change portfolio and long-term objectives. • Implementation of capacity and resource management processes to align delivery capability with demand and support effective programme delivery. • Enhancement of benefits realisation and performance reporting arrangements to monitor progress against expected outcomes and support delivery confidence. • Strengthening of assurance and scrutiny processes, including independent challenge at key stages of programme and business case development.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Climate change and external environment*	There is a risk that the Department is unable to adapt its operations, services and policies to the impacts of climate change and environmental transition, resulting in service disruption, increased costs, regulatory exposure and reduced effectiveness of delivery. *This risk remains Medium given the scale and complexity of adapting to climate and environmental change, with planning and governance arrangements supporting management of this risk.*	• Development of a strategic approach to environmental sustainability, including longer-term planning to support adaptation of operations, services and assets. • Embedding of environmental considerations into policy development and decision-making processes to support consistency of approach across the Department. • Implementation of operational and estates resilience planning to identify vulnerabilities and support continuity of services in response to climate-related risks. • Enhancement of measurement and reporting capability to improve understanding of environmental impacts and support informed decision-making.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Legacy and emerging technologies*	There is a risk that reliance on legacy technology limits the Department's ability to modernise, resulting in reduced service performance, increased operational risk and loss of public trust. *This risk remains High given the scale and complexity of legacy technology across critical services and the challenges associated with modernisation, supported by coordinated governance, planning and remediation activity.*	• Implementation of a coordinated programme to manage legacy technology risks, including prioritisation of remediation activity across the estate. • Strengthening of governance and oversight arrangements to maintain visibility of risks, dependencies and progress across technology and modernisation plans. • Alignment of legacy technology activity with wider transformation and modernisation programmes to support migration from legacy systems and reduce operational risk. • Development of planning and dependency management processes to support delivery across complex systems and ensure coordination of activity across the organisation.

Risk theme, assessment and trend	Short description	Key controls and mitigating activities 2025-26
Data strategy and ownership*	There is a risk that ownership and accountability for data across the Department may not be consistently applied, resulting in ineffective data management and limiting effective decision-making and delivery. *This risk remains High given the scale and complexity of managing data across the Department and its importance to delivery and decision-making, supported by governance, assurance and improvement activity.*	• Implementation of a data governance framework, including defined ownership and accountability arrangements for managing data across its lifecycle. • Rollout of an organisational model to support consistent adoption of data management responsibilities across the Department. • Development of assurance and compliance arrangements to monitor adherence to data management policies and improve consistency of implementation. • Enhancement of data quality, measurement and maturity assessment capability to support improved insight and more effective decision-making.
Workforce engagement and capability*	There is a risk that declining employee experience and morale, and ineffective management of workforce change, reduce engagement, capability and delivery effectiveness. *This risk remains Medium given the importance of maintaining employee engagement and supporting workforce change in a complex operating environment, with engagement, communication and monitoring arrangements in place to support management of this risk.*	• Use of employee insight mechanisms to identify areas of concern and inform targeted action to improve employee experience and engagement. • Strengthening of engagement and communication approaches to support workforce understanding and readiness for change. • Development of measurement and reporting capability to monitor employee experience and inform management of workforce risks.

*Note: The assessment of the risks in this table aims to evaluate the risk remaining after mitigations (or residual risk) to end of March 2026. In the table above, * illustrates new or revised risks at May 2025 risk refresh.*

We continue to manage high impact risks arising from fluctuating demand, economic pressures, and the operational complexity inherent in administering large-scale benefits and pensions systems. Rising caseloads and system pressures require robust planning to ensure frontline operations remain resilient. Operational risks include service delays, technology dependencies, capacity constraints, and vulnerabilities in outsourced or multi-agency delivery models. These risks are actively monitored, with strengthened focus on ensuring that staffing, digital platforms and customer support arrangements can scale effectively.

Fraud and error in the benefits system remains a material financial and operational risk. Overpayments and underpayments continue to require sustained and systematic mitigation, supported by strengthened data matching, analytics, verification processes and targeted interventions. The digital threat environment also continues to intensify. Increasing reliance on digital systems, alongside the growing use of AI by organised fraud networks, creates heightened exposure to cyber-attacks, identity manipulation and data breaches. Ensuring the resilience and security of the Department's digital estate remains a critical priority.

Capability risks, including the need for skilled resource across digital, fraud prevention, resilience planning and operational management, continue to require attention. The Department has strengthened workforce planning, skills development and assurance capacity to support sustainable risk management.

Departmental Risk Board

The Departmental Risk Board, chaired by the Chief Risk Officer, has continued to focus on maturing the Department's risk management capabilities. Over the year, the Board has prioritised assurance that risk assessments are realistic, evidence based and supported by credible mitigation plans that clearly identify owners, timescales and required resources. The Board has focused on driving improvements in the transparency and clarity of risk information, emphasising the need for robust analysis and well-constructed mitigation strategies.

Effectiveness of risk management

We have taken significant steps to improve the effectiveness of our risk management arrangements. Risk information provided to senior leaders is now more consistent, well evidenced and transparent. We have strengthened the assurance activities that support the assessment of major risks, drawing on insights from the Government Internal Audit Agency (GIAA), and the Departmental Audit, Risk and Assurance Committee. These sources have provided important challenge and helped to identify areas requiring stronger controls or more urgent mitigation.

During the year, the GIAA provided independent assurance over the Department's risk management arrangements. Their review highlighted opportunities to improve the consistency of risk management practices across the organisation but also recognised the Department's continued work to strengthen its approach. Our ongoing programme of improvement aims to ensure that risk management is applied in a more consistent and effective way across the Department.

Security and information management

Departmental security is managed and overseen by the Chief Security Officer (CSO), who reports to the Director General, Finance and attends both the Risk Assurance Board and the Departmental Audit and Risk Assurance Committee (DARAC). The CSO provides DARAC six monthly reports focussed on our progress with agreed security priorities and updates at every meeting. Deep dives on the potential impact of Artificial Intelligence on fraud and our approach to supply chain assurance have also been presented to DARAC members outside of formal meetings.

During 2025-26, we have focussed on priorities developed and informed by results from the Departmental Security Health Check and the Cyber Assessment Framework to enable the Department to focus on areas of greatest risk:

Capability: We have continued to strengthen capability across DWP Security by creating and delivering a clear and comprehensive development offer. This includes support for professional qualifications, a mentoring scheme, opportunities for staff to gain experience through sideways career moves, and clear role descriptions that set out responsibilities and skills at every level. We also introduced role-based learning and progression maps for all security roles, aligned with the Government Security Profession and Government Cyber Profession career frameworks introduced in February 2026.

We are taking part in a range of entry level and early career schemes to build a strong pipeline of future security professionals. These include STEP, an internal development programme for midcareer staff, the Cyber Technologist Fast Stream, Cyber TechTrack apprenticeships, and a year in industry placement scheme with Leeds University. We are also expanding the DWP-run Government Cyber Security Academy, increasing participation from nine departments and agencies in 2025–26 to 13 in 2026–27.

We continue to work closely with the Department for Science, Innovation and Technology and the UK Cyber Security Council to maintain high professional standards. This partnership supports wider take-up of recognised professional accreditations across the Department's security community.

Supporting Operational Resilience: We have worked to clearly define how security fits within the DWP's Operational Resilience framework, setting out clear roles and responsibilities. This work supports the Risk and Resilience team, which leads the Department's overall Operational Resilience programme.

Maturing Security Assurance: We've established a department-wide security assurance framework that provides a unified, strategic approach to managing and evidencing security performance across the organisation. This framework defines the guiding principles, mechanisms and processes through which the Department gains and maintains confidence that it is effectively managing security risks, achieving intended outcomes, meeting strategic goals and legal obligations.

Understanding and improving the Security position of DWP Arm's Length Bodies (ALB): We have carried out security reviews across the Department's arm's length bodies to understand how well their security arrangements are working and what risks this may pose to the Department. Where security risks were higher than we are

prepared to accept, we agreed plans to provide additional security capability and information sharing support.

The Security and Resilience Forum for our arm's length bodies, has strengthened how we work together. The forum has supported organisations taking part in the GovAssure process, helped improve security capabilities, and led shared reviews of security risks, alignment with departmental security standards, and overall security maturity.

Departmental Security Health Check and GovAssure: Our latest security health check results show ongoing improvement against security standards. We are also taking a more joined up approach to GovAssure, which will give us better insight to support future cyber security improvements. Our focus remains on addressing the areas that present the greatest risk to the Department.

Personnel Security: We have achieved Level 4 maturity under the Personnel Security Maturity Model in Governance and approaching Level 4 in Investigation and Response. We are the first department to reach this level of maturity.

Cyber Security: There is now an ongoing external process of review of the Department's level of maturity under the National Institute of Standards and Technology Cyber Security Framework. We are focused on the ever-evolving threats and risks and work closely with National Cyber Security Centre to understand and mitigate vulnerabilities.

During 2025-26, the Data Protection Officer reported 15 incidents to the Information Commissioner's Office, details of which are recorded in the table on page 184.

During 2025–26, we received 30,384 requests from individuals asking to see their personal information (known as Subject Access Requests). We completed 28,383 (93%) requests in total, and 17,421 (about 57%) of these were completed within the legal deadline set by the UK General Data Protection Regulations. To improve our performance during the year, we used overtime and brought in additional staff. We also faced extra pressure on the service from around 6,000 additional requests submitted by claims management companies, which required us to contact individuals directly to confirm their permission before we could release any information.

We reviewed a large number of the Department's older records, processing nearly 11,000 paper files. We also successfully introduced a new IT system to manage important digital records. Together, this work helps us protect the Department's key history for the future and ensures we meet our legal duties under the Public Records Act.

Freedom of Information (FOI) performance within the Department remains strong. There has been another increase in the volume of new requests received continuing the trend experienced over recent years. However, in the last year we received a near 40% increase in new FOIs compared to the year before. Despite the unprecedented increase in volumes, we still exceeded the Information Commissioner's Office 90% minimum target, for replying to responses within 20 working days, achieving an overall yearly performance score of 92%.

The formal FOI performance statistics are published by the Cabinet Office on GOV.UK and can be accessed here – Freedom of Information statistics – GOV.UK (www.gov.uk)

Artificial Intelligence (AI)

The Department has established an overarching framework for AI governance and assurance that we are continuing to review and iterate.

We have a Responsible AI Framework, which is aligned with cross-Government frameworks and which we use to assure specific AI initiatives. The Responsible AI Framework is based on six principles:

- **Explainable**: ensuring that outputs of the Department's AI-enabled processes and tools are explainable, auditable, and accountable
- **Mitigated**: embedding development, design, and usage practices to ensure the safety, dignity, and wellbeing of our customers
- **Controlled**: using model development, hosting and contracting practices that allow for visibility on the performance of models
- **Understood**: creating a culture where colleagues understand the Department's policy on development, procurement, and usage of applications of AI
- **Value-led**: ensuring investment in, and usage of AI, has clear business value and the ability to deliver against both the Department's 2030 Strategy objectives and wider Government targets
- **Governed**: providing robust ethical and technical due-diligence and assurance

In last year's Annual Report and Accounts, we said we would continue to review whether our approach to governing and assuring the use of AI was appropriate and robust. During 2025-26, the Department moved away from having a single team responsible for AI. As a result, and to simplify our governance arrangements, we closed the AI Delivery Board in summer 2025. This change streamlined governance by embedding oversight of AI within existing Digital structures, removing the need for a separate board and reducing duplication.

AI solutions are now primarily governed through existing digital governance, in accordance with the government Functional Standard for Digital. This includes:

- The **Digital Planning Forum** provides advice, assurance, and support for the delivery of all AI projects, including those delivered or supported by the Department's AI and Innovation Unit.
- The **Digital Design Authority** provides assurance of AI initiative compliance from a technical perspective. This body enables technical experts to assess and raise any concerns around technical risks such as security, data privacy, architectural design, and to ensure that suitable mitigations are in place.

In addition to the above, we continue to operate some AI-specific governance reflecting the controls required for assurance of this kind of technology:

- The **Responsible AI Steering Group** is a cross-Department group that assures AI projects against best practice on responsible AI, as set out in the Responsible AI Framework.

- The **ATRS Assurance Group**, previously called the 'AI Independent Advisory Group', enables the Department to comply with information-sharing requirements under the Department for Science, Innovation and Technology's Algorithmic Transparency Reporting Standard (ATRS).

We continue to record AI developments in an AI and Algorithmic Register which has been aligned to the ATRS. We have published seven ATRS publications on the Algorithmic Transparency Recording Standard Hub – GOV.UK . The rate of change in AI technology continues to be rapid, and the Department will continue to assess how AI can support its strategic transformation plans. Accordingly, over the coming year, we will continue to review and iterate our AI governance and assurance framework so that it enables the Department to transparently deliver safe, responsible, and ethical AI tools to improve the service it offers.

We do not use generative AI to make benefit entitlement decisions. For more information on how the Department uses data and analytics to tackle fraud, error, and debt, please see page 107.

Commercial and contract management

During 2025-26 we continued the phased implementation of the Procurement Act 2023. We updated our governance arrangements to meet new transparency and reporting requirements which came into effect from January and April 2026 respectively. This included setting up new ways to publish information on payments and contract performance, as well as applying updated spending thresholds, so that our procurement activity continues to meet all legal requirements and is open and accountable.

Also in 2025-26, the Department completed a programme to source and implement a new eProcurement system to modernise commercial operations and strengthen end to end procurement governance. The new system will provide improved transparency, workflow automation, enhanced contract management capability and more robust auditability.

Commercial Standards Contract Management

During 2025-26, we continued to maintain strong performance against the Government Functional Standard for Commercial. Following the peer review assessment completed in January 2025, the commercial function sustained high standards at the upper end of the 'Best' rating band.

We re-established the national Contract Management Capability Programme. We intend to make greater use of this programme as capacity increases through 2026, making this a priority area of focus next year. We also introduced a new contract management approach linked to our contract risk assessment tool. This helps us focus more management time and attention on contracts that are higher value or carry greater risk, ensuring they are managed more effectively.

Commercial Controls

During 2025–26, we strengthened how we oversee and manage our commercial activity. We introduced a revised governance model, supported by clearer assurance documents and a new decision-making guide, to make it easier to follow the right steps and apply the right level of checks for each purchase.

We also improved our processes by updating approval thresholds, simplifying decision-making for lower value purchases under £1 million, and making sure the level of scrutiny is appropriate to the seniority of the decision. This reduces unnecessary layers of approval and ensures decisions sit with the people responsible for managing the contracts.

In addition, we provided clearer guidance for complex or sensitive spending, improved how our processes work with Cabinet Office and HM Treasury controls, and introduced new planning tools to help teams understand governance timelines. Together, these changes have made our commercial activity more consistent, transparent, and robust from planning through to delivery.

Commercial Compliance

During 2025-26, we established a new Commercial Compliance Team to strengthen oversight and governance across the commercial lifecycle. The team brings together key specialist functions – Commercial Assurance, Strategic Risk, Supply Chain Risk Management, Conflicts of Interest, and Propriety and Ethical matters – to provide a single, coordinated compliance framework. This new structure enhances our ability to identify and manage commercial risks proactively, ensure consistent assurance standards, and reinforce integrity and transparency in line with government-wide expectations. By consolidating these areas, the team supports more robust decision-making and improved resilience across the Department's commercial portfolio.

Business Critical Models Management

The Department continues to strengthen its assurance checks for our Business Critical Models (BCMs). BCMs are analytical tools that play a central role in informing the Department's policy development, forecasting, evaluation, and operational decisions. We own over 130 models. This number fluctuates each year, as we stop using some models or replace them with new ones. We commission an annual review to assess whether the quality assurance conducted for each BCM is proportionate to the organisational risk and the complexity of the model. The review is also used to monitor our compliance with the Analytical Quality Assurance (AQuA) Book guidance. Individual deputy directors are accountable for implementing adequate quality assurance of the models within their areas as well as ensuring that model owners have the appropriate skills and are adhering to the required standards.

During 2025-26, we continued to strengthen our BCM governance. We undertook a significant program of work aimed to address gaps in quality assurance for models which did not meet the required standard. As at May 2026, 93% of our models had the appropriate quality assurance in place, aligned to their level of risk. For the remaining

7% of models, we have plans in place to improve quality assurance to an appropriate level. Our BCM team will engage with model owners throughout the year, ensuring that improvement plans are being implemented and providing ongoing guidance and advice to improve quality assurance standards.

In line with the recommendations of the AQuA Book and Managing Public Money, we have, for the first time, published our list of BCMs in use on Business Critical Models in the Department for Work and Pensions – GOV.UK

Our Policy Costings Scrutiny Committee and Review Scrutiny Panels, scrutinise the different aspects of costings for each fiscal event. The Office for Budget Responsibility (OBR) examine our forecasts, costings and wider economic impacts of changes to policy. We work closely with the OBR, liaising with them throughout the year on the key changes and issues ahead of the next fiscal event. This ensures their views on the economy and/or best practice are accurately and fully reflected in these models.

After each fiscal event, we conduct lessons learned exercises to identify what works well and where we can improve in future. We also continue to oversee a program of development activity to enhance our resource forecasting process.

Assurance covering grants

Our Director General, Finance has overall responsibility for assuring that financial controls, including those relating to grants, are sufficient to mitigate financial risk. The grants Departmental Head of Function and Profession provide assurance across the grant's lifecycle, including compliance with the Government Grants Functional Standard and Global Design Principles.

We award grants across a range of sectors to support delivery of the Department's objectives. These include programmes such as the Household Support Fund, Connect to Work and the Get Britain Working Trailblazers. We use a clear and structured grants framework to manage the whole process from start to finish. This framework helps us follow government standards closely and ensures that any high-risk, new or sensitive grant schemes are reviewed by the Cabinet Office's Complex Grants Advice Panel where needed. More information about the accountability arrangements for grants is available in our Accounting Officer System Statement.

Our Grants Approval Board, chaired by the grants Departmental Head of Function and Profession, reviews and approves all new grant schemes and extensions worth £100,000 or more. This ensures they meet government standards before they go ahead. In 2025–26, the board approved new schemes and extensions worth around £500 million. This is lower than the £2.6 billion approved in 2024–25 and mainly reflects that several large, multi-year funding decisions were made in the previous year. These figures relate to approvals rather than actual spending during the year. Details of grant expenditure for 2024-25 have been published separately alongside data from all government departments in the Cabinet Office's annual publication of government grants data.

Assurance from Executives

The Accounting Officer issues a formal letter to each Director General setting out their delegated accountabilities and authority. The Executive Team Committee 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.

At year end, each Director General provided the Accounting Officer with a letter of assurance covering the full reporting year from 1 April 2025 to March 2026. Letters of assurance provide an assessment of the effectiveness of the internal controls that support delivery of business objectives and departmental policies. We continue to enhance the scrutiny of the returns to further test their controls and processes, providing an extra layer of assurance to the Accounting Officer. To support this process, we apply a risk management assessment to evidence the effectiveness of risk management and controls within each group.

The Accounting Officer is satisfied that, collectively, his directors general effectively manage the governance and internal control structures within the business areas they lead and that he can rely on them to manage risks within their business.

The directors general have identified several challenges this year which they are managing effectively within their teams. These include but are not restricted to, managing capacity and capability pressures, alongside growing demand for our services; cyber security; and delivering major transformational change alongside maintaining service delivery standards and delivering efficiencies.

Assurances covering our public bodies

For 2025-26 our Director General, Welfare 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 was responsible for holding most of our public bodies to account and ensuring that they worked to the high standards expected of them. However, responsibility for some public bodies sit within different areas to ensure alignment with most relevant policy levers:

- Our Director General, Labour Market and Skills has responsibility for partnership of the Industrial Injuries Advisory Council and Social Security Advisory Committee moved to Disability and Health Support Directorate in February 2025.
- Responsibility for partnership of Skills England, the Engineering Construction Industry Training Board and the Construction Industry Training Board sits in the Joint Skills Directorate from 1 April 2026.

We have a range of oversight activity in place to provide assurance that each body is working effectively through robust governance arrangements.

Our Annual Assurance Assessment involves a deep dive into each of our public bodies, with input from functional colleagues across the Department and other government department policy areas where relevant, to assess the level of risk posed by each to the

Department. The outcome of this assessment is reported into the Departmental Audit and Risk Assurance Committee, and we additionally provide a light-touch quarterly dashboard to update progress throughout the year. Our ongoing programme of engagement and assurance activity includes our quarterly accountability reviews with the bodies, our attendance at the bodies' audit and risk assurance 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.

Our risk management approach is written into the framework documents that govern our relationship with our bodies. In 2025-26, we updated and published framework documents for three of our bodies (The Pensions Ombudsman, The Pensions Regulator, Health and Safety Executive). Framework documents for the Money and Pensions Service and National Employment Savings Trust will be published later in the year.

Each of the delivery 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 risk with the bodies as part of the Quarterly Accountability Review process, with functional expertise provided by the Department's Risk Management Directorate. 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 the Departmental Audit and Risk Assurance Committee that we have a good overview of our public bodies and meet HM Treasury and Cabinet Office expectations of assurance.

Money and Pensions Service (MaPS) – exit payments were identified in 2024-25 that under Managing Public Money guidance should have been authorised by the Department, HM Treasury and Cabinet Office. Obtaining these approvals resulted in a later completion of the Annual Report and Accounts than originally planned. MaPS' HR and Finance teams reviewed all payments made in 2025-26 which identified no other instances requiring approval. The teams also oversaw a detailed lessons learnt exercise to ensure the organisation maintains controls in this area going forward.

All public appointments activities for 2025-26, where campaigns have completed and a start date has been announced, are listed below.

Public body	New appointment (up to 5 years)	Reappointment (up to 5 years)
Money and Pensions Service	**Non-executive director** Sarah Benioff	
Social Security Advisory Committee	**Members** Fran Bennett Joanne Cairns Sharon Wright Tom Clark Richard Machin Owen McCloskey	**Chair** Stephen Brien
The Pensions Ombudsman	**Chair** Deborah Evans	**Non-executive director** Robert Branagh Myfanwy Barrett
The Pensions Regulator	**Interim Chair** Kirstin Baker	
The Office for Nuclear Regulation	**Non-executive director** Matthew Rees Lynne Clow	

Assurance from HM Revenue and Customs

HM Revenue and Customs (HMRC) has provided the Department with a formal assurance letter, that sets out the way it is managing the risks related to the management of National Insurance Records and the Real Time Information shared with the Department for the year ending 31 March 2026. The letter has been approved by HMRC's Audit and Risk Committee.

Two key risk areas were identified:

- **Missing Home Responsibilities Protection (HRP):** HMRC reviewed this issue after the LEAP exercise ended in April 2025. It confirmed that appropriate action has been taken to identify and support affected individuals. The work to continue identifying and supporting customers with missing HRP has moved into normal day-to-day operations.
- **Class 2 National Insurance registration:** A number of self-employed people have not paid the right amount of Class 2 National Insurance contributions, and in some cases that could result in reduced State Pension entitlement. A system fix has been introduced, and HMRC will be contacting those impacted through 2026-27, prioritising those closest to State Pension age and giving them the option to 'top up' their pension fund.

The Joint Oversight Board for National Insurance, jointly chaired by HMRC's Director of Operational Excellence and DWP's Director of Retirement Services continues to support assurance work across both departments. The board oversees and is accountable for cross-department work relating to National Insurance records and credits. Its current areas of focus include missing HRP, the effective management of claim management companies, rejected data, automation, voluntary National Insurance contributions, the Class 2 National Insurance issues referenced above, and missing contracted-out pension equivalent data. More detail on these areas can be found in the fraud and error section and the Performance Report of the Annual Report and Accounts page 97.

The board also continues to oversee progress on the recommended actions from a joint internal audit review. Five actions have been successfully completed and validated by the audit teams, and whilst further work is needed to ensure all necessary controls are fully in place good progress was made during 2025–26.

Shared Services Connected Ltd

Shared Services Connected Ltd (SSCL) is a leading provider of critical business support services, delivering outsourced shared finance, HR and procurement services to UK government departments, the police and defence sector.

The Cabinet Office Government People Group (GPG) acts as the Framework Authority and is responsible for overseeing the Memorandum of Agreement between the Cabinet Office and participating government departments. As part of this role, GPG issues an annual letter of assurance to customers, drawing on SSCL's overall audit and assurance programme.

SSCL is also responsible for operating and managing the Single Operating Platform, including data management, hosting, infrastructure support, application management, service delivery and performance management.

The GPG have summarised the findings from various sources of assurance in the 2025-26 Letter of Assurance as follows:

- PwC's audit work for 2025–26 provides an overall opinion of reasonable assurance on SSCL's governance, risk management and control framework, consistent with the previous year. This indicates that controls are generally sound, although some areas for improvement were identified.
- The Government Internal Audit Agency completed three audits during 2025–26, resulting in an overall opinion of moderate assurance, unchanged from the previous year. This reflects the need for some improvements to strengthen governance, risk management and controls. GIAA's findings relate to SSCL services delivered across all government departments, including DWP.

SSCL and Departments have committed to address these issues and drive improvements through the implementation of the agreed audit actions, which are being progressed by relevant subject matter experts. The findings provide the Department with sufficient assurance of the effectiveness of the controls employed by SSCL that were examined during 2025-26. There are no DWP specific issues identified that are likely to have a material impact on the Department's Annual Report and Accounts.

Assurance opinion of the DWP Group Chief Internal Auditor

The Department's Group Chief Internal Auditor (GCIA) provides independent assurance to the 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 approved by the Executive Team Committee and endorsed by DARAC, together with the GCIA's wider knowledge of the business and other assurance provision.

The GCIA has provided "moderate" assurance on the Department's governance, risk management and control framework in 2025-26. This opinion is reflective of a stable control environment with our work reflecting strong governance, oversight and implementation of control in several areas. The Department has also displayed a strong appetite to improve its utilisation of risk management as a key tool for senior leaders across the organisation.

The key areas covered by the GCIA's report included:

- **Operations:** good practice in areas such as Pension Credit and the change from Health Assessment to Functional Assessment but the need to make improvements in areas such as Tax Credit Overpayment Debt and PIP Decision Making.
- **Identity Verification:** a need to clarify Executive Team level accountabilities to enable more coordinated and effective department-wide improvements. Related findings highlighted weaknesses in the escalation of issues through senior management and the need for clearer, more up-to-date, and better communicated operational guidance.
- Challenges in producing timely, accurate and robust **management information** to support performance monitoring, risk management and decision-making. While the Data Strategy and supporting structures are in place, further work is needed to ensure data is consistently available and effectively used across both central functions and operational areas.
- **Working more collaboratively with HMRC**, including stronger governance and a shared understanding of risk. Some recommendations remain in progress, mainly relating to the automation of National Insurance credit data received from HMRC.
- Effective implementation of **Machinery of Government changes**. Adult skills, apprenticeships and accountability for Skills England transitioned successfully from the Department for Education, and our focus is now on embedding these areas during 2026–27 as well as applying them to the recently announced move of the Office for Nuclear Regulation to the Department of Energy Security and Net Zero.
- **Fraud and error:** benefit systems, particularly Universal Credit, remain highly susceptible to fraud and error. Although overpayments reduced to £9.3 billion in 2024–25, levels remain high, driven largely by Universal Credit, resulting in a qualified external regularity opinion.

- Improvements from **targeted interventions**, including Targeted Case Review in Universal Credit and improved analytics through strengthened strategic oversight and operational integration, with further work needed to standardise processes, enhance performance measures and clearly define success to sustain future reductions in fraud and error.

In summary, the GCIA reported that our governance and management framework reflects solid foundations of proactive risk mitigation, operational control and continuous improvement. However, there are areas that require attention and we are taking steps to address these through management action plans against all action points raised by the GCIA. This will help enhance assurance, optimise resource utilisation, and support more transparent, responsive, and effective service delivery across the Department.

Assurance from other sources

The National Audit Office

During 2025-26, the National Audit Office (NAO) undertook value for money (VFM) studies and investigations and published two reports. It completed one VFM study specific to the Department: Tackling benefit overpayments due to fraud and error, published on 22 October 2025. The NAO also published an investigation into the Access to Work scheme on 6 February 2026, and its annual Departmental Overview on 27 November 2025.

The report on benefit overpayments concluded that the proportion of benefit expenditure overpaid remained too high, but the figures for 2024-25 suggested that overpayment levels were going in the right direction, with a particularly welcome drop in the Universal Credit overpayment rate. The NAO noted that the Department's new strategy wisely incorporated a greater focus on prevention and an intention to address systemic challenges, including through better use of data and organisation-wide accountability for tackling fraud and error. The report on the Access to Work scheme found that increased take-up had led to significant processing delays and backlogs, which have had a negative impact on individuals and employers. To help process the growing number of cases and tackle the backlogs, the Department had increased the number of staff working on the scheme and taken steps to improve productivity. The Department had reduced the rate of growth in the number of people waiting for a decision about their applications, but the backlog had not started to decline.

We engaged with several reports that are cross-government studies and insight reports identifying good practice and lessons learned across government, including for example: Improving operational capability to provide better public services, Government's use of external consultants, Using data analytics to tackle fraud and error, and Update on government shared services. NAO reports are available at www.nao.org.uk

The NAO's reports are presented to Parliament. The Public Accounts Committee may hold an inquiry on the NAO reports and invite the Department to answer questions on it. The Public Accounts Committee will produce its own report with recommendations, and the Department responds via the Treasury Minute process as appropriate.

During 2025-26, the Department attended five Public Accounts Committee oral evidence sessions, including one cross-government session. The Public Accounts Committee published reports on Jobcentres in July 2025, Smarter delivery of public services in October 2025, DWP follow-up Autumn 2025 in January 2026 and Tackling fraud and error in benefit expenditure 2024-25 in February 2026. PAC reports are available at: PAC publications.

Government Banking

The Department uses Government Banking to handle its money transfers in the UK and overseas. The way these services are provided is set out in an agreement between the Department and Government Banking. Each year, Government Banking provides us a letter of assurance confirming that it has met the requirements of this agreement.

In 2025–26, Government Banking renewed its contracts, and we moved over to the new arrangements and a new agreement. Because of this change, Government Banking provided two letters of assurance for 2025–26, one for the old contracts and one for the new ones.

Both letters confirm that the services met the expected standards, offered good value for money, remained secure, and complied with sustainability requirements.

Accounting Officer's assessment of the system of control

Following in-year discussions with my Executive Team, Chief Risk Officer, Group Chief Internal Auditor, and assurances I have received; I share the Group Chief Internal Auditor's view that the controls provide moderate assurance.

As shown throughout this document, our system of control encompasses clear Ministerial priorities and established accountabilities. Running through this is strong and transparent governance, sound risk management, and a robust approach towards functions and compliance. All of this is underpinned by our values of we care, we deliver, we work together, we adapt, and we value everybody. We apply this internally, through the wider department, and with the increasing range of partners we work with.

Remuneration and staff report

The remuneration report provides details on our policies as well as the cost of our leadership team and staff. This section also includes details of our staff engagement and diversity and inclusion information.

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 based on 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 £93,904 (from 1 April 2025)[122] 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

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allowances to which they are entitled, is paid by the Department, and is therefore shown in full in the figures on page 234.

Bonuses

Bonuses are non-consolidated variable performance related payments awarded to our civil servants below SCS grade at the end of the year. 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 2025-26 relate to performance between 1 April 2024 and 31 March 2025.

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 'Exceeding' or 'High Performing' 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 ministers held directorships that conflicted with their management responsibilities in 2025-26.

A list of ministerial board members' interests can be viewed online at

DWP register of board members' interests – GOV.UK

Remuneration and pension entitlements for ministers and executive directors

Ministers' pay

(This information is subject to audit)

	2025-26					2024-25				
Ministers	Salary £	Full year equivalent £	Severance payments £	Pension benefits to nearest £1,000[123]	Total to nearest £1,000[124]	Salary £	Full year equivalent £	Severance payments £	Pension benefits to nearest £1,000	Total to nearest (£1,000)
Rt Hon Pat McFadden MP from 5 September 2025	33,753	67,505	–	10,000	44,000	–	–	–	–	–
Rt Hon Sir Stephen Timms MP from 8 July 2024	31,680	31,680	–	9,000	41,000	23,164	31,680	–	6,000	29,000
Andrew Western MP from 9 July 2024	22,375	22,375	–	6,000	28,000	16,300	22,375	–	4,000	21,000
Baroness Sherlock OBE from 9 July 2024[125]	117,851	117,851	–	21,000	139,000	34,215	117,851	–	5,000	39,000
Torsten Bell MP from 14 January 2025[126]	–	–	–	–	–	–	–	–	–	–
Rt Hon Dame Diana Johnson MP from 6 September 2025	15,840	31,680	–	5,000	21,000	–	–	–	–	–
Rt Hon Baroness Smith of Malvern from 6 September 2025[127]	–	–	–	–	–	–	–	–	–	–

123 To calculate the pension benefits accrued during the year, we first take the real increase in pension and multiply it by 20 and add the real increase in any lump-sum. 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.

124 Totals may not sum due to rounding on pension and totals column.

125 The FYE 24/25 salary of Baroness Sherlock OBE has been restated to the correct figure. It was incorrectly stated at £81,485 in the 2024/25 Annual Report and Accounts. Baroness Sherlock was initially an unpaid Minister from July 2024 before being paid from December 2024 onwards.

126 Torsten Bell MP is a paid Minister at HM Treasury. He maintains an unpaid role at DWP.

127 Rt Hon Baroness Smith is an unpaid Minister at DWP

	2025-26					2024-25				
Ministers	**Salary £**	**Full year equivalent £**	**Severance payments £**	**Pension benefits to nearest £1,000[123]**	**Total to nearest £1,000[124]**	**Salary £**	**Full year equivalent £**	**Severance payments £**	**Pension benefits to nearest £1,000**	**Total to nearest (£1,000)**
Rt Hon Liz Kendall MP from 5 July 2024 Left 5 September 2025	33,753	67,505	–	7,000	41,000	49,903	67,505	–	13,000	63,000
Alison McGovern MP from 8 July 2024 Left 6 September 2025	15,840	31,680	–	3,000	19,000	23,164	31,680	–	6,000	29,000
Emma Reynolds MP from 9 July 2024[128] Left 15 January 2025	–	–	–	–	–	–	–	–	–	–
Rt Hon Mel Stride MP from 25 October 2022 Left 5 July 2024	–	–	–	–	–	17,784	67,505	16,876	4,000	39,000
Mims Davies MP from 27 October 2022 Left 5 July 2024	–	–	–	–	–	8,036	31,680	7,920	1,000	17,000
Viscount James Younger from 1 January 2023 Left 5 July 2024	–	–	–	–	–	28,276	107,335	–	2,000	30,000
Jo Churchill MP from 13 November 2023 Left 5 July 2024	–	–	–	–	–	8,346	31,680	7,920	2,000	18,000
Paul Maynard MP from 13 November 2023 Left 5 July 2024	–	–	–	–	–	5,894	22,375	5,593	1,000	13,000

The Prime Minister has determined that government ministers in the House of 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 received and not salaries entitled to.

No minister received any benefit in kind.

128 Emma Reynolds MP was an unpaid Minister for the Department until her departure in January 2025

Executive directors' pay

(This information is subject to audit)

	2025-26					2024-25				
Executive directors	**Salary £000**	**Bonus payments £000**	**Pension benefits to nearest £1,000[129] (£000)**	**Benefit in kind to nearest £100**	**Total (£000)[130]**	**Salary £000**	**Bonus payments £000**	**Pension benefits to nearest £1,000 (£000)**	**Benefit in kind to nearest £100**	**Total (£000)**
Sir Peter Schofield KCB from 18 July 2016	205–210	–	72	–	275–280	205–210	10–15	54	–	275–280
Debbie Alder CB from 1 January 2014[131] Left 31 December 2025	80–85 (FYE 175–180)	0–5	32	–	115–120	105–110 (FYE 170–175)	–	41	–	145–150
Neil Couling CB CBE from 1 October 2014	200–205	0–5	85	–	285–290	190–195	–	126	–	315–320
Amanda Reynolds from 1 February 2021 Left 25 April 2025	10–15 (FYE 175–180)	–	5	–	15–20	175–180	10–15	69	–	260–265
Katie Farrington from 15 March 2021[132] Left 1 June 2025	20–25 (FYE 145–150)	5–10	8	–	35–40	130–135 (FYE 145–150)	0–5	78	–	215–220
Barbara Bennett from 20 June 2022[133]	175–180	5–10	67	–	245–250	170–175 (FYE 185–190)	0–5	65	–	235–240
Catherine Vaughan CB from 1 November 2022	180–185	10-15	71	–	270–275	160–165 (FYE 165–170)[134]	10–15	63	–	240–245

129 To calculate the pension benefits accrued during the year, we first take the real increase in pension and multiply it by 20 and add the real increase in any lump-sum. 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.
130 Totals may not sum due to rounding
131 Debbie Alder worked 0.58 FTE
132 Katie Farrington worked 0.9 FTE
133 Barbara Bennett works 0.9 FTE
134 Catherine Vaughan worked 0.95 FTE in 24-25

	2025-26					2024-25				
Executive directors	**Salary £000**	**Bonus payments £000**	**Pension benefits to nearest £1,000[129] (£000)**	**Benefit in kind to nearest £100**	**Total (£000)[130]**	**Salary £000**	**Bonus payments £000**	**Pension benefits to nearest £1,000 (£000)**	**Benefit in kind to nearest £100**	**Total (£000)**
Sophie Dean CB from 5 December 2022[135]	115–120 (FYE 160–165)	0–5	56	–	175–180	90–95	10–15	58	–	160–165
Katherine Green CB from 5 December 2022[136]	140–145 (FYE 155–160)	0–5	61	–	205–210	90–95	10–15	60	–	160–165
Julie Blomley from 1 April 2024	165–170	–	65	–	230–235	160–165	0–5	63	–	225–230
Helen Wylie from 1 November 2024	185–190	10–15	70	–	270–275	70–75 (FYE 175–180)	–	29	–	100–105
Sarah Homer from 1 February 2026	25–30 (FYE 170–175)	–	11	–	35–40	–	–	–	–	–
Nagesh Reddy from 28 April 2025 [137]	30–35 (FYE 125–130)	–	29	–	60–65	–	–	–	–	–
Craig Varian from 11 December 2025[138]	45–50 (FYE 135–140)	–	7	–	50–55	–	–	–	–	–
Helen Pickles from 1 August 2023 Left 19 April 2024	–	–	–	–	–	10–15 (FYE 130–135)	–	9	–	15–20
Richard Corbridge from 11 April 2023 Left 15 November 2024	–	–	–	–	–	135–140 (FYE 205–210)	–	–	–	135–140

135 Sophie Dean CB previously worked 0.6 FTE as part of a job share. Her working hours increased to 0.7 FTE on 28 April and further increased to 0.8 FTE on 8 September.

136 Katherine Green CB previously worked as part of a job share working 0.6 FTE. Her working hours increased to 0.8 FTE on 28 April and further increased to 1.0 FTE on 8 September 2025.

137 Nagesh Reddy was appointed Interim Director General from 28 April 2025 until 6 July 2025, returning to his previous SCS role

138 Craig Varian was appointed Interim Director General on 11 December 2025 until 31 January 2026, returning to his previous SCS role

All pension benefits for 2025-26 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. Prior year pension benefits have been restated due to more up to date information being available from Capita. This has also impacted the total remuneration for Peter Schofield, Debbie Alder, Catherine Vaughan and Julie Blomley.

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.

Total remuneration includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest-paid director in the Department for the financial year 2025-26 was £205,000 to £210,000 (2024-25: £220,000 to £225,000). This was 6.43 times (2024-25: 7.16) the median remuneration of the workforce, which was £32,256 (2024-25: £31,075).

The table below shows further analysis of the DWP remuneration pay ratios (pay and benefits) across the workforce.

Year	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2025-26	6.88:1	6.43:1	5.59:1
2024-25	7.69:1	7.16:1	6.22:1

The change in the ratios at the 25th, median and 75th centiles is due to the total remuneration of the highest paid director decreasing in actual terms since 2024-25, whereas the total remuneration of the employees at those three centiles has increased following their annual pay uplift.

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		Median total remuneration		75th Percentile total remuneration	
	Total pay and benefits	Salary component	Total pay and benefits	Salary component	Total pay and benefits	Salary component
2025-26	£30,167	£30,047	£32,256	£32,137	£37,135	£37,016
2024-25	£28,927	£28,576	£31,075	£30,975	£35,778	£35,678

In 2025-26 and 2024-25 no employees received remuneration in excess of the highest-paid director. Banded remuneration ranged from £22,000 - £22,500 to £205,000 - £210,000 (2024-25: £22,000 - £22,500 to £220,000 - £225,000).

Percentage change in remuneration from 2024-25

The table below shows the overall percentage change in total remuneration across DWP workforce.

Percentage change from prior year	Salary and allowances	Performance pay and bonuses payable[139]	Total remuneration
Highest paid director	0%	-100%	-7%
Employees	5%	4%	5%

On average, employees, excluding the highest paid director, had a pay and benefits increase of 3.75% in accordance with Civil Service Pay Remit 2025-26 and Senior Civil Service Pay Award 2025-26, which enabled departments to make average pay awards up to 3.25% and have flexibility to use an extra 0.5% to target issues such as low pay and scarce skills.

The highest paid director had a decrease in total remuneration in 2025-26 compared to 2024-25 due to not receiving any bonus payments.

In addition to the 3.25% pay award, the proportion of employees above the median salary during 2025-26 has increased compared to 2024-25, which has caused the overall staff expenditure to be 5% higher.

Non-executive directors' fees

(This information is subject to audit)

Non-executive directors	Board	Fees 2025-26 to the nearest £1,000	Benefit in kind 2025-26 to the nearest £100	Fees 2024-25 to the nearest £1,000	Benefit in kind 2024-25 to the nearest £100
John McGlynn re-appointed 5 August 2024 to 31 March 2025	UC Programme Board Chair	–	–	Fee waived	–
Ashley Machin re-appointed 11 July 2025 to 31 December 2025	Departmental Board, and Executive Leadership Board	15,000	–	20,000	–

139 Value for highest paid director in 2025-26 was £0

Non-executive directors	Board	Fees 2025-26 to the nearest £1,000	Benefit in kind 2025-26 to the nearest £100	Fees 2024-25 to the nearest £1,000	Benefit in kind 2024-25 to the nearest £100
Valerie Hughes-D'Aeth re-appointed 9 February 2024 to 31 December 2025	Departmental Board, Executive Leadership Board	15,000	–	20,000	–
Arabel Bailey re-appointed 2 September 2024 to 18 February 2027	Departmental Board, Executive Leadership Board, Transformation Advisory Committee (Chair)	20,000	–	20,000	–
Sally Cheshire CBE re-appointed 10 August 2023 to 9 August 2026	DARAC	15,000	–	15,000	–
Ian Wilson re-appointed 10 August 2023 to 9 August 2026	DARAC	15,000	–	15,000	–
David Bennett re-appointed 23 May 2024 to 12 May 2027	Departmental Board, Serious Case Panel (Chair)	20,000	–	20,000	–
Charlie Steel re-appointed 2 September 2024 to 30 November 2026	DARAC (Chair), Departmental Board	20,000	–	20,000	–
Simon Sear re-appointed 2 September 2024 to 2 December 2027	Transformation Advisory Committee	15,000	–	15,000	–
Reverend Professor Gina Radford re-appointed 30 March 2026 to 29 March 2029	Departmental Board, Health Transformation Board (Chair), Clinical Governance and Excellence Board (Chair)	20,000	–	20,000	–

Non-executive directors	Board	Fees 2025-26 to the nearest £1,000	Benefit in kind 2025-26 to the nearest £100	Fees 2024-25 to the nearest £1,000	Benefit in kind 2024-25 to the nearest £100
Taalib Shaah from 12 August 2024 to 11 August 2027	Departmental Board, DARAC (vice Chair)	15,000	–	10,000	–
Martin Duggan from 2 December 2024 to 1 December 2027	Transformation Advisory Committee	15,000	–	5,000	–
Richard Newsome from 2 December 2024 to 1 December 2027	DARAC	15,000	–	5,000	–
Oliver Rowlands from 2 December 2024 to 1 December 2027	Transformation Advisory Committee	15,000	–	5,000	–
Gayle Sparkes from 2 December 2024 to 1 December 2027	DARAC	15,000	–	5,000	–
Professor Malcolm Morley OBE from 6 January 2025 to 5 January 2028	Workplace Transformation Programme Board	15,000	–	4,000	–
Total		**245,000**		**199,000**	

Totals may not sum due to rounding of individual figures.

Ministers' and executive directors' pensions

(This information is subject to audit)

Ministers	Total accrued pension at pension age as at 31 March 2026 £000	Real increase in pension at pension age £000	Cash equivalent transfer value at 31 March 2026 £000	Cash equivalent transfer value at 31 March 2025 £000	Real increase in cash equivalent transfer value £000
Rt Hon Pat McFadden MP	5–10	0–2.5	157	139	8
Rt Hon Dame Diana Johnson	0–5	0–2.5	52	45	4
Rt Hon Liz Kendall MP	0–5	0–2.5	23	14	5
Alison McGovern MP	0–5	0–2.5	9	6	2
Rt Hon Sir Stephen Timms MP	15–20	0–2.5	338	327	7
Andrew Western MP	0–5	0–2.5	9	4	3
Baroness Sherlock OBE	0–5	0–2.5	36	7	20
Rt Hon Baroness Smith of Malvern	–	–	–	–	–
Torsten Bell MP	–	–	–	–	–
Emma Reynolds MP	–	–	–	–	–
Rt Hon Mel Stride MP	–	–	–	87	–
Mims Davies MP	–	–	–	43	–
Viscount James Younger	–	–	–	379	–
Jo Churchill MP	–	–	–	50	–
Paul Maynard MP	–	–	–	27	–

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 2026 £000	Real increase in pension and related lump-sum at pension age £000	Cash equivalent transfer value at 31 March 2026 £000	Cash equivalent transfer value at 31 March 2025 £000[140]	Real increase in cash equivalent transfer value £000
Sir Peter Schofield KCB	105-110 plus a lump sum of 180-185	(2.5-5) plus a lump sum of 0	2,173	2,015	49
Debbie Alder CB Left 31 December 2025	55-60	0-2.5	1,009	966	24
Neil Couling CB CBE	100-105 plus a lump sum of 245-250	2.5-5 plus a lump sum of 0-2.5	2,302	2,187	72
Amanda Reynolds Left 25 April 2025	15-20	0-2.5	256	251	3
Katie Farrington Left 1 June 2025	45-50 plus a lump sum of 105-110	(0-2.5) plus a lump sum of 0	991	980	5
Barbara Bennett	15-20	2.5-5	218	158	41
Sophie Dean CB	45-50	2.5-5	886	794	41
Katherine Green CB	40-45 plus a lump sum of 100-105	2.5-5 plus a lump sum of 0-2.5	886	794	42
Catherine Vaughan CB	45-50	2.5-5	650	572	46
Helen Wylie	30-35	2.5-5	415	347	43
Julie Blomley	15-20	2.5-5	236	173	43
Sarah Homer	25-30	0-2.5	452	441	9

140 The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 based on alpha membership for the period between 1 April 2015 and 31 March 2022 have been reported since 2023-24 based on PCSPS membership for the same period.

Executive directors	Accrued pension at pension age as at 31 March 2026 £000	Real increase in pension and related lump-sum at pension age £000	Cash equivalent transfer value at 31 March 2026 £000	Cash equivalent transfer value at 31 March 2025 £000[140]	Real increase in cash equivalent transfer value £000
Nagesh Reddy	50-55 plus a lump sum of 130-135	0-2.5 plus a lump sum of 0-2.5	1,196	1,140	27
Craig Varian	25-30	0-2.5	371	366	4
Helen Pickles	–	–	–	927	–
Richard Corbridge	–	–	–	–	–

Opening balances for pension disclosures for some members are not consistent with the closing balances reported in the prior year. This is due to the availability in 2025-26 of more up to date data relevant to the calculation of the prior year benefits.

All pension benefits for 2025-26 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 MPs 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.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, a pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) their pension for a lump-sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members (the "McCloud judgement").

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy[141] is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active

141 www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023.

The accrued pension benefits, Cash Equivalent Transfer Value and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgement. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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).

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

Civil Service Pension – Pension Hardship Advances

During the year, Pension Hardship Advances were made available to eligible members of the Civil Service Pension Scheme. This arrangement was introduced to provide short-term financial support to individuals experiencing cash flow difficulties where there were delays in bringing pension benefits into payment following changes to scheme administration. The advances are intended to mitigate the risk of financial hardship by providing timely access to interest-free repayable loans pending the payment of pension entitlements and are subsequently recovered, typically from arrears of pension benefits once these are processed. During 2025-26, 247 loans were accounted for with a total financial value of £1.325 million. A total of £0.102 million was recovered, leaving a balance of £1.223 million as of 31 March 2026.

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 have 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 do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax that may be due when pension benefits are taken.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public pension contribution rates that was extant at 31 March 2026.

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[142]

(This information is subject to audit)

The average number of whole-time equivalent people employed during the year is shown in the table below.

142 The figures in the table above show the average number of whole-time equivalent people employed during the year, in the Performance report we disclose both the number of whole-time equivalent people employed at the end of the year (as at the 31 March).

					2025-26	2024-25
	Permanent staff	Others	Ministers	Special Advisers[143]	Number Total	Number Total
Number of staff	87,461	3,621	7	5	91,094	89,236
Staff engaged on capital projects	211	1	0	0	212	233
Total	**87,672**	**3,622**	**7**	**5**	**91,306**	**89,469**
Of which:						
Core Department	83,043	3,396	7	5	86,451	84,899
Arm's Length Bodies	4,629	226	0	0	4,855	4,570
Total	**87,672**	**3,622**	**7**	**5**	**91,306**	**89,469**

Senior Civil Servants

Our executive directors are all Senior Civil Servants. In total there were 324 individual Senior Civil Servants, totalling 313.6 whole-time equivalents, at 31 March 2026.

Senior Civil Servant headcount by pay band	March 2025	March 2026
Permanent Secretary	1	1
SCS3	9	8
SCS2	55	60
SCS1	237	255
Total	**302**	**324**

143 Special advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all special advisers across government is managed by the Cabinet Office, with corresponding budget cover transfers. Therefore, all special adviser costs are reported in the Cabinet Office Annual Report and Accounts. Special advisers remain employed by the respective Department of their appointing Minister

Staff expenditure

(This information is subject to audit)

	Permanently employed staff	Others	Ministers	2025-26 Total	2024-25 Total
	£000	£000	£000	£000	£000
Wages and salaries	3,269,946	295,512	271	3,565,729	3,290,761
Employers' National Insurance	429,434	3,132	37	432,603	318,909
Superannuation and pension costs	908,324	-	-	908,324	856,996
Total	**4,607,704**	**298,644**	**308**	**4,906,656**	**4,466,666**
Less recoveries in respect of outward secondments	(2,504)	-	-	(2,504)	(414)
Total net costs	**4,605,200**	**298,644**	**308**	**4,904,152**	**4,466,252**

	Charged to staff budgets	Charged to Capital budgets	Total
	£000	£000	£000
Core Department	4,527,973	16,034	4,544,007
ALBs	378,683	245	378,928
Total	**4,906,656**	**16,279**	**4,922,935**

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 2020. The valuation as at 31 March 2024 has not yet been published. Details can be found in the resource accounts of the Cabinet Office (www.civilservicepensionscheme.org.uk).

For 2025-26, we paid employer contributions of £902 million to the PCSPS and the CSOPS (2024-25: £850 million). This was at one rate of 28.97% from 1 April 2025 (2024-25: one rate of 28.97%) 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 2025-26 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions of £90 million (2024-25: £86 million) were payable to the Civil Superannuation Vote at 31 March 2026 and are included in trade payables and other liabilities (see note 15).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In total we paid employers contributions of £4.4 million (2024-25: £3.8 million) to 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 £0.2 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 £0.4 million. There were no prepaid contributions at that date.

In 2025-26, 106 people (2024-25: 107 people) retired early on ill-health grounds. The total additional accrued pension liabilities in the year were £462,808 (2024-25: £508,465).

Reporting of Civil Service and other compensation schemes – exit packages

(This information is subject to audit)

Table 1: 2025-26

	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	37	19	**56**	37	24	**61**
£10,001-£25,000	13	23	**36**	15	26	**41**
£25,001-£50,000	26	56	**82**	28	59	**87**
£50,001-£100,000	19	109	**128**	20	118	**138**
£100,001-£150,000	1	2	**3**	1	2	**3**
£150,001-£200,000	0	0	**0**	0	1	**1**
Total number of exit packages	**96**	**209**	**305**	**101**	**230**	**331**
Total cost £000	**2,679**	**11,765**	**14,444**	**2,872**	**12,770**	**15,642**

Table 2: 2024-25

	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	57	2	**59**	57	7	**64**
£10,001-£25,000	29	0	**29**	36	4	**40**
£25,001-£50,000	42	0	**42**	49	2	**51**
£50,001-£100,000	26	0	**26**	27	2	**29**
£100,001-£150,000	2	0	**2**	3	0	**3**
£150,001-£200,000	0	0	**0**	0	0	**0**
Total number of exit packages	**156**	**2**	**158**	**172**	**15**	**187**
Total cost £000	**4,286**	**4**	**4,290**	**4,864**	**343**	**5,207**

We've paid redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2025-26 was £15.6 million (£5.2 million in 2024-25). We account for exit costs in full when the early retirement programme becomes binding but actual dates of departure may fall in the following reporting period. Where we've agreed early retirements, we, not the Civil Service Pension Scheme, meet the additional costs. Ill-health retirement costs are met by the pension scheme and are not included in the table.

From 22 December 2010, new civil service compensation terms were introduced for Early Release schemes. All voluntary exit costs payable by us are now made in the form of lump-sum payments. Payments made in respect of schemes prior to this date were made as both lump-sum payments and annual compensation payments. The liability in respect of these annual payments is included in other provisions in note 17.

Reporting the tax arrangements of public sector appointees

All government departments and their arm's length bodies (ALBs) which employ appointees off-payroll must 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 include any appointee who is not on the Department's payroll.

Governance is working effectively from a controls perspective with robust scrutiny of off-payroll worker engagement proposals. The key governance forums include the External Resource Approval Board (ERAB) which is responsible for ensuring a consistent approach to the assurance and approval of off-payroll workers (Digital and non-Digital) and forms parts of the wider delegated authority framework.

In discharging its responsibilities, the ERAB takes a strategic view of off-payroll workers across the Department, prioritising action on the value and tenure of engagements. This includes directing and assuring activity to reduce dependency on contingent labour by rebalancing our workforce towards sustainable, permanent solutions, which are aligned to strategic workforce plans, affordability, and value for money.

The Strategic Resource Oversight Board (SROB) acts as an escalation point and for governing higher value management consultancy, professional services and contingent labour spend. Commercial Assurance Boards (CABs) ensure that in-scope commercial activity is managed in line with agreed governance principles and that Government Commercial Operating Standards and other regulatory or policy requirements are adhered to.

The increase in overall numbers reflects sustained additional demand driven by major transformation programmes aligned to delivering our 2030 strategy, and the need to mobilise specialist resource quickly. This is alongside ongoing challenges in recruiting permanent staff in a competitive digital labour market. We have made strong progress towards building a more sustainable workforce. This includes accelerating permanent recruitment and converting temporary workers to Civil Service roles, supported by robust governance to ensure all engagements are justified and time limited.

As part of this:

- We have reduced our use of individual named workers engaged as contingent labour to role specific requirements, improving consistency, oversight, and value for money.
- During 2025/26, we successfully converted 227 roles from contingent labour to permanent Civil Service positions, strengthening long-term capability and reducing reliance on temporary resource, creating significant in-year savings of £6 million, and projected annual savings of £20 million.

- At the same time, we have shifted away from reliance on individual named workers towards resourcing contracts, where suppliers provide teams and capability against defined outcomes, rather than hiring individuals directly. While these are still classified as contingent labour (IR35 off-payroll rules), they offer better value for money and flexibility.
- This approach has enabled us to deliver priority activity at pace, including:
  - Accelerating work to reduce technical debt – meaning outdated systems, processes or code that are costly to maintain and can slow down delivery.
  - Implementing a new contact centre, which is a major programme to replace and modernise contact centre systems used to handle customer calls and interactions, improving service availability and quality for customers, reductions in running costs, whilst enabling new digital and self-service capabilities.

The tables below outline the off-payroll arrangements for 2025-26

Off-payroll

Table 1: Highly paid off-payroll worker engagements as at 31 March 2026, that were paid £245 per day or greater

	Core Department	ALBs	Departmental group
No. of existing engagements as of 31 March 2026	2,182	133	2,315
Of which:			
No. that existed < 1 year at time of reporting	1,142	115	1,257
No. that have existed for between 1 and 2 years at time of reporting	458	8	466
No. that have existed for between 2 and 3 years at time of reporting	237	7	244
No. that have existed for between 3 and 4 years at time of reporting	135	3	138
No. that have existed for 4 or more years at time of reporting	210	0	210

Table 2: All highly paid off-payroll workers engagements engaged at any point during the year ended 31 March 2026, earning £245 per day or greater

	Core Department	ALBs	Departmental group
No. of temporary off-payroll workers engaged during the year ended 31 March 2026	3,161	255	3,416
Of which:			
No. of appointments to which the off-payroll legislation does not apply	3,129	119	3,248
No. assessed as caught by IR35 (In scope)	31	127	158
No. assessed as not caught by IR35 (Out of scope)	1	9	10
No. of engagements reassessed for consistency/assurance purposes during the year	–	57	57
No. of engagements that saw a change to IR35 status following consistency review	–	–	–

- Off-Payroll Working Rules (IR35 legislation) requires 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, we utilised HM Revenue and Customs' CEST (Check Employment Status Tool)
- All engagements of highly paid workers, which are not on our payroll, are included in the off-payroll tables
- Highly paid engagements includes 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 2025 and 31 March 2026

	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.	60	15	75

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

Consultancy and temporary staff

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

Consultancy (£ million)	2025-26	2024-25
Core Department	7.2	8.9
Arm's Length Bodies	0.2	0.3
Departmental group	**7.4**	**9.2**

Temporary (off-payroll) staff (£ million)	2025-26	2024-25
Core Department	210.8	169.2
Arm's Length Bodies	23.5	17.7
Departmental group	**234.3**	**186.9**

Staff absence and sickness

We recognise the costs associated with high levels of employee absence. Our wellbeing approach to sickness absence is focused on health promotion and absence prevention, while supporting employees who are absent to return to work.

We develop policies, standards, procedures, and guidance covering health and safety issues to ensure our employees remain safe.

At 31 March 2026 there were 6,005 open absences (including all sickness and non-sickness categories). This represents 6.3% of our workforce which is higher than at 31 March 2025 at 5.5%.

For sickness absence only, at 31 March 2026 there were 4,134 absences representing 4.4% of the workforce. This has increased from 3.7% in March 2025. Absences relating to mental health have been increasing over the last 12 months for both short and long-term sickness. We are investing in more training for line managers to support mental health issues to address higher absence rates in operational areas.

Employee engagement

Annually the Civil Service People Survey provides an important opportunity for us to hear about the things that matter to colleagues. In 2025 nearly 61,000 colleagues shared their views, giving us a response rate of 64%. This gives us a stronger understanding of how colleagues are feeling and where we need to act to improve the employee experience.

Our employee engagement index score remains high, however this year it dropped to 61% from 62% in 2024.

Some questions were removed from the 2025 People Survey following cross-government changes to the questionnaire by the Cabinet Office. These removals included a mix of core questions asked as part of theme scores, including questions relating to 'My Work', 'My Manager', 'My Team', 'Leadership and Managing Change' and 'Pay and Benefits' topics. As a result, five out of nine of the theme scores are based on a slightly revised set of questions. To allow for like-for-like comparison, the reported 2024 scores have been recalculated to align with the updated question set and may not match previously published information.

In the 2025 People Survey, once consideration is made for changes in the number of questions in the staff survey when compared to last year, eight out of nine core theme scores saw a decline in positive responses. This includes areas such as My Work (78%), My Team (81%), Learning and Development (62%), My Manager (77%), Inclusion and Fair Treatment (79%), and Leadership and Managing Change (53%).

The 'Organisational Objectives and Purpose' score was 86%, decreasing from 87% in 2024, however this result is still above the Civil Service average of 83% demonstrating strong colleague connection and recognition of our objectives. The 'Pay and Benefits'

score rose to 40% from 36%[144] in 2024. However, it should be noted this theme now only consists of one question in the latest survey, relating to being satisfied with the total benefits package, rather than including if respondents feel pay reflects their performance or is reasonable, which could impact scores.

As we move forward into 2026-27, we plan to further enhance the progress made in wellbeing, line management, change management, and support for disabled colleagues. Concerns were raised by colleagues about ways of working, resources, and workload, as well as ongoing challenges related to the cost of living.

This year, Bullying, Harassment, and Discrimination (BHD) scores increased to 10% and 11%, up from 9% and 10% last year. In response, we are taking evidence-based preventive measures, promoting positive behaviours, effective team practices, and strong leadership. Clear policies, consistent communication, and trained Fair Treatment Ambassadors support a safe, inclusive workplace where all colleagues feel valued.

Amid growing demand for our services, particularly wellbeing support, the Department's PROXY stress and PERMA index (which measures the extent to which employees are 'flourishing at work') scores declined slightly to 28% and 74% respectively, compared to Civil Service averages of 27% and 74%. These results indicate a generally consistent response from the Department within the broader context of Civil Service scores. Support for workplace adjustments remains strong with 78% of colleagues agreeing their manager supports to ensure they have the workplace adjustments they need, higher than the Civil Service average of 74%.

We continue to provide comprehensive wellbeing support and financial resources via Occupational Health and our Employee Assistance Programme, aimed at driving best practice and innovation. Throughout 2025, we sustained focus on our refreshed wellbeing strategy and its seven priorities, including updating the 'My Wellbeing' button, wellbeing hub, and wellbeing calendar, and expanding Mental Health First Aid training. Programmes supporting workplace adjustments have been successful and will continue rolling out in 2026.

The People Survey provides essential insight into how we can further support and value everyone in the Department. By listening to the voices and experiences of our colleagues, we are better able to identify strengths, address concerns, and tailor our initiatives to meet evolving needs. As part of our ongoing listening programme, we will keep conducting regular pulse surveys and insight activities to monitor colleague experience and guide future improvements. Our ongoing dedication to gathering and responding to colleague insights is central to our goal of creating a supportive environment in which all can thrive.

144 The score was previously 30% but restated as 36% due to the removal of numerous questions from the 'Pay and Benefits' section. Scores were recalculated resulting in a rise to 36%.

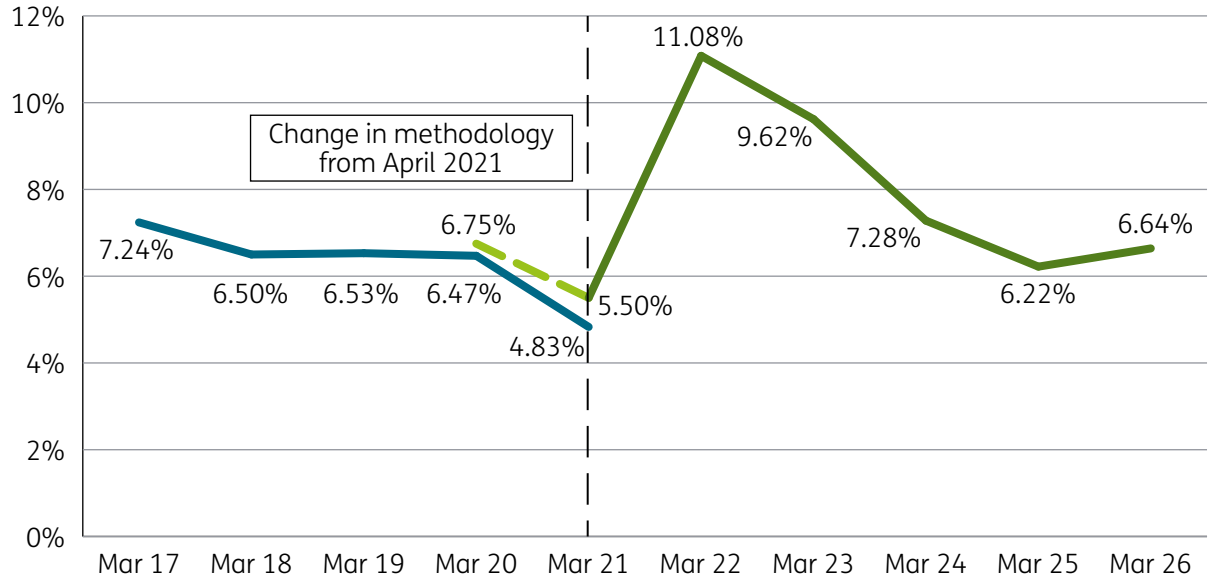
Staff turnover

Our all-staff 12-month moving average turnover rate at March 2026 was 6.64%, increasing by 0.42 percentage points from 6.22% in March 2025. The Department provides a broadly competitive staff offer and regularly monitors this rate.

The turnover rate was historically high due to the COVID-19 pandemic as the proportion of the Department's employees on fixed term/temporary contracts increased significantly and this cohort tends to have much higher turnover rates than permanent staff. The proportion of our workforce on fixed term/temporary contracts has since reduced to 1% in March 2026. The all-staff turnover rate has increased in the year to March 2026, largely driven by a slight recovery in transfers to other government departments after a reduction in transfers in the year to March 2025.

Note: Turnover represents the rate at which employees permanently leave the Department for reasons outside of our control. It includes permanent exits due to retirements, resignations and transfers to other government departments, but excludes planned exits. A methodological change was introduced from April 2021 to better align our turnover measure with the Cabinet Office definition.

All-staff Annual Turnover Rate



Staff seconded and loaned

We made a small number of secondments and loans of members of staff to other government departments and other organisations during 2025-26. The numbers of secondments into and from external organisations is quite evenly balanced but there are significantly more outward loans to other government departments (OGDs) than loans into the Department. This is due to increased cross-government working, and/or advertised short term career development opportunities in OGDs for colleagues to develop their skill set in another area outside of the Department.

Outward Secondments (from DWP to outside the Civil Service)	Grade									
	AO	EO	HEO	SEO	G7	G6	SCS1	SCS2	NK	Total
1. Number of employees who went on secondment since 1 April 25	–	–	1	1	2	1	1	–	–	6
2. Number of employees who were already on secondment prior to 1 April 25 and are expected to be throughout this year (beyond 31 March 2026)	–	–	1	–	2	2	–	1	–	6
3. Number of employees who were already on secondment prior to 1 April 25 and have or are expected to end this year (up to 31 March 2026)	–	5	1	2	3	3	1	1	–	16
Grand Total (All outward secondments)	–	**5**	**3**	**3**	**7**	**6**	**2**	**2**	–	**28**

Inward Secondments (from outside the Civil Service to DWP)	Grade									
	AO	EO	HEO	SEO	G7	G6	SCS1	SCS2	NK	Total
1. Number of employees who are seconded to DWP since 1 April 25	–	–	–	–	5	–	–	–	–	5
2. Number of employees who were already on secondment to DWP prior to 1 April 25 and are expected to be throughout this year	–	1	1	6	7	–	–	–	–	15
3. Number of employees who were already on secondment to DWP prior to 1 April 25 and have or are expected to end this year	–	–	–	4	8	–	–	1	–	13
Grand Total (All inward secondments)	–	**1**	**1**	**10**	**20**	**–**	–	**1**	–	**33**

Outward Loans (from DWP to OGD Outward Loans (from DWP to OGD/ Non-departmental public bodies (NDPB))	Grade									
	AO	EO	HEO	SEO	G7	G6	SCS1	SCS2	NK	Total
1. Number of employees who went on loan since 1 April 25	–	6	2	6	2	–	–	1	–	17
2. Number of employees who were already on loan prior to 1 April 25 and are expected to be throughout this year (beyond 31 March 2026)	1	6	4	1	3	–	1	1	1	18
3. Number of employees who were already on loan prior to 1 April 25 and have or are expected to end this year (up to 31 March 2026)	–	4	4	2	7	3	–	–	–	20
Grand Total (All outward loans)	**1**	**16**	**10**	**9**	**12**	**3**	**1**	**2**	**1**	**55**

Inward Loans (from OGD/NDPB to DWP)	Grade								
	AO	EO	HEO	SEO	G7	G6	SCS1	SCS2	Total
1. Number of employees on loan to DWP since 1 April 25	–	–	1	–	1	–	–	–	2
2. Number of employees who were already on loan to DWP prior to 1 April 25 and are expected to be throughout this year (beyond 31 March 2026)	–	–	–	–	–	–	–	1	1
3. Number of employees who were already on loan to DWP prior to 1 April 25 and have or are expected to end this year (up to 31 March 2026)	–	–	–	–	–	–	–	–	–
Grand Total (All inward loans)	**–**	**–**	**1**	**–**	**1**	**–**	**–**	**1**	**3**

Diversity and inclusion

As an employer we are committed to equality and valuing diversity within our workforce. Our goal is to ensure that these commitments, reinforced by our values, are embedded in our day to day working practices. Our Equity, Diversity and Inclusion (EDI) priorities are:

- Increasing ethnic minority representation at senior grades (aiming to be broadly reflective of the communities we serve)
- Increasing employee engagement and reducing the experience gap between colleagues with and without a long-term limiting condition or disability
- Reducing instances of bullying, harassment and discrimination

The representation of female staff has remained over 60%, with 62% as at March 2026. The percentage of Senior Civil Servants (SCS) who are female has increased from 53.2% in March 2022 to 57% in March 2026.

Ethnic minority representation has risen from 15.6% on 31 March 2022 to 22.4% as of 31 March 2026 (against the economically active population of 18.3%) with increases across all grades, particularly up to and including the SEO grade.

The Department has made significant progress in attracting a more diverse range of talent and laying the foundations of a strong ethos for inclusion since 2020. Disability representation has increased from 15.1% in March 2020 to 23.1% as of 31 March 2026, above the economically active population in Great Britain representation (of 18.2%). We are fully committed to increasing representation of disabled people in HEO-G6 levels ensuring a stable talent pipeline to the SCS.

We continue to make 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 re-assignment is currently captured).

Positive Declaration Rates*	2022	2023	2024	2025	2026
Ethnicity	89.4%	90.1%	90.9%	90.1%	91.5%
Sexual Orientation	72.4%	75.0%	78.4%	81.1%	82.8%
Disabled	91.9%	92.4%	92.4%	92.4%	92.7%
Religious Belief	71.2%	73.6%	77.0%	79.7%	81.3%
Nationality	76.1%	78.9%	82.5%	85.5%	87.4%

*All figures taken from March of each year except for 2022 which is taken from April. Positive declaration rates not recorded prior to April 2022.

Representation data

We continue to have an increasingly diverse workforce when compared to economically active population of traditionally underrepresented groups such as those from ethnic minorities, those with a disability and those who are from the LGBT+ community. Our averages are higher than those in the economically active population. We encourage individuals to voluntarily share their personal diversity information and promote the benefits of gathering this through communications and new starter induction. Not everyone is willing to share their details and in previous years we have only included data from those colleagues who have shared their details with us (positively declared). This year, like last year, for consistency across characteristics, we are reporting representation figures for all colleagues, including those who have not recorded their information or have preferred not to say. The trend data from previous years has been updated to reflect all declarations and not just those who have positively declared.

Although our representation figures, as a whole, are above the economically active population and are growing, there are still geographical areas, business areas and grades where this isn't the case so the work continues to be a priority.

Representation of female staff, ethnic minority staff and disabled staff

Year (March)	Total Number of Staff	Gender	Ethnicity		Disability	
		Female	Ethnic Minority	NR/PNTS**	Disabled	NR/PNTS
Economically Active Population in Great Britain (2025)*		**48.1%**	**18.3 %**	**N/A**	**18.2%**	**N/A**
2026	93,657	62.0%	22.4%	8.5%	23.1%	7.3%
2025	93,803	62.6%	20.7%	9.4%	22.4%	7.6%
2024	90,779	63.0%	18.3%	9.1%	21.0%	7.6%
2023	84,944	64.3%	15.9%	9.9%	20.1%	7.6%
2022	91,452	64.6%	15.6%	10.7%	17.3%	8.1%

*Source ONS Annual Population Survey, September 2025
**Not recorded and prefer not to say (NR/PNTS) merged percentages

Representation by Age

Percentage of DWP Workforce by age range	March 2022	March 2023	March 2024	March 2025	March 2026
16 – 24	5%	3%	3%	3%	3%
25 – 34	15%	15%	17%	18%	19%
35 – 44	20%	19%	20%	20%	20%
45 – 54	28%	28%	26%	25%	25%
55 – 64	29%	31%	30%	29%	29%
65 +	3%	4%	4%	4%	4%

Representation by Sex (Gender)

Staff Diversity – % Women	March 2022	March 2023	March 2024	March 2025	March 2026
Workforce	64.6%	64.3%	63.0%	62.6%	62.0%
Senior Civil Servants	53.2%	54.0%	55.4%	55.6%	57.0%
Executive Team	37.5%	63.7%	72.7%	81.8%	77.8%

Representation by Carers

Carers	March 2022	March 2023	March 2024	March 2025	March 2026
Workforce	N/A	16.3%	19.1%	20.8%	20.8%

Key achievements

Professional Behaviours

- Targeted actions to continue creating a work environment that eliminates the conditions in which poor behaviours at work occur; with all our colleagues taking ownership and actively contributing to a professional, respectful and welcoming environment for all.
- Improving confidence and capability for employees to raise concerns and speak up.
- Preventing Sexual Harassment in the Workplace – focus on enabling continuous improvements, increasing awareness and improving people policies and processes.

Ethnicity

- Consistent improvement in ethnic minority representation across all grades, with notable progress at the EO grade 26.5%, HEO grade 17.4%, SEO grade 16.7% and G7 grade 13.7%.
- A refreshed departmental Race Plan is being implemented, which prioritises joining, recruiting and leadership behaviours, alongside accountability to drive representation, particularly at more senior grades.
- Strengthening our sponsorship offer by targeting G6 and G7 colleagues to support our talent pipeline into SCS and improve representation at that grade. In addition, work is ongoing with KPMG on their Cross Company Allyship Programme, targeted at ethnic minority colleagues seeking to develop in their careers.

Disability

- The launch and ongoing delivery of our Disability Action Plan to optimise an inclusive workplace, build the capability of individuals and line managers, and raise awareness of disability in the workplace.
- The rollout of the Workplace Adjustments programme has resulted in more colleagues with long-term limiting conditions (LTLC) feeling supported. It has also increased the awareness and capability of managers to provide the necessary support.
- We have delivered numerous communications campaigns aimed at increasing awareness and understanding of disabilities, which focus on building the capability of managers to support colleagues effectively.

Faith and Belief

- Continued support for the DWP Faith and Belief Network, providing a safe space for colleagues to connect and share experiences.

- Internal learning resources have been developed to provide information on anti-semitism and anti-Muslim hostility. Ongoing support has been delivered through our Employee Assistance Programme (EAP) for specific faith groups through challenging periods.

Gender

- In 2025, a total of 191 women (all grades) registered for and participated in our leadership offer, including Women into Leadership, Ethnic Minorities into Leadership, and Unlocking SCS workshops.
- Between 2025 and 2026, 30 women across DWP have been supported through the Crossing Thresholds 12-month (gender sponsorship scheme), designed to accelerate progression into senior leadership, with wider development programmes such as Cultivating your Leadership being offered.
- The Women's Network delivered learning and development events on progression and Success Profiles, with the Women's Health Hub, offering information on women's health needs such as breastfeeding at work, menopause and endometriosis.
- The Men's Network continued to run Man Down wellbeing sessions and launched Dads United, supporting fathers with work–life balance. They also held events to raise awareness of men's health conditions.

Age and Carers

- We have enhanced governance and established a dedicated Age and Carers Steering Group, chaired by our Director General Champion, to provide strategic direction and oversight. We have also established an Age and Carers Network to promote and advocate for age diversity and enhanced support for carers.
- We launched the 'Let's talk about age' campaign, which aims to highlight the unique strengths and skills that every generation brings, fostering a culture of inclusivity.
- We have developed a suite of resources specifically aimed at supporting effective knowledge transfer between colleagues.
- We are actively promoting a range of support, including the Midlife MOT toolkits which are designed to provide practical guidance, resources, and support, empowering employees to make informed decisions.
- The proportion of carers utilising the carers passport has consistently increased over the past five years, with a 5% rise in the 2025 People Survey to 37%.
- The Carers Hub has been updated to bring essential support information to the forefront, ensuring easier access for all staff. We also developed a Kinship Care Hub to provide support, resources, and guidance to those undertaking kinship care responsibilities.
- We have been reaccredited at the highest tier of the Carer Confident benchmarking scheme, recognising our commitment to supporting employees with caring responsibilities.

LGBT+

- Positive increase in the declaration of sexual orientation, rising from 57.9% in June 2020 to 82.8% in March 2026.
- The Pride Network grew membership to over 1,300 colleagues, representing approximately 1.5% of our workforce.
- The first-ever DWP Pride Awards was held, celebrating colleagues across the Department who have championed LGBT+ inclusion.
- Our LGBT+ Network continues to provide safe and supportive spaces for colleagues to connect and share experiences, offering clear signposting to guidance and ensuring that individuals can access the right support when they need it.

Social Mobility

- Engaged with Cross Civil Service Group to inform aligned approach to data collection and use, outreach, employment and ongoing progression.
- We set a target for 5% of all entry-level vacancies to be filled through Direct Temporary Recruitment, Life Chances, or Social Mobility apprentices. In 2025, this target was significantly exceeded, with over 14% of roles filled through these pathways.
- During 2025-26, over 1,500 DWP employees engaged with the Catapult scheme – an initiative created to help colleagues from lower socio-economic backgrounds develop confidence and accelerate their progression across the civil service.
- Continuing offer to support personalised learning, mentoring, sponsorship, and capability-building initiatives, through initiatives such as the Leaders Like You programme.

Pay Gaps

Organisations with 250 or more employees are required to report annually on their gender pay gap. Government departments are covered by the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 which came into force on 31 March 2017. These regulations underpin the Public Sector Equality Duty and require relevant organisations to publish their gender pay gap annually. As part of a Civil Service Trial DWP has also published its ethnicity and disability pay gaps for the first time this year.

This includes:

- the mean and median pay gaps
- the mean and median bonus gaps
- the proportion of groups who received bonuses

Gender Pay Gap Reporting:

For 2024 to 2025, the Gender Pay Gap (GPG) figures were published in the Annual Civil Service Employment Survey (ACSES) on 31 July 2025. These figures provide an overall picture across government for the reporting period 1 April 2024 to 31 March 2025 – updated 2025-26 data will be published in July. This report fulfils the Department's reporting requirements and sets out the actions we are taking in relation to addressing the gender pay gap and improving gender parity. This information is published on GOV.UK and the Government Equality Office (GEO) portal. Where any percentage figures in this report do not add to 100%, this is due to rounding.

In March 2025:

- DWP's **mean ordinary GPG: 4.2%** (decreased by 0.6 percentage points (ppt) since 2024)
- DWP's **median ordinary GPG: 0.0%** (unchanged since 2024)
- DWP's **mean bonus GPG: 6.3%** (decreased by 2.5 ppt since 2024)
- DWP's **median bonus GPG: 1.8%** (decreased by 10.7 ppt since 2024)

DWP is one of the largest government departments with a total headcount of 93,803 as of 31 March 2025. In this year's report, 93,471 individuals are included in the ordinary pay gap figures and 94,814 individuals are included in the bonus gap figures, as per government guidance on scope.

There is a positive story for DWP this year, with many of the headline figures improving:

- We continue to perform favourably when compared to the wider Civil Service, where the overall ordinary mean GPG is 6.9%.
- We also compare favourably with the mean bonus GPG for the Civil Service of 25.7%, and the median bonus GPG of 22.5%.

Women represent 62.4% of our workforce and we have continued to make positive progress in female representation at grades SEO and Grade 7. At Grade 6, SCS1 and SCS2 there were small decreases in female representation in 2025. However, the percentage of women who are in grades SEO to SCS increased by 0.9 ppt to 9.0% this year.

Mean ordinary GPG (decreased by 0.6 ppt) – Our mean gender pay gap has decreased due to changes in our grade distribution, female representation within each grade and changes to mean salaries due to pay awards.

Median ordinary GPG (unchanged) – The median pay gap remains at 0.0%. This is primarily due to the existence of an Executive Officer grade spot rate (rather than a pay scale with a minimum and maximum rate of pay per grade and pay zone, a spot rate means that everyone within the same grade and pay zone is on the same rate of pay). As of March 2025, 51% of all men and 54% of women were at EO grade and most were on the spot rate. As a result, the median employee fell within the EO range for both genders.

Mean bonus GPG (decreased by 2.5 ppt) – There has been a notable decrease in the mean bonus pay gap, mainly due to an improvement to our in-year bonus gap in delegated grades where there is a greater proportion of women. In-year recognition payments include both cash payments and vouchers (which are not pro-rated). The gap in the mean value of cash awards for men and women has reduced, from 3.5% in the previous year to 2.3%, a change of 1.2 ppt.

Median bonus GPG (decreased by 10.7 ppt) – The median bonus gap is heavily influenced by end-of-year bonuses, which vary by grade and are pro-rated for part-time employees, who are more likely to be women. This year, staff in grades EO to Grade 6 were awarded the same end-of-year bonus amount and this led to a narrower median bonus pay gap than in the previous year. The large median bonus pay gap seen in the previous year, 2024-25, was due to a higher end-of-year bonus amount being awarded to grades AA-EO, where women have higher grade representation and have a lower average FTE than in other grades, in comparison to men.

Overall, we are confident that our pay strategy is non-discriminatory in its design. Our analysis demonstrates the pay gap to be largely attributed to the grade distribution of the workforce, specifically lower representation of women in higher grades. The GPG will continue to be a key consideration as we develop our future reward strategy.

Disability Pay Gap Reporting

We have undertaken DWP Disability Pay Gap Reporting for the first time in 2025 as part of the Civil Service Disability Pay Gap Reporting Pilot.

Summary

The mean earnings pay gap reveals that on average, disabled employees earn 3.5% less per hour than non-disabled employees. This gap is largely driven by employees with a recorded disability being more represented at lower grades. Analysis of the bonus pay gap shows that whilst disabled employees are more likely to receive a bonus, the amount they receive on average tends to be lower. This can partly be attributed to the fact that disabled employees are more likely to work part-time and therefore have a pro-rated end-of-year bonus.

In March 2025:

- Mean earnings pay gap: 3.5% in favour of non-disabled staff
- Median earnings pay gap: 0.0%
- Mean bonus pay gap: 6.5% in favour of non-disabled staff
- Median bonus pay gap: 8.8% in favour of non-disabled staff
- Proportion receiving a bonus: 94.5% (disabled), 92.6% (non-disabled)
- Pay quartiles: Disabled staff are more represented in lower quartiles and underrepresented in upper quartiles

Overall, we are confident that our pay strategy is non-discriminatory in its design. Our analysis demonstrates the pay gap to be largely attributed to the grade distribution of the workforce, specifically lower representation of staff with a recorded disability in higher grades. The Disability Pay Gap will continue to be a key consideration as we develop our future reward strategy and disability action plan which has a focus on career progression and experience in the workplace.

Ethnicity Pay Gap Reporting

For Ethnicity Pay Gap reporting, all ethnicities are compared against each other using heatmaps. The comparisons take place between the following groups: Asian, Black, Mixed, White and Other Ethnicity. There is no single figure to report as a result of how the analysis has been conducted however the largest gaps in DWP can be seen in the following areas:

- Mean Earnings EPG: Other Ethnicity employees were paid 4.2% more than Asian staff.
- Median Earnings EPG: Other Ethnicity employees were paid 1.9% more than Asian and Mixed Ethnicity Employees.
- In London, White employees, on average, are paid 10.6% more than Black colleagues. This is significantly lower than the Civil Service average for the same groups, where White colleagues are paid 35.6% more than Black colleagues.

Grade distribution and location of staff are the main drivers of the mean ethnicity pay gap in DWP, where senior grade representation and London Allowances for London-based staff have a positive impact on the earnings mean pay.

Analysis of the Bonus Pay Gap, which includes both ‘in-year’ and ‘end-of-year’ non-consolidated bonuses shows a significant issue. Key gaps are as follows:

- Mean Bonus EPG: White employees were paid 38.8% more than Black employees.
- Median Bonus EPG: White employees were paid 40.0% more than Black employees.
- In 2025, 95.0% of White DWP employees received a bonus, compared to 79.8% of Black employees.

The main drivers of the mean end of year bonus gap are the grade distribution of employees, the proportion of new starters, and part-time working.

In summary, our ethnicity pay gaps are generally small and reflect structural factors such as grade and location. In contrast, the ethnicity bonus gap is more substantial, and we plan to undertake further work in the future to explore patterns of bonuses awarded across groups.

Parliamentary accountability disclosures

Statement of Outturn against Parliamentary Supply (SOPS)

(This information is subject to audit)

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 (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

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

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

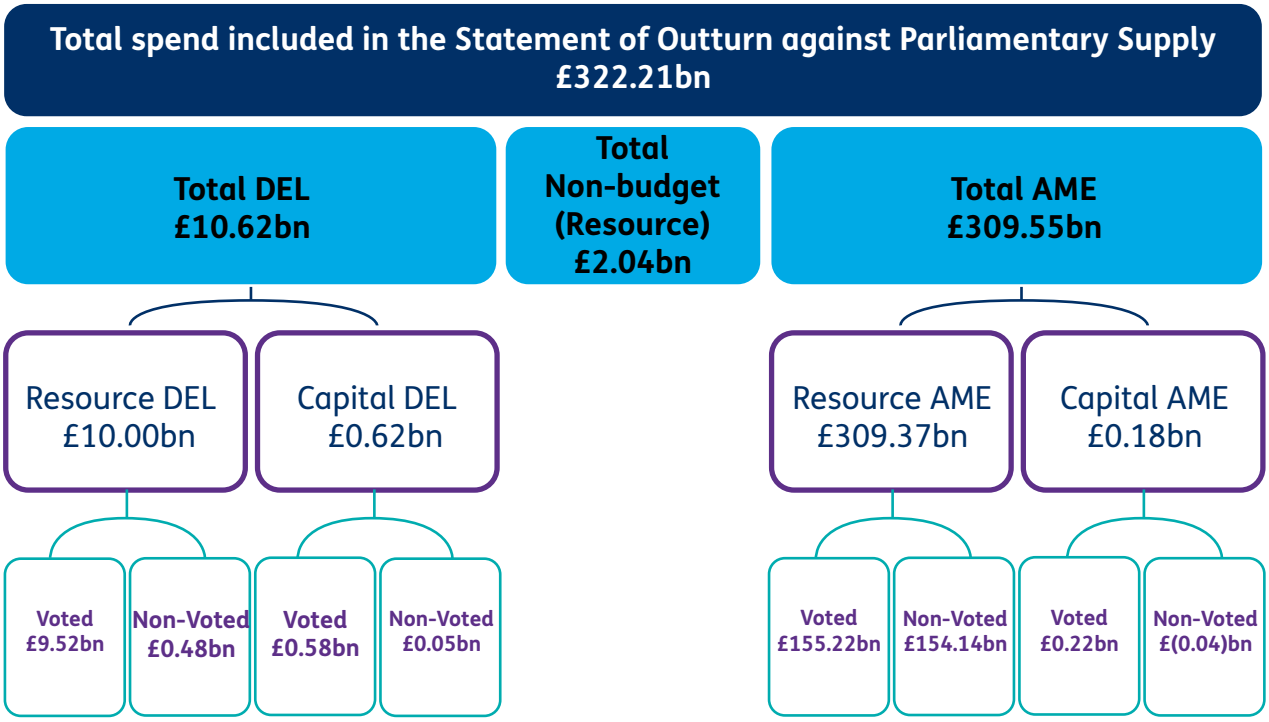
The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following:

- 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 £167.57[145] billion is funded by Parliament from the Consolidated Fund
- Voted expenditure funded from the Consolidated Fund includes £2.04 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 £152.62 billion is funded by the National Insurance Fund
- Values may not sum due to rounding

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.

145 This figure includes the voted non-budget amount of £2.04 billion

Statement of Outturn against Parliamentary Supply

	Note	2025-26 Outturn Voted	2025-26 Outturn Non-Voted	2025-26 Outturn Total	2025-26 Estimate Voted	2025-26 Estimate Non-Voted	2025-26 Estimate Total	2025-26 Outturn vs Estimate Saving/(excess) Voted	2025-26 Outturn vs Estimate Saving/(excess) Total	2024-25 Prior Year Outturn (Restated) Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit										
– Resource	1	9,516,991	482,094	9,999,085	9,795,483	484,709	10,280,192	278,492	281,107	9,419,894
– Capital	1	575,938	47,875	623,813	672,604	49,500	722,104	96,666	98,291	522,057
Total DEL		**10,092,929**	**529,969**	**10,622,898**	**10,468,087**	**534,209**	**11,002,296**	**375,158**	**379,398**	**9,941,951**
Annually Managed Expenditure										
– Resource	1	155,223,396	154,144,341	309,367,737	158,423,666	156,244,919	314,668,585	3,200,270	5,300,848	287,612,960
– Capital	1	215,494	(35,987)	179,507	543,852	20,000	563,852	328,358	384,345	240,699
Total AME		**155,438,890**	**154,108,354**	**309,547,244**	**158,967,518**	**156,264,919**	**315,232,437**	**3,528,628**	**5,685,193**	**287,853,659**
Total Budget										
– Resource		164,740,387	154,626,435	319,366,822	168,219,149	156,729,628	324,948,777	3,478,762	5,581,955	297,032,854
– Capital		791,432	11,888	803,320	1,216,456	69,500	1,285,956	425,024	482,636	762,756
Total Budget Expenditure		**165,531,819**	**154,638,323**	**320,170,142**	**169,435,605**	**156,799,128**	**326,234,733**	**3,903,786**	**6,064,591**	**297,795,610**
Non-budget										
– Resource	1	2,038,289	–	2,038,289	2,518,606	–	2,518,606	480,317	480,317	412,649
Total Budget and Non-budget		**167,570,108**	**154,638,323**	**322,208,431**	**171,954,211**	**156,799,128**	**328,753,339**	**4,384,103**	**6,544,908**	**298,208,259**

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.

The prior year outturn value for Estimate lines M Universal Credit, S Personal Independence Payment and AM State Pension (Contributory) have been restated following the change in accounting policy for social benefits as explained further in Note 1.2 (in the Financial report), which decreases the Resource AME control total by £87,976,000 and further small realignment corrections to Estimate lines AB, AC and AD resulting in no change to control totals.

Net Cash Requirement 2025-26

SoPS Note	2025-26 Outturn	2025-26 Estimate	Outturn vs Estimate: saving/(excess)	2024-25 Outturn (Restated)
	£000	£000	£000	£000
3	168,036,952	171,972,631	3,935,679	152,533,297

Administration Costs 2025-26

SoPS Note	2025-26 Outturn	2025-26 Estimate	Outturn vs Estimate: saving/(excess)	2024-25 Outturn (Restated)
	£000	£000	£000	£000
1	1,090,890	1,266,814	175,924	1,004,895

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

(This information is subject to audit)

SOPS 1. Outturn Detail, by Estimate Line

1.1 Analysis of Resource Outturn by Estimate Line

	2025-26											2024-25
	Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn (Restated)
	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	1,033,145	(7,387)	1,025,758	6,371,351	(283,173)	6,088,178	7,113,936	7,508,152	(144,215)	7,363,937	250,001	6,347,603
B Health and Safety Executive (Net)	45,273	–	45,273	125,392	–	125,392	170,665	174,856	–	174,856	4,191	179,611
C Money and Pensions Service (Net)	–	–	–	195,332	–	195,332	195,332	208,055	–	208,055	12,723	164,139
D Other Arm's Length Bodies (Net)	19,859	–	19,859	108,613	–	108,613	128,472	136,326	78	136,404	7,932	118,477
E Employment Programmes	–	–	–	854,285	–	854,285	854,285	710,150	144,135	854,285	–	765,397
F Support for Local Authorities	–	–	–	205,676	–	205,676	205,676	205,674	2	205,676	–	212,104
G Funding for Public Corporations	–	–	–	27,145	(53,521)	(26,376)	(26,376)	(24,231)	–	(24,231)	2,145	(22,211)
H Other Benefits	–	–	–	921,956	(46,955)	875,001	875,001	876,501	–	876,501	1,500	977,036
Total Voted DEL	**1,098,277**	**(7,387)**	**1,090,890**	**8,809,750**	**(383,649)**	**8,426,101**	**9,516,991**	**9,795,483**	**–**	**9,795,483**	**278,492**	**8,742,156**
Non-voted:												
I National Insurance Fund – Core Department	–	–	–	461,542	–	461,542	461,542	461,542	–	461,542	–	646,687
J Social Fund	–	–	–	20,552	–	20,552	20,552	23,167	–	23,167	2,615	31,051
Total Non-Voted DEL	–	–	–	**482,094**	**–**	**482,094**	**482,094**	**484,709**	–	**484,709**	**2,615**	**677,738**
Total spending in DEL	**1,098,277**	**(7,387)**	**1,090,890**	**9,291,844**	**(383,649)**	**8,908,195**	**9,999,085**	**10,280,192**	–	**10,280,192**	**281,107**	**9,419,894**
Spending in Annually Managed Expenditure												
Voted:												
K Severe Disablement Benefit	–	–	–	46,949	–	46,949	46,949	48,395	–	48,395	1,446	53,809
L Industrial Injuries Benefits Scheme	–	–	–	738,446	–	738,446	738,446	749,685	–	749,685	11,239	752,049
M Universal Credit	–	–	–	80,455,735	–	80,455,735	80,455,735	81,754,182	(49,512)	81,704,670	1,248,935	66,394,211

	2025-26											2024-25
	Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn (Restated)
	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
N Employment and Support Allowance (Income-Related)	–	–	–	1,938,396	–	1,938,396	1,938,396	2,056,378	–	2,056,378	117,982	7,169,362
O Income Support	–	–	–	29,154	(209)	28,945	28,945	15,237	13,708	28,945	–	279,845
P Pension Credit	–	–	–	6,338,503	–	6,338,503	6,338,503	6,355,672	–	6,355,672	17,169	6,007,695
Q Financial Assistance Scheme	–	–	–	76,483	–	76,483	76,483	638,186	–	638,186	561,703	162,371
R Attendance Allowance	–	–	–	8,486,530	–	8,486,530	8,486,530	8,702,712	–	8,702,712	216,182	7,766,559
S Personal Independence Payment	–	–	–	28,518,166	–	28,518,166	28,518,166	29,004,452	–	29,004,452	486,286	25,956,202
T Disability Living Allowance	–	–	–	8,269,071	–	8,269,071	8,269,071	8,436,358	–	8,436,358	167,287	7,722,582
U Carer's Allowance	–	–	–	4,592,377	–	4,592,377	4,592,377	4,717,348	–	4,717,348	124,971	4,239,296
V Housing Benefit	–	–	–	12,187,303	–	12,187,303	12,187,303	12,383,577	–	12,383,577	196,274	14,677,486
W Statutory Maternity Pay	–	–	–	3,239,000	–	3,239,000	3,239,000	3,282,000	–	3,282,000	43,000	3,054,000
X Christmas Bonus (Non-Contributory)	–	–	–	54,232	–	54,232	54,232	56,569	–	56,569	2,337	50,570
Y Jobseekers Allowance (Income Related)	–	–	–	3,982	(3)	3,979	3,979	1,186	2,793	3,979	–	91,040
Z State Pension (Non-Contributory)	–	–	–	246,260	–	246,260	246,260	243,983	2,277	246,260	–	229,447
AA Support for Mortgage Interest	–	–	–	11,282	(6,330)	4,952	4,952	8,528	–	8,528	3,576	4,491
AB Cost of Living support payments	–	–	–	(20,645)	–	(20,645)	(20,645)	(18,762)	–	(18,762)	1,883	(3,907)
AC Other Expenditure	–	–	–	16,371	–	16,371	16,371	(11,977)	28,348	16,371	–	(9,484)
AD Other Expenditure EALBs (Net)	–	–	–	2,343	–	2,343	2,343	(43)	2,386	2,343	–	(66)
Total Voted AME	–	–	–	**155,229,938**	**(6,542)**	**155,223,396**	**155,223,396**	**158,423,666**	–	**158,423,666**	**3,200,270**	**144,597,558**
Non-voted:												
AE Social Fund: Winter Fuel	–	–	–	1,911,352	–	1,911,352	1,911,352	1,972,632	–	1,972,632	61,280	301,685
AF Incapacity Benefit	–	–	–	1,243	–	1,243	1,243	1,762	–	1,762	519	894
AG Social Fund: Other	–	–	–	74,993	–	74,993	74,993	526,308	–	526,308	451,315	78,492
AH Employment and Support Allowance (Contributory)	–	–	–	5,163,472	–	5,163,472	5,163,472	5,303,271	–	5,303,271	139,799	5,168,019
AI Maternity Allowance	–	–	–	380,537	–	380,537	380,537	383,275	–	383,275	2,738	402,552
AJ Bereavement Benefits	–	–	–	300,635	–	300,635	300,635	307,740	–	307,740	7,105	349,439
AK Christmas Bonus (Contributory)	–	–	–	132,682	–	132,682	132,682	134,506	–	134,506	1,824	130,278
AL Jobseekers Allowance (Contributory)	–	–	–	269,626	(1)	269,625	269,625	307,752	–	307,752	38,127	222,372
AM State Pension (Contributory)	–	–	–	145,909,802	–	145,909,802	145,909,802	147,307,673	–	147,307,673	1,397,871	136,361,671

	2025-26											2024-25
	Outturn							Estimate			Outturn vs Estimate saving/ (excess)	Outturn (Restated)
	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
Total AME Non-voted	–	–	–	**154,144,342**	**(1)**	**154,144,341**	**154,144,341**	**156,244,919**	–	**156,244,919**	**2,100,578**	**143,015,402**
Total spending in AME	–	–	–	**309,374,280**	**(6,543)**	**309,367,737**	**309,367,737**	**314,668,585**	–	**314,668,585**	**5,300,848**	**287,612,960**
Non-budget resource:												
Voted:												
AN Cash paid in to the Social Fund	–	–	–	2,038,289	–	2,038,289	2,038,289	2,518,606	–	2,518,606	480,317	412,649
Total spending in Non-budget	–	–	–	**2,038,289**	–	**2,038,289**	**2,038,289**	**2,518,606**	–	**2,518,606**	**480,317**	**412,649**
Total Resource	**1,098,277**	**(7,387)**	**1,090,890**	**320,704,413**	**(390,192)**	**320,314,221**	**321,405,111**	**327,467,383**	–	**327,467,383**	**6,062,272**	**297,445,503**

1.2 Analysis of Capital Outturn by Estimate Line

	2025-26							2024-25
	Outturn			Estimate			Outturn vs Estimate saving/ (excess)	Outturn (Restated)
	Programme							
	Gross	Income	Net	Total	Virements	Total including virements		Total
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit								
Voted:								
A Core Department	674,838	(130,132)	544,706	644,509	(3,253)	641,256	96,550	469,273
B Health and Safety Executive (Net)	17,203	–	17,203	17,319	–	17,319	116	9,032
C Money and Pensions Service (Net)	13,257	–	13,257	10,041	3,216	13,257	–	11,516
D Other Arm's Length Bodies (Net)	772	–	772	735	37	772	–	(17,883)
E Employment Programmes	–	–	–	–	–	–	–	–
F Support for Local Authorities	–	–	–	–	–	–	–	–
G Funding for Public Corporations	–	–	–	–	–	–	–	1,200
H Other Benefits	–	–	–	–	–	–	–	–
Total Voted DEL	**706,070**	**(130,132)**	**575,938**	**672,604**	**–**	**672,604**	**96,666**	**473,138**
Non-voted:								
I National Insurance Fund – Core Department	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
J Social fund	48,510	(635)	47,875	49,500	–	49,500	1,625	48,919
Total Non-Voted DEL	**48,510**	**(635)**	**47,875**	**49,500**	**–**	**49,500**	**1,625**	**48,919**
Total spending in DEL	**754,580**	**(130,767)**	**623,813**	**722,104**	**–**	**722,104**	**98,291**	**522,057**
Spending in Annually Managed Expenditure								
Voted:								
K Severe Disablement Benefit	–	–	–	–	–	–	–	–
L Industrial Injuries Benefits Scheme	–	–	–	–	–	–	–	–
M Universal Credit	237,451	(86,634)	150,817	440,148	–	440,148	289,331	266,617
N Employment and Support Allowance (Income-Related)	–	–	–	–	–	–	–	–
O Income Support	–	–	–	–	–	–	–	–
P Pension Credit	–	–	–	–	–	–	–	–
Q Financial Assistance Scheme	–	–	–	–	–	–	–	–
R Attendance Allowance	–	–	–	–	–	–	–	–
S Personal Independence Payment	–	–	–	–	–	–	–	–

	2025-26							2024-25
	Outturn			Estimate			Outturn vs Estimate saving/ (excess)	Outturn (Restated)
	Programme							
	Gross	Income	Net	Total	Virements	Total including virements		Total
	£000	£000	£000	£000	£000	£000	£000	£000
T Disability Living Allowance	–	–	–	–	–	–	–	–
U Carer's Allowance	–	–	–	–	–	–	–	–
V Housing Benefit	–	–	–	–	–	–	–	–
W Statutory Maternity Pay	–	–	–	–	–	–	–	–
X Christmas Bonus (Non-Contributory)	–	–	–	–	–	–	–	–
Y Jobseekers Allowance (Income-Related)	–	–	–	–	–	–	–	–
Z State Pension (Non-Contributory)	–	–	–	–	–	–	–	–
AA Support for Mortgage Interest	62,388	(10,938)	51,450	63,609	–	63,609	12,159	46,428
AB Cost of Living support payments	–	–	–	–	–	–	–	–
AC Other Expenditure	13,227	–	13,227	40,095	–	40,095	26,868	(22,927)
AD Other Expenditure EALBs (Net)	–	–	–	–	–	–	–	183
Total Voted AME	**313,066**	**(97,572)**	**215,494**	**543,852**	**–**	**543,852**	**328,358**	**290,301**
Non-voted:								
AE Social Fund: Winter Fuel	–	–	–	–	–	–	–	–
AF Incapacity Benefit	–	–	–	–	–	–	–	–
AG Social Fund: Other	(35,935)	(52)	(35,987)	20,000	–	20,000	55,987	(49,602)
AH Employment and Support Allowance (Contributory)	–	–	–	–	–	–	–	–
AI Maternity Allowance	–	–	–	–	–	–	–	–
AJ Bereavement Benefits	–	–	–	–	–	–	–	–
AK Christmas Bonus (Contributory)	–	–	–	–	–	–	–	–
AL Jobseekers Allowance (Contributory)	–	–	–	–	–	–	–	–
AM State Pension (Contributory)	–	–	–	–	–	–	–	–
Total AME Non-voted	**(35,935)**	**(52)**	**(35,987)**	**20,000**	**–**	**20,000**	**55,987**	**(49,602)**
Total spending in AME	**277,131**	**(97,624)**	**179,507**	**563,852**	**–**	**563,852**	**384,345**	**240,699**
Non-budget resource:								
Voted:								
AN Cash paid in to the Social Fund	–	–	–	–	–	–	–	–
Total spending in Non-budget	**–**	**–**	**–**	**–**	–	**–**	**–**	–
Total Capital	**1,031,711**	**(228,391)**	**803,320**	**1,285,956**	–	**1,285,956**	**482,636**	**762,756**

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

(i) Reconciliation of net resource outturn to net operating cost

			2025-26	2024-25
			Outturn	Outturn (Restated)
		Note	£000	£000
	Budget	1.1	319,366,822	297,032,854
Total resource outturn in Statement of Parliamentary Supply	Non-budget	1.1	2,038,289	412,649
	Total resource outturn		**321,405,111**	**297,445,503**
Add:	Capital Grants		(95,203)	(324,010)
	Capital Research and Development		18,196	16,222
	Service Concession Adjustments		(460)	15,859
			(77,467)	**(291,929)**
Less:	Income payable to the Consolidated Fund	4	(19,058)	(25,195)
	Cash paid to the Social Fund – Voted Non-budget		(2,038,289)	(412,649)
			(2,057,347)	**(437,844)**
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**319,270,297**	**296,715,730**

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 Arrangements are treated as on-SoFP (Statement of Financial Position) for accounts but treated as off-SoFP for estimates and budgets. Spend is therefore recognised differently in net resource outturn and the SoCNE, and a reconciling adjustment is required.

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

(This information is subject to audit)

	Note	2025-26 Outturn £000	2025-26 Estimate £000	Outturn v Estimate: saving/ (excess) £000
Total Resource outturn	**SoPS 1.1**	**321,405,111**	**327,467,383**	**6,062,272**
Total Capital outturn	**SoPS 1.2**	**803,320**	**1,285,956**	**482,636**
Adjustments for ALBs:				
Remove voted resource and capital		(528,043)	(547,289)	(19,246)
Add cash grant in aid		551,659	506,778	(44,881)
Adjustments to remove non-cash items:				
Non-cash items		(1,428,934)	(1,490,181)	(61,247)
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		1,315,417	1,000,000	(315,417)
Use of provisions		556,746	549,112	(7,634)
Non-Voted Budget		(154,638,324)	(156,799,128)	(2,160,804)
Net Cash Requirement		**168,036,952**	**171,972,631**	**3,935,679**

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

(This information is subject to audit)

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

	Outturn 2025-26		Outturn 2024-25	
	Income	*Receipts*	Income	*Receipts*
	£000	£000	£000	£000
Income outside of the ambit of the Estimate	19,058	*18,819*	25,195	*25,458*
Excess cash surrenderable to the Consolidated Fund	1,721	*1,721*	1,654	*1,654*
Total amount payable to the Consolidated Fund	**20,779**	**20,540**	**26,849**	**27,112**

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 2025-26 of £20.8 million are costs recovered from the automatic enrolment fines collected by The Pensions Regulator (£12 million), income received in respect of debt recoveries (£2.1 million) and collection of civil penalties (£3.7 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 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 2026, FAS collected income totalling £7.5 million, consisting of annuity and other income of £7.5 million and scheme transfer income of £nil (2024-25: £7.8 million, consisting of annuity and other income of £7.8 million, scheme transfer income was £nil). £7.6 million was paid over to the Consolidated Fund during the year (2024-25: £8.0 million). At 31 March 2026, FAS illiquid assets were valued at £69.6 million (2024-25: £83.5 million) and FAS held cash awaiting transfer to the Consolidated Fund of £0.3 million (2024-25: £0.3 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 2025-26 with the final net outturn figure for 2025-26. These variances are calculated prior to virements.

SOPS 1.1 and 1.2

Voted Expenditure – DEL

A – Core Department – Capital

Outturn is £99.8 million lower than the Supplementary Estimate. The variance is mainly due to:

- The reduction in Workplace Transformation due to cost reductions agreed through commercial negotiations and the reprofiling of activity from the original delivery plan into the next financial year.
- The reduction in the draw down requirement for the Fraud Compensation Fund due to lower than forecasted claims.

E – Employment Programmes – Resource

Outturn is £144.1 million higher than the Supplementary Estimate. This is as a result of the forecast at Supplementary Estimate for Access to Work being partially recorded in-year in the Core Department, whereas outturn has been fully recorded against Employment Programmes.

AME

The Office for Budget Responsibility forecasts of benefit expenditure, on which our Estimate are based, are central estimates. Each year we apply a margin to make allowance for macro-economic movements that could occur following finalisation of the Supplementary Estimate process.

Voted Expenditure – AME

M – Universal Credit – Capital

Outturn is £289.3 million lower than the Supplementary Estimate because the net position is lower than forecast due a reduced amount of Budgetary Advance payments and a higher level of recoveries than forecast. We also did not use the margin for uncertainty related to move to Universal Credit.

O – Income Support – Resource

Outturn is £13.7 million higher than the Supplementary Estimate because the migration of Income Support cases to Universal Credit was due to complete, but a small caseload remained throughout 2025-26.

Q – Financial Assistance Scheme – Resource

Outturn is £561.7 million lower than the Supplementary Estimate, primarily reflecting a change in the measurement of the provision following legislative changes affecting the treatment of pre1997 indexation, which has been recognised as a post balance sheet event, and a change following the application of updated HMT discount rates.

AA – Support for Mortgage Interest– Capital

Outturn is £12.2 million lower than the Supplementary Estimate mainly because we did not use the margin added for uncertainty around the size of the Universal Credit Support for Mortgage Interest caseload.

AC – Other Expenditure – Resource and Capital

Resource outturn is £28.2 million higher than the Supplementary Estimate primarily due to an increase in the general legal claims provision following year-end reassessment of liabilities.

Capital outturn is £26.9 million lower than the Supplementary Estimate forecast, mainly due to increased settlements on a number of dilapidations cases in 2025-26, which reduced the estates dilapidations provision, together with fewer new provisions recognised following the reprofiling of planned expenditure into future years.

Non-voted Expenditure – AME

AG – Social Fund: Other – Resource and Capital

Resource outturn is £451.3 million lower than the Supplementary Estimate because we did not use the margin that was included in the Supplementary Estimate for Cold Weather Payments to account for colder than expected weather.

Capital outturn is £56.0 million lower than the Supplementary Estimate primarily because we did not use the margin included to take account of higher than expected demand for new loans and lower than expected recoveries. Whilst DWP aims to fund new loans from recoveries, a margin was applied to the net position to ensure the Department can continue to support vulnerable citizens in times of financial hardship. In addition, budgeting and crisis loans recoveries exceeded the value of new loans issued

AL – Jobseekers Allowance (Contributory) – Resource

Outturn is £38.1 million lower than the Supplementary Estimate primarily because we did not use the margin which took account of possible higher than forecast unemployment.

Non-Budget

AN – Cash paid in to the Social Fund – Resource

Cash paid into the Social Fund is £480.3 million lower than the Supplementary Estimate mainly due to the significant margin for Cold Weather Payments included in the Supplementary Estimate that was not required at outturn.

Core Tables

(This information is not subject to audit)

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

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
Resource DEL[2]									
Section A: Core Department	5,757	5,520	5,740	5,962	6,693	7,739	8,154	7,879	–
Section B: Health and Safety Executive (Net)	154	148	171	169	158	154	210	204	–
Section C: Money and Pensions Service (Net)	150	154	164	163	195	214	176	177	–
Section D: Other Arm's Length Bodies (Net)	100	103	111	119	126	141	133	131	–
Section E: Employment Programmes	790	815	753	765	854	821	823	825	–
Section F: Support for Local Authorities	214	212	206	212	206	176	228	229	–
Section G: Funding for Public Corporations	(1)	(9)	(20)	(22)	(26)	(27)	10	10	–
Section H: Other Benefits	813	978	979	977	875	45	255	257	–
Section I: Apprenticeships	2,448	2,457	2,508	2,768	3,095	3,298	3,195	3,161	–
Section J: Adult Skills	1,432	1,522	1,551	1,721	1,431	791	1,604	1,604	–
Section K: Skills England[11]	23	27	28	28	19	28	28	28	–
Section L: National Insurance Fund – Core Department	714	203	289	647	462	480	477	496	
Section M: Social Fund	34	26	23	31	21	31	36	36	–
Total Resource DEL	**12,628**	**12,156**	**12,503**	**13,540**	**14,109**	**13,891**	**15,329**	**15,037**	**–**

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
Of which:									
Staff costs	3,894	3,790	4,133	4,492	4,938	5,525	5,014	4,952	–
Purchase of goods and services	2,602	2,470	2,737	2,961	3,334	2,542	4,411	4,244	–
Income from sales of goods and services	(229)	(222)	(192)	(191)	(166)	(33)	(363)	(357)	–
Current grants to local government (Net)	1,913	2,119	2,230	2,362	2,255	1,503	1,351	1,354	–
Current grants to persons and non-profit bodies (Net)	4,657	4,473	3,368	3,634	2,978	2,386	3,135	3,117	–
Current grants abroad (Net)	(283)	(556)	(541)	(538)	(59)	–	–	–	–
Subsidies to public corporations	48	39	35	35	35	24	3	3	–
Rentals	18	34	42	17	20	–	86	86	–
Take up of provisions	8	7	–	3	(3)	–	–	–	–
Other resource	–	1	691	765	775	1,943	1,693	1,637	–
Resource AME[3]									
Section N: Severe Disablement Benefit	62	58	56	54	47	42	36	30	–
Section O: Industrial Injuries Benefits Scheme	705	695	736	752	738	732	717	695	–
Section P: Universal Credit	40,616	41,219	52,131	66,394	80,456	88,001	88,736	89,983	–
Section Q: Employment and Support Allowance (Non-contributory)	8,182	7,561	7,446	7,169	1,938	35	29	27	–
Section R: Income Support	768	866	647	280	29	7	3	1	–
Section S: Pension Credit	4,834	4,935	5,467	6,008	6,339	6,053	5,909	5,781	–
Section T: Financial Assistance Scheme	945	(1,664)	(271)	162	76	175	–	–	–
Section U: Attendance Allowance	5,307	5,668	6,696	7,767	8,487	9,233	9,690	10,104	–
Section V: Personal Independence Payment	15,300	17,694	21,826	25,956	28,518	32,144	34,873	37,780	–
Section W: Disability Living Allowance	5,696	5,975	6,862	7,723	8,269	8,883	9,297	9,469	–
Section X: Carer's Allowance	3,075	3,250	3,738	4,239	4,592	5,024	5,395	5,685	–

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
Section Y: Housing Benefit	15,545	14,876	15,162	14,677	12,187	11,643	11,969	12,352	–
Section Z: Statutory Maternity Pay	2,569	2,629	2,881	3,054	3,239	3,266	3,408	3,498	–
Section AA: Christmas Bonus (Non-contributory)	37	41	46	51	54	57	60	62	–
Section AB: Jobseeker's Allowance (Non-contributory)	300	225	145	91	4	1	1	–	–
Section AC: State Pension (Non-contributory)	160	179	224	229	246	245	258	270	–
Section AD: Support for Mortgage Interest	3	2	2	4	5	5	6	7	–
Section AE: Cost of Living Support Payments	–	5,665	7,792	(4)	(21)	(6)	–	–	–
Section AF: Other Expenditure	259	607	534	394	456	487	554	489	–
Section AG: Other Expenditure EALBs (Net)	14	15	17	11	18	12	14	12	–
Section AH: Industrial Training Boards (ALB Net)	31	(9)	17	6	20	38	38	38	–
Section AI: Social Fund: Winter Fuel	1,974	4,566	4,655	302	1,911	1,912	1,907	1,922	–
Section AJ: Incapacity Benefit	(9)	12	(1)	1	1	1	1	1	–
Section AK: Social Fund: Other	10	192	80	78	75	86	88	89	–
Section AL: Employment and Support Allowance (Contributory)	4,507	4,527	4,911	5,168	5,163	5,275	5,338	5,262	–
Section AM: Maternity Allowance	362	390	412	403	381	404	423	435	–
Section AN: Bereavement Benefits	341	399	330	349	301	276	271	264	–
Section AO: Christmas Bonus (Contributory)	124	126	128	130	133	131	130	131	–
Section AP: Jobseeker's Allowance (Contributory)	190	108	169	222	270	365	338	309	–
Section AQ: State Pension (Contributory)	104,668	110,492	123,967	136,362	145,910	153,941	158,677	163,729	–
Total Resource AME	**216,575**	**231,299**	**266,805**	**288,032**	**309,842**	**328,468**	**338,166**	**348,425**	**–**

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
Of which:									
Staff costs	39	44	52	60	70	80	80	80	–
Purchase of goods and services	71	74	69	105	88	73	73	73	–
Income from sales of goods and services	(42)	(45)	(47)	(61)	(43)	(55)	(55)	(55)	–
Current grants to local government (Net)	15,545	14,876	15,162	14,677	12,187	11,643	11,969	12,352	–
Current grants to persons and non-profit bodies (Net)	199,239	218,184	251,985	274,091	296,923	315,633	324,993	334,803	–
Depreciation[4]	489	(904)	699	521	1,270	880	967	922	–
Take up of provisions	1,506	(395)	(487)	(830)	(183)	186	7	7	–
Change in pension scheme liabilities	2	2	2	2	2	–	–	–	–
Release of provision	(498)	(750)	(774)	(704)	(677)	(254)	(114)	(6)	–
Other resource	224	212	146	171	204	284	249	252	–
Total Resource Budget	**229,203**	**243,455**	**279,308**	**301,572**	**323,951**	**342,359**	**353,495**	**363,462**	**–**
Of which:									
Depreciation[4]	489	(904)	699	521	1,270	880	967	922	–
Capital DEL[5]									
Section A: Core Department	442	231	475	469	545	914	793	560	491
Section B: Health and Safety Executive (Net)	17	14	26	9	17	10	14	10	9
Section C: Money and Pensions Service (Net)	–	12	6	12	13	3	18	13	11
Section D: Other Arm's Length Bodies (Net)	6	8	12	(18)	1	1	(28)	(20)	(17)
Section G: Funding for Public Corporations	113	139	63	1	–	–	2	1	1
Section I: Apprenticeships	5	4	4	6	11	4	4	4	7
Section K: Skills England	1	2	–	1	1	3	3	3	–
Section M: Social Fund	49	46	51	49	48	65	12	11	13
Total Capital DEL	**633**	**456**	**637**	**529**	**636**	**1,000**	**818**	**582**	**515**
Of which:									
Staff costs	3	3	6	9	10	–	11	7	7
Purchase of goods and services	14	8	6	8	8	27	27	19	16

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
Capital grants to private sector companies (Net)	–	3	9	(2)	1	4	17	12	10
Capital support for public corporations	110	138	61	48	42	97	24	22	22
Purchase of assets	463	292	627	467	648	798	751	529	501
Income from sales of assets	(2)	(34)	(127)	(48)	(125)	–	(23)	(20)	(54)
Net lending to the private sector and abroad	49	46	51	49	49	65	12	11	13
Other capital	(4)	–	3	(2)	2	9	–	–	–
Capital AME									
Section P: Universal Credit	70	110	129	267	151	193	165	174	–
Section AD: Support for Mortgage Interest	18	16	30	46	51	62	66	66	–
Section AF: Other Expenditure	–	7	46	(23)	13	28	12	7	–
Section AH: Industrial Training Boards (ALB Net)	(4)	1	3	6	6	23	23	23	–
Section AK: Social Fund: Other	(58)	(63)	(49)	(50)	(36)	(6)	(2)	(1)	–
Total Capital AME	**26**	**71**	**159**	**246**	**185**	**300**	**264**	**269**	**–**
Of which:									
Purchase of goods and services	–	–	1	1	2	–	–	–	–
Take up of provisions	–	7	50	3	26	28	12	7	–
Capital grants to private sector companies (Net)	–	–	–	(5)	(6)	–	–	–	–
Purchase of assets	–	1	(1)	6	5	23	23	23	–
Income from sales of assets	(1)	–	–	(1)	–	–	–	–	–
Net lending to the private sector and abroad	472	197	262	578	253	265	229	239	–
Other capital	(445)	(134)	(152)	(314)	(87)	(17)	–	–	–
Release of provision	–	–	–	(20)	(7)	–	–	–	–
Total Capital Budget	**659**	**527**	**796**	**775**	**821**	**1,300**	**1,082**	**851**	**515**

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
Total departmental spending	**229,372**	**244,885**	**279,405**	**301,825**	**323,501**	**342,779**	**353,610**	**363,391**	**515**
Of which:									
Total DEL	**13,261**	**12,612**	**13,140**	**14,069**	**14,745**	**14,891**	**16,147**	**15,619**	**515**
Total AME	**216,111**	**232,273**	**266,265**	**287,756**	**308,756**	**327,888**	**337,463**	**347,772**	**–**

1. These tables are not reported on the same basis as the financial statements disclosures and SOPS, with differing categories and headings.
2. DEL resource and capital are 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. AME limits are set as part of the Autumn Statement and Spring Budget process.
4. Depreciation includes impairments. Outturn and plans have been restated to reflect the reclassification of depreciation from DEL to AME, effective from 1 April 2026.
5. Expenditure on tangible and intangible fixed assets is net of sales.
6. Expenditure is stated net of income from sales of goods and services.
7. Total departmental spending is the sum of the resource budget and the capital budget less depreciation.
8. 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 2026, OSCAR reflects the planned Main Estimate 2026-27 position, with plan years 2026-27 to 2028-29 (2029-30 for capital DEL) reflecting Spending Review 2025 and updates from the subsequent fiscal events. 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.
9. Outturn has restated to reflect the impact of the social benefits accounting policy change (FReM), effective from 1 April 2025.
10. Core tables have been updated to reflect the Machinery of Government (MoG) change transferring responsibility for apprenticeships, adult further education, skills, training and careers and Skills England from the Department for Education (DfE) to DWP, announced on 16th September 2025. The budgetary changes take effect from the Main Estimate 2026-27.
11. Skills England (Section K) outturn includes expenditure relating to activity previously undertaken by the Institute for Apprenticeships and Technical Education, which was replaced by Skills England on 1 June 2025.
12. Totals may not sum due to rounding.

Table 2: Administration budget for the Department for Work and Pensions

Table 2: Administration budget

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
	£million	£million	£million	£million	£million	£million	£million	£million	£million
Resource DEL									
Core Department	827	782	899	927	1,025	1,315	1,306	1,205	–
Health and Safety Executive (Net)	55	51	50	51	39	63	79	72	–
Other Executive Arm's Length Bodies (Net)	14	16	16	19	19	7	25	23	–
Skills England	10	10	11	9	7	–	–	–	–
Total administration budget	**906**	**859**	**976**	**1,006**	**1,090**	**1,385**	**1,410**	**1,300**	**–**
Of which:									
Staff costs	527	562	597	627	667	746	884	816	–
Purchase of goods and services	411	317	409	421	435	582	608	559	–
Income from sales of goods and services	(38)	(41)	(47)	(39)	(11)	(6)	(81)	(75)	–
Current grants to persons and non-profit bodies (Net)	–	–	1	–	–	–	–	–	–
Rentals	(7)	9	10	4	3	–	–	–	–
Other resource	13	13	5	(7)	(3)	63	–	–	–

1. Totals may not sum due to rounding.

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[146].

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 also forms part of our risk management framework.

In 2025-26, we did not breach any of our control totals, details are provided in the Statement of Outturn against Parliamentary Supply on page 270.

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 231.

146 HM Treasury's Managing Public Money

Losses and Special Payments

(This information is subject to audit)

These losses and special payments relate to the running of the departmental group.

	2025-26				2024-25			
	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	520,527	522,366	1,274,287	1,275,438	478,584	480,319	1,099,417	1,100,830
Special Payments	11,686	11,912	10,664	10,672	6,069	6,099	11,638	11,640

Overpayments due to fraud and error are not considered losses until recovery options have been exhausted, for more information please see note 1.11

(i) Losses arising from benefit overpayments, grants and subsidies

	2025-26 £000	2024-25 £000
Non-recoverable benefit overpayments During the year we write off non-recoverable overpayments of benefit and tax credits. These are where we cannot legally enforce repayment or it is not in the public interest to do so.	**417,262**	**365,636**
Customer Fraud We write off overpayments resulting from customer fraud once we have exhausted our debt recovery processes.	**5,293**	**5,807**

	2025-26 £000	2024-25 £000
Social Fund	**56,149**	**51,438**
We make low-cost funeral expense payments to people who receive (or whose partners receive) a qualifying benefit or tax credits. These are recoverable from the estate of the deceased but we write them off when there are not enough assets in the estate. This year we wrote off 25,137 funeral expense payments with a total value of £52.5 million. Budgeting and crisis loans which cannot be recovered are written off subject to strict criteria. This year we wrote off 19,747 of these loans with a total value of £1.7 million. This included a write-off of £475,721.96 of historic Social Fund Accounting System Budgeting Loan and Crisis Loan balances for historic loans which could not be matched to customer or verified following exhaustive investigations. This was approved by HMT. We also wrote off £2 million of irrecoverable overpayments. £1.6 million relates to Winter Fuel Payments and £0.4 million to Cold Weather Payments.		
Hijacked Identities	**31,173**	**32,130**
Losses are attributed to fraudulent Universal Credit, New Style JSA and New Style ESA claims made using a hijacked identity, predominantly during the pandemic. Criminals exploited the Trust and Protect easement introduced to the identity verification process to ensure access to welfare benefits was maintained throughout. We believe we have done all we reasonably can to identify the criminals. Counter fraud have conducted in-depth investigations leading to numerous arrests, recent convictions and in some cases the disruption of sophisticated Organised Crime Groups. The Department will continue to work with the Crown Prosecution Service and the Scottish Procurator Fiscal to recover as much debt as possible through the Proceeds of Crime Act. Any funds subsequently recovered will be remitted to HM Treasury. Some small losses in Attendance Allowance, State Pension, New Style JSA and New Style ESA are to be included in 2025-2026 write off.		

(ii) Cash losses

	2025-26 £000	2024-25 £000
Bad Debts – Staff Costs Bad debts written off in respect of staff costs where value is less than the Department's threshold (£500) or age of debt is greater than six months.	**1,168**	**1,971**
Flexible Support Fund Losses The Department gives funds to some claimants to buy items to help them to start work. If, after a number of reminders, claimants do not provide receipts, or provide incomplete or incorrect receipts, the Department treats the funding as a loss. This figure is an estimate based on returns provided by individual jobcentres. Controls are being strengthened through improved use of Flexible Support Fund application data, enhanced receipting and audit trails, and increased oversight supported by guidance and assurance activity.	**1,750**	**1,647**
Financial Assistance Scheme (FAS) overpayments We have written off £393,000 in overpayments to certain FAS members, reflecting their age and vulnerability, the length and complexity of the scheme wind-up, and the very low likelihood of recovery. The overpayments arose due to delays and data issues, although correct procedures were followed. Recovery action would be prolonged and disproportionate. As this relates to the final scheme to transfer into FAS, the write-off enables completion of the transfer, with no wider control issues identified. The remainder relates to other smaller FAS scheme write-offs.	**436**	**–**

(iii) Realised Exchange Rate Fluctuation

	2025-26 £000	2024-25 £000
European Social Fund (ESF) Exchange Rate We carry a risk (and opportunity) on ESF transactions due to exchange rate fluctuations between receiving pre-financing and repaying it to the European Commission. To account for the closure of the ESF Programme, transactions have been processed in 2025-26, resulting in a net gain on foreign exchange of £2.113 million, consisting of £11.576 million in losses more than offset by £13.689 million in gains.	**(2,113)**	**4,905**

(iv) Special Payments

	2025-26 £000	2024-25 £000
Personal Injury Legal costs staff/contractors These are legal costs arising from personal injury payments suffered by Civil Servants or Contractors.	**802**	**1,120**
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.	**864**	**860**
Employment Tribunal Settlement Payments to Employees, Contractors and others, as a result of an Employment Tribunal settlement (settlement payments agreed prior to ET resolution).	**414**	**399**
Legal Settlements This includes a special payment of £4.7 million which was paid to a third party to remove the liability for a commercial dispute against the Department, in which the claimant received a favourable legal judgement, and £1.7 million relating to a sealed High Court settlement arising from a longstanding multi-claimant case against the Department. The remaining balance relates to ex gratia payments from out-of-court legal settlements.	**7,610**	**1,588**
Loss of Statutory Entitlement Payments 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.	**319**	**452**
HRP Extra-Statutory Payments These special payments arose as a result of the HRP LEAP exercise. Statutory limitations on backdating and lump-sum payments meant that some individuals were likely to pass away before receiving the full amount of State Pension arrears due to them. HM Treasury therefore approved extra statutory payments to ensure affected customers received their full entitlement in a timely manner.	**426**	**–**

(v) Constructive Losses

	2025-26 £000	2024-25 £000
Decommissioned Sites This loss is the total amount of rent we have paid relating to vacant property. This is linked to the planned decommissioning of a series of properties post the peak of the COVID-19 pandemic and in alignment with our Estates Strategy, in order to deliver savings on site running costs and operational overheads and ensure readiness for divestment. These sites were taken on a five year lease, with a breakpoint at year three. The Department has served notice to exit at the breakpoint but are committed to pay for these leases until that time. The lease liability for the decommissioned sites in 2025-26 paid out is £1.047 million.	**4,269**	**7,935**
Health Assessment Service (HAS) IT system This loss relates to £0.6 million of costs associated with the Health Assessment Service IT system developed under the Health Transformation Programme. The charge reflects iterative software development activity in line with Agile delivery principles, where elements of the approach were revised to achieve better overall value. This does not affect the ongoing use or service potential of the core software asset, which remains operational and continues to support the Department's service delivery.	**600**	**–**
Software Licenses This loss relates to £2.3 million of software licences purchased in 2021 that will not be utilised. The licences were originally intended to support the development of a system for verifying caller identity. Subsequent changes in programme priorities, delays in related work, and a major redesign of the contact centre service meant the licences were never deployed. With the introduction of new suppliers and updated technology solutions, these licences are no longer required.	**2,283**	**–**
Loss on disposal of assets following lease exit This relates to asset disposals following the end of a building lease. As the site will not be reoccupied, the related assets were removed from the balance sheet, including £625,000 of leasehold improvements and £251,000 of plant and machinery such as boilers and heating, ventilation and air conditioning systems.	**923**	**–**

(vi) Other Accountability Issues

	2025-26 £000	2024-25 £000
Counter Fraud and Investigation – DWP Other Accountability Fraud Data 2026	**716**	**1,758**
1 April 2025 to 31 March 2026		
The Government Internal Audit Agency's Counter Fraud and Investigation team provides counter fraud services to the Department. This includes the investigation of internal fraud and/or other serious breaches of our Standards of Behaviour by 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:		
16 investigations were completed, resulting in proven losses of £103,681		
Benefit related losses, for example, employee benefit fraud or diversion of payments:		
40 investigations were completed, resulting in proven losses of £612,715.50		

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 under parliamentary reporting requirements and not under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

National Employment Savings Trust (NEST)

The Pension Schemes Act 2017 introduced the definition of a Master Trust and signalled the start of a robust new authorisation and supervision regime, administered by the Pensions Regulator to ensure that Master Trusts being used for automatic enrolment are safe for the many millions of people now saving in these schemes. To be able to operate as a Master Trust (MT), of which Nest is one, schemes are required to meet five authorisation criteria prescribed in the 2017 Act.

One of the criteria is that the scheme must be financially sustainable. This means that in the event of a triggering event, an event that would put the scheme at risk of needing to wind up, the scheme must hold sufficient financial reserves to cover its gradual closure, without putting these additional costs onto 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. As part of the annual review of Nest's funding settlement we have agreed that Nest can hold capital sufficient to meet the difference between potential costs and the original assessment, so there is no change to the Department's liability.

We have 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.

Dormant Employment and Support Allowance (ESA) and Severe Disability Premium (SDP) underpayments

Some income-related ESA claimants should receive an additional element called a Severe Disability Premium if they are eligible. A claimant cannot apply for these as they are part of the benefit. To enable payment, claimants are required to provide up-to-date information that we request on their individual circumstances. As a result of a

combination of information not being provided, not being held and the Department not effectively assessing entitlement, some customers have missed out on additional premiums alongside their benefit award.

Unfortunately, some underpayments may be owed to customers who no longer have an active ESA claim and restrictions in data make it difficult to identify, assess and correct these errors.

We are therefore disclosing an unquantified remote contingent liability.

Reconciliation of contingent liabilities included in the Supply Estimate to the accounts

(This information is not subject to audit)

		Quantifiable Contingent Liabilities	
Description of contingent liability	**Supply Estimate**	**Amount disclosed in ARA**	**Variance (Estimate – Amount disclosed in ARA)**
Legal Cases	£480,000,000	£517,000,000	(£37,000,000)
National Employment Savings Trust (NEST) – (Remote)	£16,450,000	£16,450,000	-
Compensation recovery	No	**£13,769,000**	**£13,769,000**

		Unquantifiable Contingent Liabilities	
Description of contingent liability	**Included in Supply Estimate (Yes/No)**	**Disclosed in the ARA (Yes/No)**	**Explanation of difference**
Benefit underpayments	Yes	Yes	N/A
European Social Fund (ESF) repayments	No	Yes	Liability confirmed after supply estimate submission
The Rent Service employee pensions	Yes	Yes	N/A
Compensation claims	Yes	Yes	N/A
Dilapidation liability for leased property	Yes	Yes	N/A
Actian	No	Yes	Liability revised after supply estimate submission
Bauer judgement (FAS)	Yes	Yes	N/A

		Unquantifiable Contingent Liabilities	
Description of contingent liability	**Included in Supply Estimate (Yes/No)**	**Disclosed in the ARA (Yes/No)**	**Explanation of difference**
Employment programmes – Access to Work	Yes	Yes	N/A
Occupational Health Contract	Yes	No	Liability revised after supply estimate submission
Dormant ESA Severe Disability Premium underpayments (Remote)	No	Yes	Remote contingent liability confirmed after supply estimate submission

Bodies outside the boundary

(This information is subject to audit)

The following are arm's length bodies of DWP outside our accounting boundary as they are public corporations:

Office for Nuclear Regulation

Pension Protection Fund

National Employment Savings Trust Corporation

Sir Peter Schofield KCB
Permanent Secretary

2 July 2026

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 2026 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 2024. The financial statements comprise: the Department's and the Departmental Group's:

- Consolidated Statement of Financial Position as at 31 March 2026;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated 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 2026 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* section of my certificate, 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 2026 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 £311.2 billion in 2025-26[147]. Within note 19 to the accounts, the Department estimates the level of overpayments and underpayments in the benefit system. There are:

- overpayments of £9.7 billion (6.0% of related expenditure) excluding State Pension; and
- underpayments due to official error of £0.8 billion (0.5% of related expenditure) excluding State Pension.

Where fraud, claimant error and official error results in overpayments and official error results in 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 £0.2 billion (0.2% of related expenditure); and
- underpayments due to official error of £0.4 billion (0.3% of related expenditure).

In my opinion, I consider these levels of overpayments and underpayments to be immaterial to 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, claimant error and official error where payments have not been made for the purposes intended by Parliament; and
- the estimated level of overpayments and underpayments due in such benefit expenditure which do not conform to the relevant authorities.

My report, which follows on pages 319 to 332, provides further detail of my qualified audit opinion on regularity.

147 Total expenditure on benefits in 2025-26 was £311.2 billion, as reflected in the Statement of Comprehensive Net Expenditure for the core Department. Note 19 to the accounts sets out estimated total expenditure on benefits of £308.6 billion, which represented the latest available forecast for 2025-26 at the time DWP produced the fraud and error estimates.

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 Bodies in the United Kingdom (2024)*. 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 2024*. 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.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Regulations issued under governing legislation	Primary and secondary social security legislation which specifies the entitlement criteria for each benefit, the method to be used to calculate the amount of benefit to be paid, and other aspects of benefit administration.
Parliamentary authorities	Supply and Appropriations Act
HM Treasury and related authorities	Managing Public Money

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 is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

Except for the matter described in the *Basis for qualified opinion on regularity* section above relating to the regularity of benefit expenditure and covered more fully in my report on pages 319 to 332, I have determined that there are no other key audit matters to communicate in my certificate and report.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed audit risk on the potential for management override of controls where my work has not identified any matters to report.

The key audit matters were discussed with the Departmental Audit and Risk Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on in the Governance Statement.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- The Financial Assistance Scheme (FAS) provision was £3.6bn as at 31 March 2026 (31 March 2025: £3.7bn). I no longer consider the FAS provision to be a key audit matter. This reflects the maturity and stability of the scheme, in addition to the well-established valuation methodology and assumptions having been subject to independent review over a number of years.

- I no longer consider there to be a key audit matter in respect of the Home Responsibilities Protection (HRP) provision. The valuation of liabilities has stabilised at an immaterial level of £22.4m as at 31 March 2026 (31 March 2025: £29.8m).I have previously evaluated and challenged the reasonableness and appropriateness of significant management assumptions underpinning this valuation, which I consider to be reasonable.

Misstatement of benefit expenditure arising from IT complexity (Department)

Description of risk

The Department reported £311.2 billion of benefit and pension related expenditure for the period to 31 March 2026. See note 5 in the financial statements.

The Department is responsible for administering and paying a range of benefits to pensioners, working age people and children, disabled people and those with health conditions, in accordance with the legislations and regulations for each benefit. Around 23 million people use the benefits system. Each individual or household provides detailed information to the Department in writing, over the telephone or electronically in support of their pension or benefit application. The Department uses this information to assess and make decisions about claims, and to make payments in accordance with legislation and regulations.

The Department processes benefit and State Pension claims by inputting and storing entitlement data in various benefit systems. To generate payments, the Department has automated the data transfers between these benefit systems, its payment system, and the bank. High volumes of data pass through these custom interfaces each day to ensure individuals and households are paid.

I have identified a risk of material misstatement relating to the completeness and accuracy of benefit and pension expenditure due to the high level of complexity within these systems, which increases the likelihood of a material misstatement if these data flows do not operate as intended.

How the scope of my audit responded to the risk	My IT audit specialists conducted work to update my understanding of the Department's systems and data interfaces and to assess the complexity of the information systems it operates. These specialists have supported me in assessing the design and implementation of controls established by the Department to reconcile key aspects of the data transfer processes between the three main components of the process: benefits systems, payment system and bank payments made. They have also supported me in testing the operational effectiveness of these controls and assessing the operation of wider IT processes and controls which are directly relevant to the key reconciliations. My substantive audit procedures included: • For a sample of transactions recorded in the payments system, agreeing them to assessed benefit entitlements recorded in benefit systems and to bank payments; • For a sample of payment reconciliation controls performed by the Department, re-performing them based on the underlying reports of payment instructions sent to the payment system through to the batches sent for payment; and • Undertaking completeness and cut off testing of the expenditure recognised in year by testing transactions pre and post year end to confirm that they have been recorded in the correct financial year. **Key observations** The outcomes of the procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

Measurement of expected credit losses (Department)

Description of risk

The Department holds £11.3 billion of benefit-related receivables and has recognised £3.2 billion of expected credit losses in respect of these as at 31 March 2026. See note 14 in the financial statements.

In administering benefits and pensions, the Department will identify circumstances in which individuals or households have been overpaid, either through fraud or error. Where overpayments 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.

The Department is also responsible for recovering historical overpayments of Tax Credits. These recoverable overpayments were assessed by HM Revenue and Customs (HMRC) as receivables and have been transferred to the Department for collection and are recognised as Tax Credits receivables.

In some circumstances, and particularly in Universal Credit, the Department will provide advances of benefit prior to an application for benefit being approved. These advances are recoverable from individuals or households and are recognised as benefit advances receivables.

The Department also enters a small number of loan arrangements as part of Social Fund that are recoverable under specific agreements with recipients, and are recognised as Social Fund loan receivables.

To value these receivable balances under the requirements of IFRS 9, as adapted for the public sector by the Government Financial Reporting Manual, the Department is required to reduce the gross value of these receivables by estimating expected credit losses.

The measurement of expected credit losses requires the Department to make significant judgements in the selection of modelling methods, input data and assumptions, including specific consideration of whether any future economic factors would impact modelled recoveries.

For these reasons, I have identified a risk of material misstatement arising from the measurement of expected credit losses on benefit receivables held by the Department and the disclosure of the estimation uncertainty inherent to this measurement.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • Assessing the design and implementation of controls over the selection of modelling methods, input data and assumptions for the measurement of expected credit losses, including an assessment and reperformance of reconciliations prepared by management between the debt, payment and benefit entitlement records; • Evaluating and challenging the appropriateness of the methods and techniques selected by the Department to estimate expected credit losses to obtain assurance that these are appropriate and reasonable in the context of the applicable financial reporting framework; • Evaluating and challenging the appropriateness of the historical recoveries data used in the model, agreeing key data inputs back to debt system reports and reconciling these reports to my audited populations in year, or to balances reported in prior periods, to provide assurance over the completeness and accuracy of the data used; • Evaluating and challenging the reasonableness and appropriateness of significant assumptions and judgements; including an assessment of any potential management bias. The most significant of these were: – Whether the Department's past recovery performance based on the age of the debt is the best predictor of future credit losses when compared to reasonable alternative approaches; – The strength of any relationships between historic credit losses and economic indicators, where I engaged an auditor's expert to evaluate the modelling and conclusions reached by the Department to inform my judgement; and. – How the Department had selected proxy recovery rates for newer benefits – such as Universal Credit and Personal Independence Payments, where the Department has limited historical data available for recoveries – and evaluating the impact alternative choices would have made on model outputs. • Examining the calculations in the Department's model, including fully testing all calculations with a significant impact on the value of expected credit losses, confirming that all significant assumptions and data were appropriately applied to confirm the model operated in accordance with the Department's chosen method. • Evaluating and challenging management's assessment of estimation uncertainty, in particular in relation to the future performance of Universal Credit Overpayment, Tax Credit Overpayment and Benefit Advance debts. This included independently calculating a range of possible outcomes based on the uncertainties identified during the audit and confirmed the Department's assessment was consistent with this range.

How the scope of my audit responded to the risk	• Evaluating and challenging the adequacy of disclosures in respect of significant judgements and sources of estimation uncertainty. **Key observations** The outcomes of the procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

Unfulfilled Eligibility – regularity and classification of claimant error underpayment (Department)

Description of risk

The Department reported £3.7 billion of claimant error underpayments, which it classifies as Unfulfilled Eligibility, in note 20 to the financial statements.

In 2023-24, the Department removed Claimant Error underpayments from the Fraud and Error statistics and reclassified these as 'Unfulfilled Eligibility', published in separate statistics. I have previously considered Unfulfilled Eligibility payments to be irregular and included them within the scope of my regularity qualification along with underpayments due to Official Error and all types of overpayments resulting from error and fraud.

In 2024-25, I reconsidered the technical basis for the arguments the Department put forward in respect of the regularity of such underpayments, along with additional evidence provided in support of those arguments. I agreed that these payments are compliant with the relevant legislation, are in accordance with Parliament's intentions and therefore are regular. As a result I removed the published value of Unfulfilled Eligibility from my regularity qualification.

A high value of benefit payments continues to be classified by the Department as Unfulfilled Eligibility amounting to £3.7 billion in 2025-26 (1.2% of benefit expenditure). As judgement is required in assessing the cause of underpayments then I consider that this creates a risk to the regularity of expenditure, arising from potential misclassification of underpayments between the Official Error (irregular) and Unfulfilled Eligibility (regular) categories within the fraud and error statistics. There is also a misclassification risk in relation to the disclosures that provide context to the user of the financial statements on the impact of fraud and error in the financial statements.

How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • Reviewing the design and implementation of the regularity controls in place over benefit expenditure; • Earning the right to rely on in-year benefit case testing performed by the Department by re-performing a sample of its work on all types of cases; • Sample testing cases assessed by the Department as including Unfulfilled Eligibility to test their classification between underpayment categories; • Assessing the reasonableness of statistical models used to produce the Department's estimate of the total value of Unfulfilled Eligibility through reviewing the reasonableness of assumptions, data cleansing and extrapolation methodology involving my statistical experts; and • Reviewing the accuracy and completeness of fraud and error disclosures in the financial statements based on the underlying statistics. **Key observations** The outcomes of the procedures I performed in response to this risk were satisfactory. I noted no material issues arising from my work.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its Group's financial statements as a whole as follows:

	Departmental group	Department parent
Materiality	£2.9 billion	£2.9 billion
Basis for determining materiality	1% of prior year gross expenditure of £298.1 billion	1% of prior year gross expenditure of £298.1 billion
Rationale for the benchmark applied	The overall account materiality is based on gross expenditure because the administration and payment of benefits is the Department's primary purpose under the relevant authorising legislation for which it is held to account by the primary user of the financial statements – Parliament. The Departmental Group is dominated by Departmental expenditure with comparatively little expenditure occurring in Group components.	

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. For both Departmental group and Departmental parent performance materiality was set at 75% of materiality for the 2025-26 audit (2024-25: 75%).

In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties

note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Departmental Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Departmental Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Departmental Audit and Risk Assurance Committee have decreased net expenditure by £337 million.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department, its Group's and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. To address the risk of non-compliance with the Department's framework of authorities I undertook audit procedures over the estimated level of fraud and error in benefit expenditure. I also assessed controls over the Statement of Outturn against Parliamentary Supply and reviewed the production of the statement.

The activities of the Department contribute a substantial proportion of the Departmental Group's accounts. For example, my audit of the Department covered 99.9% of the Group as measured by each entity's gross expenditure. I considered whether additional audit work was required over the remaining 0.1% of the Departmental Group in line with ISA 600 (Revised) *Special Considerations – Audits of Group Financial Statements*. Due to the minimal transactions and balances within these components compared to materiality, no further procedures above testing the journals posted by the Department to eliminate intra group transactions was considered necessary.

This work, together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 issued 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 issued under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements 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 and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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 is 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies;
- inquired of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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 the Government Resources and Accounts Act 2000, Managing Public Money and relevant benefit and pension legislation;
- inquired of management, internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal specialists engaged on statistical methodology 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, benefit expenditure, and bias in management estimates (including the Department's estimate of fraud and error in benefit expenditure,

classification of underpayments in benefit expenditure between official error and claimant error, and expected credit losses on benefit receivables). In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused 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 Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2025, relevant employment law, pensions legislation and tax legislation.

I considered specific risk assessments in respect of significant risks relating to non-compliance with laws and regulations and fraud, including:

- reviewing the Department's approach to significant estimates presented within the accounts including the Department's estimate of fraud and error in benefit expenditure, classification of underpayments in benefit expenditure between official error and claimant, expected credit losses on benefit receivables; and
- understanding changes to benefit and State Pension laws and regulations.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Departmental Audit and Risk Assurance Committee and the Department's legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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;
- I examined the processes for producing the significant estimates presented within the accounts, including the Department's estimate of fraud and error in benefit expenditure, classification of underpayments in benefit expenditure between official error and claimant, and expected credit losses on benefit receivables. This included verifying the data used by management and the appropriateness of the assumptions and judgements made; and

- I reviewed the Department's procedures and controls to administer benefits and State Pension in accordance with laws and regulations.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal 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 required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Gareth Davies

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6 July 2026

Report by the Comptroller and Auditor General

Fraud and error in benefit expenditure

Introduction

The Department for Work & Pensions (DWP) is responsible for welfare, pensions and child maintenance policy. It is required to pay benefits and State Pension to claimants and pensioners on time and in full, in accordance with legislation and the related regulations.

In 2025-26, DWP spent £311.2 billion on benefits and State Pension payments to claimants and pensioners.[148] Of this, £145.8 billion was spent on State Pension, £151.9 billion was on other benefits paid directly by DWP and £13.5 billion was on grants paid by DWP to local authorities, the largest element of which was £12.2 billion for Housing Benefit paid on DWP's behalf. Benefit and State Pension expenditure represented 97% of DWP's total operating expenditure of £319.8 billion. The remaining expenditure related to DWP's running costs such as staff remuneration.

This report sets out:

- how DWP estimates the levels of fraud and error in benefit expenditure;
- the reasons and context for my qualified audit opinion in relation to fraud and error in benefit expenditure;
- the estimated levels and causes of fraud and error in the benefit system; and
- how I intend to assess fraud and error in my future audits of DWP's annual financial statements.

148 Audited total expenditure on benefits in 2025-26 was £311.2 billion, as reflected in the Statement of Comprehensive Net Expenditure for the core Department. Note 19 to the accounts sets out estimated total expenditure on benefits of £308.6 billion, which represented the latest available forecast for 2025-26 at the time DWP produced the fraud and error estimates.

How DWP estimates the levels of fraud and error in benefit expenditure

DWP sets out how it measures the levels of fraud and error in benefit expenditure on pages 97 to 141 of its Performance Report. The estimates are published annually as National Statistics[149]. DWP estimates fraud and error through direct measurement of five or six benefits each year using a statistical sampling exercise. Where it does not directly measure the rate of fraud and error in a benefit in a given year, DWP rolls forward the rate it used from the previous sampling exercises. For benefits that have never been measured, DWP makes an assumption of the rate, typically using a similar benefit as a proxy. This year, DWP has measured fraud and error in Universal Credit, State Pension, Housing Benefit, Personal Independence Payment (PIP), Pension Credit and Disability Living Allowance. Overall, 91% of 2025-26 benefit expenditure was subject to sampling.

DWP reports fraud and error in the benefit system across four categories, three relating to overpayments and one relating to underpayments.

- **Fraud (overpayment):** Fraud is where the claimant has provided inaccurate or incomplete information or failed to report a change in their circumstances and there is a suspicion of fraudulent intent. DWP considers a claimant should reasonably be expected to understand how this affects their entitlement. Estimated to be £6.8 billion in 2025-26.
- **Claimant Error (overpayment):** Claimant Error is where a claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but DWP believes they did not have fraudulent intent. Estimated to be £2.0 billion in 2025-26.
- **Official Error (overpayment):** Official Error is where a benefit was paid incorrectly due to action, delay or a mistaken assessment by DWP, a local authority or HM Revenue & Customs (HMRC). Estimated to be £1.1 billion in 2025-26.
- **Official Error (underpayment)**: As above. Estimated to be £1.2 billion in 2025-26.

DWP sets out its definition of these categories on page 98 of its Performance Report. I consider expenditure in all four categories to be irregular on the basis that, where payments have been made 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 intentions.

Unfulfilled Eligibility, which was estimated to be £3.7 billion in 2025-26, is where a claimant receives a lower value of benefit than the value they are eligible for due to the claimant's own error. DWP does not include Unfulfilled Eligibility in the fraud and error

149 https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2026-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2026-estimates DWP has restated the 2024-25 statistics in the 2025-26 publication due to an error in the State Pension expenditure figure which had been used in the prior publication. This had a small impact of the reported statistics. I have not restated the 2024-25 figures in this report to allow comparability with my prior year report.

statistics but reports on it in a separate publication[150]. I consider this category of expenditure to be regular, as claimants are not legally entitled to a higher benefit payment until they notify DWP of a change in circumstance or provide evidence to support their entitlement as required in legislation. I therefore exclude unfulfilled eligibility from my qualification.

I continue to include Unfulfilled Eligibility in my reporting on the estimated level of fraud and error in benefit expenditure as it is relevant to understanding the overall performance of the benefits system.

The Comptroller and Auditor General's audit opinion on the regularity of benefit expenditure

My qualified regularity opinion

I have qualified my opinion on the regularity of DWP's 2025-26 financial statements due to the material level of fraud and error in its benefit expenditure – except for expenditure on State Pension, for which the level of fraud and error is significantly lower. This is the 38th year in which the Department's accounts have been qualified due to material fraud and error.

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.

Legislation specifies the eligibility criteria for each benefit and the method to be used to calculate the amount of benefit to be paid. DWP relies on claimants providing timely and accurate information, particularly when their circumstances change. The complexity of the benefit system can cause confusion and genuine error both for the claimants providing the information, and for DWP and others responsible for processing it. Benefit payments are also susceptible both to deliberate fraud by individuals and to organised crime attacks. 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 intentions and is irregular.

150 Unfulfilled eligibility in the benefit system': https://www.gov.uk/government/statistics/unfulfilled-eligibility-in-the-benefit-system-financial-year-ending-fye-2026-estimates

My consideration of State Pension in my qualification

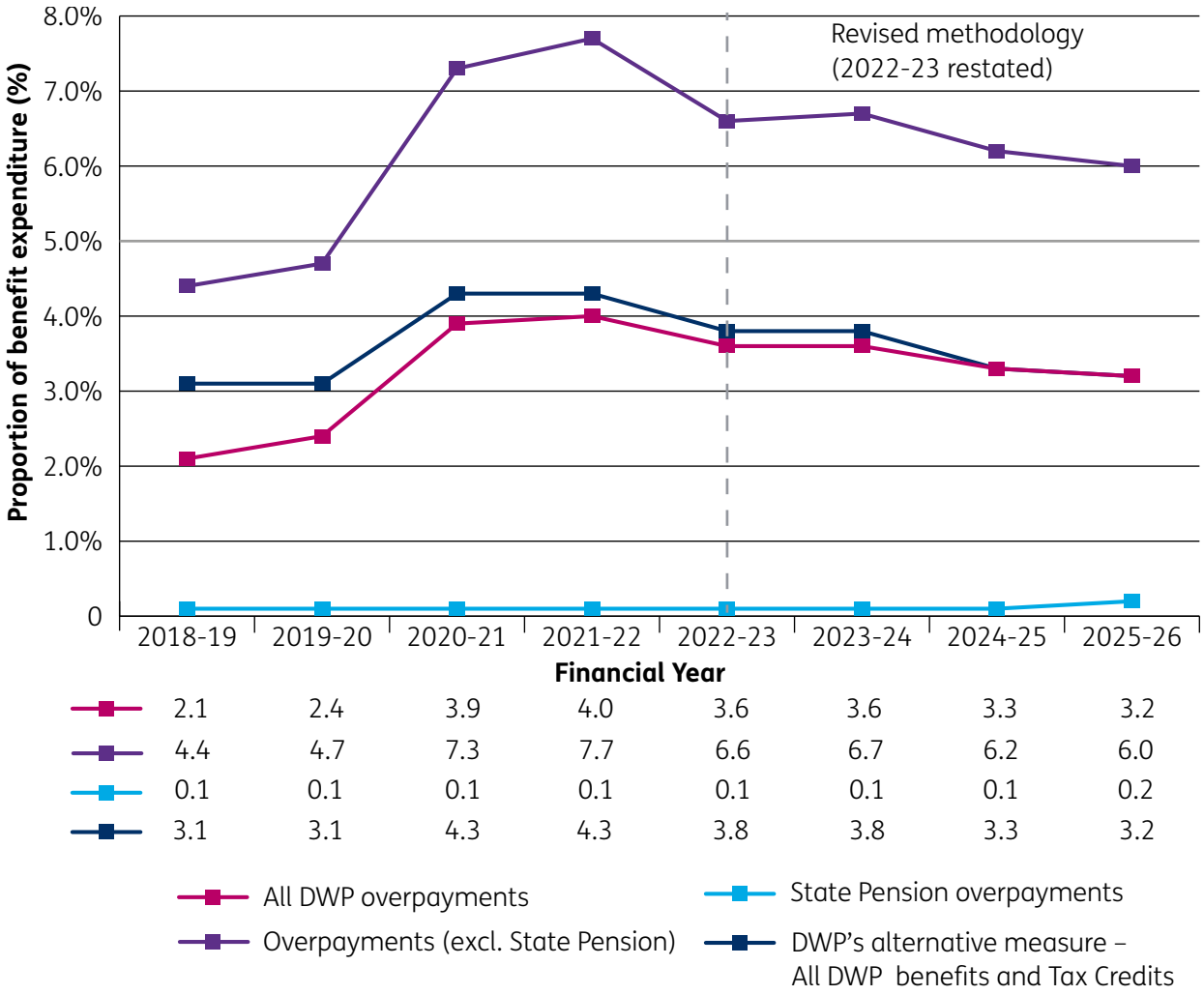
In reaching my regularity opinion, I consider the rates of irregularity due to fraud and error across each benefit. State Pension payments made in 2025-26 totalled £145.8 billion, of which DWP estimates that it overpaid 0.2% (£230 million) and underpaid 0.3% (£390 million). I continue to regard the combined value of £620 million of irregular payments as immaterial in the context of State Pension expenditure in the accounts. As a result, I exclude State Pension expenditure from my qualified opinion on the account.

The estimated level of fraud and error in benefit expenditure

DWP sets out its estimates of the overall level of fraud and error in benefit expenditure on pages 97 to 101 of the Performance Report and note 19 of the financial statements (summarised in Figure 1). Because the rate of overpayments from fraud and error in State Pension remains low, I report the level of fraud and error overpayments in benefit expenditure across all DWP benefits both including and excluding State Pension. This helps to show the trend in fraud and error in most benefits more clearly, because it excludes the continuing impact of the increase in State Pension as a share of all benefit payments that can obscure the trends in other benefits.

Figure 1
Estimated levels of benefit overpayments as a percentage of total benefit expenditure using different measures, 2018-19 to 2025-26

The proportion of benefit expenditure overpaid, excluding State Pension as published in the National Statistics, decreased to 6.0% in 2025-26 but remains higher than pre-pandemic levels.



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
All DWP overpayments	2.1	2.4	3.9	4.0	3.6	3.6	3.3	3.2
Overpayments (excl. State Pension)	4.4	4.7	7.3	7.7	6.6	6.7	6.2	6.0
State Pension overpayments	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
DWP's alternative measure – All DWP benefits and Tax Credits	3.1	3.1	4.3	4.3	3.8	3.8	3.3	3.2

NOTES

1. All data points for DWP administered benefits are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. This publication provides full data going back to 2005-06 when DWP first started measuring fraud and error in this way.
2. DWP's 2023-34 estimates restated some figures slightly from what had been published in previous reports. For example, it changed its methodology in 2023-24 to remove Claimant Error underpayments and reclassify these as Unfulfilled Eligibility. DWP restated its results for 2022-23 and the data above show the restated results for 2022-23 with the vertical line signifying the change in the methodology.
3. There have been changes to the benefits measured each year since 2018-19.
4. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

5. During the period covered by this figure, Universal Credit replaced Tax Credits for people of working age, and there was a gradual migration of claimants from Tax Credits (administered by HM Revenue & Customs) to Universal Credit (administered by DWP). I note that DWP use a blended cross-welfare overpayment rate as a result, which takes into account fraud and error recorded in both DWP-administered benefits and Tax Credits. These rates are shown on page 126 of the Performance Report.
6 DWP's alternative measure includes fraud and error in DWP benefits and Tax Credits, and in-year overpayments of Tax Credits, which do not meet the definition of fraud and error used in official statistics.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

Overpayments

Excluding State Pension, DWP estimates that it overpaid a total of 6.0% of benefit expenditure in 2025-26, down from 6.2% in 2024-25 (Figure 1). Over the same period, the monetary value of overpayments increased to £9.7 billion from £9.3 billion due to total benefit expenditure used in the fraud and error estimation process, excluding State Pension, increasing to £162.5 billion from £150.2 billion.

DWP categorises benefit overpayments into Fraud, Claimant Error, and Official Error using the definitions set out in paragraph 6. The estimated 6.0% (£9.7 billion) of expenditure that was overpaid across all benefits (excluding State Pension) comprised the following.[151]

- Fraud accounted for 4.2% (£6.8 billion) (2024-25 4.3%, £6.5 billion).
- Claimant Error accounted for 1.1% (£1.8 billion) (2024-25 1.2%, £1.8 billion).
- Official Error accounted for 0.6% (£1.0 billion) (2024-25 0.6%, £890 million).

DWP has set a new ambition to reduce overpayments resulting from fraud and error to 2.8% by 2028-29. DWP highlights that this represents the lowest cross-welfare overpayment rate since the introduction of Tax Credits in 2003-04, exceeding the historical low level of 3.0% recorded in 2014-15. DWP considers that many of the overpayments previously observed in Tax Credits can now be expected to occur within Universal Credit and so should be included in order to provide a fair comparison. The cross-welfare rate does not represent wholly irregular expenditure –as well as fraud and error, the measure includes in-year Tax Credit overpayments that were part of the design of the Tax Credit system. The cross-welfare rate should not therefore be conflated with the National Statistic on fraud and error in benefit expenditure.

I have previously reported my disagreement with DWP's classification of some types of error as being the responsibility of claimants. Since 2018-19 I have reported that in some instances DWP classifies improperly declared income from other benefits as Claimant Error, even though it knows what other benefits a claimant is receiving from its internal records. It remains my view that these should be classified as Official Error. Across the benefits it measured in 2025-26, DWP estimated that it overpaid £62 million due to a failure to consider income from other benefits. More integrated use of DWP's data could significantly reduce the level of overpayments due to mis-reported benefit income.

151 Figures may not sum due to rounding.

Overpayments of Universal Credit

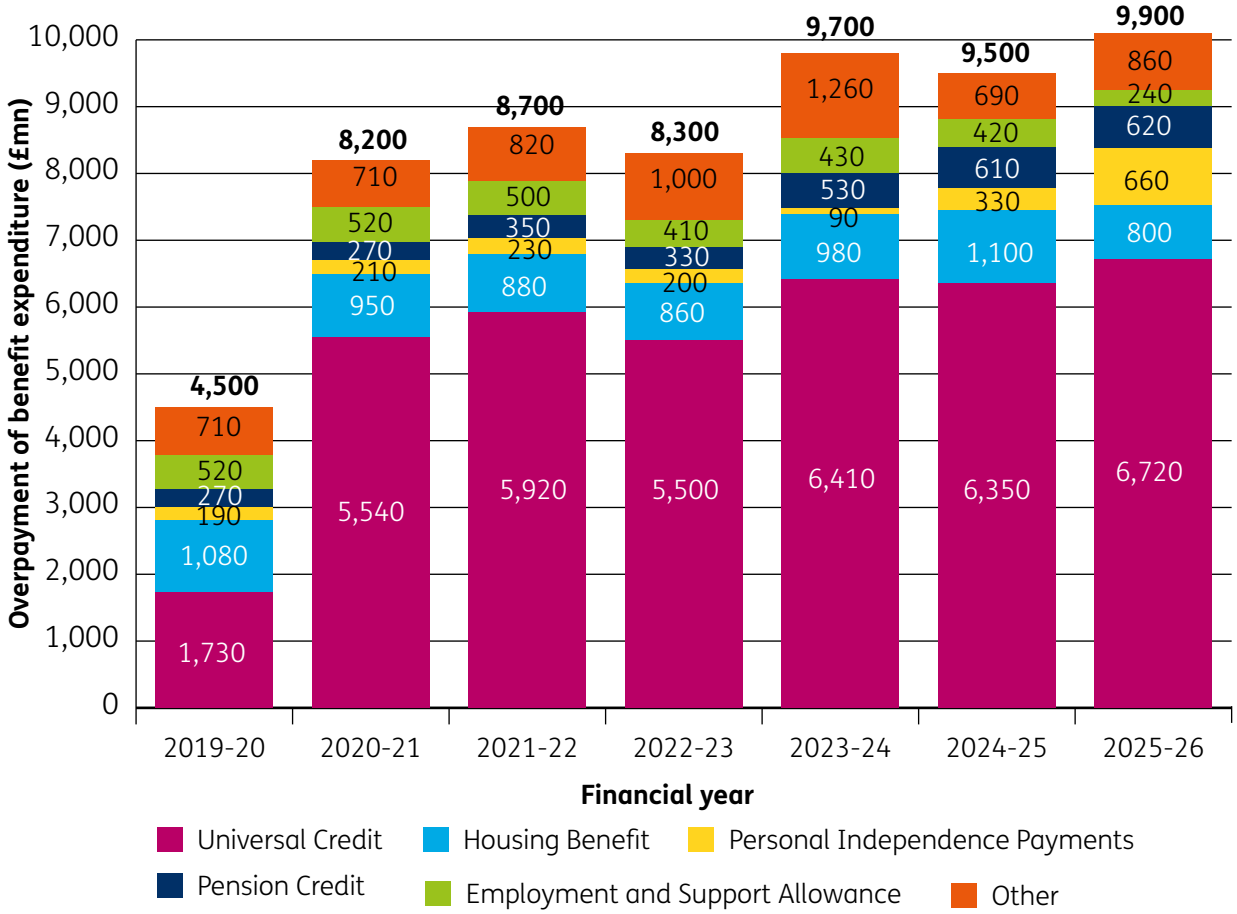
In 2025-26, Universal Credit represented over two-thirds of all estimated overpayments by value (**Figure 2**). Universal Credit overpayments represented 8.5% of expenditure on this benefit, compared with 9.7% in the previous year. Most of the fall in overpayments was due to reductions in fraud relating to earnings, such as under-declaration of income from self-employment. Overall, Universal Credit overpayments due to all types of fraud decreased to 6.8% from 8.0%.

The overpayment rate for Universal Credit is now at its lowest level since it was fully rolled out in 2019-20. Following the decrease in 2025-26, the rate of overpayment for this benefit is at a level that is below that which was estimated immediately before the COVID-19 pandemic. In 2019-20, the overpayment rate for Universal Credit was 9.4%, of which 7.6% was due to fraud. Further reductions will be required if DWP is to achieve its aim of reducing its total welfare overpayment rate to 2.8% by 2028-29.

The rate of overpayment for all benefits is affected by the mix of benefits in payment as well as the overpayment rate for each benefit. Universal Credit is the largest benefit by value other than State Pension. Although the overpayment rate for Universal Credit has fallen significantly, this benefit continues to have one of the highest overpayment rates. At the same time, the value of Universal Credit expenditure has risen – to £79.2 billion in 2025-26 (25.7% of benefit expenditure) from £65.3 billion in 2024-25 (22.3% of benefit expenditure) – due to new claimants and the transfer of legacy benefit claimants to Universal Credit. As a result, more of the claimant population is receiving a benefit with a higher error rate. Overall, these factors mean that, although the Universal Credit overpayment rate has decreased by 1.2 percentage points, the overpayment rate across all benefits has decreased by only 0.1 of a percentage point.

Figure 2
Estimated benefit overpayments due to fraud and error, 2019-20 to 2025-26

Universal Credit accounted for £6.7 billion (68%) of overpayments by value in 2025-26, compared with £6.4 billion (67%) in 2024-25.



NOTES

1. The 'Other' category contains (in order of largest to smallest overpayment in 2024-25): State Pension, Attendance Allowance, Carer's Allowance, Disability Living Allowance, Income Support, Jobseeker's Allowance, and a number of unreviewed benefits.
2. The 'Other' category includes different benefits in different years. In 2022-23 and 2023-24 it included Cost of Living Payments for which there was £410 million and £550 million of overpayments respectively. This payment stream has been discontinued in 2024-25, which has contributed to the reduction in Other Benefit Overpayments.
3. Data relates 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.
4. During the period covered by this figure, Universal Credit replaced tax credits for people of working age, and there was a gradual migration of claimants from Tax Credits (administered by HM Revenue and Customs) to Universal Credit (administered by the Department for Work and Pensions (DWP)). We note that DWP use a blended overpayment rate as a result, which takes into account fraud and error recorded in both DWP-administered benefits and Tax Credits. These rates are shown on page 126 of the Performance Report.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

Overpayments of other benefits

Pension Credit continues to have the highest overpayment rate, at 10% of expenditure on this benefit (10.3% in 2024-25). Over half of these overpayments were caused by claimants remaining abroad for longer than permitted or by under-declaration of capital. [152]

Overpayment of PIP increased from 1.3% in 2024-25 to 2.3% in 2025-26. The main reason for the increase was more claimants not reporting an improvement in their condition or a reduction in their needs, when they were required to do so, which caused overpayments of 1.7% of total PIP expenditure in 2025-26, up from 0.8% in 2024-25.

Housing Benefit overpayments decreased from 7.2% to 6.2%. The main reason for the decrease was due to reductions in fraud and claimant error relating to capital and earnings/employment.

Underpayments and unfulfilled eligibility

DWP estimates that claimants received 1.6% (£4.9 billion) less than they were eligible for in 2025-26, down from 1.7% (£4.9 billion) in 2024-25.[153] This comprised the following.

- Official Error accounted for £1.2 billion.
- Unfulfilled eligibility accounted for £3.7 billion.

Excluding State Pension claimants received 2.7% (£4.5 billion) less than they were eligible for in 2025-26, down from 2.9% (£4.4 billion) in 2024-25. This comprised the following:

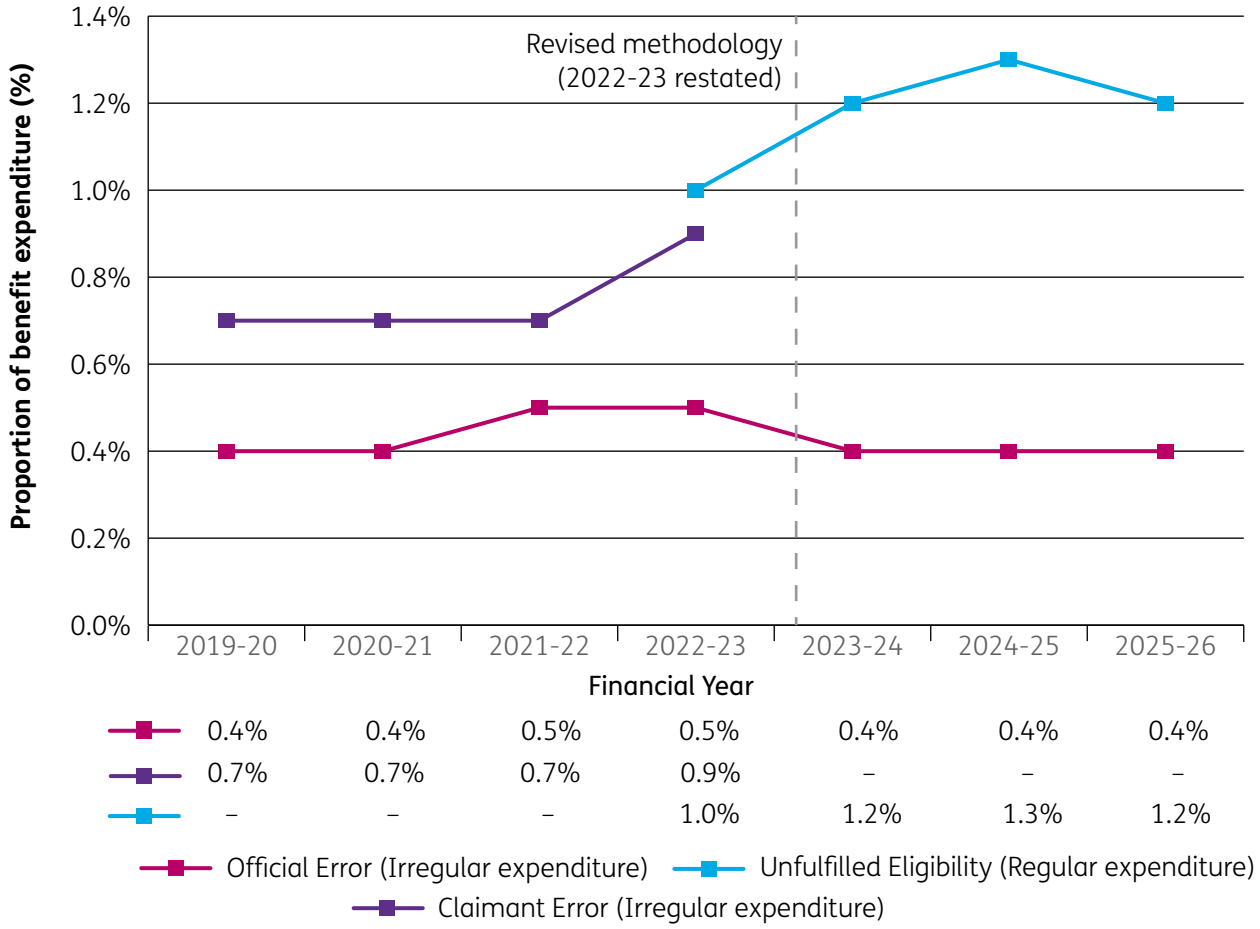
- Official Error accounted for £0.8 billion.
- Unfulfilled eligibility accounted for £3.6 billion

152 For means-tested benefits, claimants are allowed a specified level of capital – savings and other assets – above which the amount of benefit they are entitled to is reduced.

153 DWP no longer includes unfulfilled eligibility in the fraud and error statistics; consequently, cases with both unfulfilled eligibility and another error will no longer have these amounts netted off or capped. This introduces the possibility that these figures, when combined, may include a very small amount of double-counting.

Figure 3
Estimated levels of benefit underpayments and Unfulfilled Eligibility as a percentage of total benefit expenditure, 2019-20 to 2025-26

Claimants received £4.9 billion less than they were eligible for in 2025-26 accounting for 1.6% of total benefit expenditure.



NOTES

1. All data points are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. This publication provides full data going back to 2005-06 when DWP first started measuring fraud and error in this way.
2. DWP's 2023-24 estimates restated some figures slightly from what had been published in previous reports. For example, it changed its methodology in 2023-24 to remove Claimant Error underpayments and reclassify these as Unfulfilled Eligibility. DWP restated its results for 2022-23 and the data above show both the original and restated results for 2022-23 with the vertical line signifying the change in the methodology.
3 There have been changes to the benefits measured each year since 2018-19.
4. Rates shown are the estimated underpayment of each benefit expressed as a proportion of total expenditure on that benefit.
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.
6. Estimates of unfulfilled eligibility before 2024-25 are not directly comparable with previous estimates of Claimant Error underpayments published in the fraud and error statistics though the two calculation methodologies are very similar.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

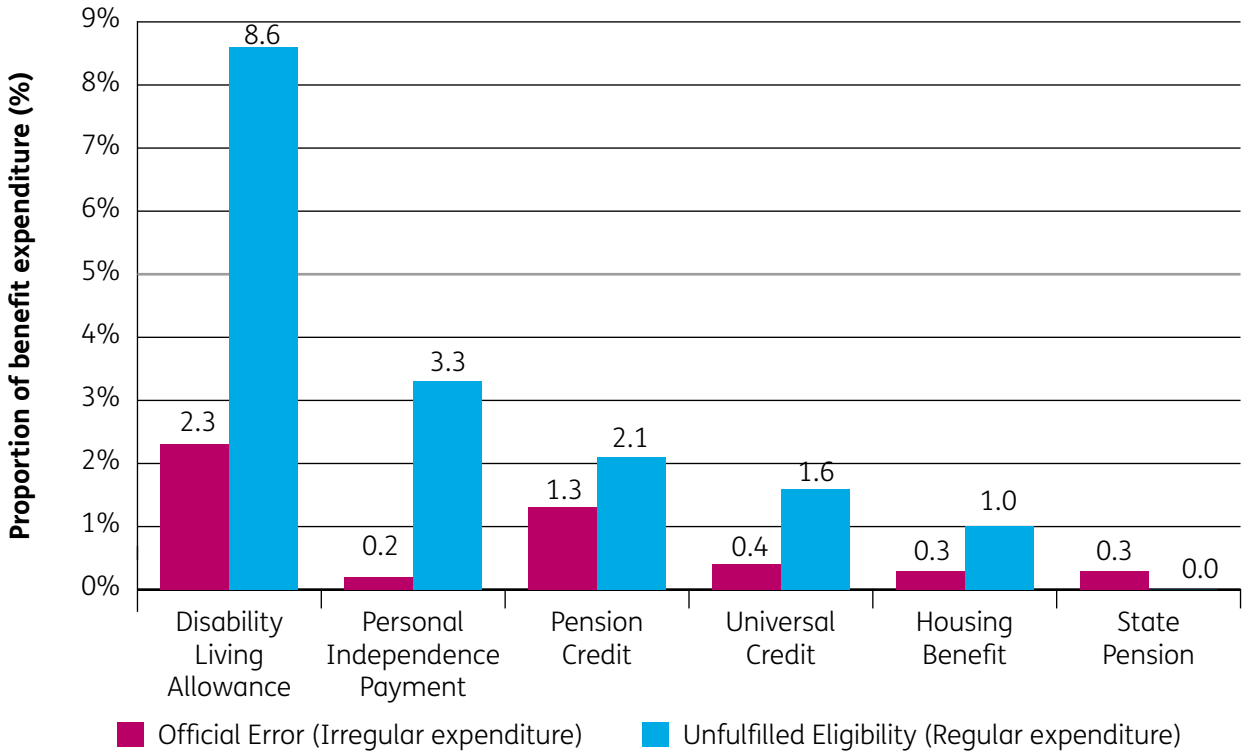
Unfulfilled eligibility of disability benefits

The highest rates of unfulfilled eligibility are for PIP and Disability Living Allowance (DLA). DWP's estimate of unfulfilled eligibility in 2025-26 was 3.3% (£0.95 billion) and 8.5% (£0.71 billion), respectively. For both benefits, unfulfilled eligibility was due to claimants failing to inform DWP that they needed more help or that their condition had deteriorated.

DWP's statistics suggest that around one-tenth of PIP claimants and one-fifth of DLA claimants are receiving less benefit than they are eligible for. As shown in Figure 4, levels of unfulfilled eligibility are significantly higher for disability benefits measured in 2025-26 (DLA and PIP) than for working-age or retirement benefits.

Figure 4
Estimated levels of Official Error underpayments and Unfulfilled Eligibility as a percentage of total benefit expenditure, for benefits measured in 2025-26

Disability Living Allowance had the highest level of Unfulfilled Eligibility in 2025-26 (8.6%).



NOTES

1. All data points are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. Unfulfilled eligibility figures are now published in a separate statistical release.
2. Rates shown are the estimated underpayment of each benefit expressed as a proportion of total expenditure on that benefit.
3. Underpayments of Carer's Allowance would not be expected to occur as the benefit is paid at a single fixed rate. A test of Carer's Allowance cases that are in payment is therefore extremely unlikely to identify an eligible claimant who was receiving less than they were entitled to.

4. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

Overpayments and underpayments due to Official Error

Overpayments and underpayments can be caused by Official Error as well as by Claimant Error and Fraud. Official error occurs where a benefit is paid incorrectly due to action, delay or a mistaken assessment by DWP, a local authority or HMRC.

Official error overpayments in 2025-26 were £1.1 billion (2024-25 £1.0 billion). They have remained at a consistent rate of 0.3% to 0.4% of benefit expenditure since 2019-20. Official error underpayments have also been consistent across the same period at 0.4% to 0.5%. In 2025-26, underpayments due to Official Error remained at a peak monetary value of £1.2 billion, which was first recorded in 2022-23.

In February 2026, the Public Accounts Committee (PAC) said that it expected DWP to take official error as seriously as it does claimant error and fraud, given the large amounts of money involved and the fact that reducing this error is largely within its own control.[154] It recommended that DWP should set out what action it will take to address the root causes of official error, with the aim of publishing a progress update in its 2025-26 annual report and accounts. DWP's Fraud, Error and Debt Report within the annual report comments on initiatives that support the reduction of all overpayments including fraud, claimant error and official error. DWP should continue to consider how they are specifically addressing the root causes of official error in line with PAC's recommendation.

How I plan to assess fraud and error in future audits of DWP's financial statements

My regularity opinion is intended to provide a clear and meaningful basis for holding DWP to account for its use of public funds. This requires setting a level of materiality that appropriately reflects the expectations of Parliament.

This is the 38th consecutive year in which I have qualified my regularity opinion on the Department's accounts due to material levels of fraud and error in benefit expenditure. While this reflects the inherent complexity of the benefits system, it raises the question of whether my historical 1% materiality benchmark continues to provide a meaningful basis for assessing performance.

No level of fraud and error is acceptable, but the resources available to reduce it are finite and must be used in a way that delivers value to the taxpayer. I have therefore formed a view that reducing fraud and error to a rate below 1% would be unfeasible under the current benefits system approved by Parliament. In many cases, Parliament has targeted benefits to claimants' needs and circumstances with the aim of ensuring that resources are used efficiently. For example, on Universal Credit, the design of the

154 Committee of Public Accounts, Tackling fraud and error in benefit expenditure 2024-25, Sixty-sixth Report of Session 2024-26, HC 1231, February 2026.

system relies on up to date and accurate information from claimants to deliver benefits in a timely and effective way, particularly in the case of vulnerable customers. Whilst this supports a lower-cost system, it can introduce complexity and increase the risk of fraud and error.

Achieving a fraud and error rate below 1% would therefore be unlikely without either fundamental changes to the system design or a significantly more intensive and costly control environment, with corresponding implications for service responsiveness and other departmental priorities. At the same time, Parliament has a clear expectation that fraud and error is minimised and that the Department operates a cost-effective control environment.

Against this backdrop, I am considering increasing my materiality threshold for assessing regularity of benefit expenditure to a level that more accurately reflects the reduction of fraud and error that is attainable with a cost-effective control environment. This will also include considering whether a more differentiated approach reflecting the varying risk profiles across individual benefits would better support accountability while maintaining appropriate scrutiny. I will consider this as part of the 2026-27 financial statement audit.

My judgement will be informed by evidence on whether DWP is achieving sustained reductions in fraud and error, and the steps taken by DWP to strengthen its control environment and to demonstrate the cost effectiveness of its approach, given the resources deployed.

My decision on whether to qualify my regularity opinion will continue to be based on the findings of my audit and my assessment of DWP's performance against these criteria.

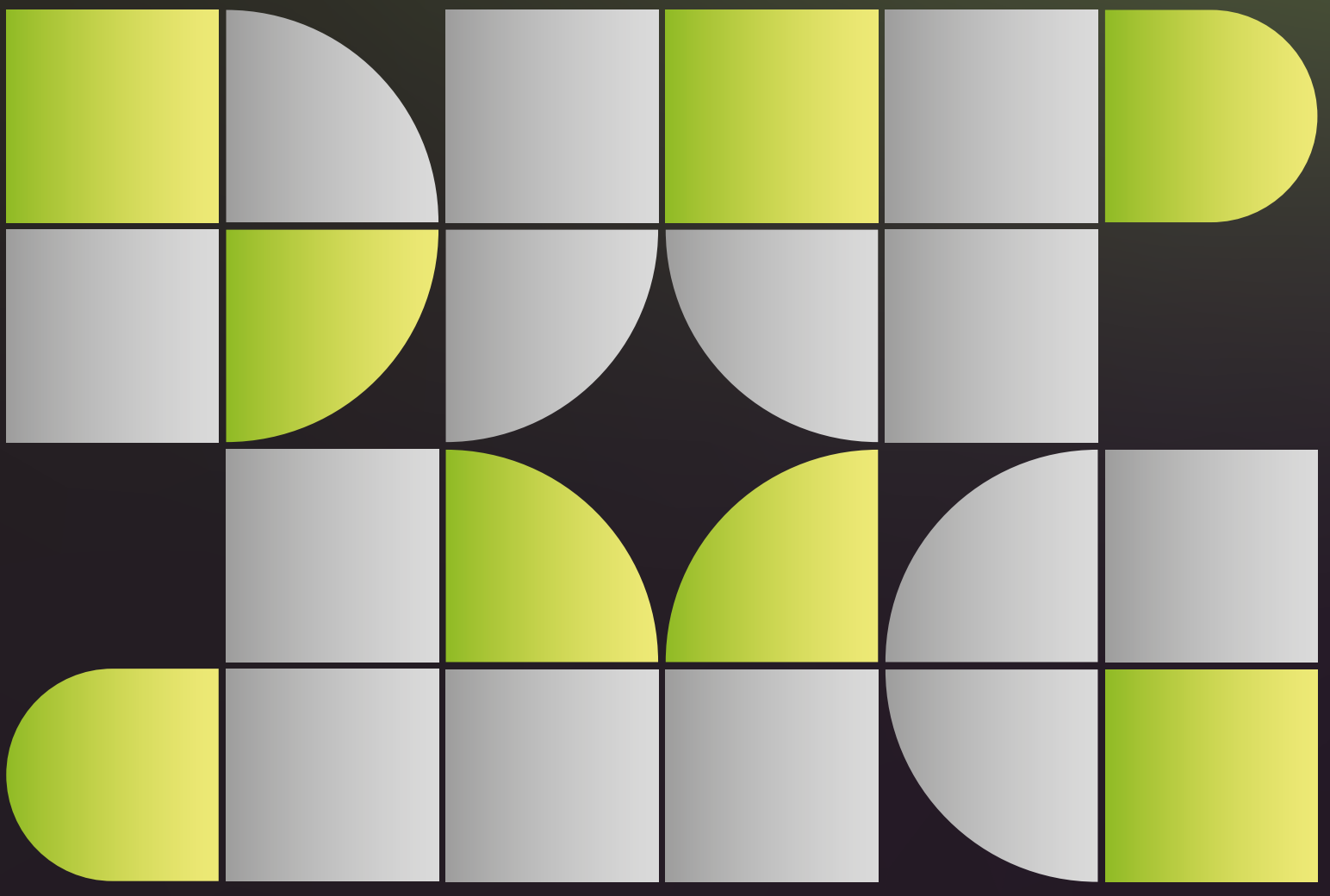
Progress in reviewing DWP's control environment

I am working with DWP to understand its assessment of the current control environment for benefit expenditure. I will consider the improvements DWP is making now and in the future, which it considers will deliver its ambitions of a sustained decrease in the rate of fraud and error. Through this work, I will examine the evidence that supports DWP's assessment of its control framework and the reductions in fraud and error that could be achieved. The findings from this work will inform my judgement of what the approach to setting materiality will be for future audits so that it will act as an appropriate benchmark of whether DWP is doing everything that can be reasonably expected of it to reduce fraud and error to the lowest achievable level for the approved resources deployed. This could result in an increase in the materiality level above the current level of 1%. However, it would not impact my assessment for the current year where the level of fraud and error remains material as further action is needed by the Department to bring it down to an acceptable level as part of a cost-effective regime.

Due to the scale and complexity of the benefits system, Universal Credit is being used as a test case to assess the control environment for a key benefit. My team has liaised regularly with departmental officials, who have provided us with a documented assessment of the current control environment along with information on the plans for strengthening controls. Workshops are being held between my team and officials

focusing on key loss areas due to fraud and error along with the controls that address them. This work will support an assessment of the feasibility of making sufficient, evidence-based improvements across the benefits system and will inform my choice of materiality level for my regularity opinion on DWP's 2026-27 financial statements.

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 2026.

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're 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 Statement of Financial Position (SoFP).

Child Maintenance Service (CMS)

We have responsibility for the management of client funds relating to the statutory child maintenance schemes operated through the CMS. Ongoing Child Maintenance and Legacy Child Support Agency (CSA) arrears only cases are managed through the 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 CMS are charged to the Department. However, the maintenance funds collected and paid are not departmental assets. CMS acts purely as custodian. In November 2025 HM Treasury issued a revised Accounts Direction which ceased the requirement to produce separate client fund accounts. Client fund financial information is now reported through disclosures within this Annual Report and Accounts.

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 recorded the expenditure and income related to ESF programmes in our SoCNE. The ESF 2014-2020 programme formally closed in 2025-26. It was replaced by the UK Shared Prosperity Fund, delivered by Ministry of Housing, Communities and Local Government.

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 183. 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 2026

The notes on page 345 form part of these accounts.

	Note	31 March 2026		31 March 2025 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
		£000	£000	£000	£000
Staff expenditure	3	4,527,973	4,906,656	4,129,529	4,466,666
Purchase of goods and services	4	3,087,264	2,777,068	3,441,131	3,159,330
Benefit and Social Fund expenditure	5	311,169,446	311,169,446	290,681,189	290,681,189
Depreciation and impairment charges	6	1,244,181	1,259,872	504,701	515,615
Provision expense	6	(215,803)	(215,731)	(812,360)	(812,332)
Total operating expenditure		**319,813,061**	**319,897,311**	**297,944,190**	**298,010,468**
Operating income	7	(376,781)	(534,503)	(872,900)	(998,509)
Total operating income		**(376,781)**	**(534,503)**	**(872,900)**	**(998,509)**
Finance income	7	(53,975)	(54,481)	(38,877)	(39,511)
Finance expense	4	18,093	48,604	15,690	57,470
Net expenditure for the year		**319,400,398**	**319,356,931**	**297,048,103**	**297,029,918**
Donated assets	8	(86,634)	(86,634)	(314,188)	(314,188)
Net operating costs for the year		**319,313,764**	**319,270,297**	**296,733,915**	**296,715,730**

Other comprehensive net expenditure

Items that will not be reclassified to net operating expenditure				
Net loss/(gain) on:				
Revaluation of property, plant and equipment	–	(3,910)	–	–
Revaluation of intangibles	(1,772)	(2,098)	(53,618)	(52,969)
Revaluation of pension fund	(1,844)	(1,844)	(1,932)	(1,932)
Total comprehensive net expenditure for the year ended 31 March 2026	**319,310,148**	**319,262,445**	**296,678,365**	**296,660,829**

All income and expenditure is derived from continuing operations.

Prior year comparatives have been restated following the retrospective application of the revised FReM accounting policy for Social Benefits (see Note 1.2). The restatement results in a £88 million reduction in the 2024–25 "Benefit and Social Fund expenditure" line, reflecting a comparative year impact from retrospective application. This reduces "Total operating expenditure," "Net expenditure for the year," "Net operating costs," and "Total comprehensive net expenditure".

Consolidated Statement of Financial Position

as at 31 March 2026

The notes on page 345 form part of these accounts.

		31 March 2026		31 March 2025 (Restated)	
	Note	Core Department	Departmental group	Core Department	Departmental group
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	1,337,696	1,466,163	1,246,347	1,376,763
Intangible assets	10	556,925	596,550	566,345	601,291
Trade receivables, financial and other assets	14	7,944,445	7,946,950	7,550,390	7,553,106
Total non-current assets		**9,839,066**	**10,009,663**	**9,363,082**	**9,531,160**
Current assets:					
Trade receivables, financial and other assets	14	4,810,975	4,912,085	3,601,220	3,680,633
Cash and cash equivalents	13	1,036,377	1,039,580	643,149	647,303
Total current assets		**5,847,352**	**5,951,665**	**4,244,369**	**4,327,936**
Total assets		**15,686,418**	**15,961,328**	**13,607,451**	**13,859,096**
Current liabilities:					
Trade payables and other liabilities	15	(17,136,693)	(17,222,825)	(15,335,514)	(15,408,439)
Provisions for liabilities and charges	17	(333,558)	(333,721)	(1,034,351)	(1,034,351)
Total current liabilities		**(17,470,251)**	**(17,556,546)**	**(16,369,865)**	**(16,442,790)**
Total assets less current liabilities		**(1,783,833)**	**(1,595,218)**	**(2,762,414)**	**(2,583,694)**
Non-current liabilities:					
Provisions for liabilities and charges	17	(3,483,500)	(3,483,886)	(3,636,744)	(3,637,294)
Other payables	15	(789,328)	(926,787)	(746,768)	(893,313)
Pension liability[155]		–	(851)	–	(860)
Total non-current liabilities		**(4,272,828)**	**(4,411,524)**	**(4,383,512)**	**(4,531,467)**

155 Balance relates to HSE Chair's pension

	Note	31 March 2026		31 March 2025 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
		£000	£000	£000	£000
Assets less liabilities		**(6,056,661)**	**(6,006,742)**	**(7,145,926)**	**(7,115,161)**
Taxpayers' equity and other reserves:					
General fund		(6,152,930)	(6,146,676)	(7,241,971)	(7,250,635)
Revaluation reserve		96,269	139,934	96,045	135,474
Total equity		**(6,056,661)**	**(6,006,742)**	**(7,145,926)**	**(7,115,161)**

Prior year comparatives have been restated following the retrospective application of the revised FReM accounting policy for Social Benefits (see Note 1.2). The restatement results in an increase of £1,699 million in "Trade payables and other liabilities – amounts falling due within one year" at 31 March 2025, primarily within "Accruals and deferred income". This is offset by a corresponding decrease of £1,699 million in the "General Fund" within taxpayers' equity. There is no impact on total assets or cash and cash equivalents.

Sir Peter Schofield KCB
Permanent Secretary

2 July 2026

Consolidated Statement of Cash Flows

for the year ended 31 March 2026

	Note	31 March 2026		31 March 2025 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
		£000	£000	£000	£000
Cash flows from operating activities					
Net cost for the year		(319,313,764)	(319,270,297)	(296,733,915)	(296,715,730)
Adjustments for non-cash transactions	6,7	1,027,078	1,043,425	(302,862)	(291,603)
Adjustments for Capital Grant in Kind transfers	8	(86,634)	(86,634)	(314,188)	(314,188)
Decrease/(increase) in trade and other receivables	14	(1,603,810)	(1,625,296)	(525,997)	(543,843)
Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		119,569	95,400	300,844	293,840
Increase/(decrease) in trade and other payables	15	(1,308,425)	(1,305,604)	4,106,671	4,155,423
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		117,066	127,411	(1,881,901)	(1,932,080)
Utilisation of provisions	17	(658,634)	(658,634)	(724,863)	(724,958)
Net cash outflow from operating activities		**(321,707,554)**	**(321,680,229)**	**(296,076,211)**	**(296,073,139)**
Cash flows from investing activities					
Purchase of property, plant and equipment	9b	(166,692)	(170,982)	(188,639)	(194,185)
Purchase of intangible assets	10a	(105,769)	(118,237)	(122,902)	(115,986)
Proceeds of disposal of property, plant and equipment and intangible assets		69	179	206	341
Proceeds of disposal of asset held for resale		-	-	10,827	10,827
Loans to other bodies – repayments		5,737	5,737	7,654	7,654

	Note	31 March 2026		31 March 2025 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
		£000	£000	£000	£000
Loans to other bodies		(47,555)	(47,555)	(55,308)	(55,308)
Net cash outflow from investing activities		**(314,210)**	**(330,858)**	**(348,162)**	**(346,657)**
Cash flows from financing activities					
From the Consolidated Fund (supply) current year		167,091,436	167,091,436	152,670,821	152,670,821
Net financing from the National Insurance Fund		152,378,942	152,378,942	143,991,287	143,991,287
Advances from the Contingencies Fund		1,614,500	1,614,500	-	-
Repayments to the Contingencies Fund		(1,614,500)	(1,614,500)	-	-
Capital element of payments in respect of leases and on-Statement of Financial Position PFI contracts		(179,137)	(192,065)	(185,827)	(188,656)
Net financing		**319,291,241**	**319,278,313**	**296,476,281**	**296,473,452**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(2,730,523)**	**(2,732,774)**	**51,908**	**53,656**
Payments of amounts due to the Consolidated Fund		(28,413)	(28,413)	(24,185)	(24,185)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	13	**(2,758,936)**	**(2,761,187)**	**27,723**	**29,471**
Cash and cash equivalents at the beginning of the period	13	**(1,178,858)**	**(1,174,884)**	**(1,206,581)**	**(1,204,355)**
Cash and cash equivalents at the end of the period[156]	13	**(3,937,794)**	**(3,936,071)**	**(1,178,858)**	**(1,174,884)**

156 Difference between cash and cash equivalents at the end of the period and the cash reported in the SoFP is the overdraft contained within Note 13

Prior year comparatives have been restated following the retrospective application of the revised FReM accounting policy for Social Benefits (see Note 1.2). The restatement results in a £88 million decrease in the 2024–25 "Net cost for the year" line. This is offset by corresponding movements in working capital, primarily within "Increase/(decrease) in trade and other payables," reflecting changes in social benefit accruals. The restatement increases 'Increase/(decrease) in trade and other payables' by £1.699bn and decreases 'Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure' by £1.787bn

The notes on page 345 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2026

The notes on page 345 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 2024		**(5,241,356)**	**(5,210,975)**	**61,222**	**101,300**	**(5,180,134)**	**(5,109,675)**
Prior period adjustment (IAS 8 – social benefit accrual)		**(1,786,903)**	**(1,786,903)**	**–**	**–**	**(1,786,903)**	**(1,786,903)**
Balance at 31 March 2024 (restated)		**(7,028,259)**	**(6,997,878)**	**61,222**	**101,300**	**(6,967,037)**	**(6,896,578)**
Net parliamentary funding drawn down (current year)		152,670,821	152,670,821	–	–	152,670,821	152,670,821
Repayments to the Consolidated Fund	SOPS 4	(1,654)	(1,654)	–	–	(1,654)	(1,654)
Net parliamentary funding – deemed		88,583	88,583	–	–	88,583	88,583
Funding from National Insurance Fund		143,991,287	143,991,287	–	–	143,991,287	143,991,287
Supply payable adjustment	15	(226,107)	(226,107)	–	–	(226,107)	(226,107)
CFERS payable to the Consolidated Fund	SOPS 4	(25,195)	(25,195)			(25,195)	(25,195)

		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
General Fund – Other		–	(57,230)			–	(57,230)
Net costs for the year		(296,733,915)	(296,715,730)	–	–	(296,733,915)	(296,715,730)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	6	1,741	1,741	–	–	1,741	1,741
Actuarial revaluation on pension	18	1,932	1,932	–	–	1,932	1,932
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		–	–	53,618	52,969	53,618	52,969
Transfers between reserves		18,795	18,795	(18,795)	(18,795)	–	–
Balance at 31 Mar 2025 (Restated)		**(7,241,971)**	**(7,250,635)**	**96,045**	**135,474**	**(7,145,926)**	**(7,115,161)**

		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 2025 (Restated)		**(7,241,971)**	**(7,250,635)**	**96,045**	**135,474**	**(7,145,926)**	**(7,115,161)**
Net parliamentary funding drawn down (current year)		167,091,436	167,091,436	–	–	167,091,436	167,091,436
Repayments to the Consolidated Fund	SOPS 4	(1,721)	(1,721)	–	–	(1,721)	(1,721)
Net parliamentary funding – deemed		226,107	226,107	–	–	226,107	226,107

		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
Funding from National Insurance Fund		152,378,942	152,378,942	–	–	152,378,942	152,378,942
Advances from the Contingencies Fund		1,614,500	1,614,500	–	–	1,614,500	1,614,500
Repayments to the Contingencies Fund		(1,614,500)	(1,614,500)	–	–	(1,614,500)	(1,614,500)
Supply Receivable adjustment	14	719,409	719,409	–	–	719,409	719,409
CFERS payable to the Consolidated Fund	SOPS 4	(19,058)	(19,058)	–	–	(19,058)	(19,058)
General Fund - Other		2,610	(25,939)	–	–	2,610	(25,939)
Net costs for the year		(319,313,764)	(319,270,297)	–	–	(319,313,764)	(319,270,297)
Non-cash adjustments:							
Non-cash charges – Auditor's remuneration	6	1,688	1,688	–	–	1,688	1,688
Actuarial revaluation on pension	18	1,844	1,844	–	–	1,844	1,844
Movements in reserves:							
Recognised in Statement of Comprehensive Net Expenditure		–	–	1,772	6,008	1,772	6,008
Transfers between reserves		1,548	1,548	(1,548)	(1,548)	–	–
Balance at 31 March 2026		**(6,152,930)**	**(6,146,676)**	**96,269**	**139,934**	**(6,056,661)**	**(6,006,742)**

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.
c) Comparatives have been restated to reflect the adoption of the FReM accruals policy for Social Benefits. See 1.2 for further details.

Prior year comparatives have been restated following the retrospective application of the revised FReM accounting policy for Social Benefits (see Note 1.2). The cumulative impact of £1.787 billion, relating to entitlement conditions met prior to 1 April 2024, has been reflected as a correction to the opening balance at 31 March 2024. The restatement also results in a £88 million reduction in the 2024–25 “Net cost for the year”.

Notes to the accounts

1. Statement of accounting policies

Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the 2025-26 government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM lets us choose an accounting policy, we've selected the one that we think is the most appropriate to our circumstances and which gives a true and fair view. The policies we've adopted are set out below. We've applied them consistently in dealing with items that we consider are material to the accounts.

As well as preparing the primary statements under IFRS, we are required under the FReM to prepare the Statement of Outturn against Parliamentary Supply. This statement is shown on page 270 and shows outturn against estimate in terms of our net resource requirement and net cash requirement.

These accounts have been prepared on a going concern basis. In common with other government departments, the Department's obligations and liabilities are expected to be met by future grants of supply approved annually. Parliament has demonstrated its commitment to fund the Department (and its bodies) for the foreseeable future. The Department is in a position of negative equity with total liabilities exceeding total assets, largely due to the inclusion of the FAS provision. This represents the balance that is being managed by HM Treasury rather than having any implications on insolvency.

1.2 Accounting standards, interpretations and amendments

We've adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2026. We've also taken into account the specific interpretations and adaptations included in the FReM.

IFRS 18 (Presentation and Disclosure in Financial Statements)

IFRS 18 (Presentation and Disclosure in Financial Statements) has been issued but is not yet effective. The standard introduces revised presentation and disclosure requirements but does not affect recognition or measurement. The impact on the entity's financial statements cannot yet be reliably determined, pending application to the public sector through the FReM.

IFRS 17 (Insurance Contracts) effective from 1 April 2025

IFRS 17 (Insurance Contracts) replaces IFRS 4 (Insurance Contracts) and was included in the FReM for mandatory implementation from 2025-26. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this standard.

An insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The introduction of this standard has no impact on the financial statements or budgets of DWP.

Social benefits – change in accounting policy (effective from 1 April 2025)

From 2025–26, the Government Financial Reporting Manual (FReM) introduces updated guidance on the accounting for social benefits.

Under the previous accounting policy, the Department recognised social benefit expenditure when a claimant's entitlement had been determined and the payment was legally due, in accordance with the relevant benefit legislation.

Under the revised FReM guidance, social benefit expenditure is recognised at the point at which a claimant meets the eligibility criteria for a benefit. This includes circumstances where entitlement has not yet been formally determined and payment is not legally due at the reporting date.

Application of the revised policy

The FReM specifies that the obligating event for recognising a liability for social benefits is the point at which a claimant meets the eligibility criteria for the benefit.

The Department has applied this requirement in recognising liabilities at the reporting date for cases where eligibility conditions were met prior to year-end, including where claims have not yet been received or processed.

At the reporting date, not all eligible cases are directly observable, particularly claims which have not yet been received or formally determined. The Department has therefore applied estimation techniques to measure the resulting liability.

These estimates are based on:

- Observable post-reporting date payment data, which provides evidence of eligibility conditions existing before the year end; and
- Historical patterns of backdated claims, which support the estimation of obligations that had arisen at the reporting date but had not yet resulted in payment.

In applying this approach, the Department distinguishes between:

- Claims received but not paid at the reporting date, which are measured using payments made shortly after year-end; and
- Claims not yet received or formally determined where eligibility conditions were met before year-end, which are estimated using established historical trends.

The Department considers that this approach provides a reliable and appropriate estimate of the liability and reflects the best available information about conditions existing at the reporting date, in line with IAS 1 and the Conceptual Framework.

Scope and estimation judgements

Judgement has been applied in determining the appropriate scope and measurement of the accrual. In particular:

- The estimation approach for unprocessed and future claims focuses on those benefits which account for the majority of backdated payments, these are SP, UC and PIP;
- Other benefit categories are not material individually or in aggregate to the financial statements; and
- The accrual is limited to obligations expected to crystallise within 12 months of the reporting date, reflecting legislative backdating limits and observed claimant behaviour.

The methodology is subject to ongoing review and validation against emerging outturn data to ensure that it continues to provide a reasonable estimate of the underlying obligation.

Retrospective application

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the revised accounting policy has been applied retrospectively, as if it had always been applied.

The application of the revised policy resulted in an increase of approximately £1.7 billion in the Department's social benefit accrual. This increase has been analysed by reference to the period in which eligibility conditions were met:

- £1.699 billion relates to eligibility conditions met prior to 1 April 2025 and has been recognised as an adjustment to opening equity; and
- The application of the revised accounting policy in 2024–25 resulted in a net reduction in expenditure of £88 million, reflecting a decrease in the accrual required at 31 March 2025 compared with 1 April 2024.

Comparative figures for 2024–25 have been restated accordingly.

Presentation and comparability

Management has assessed the impact of the retrospective adjustment on the opening Statement of Financial Position and concluded that it is not material to users' understanding of the Department's overall financial position or performance.

The adjustment:

- Represents a timing difference in the recognition of expenditure, rather than a change in the Department's underlying obligations;
- Is confined to trade and other payables, a balance inherently subject to year-end timing effects; and

Comparability has been maintained through the restatement of prior year figures and clear disclosure of the nature and impact of the policy change.

Accordingly, an additional Statement of Financial Position at the beginning of the preceding period has not been presented, as this would not provide additional decision-useful information to users.

1.3 Accounting convention

We've prepared these financial statements on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and some financial assets and liabilities.

These financial statements are prepared in £ sterling, which is our functional currency.

1.4 Basis of consolidation

These statements cover the whole departmental group. By this, we mean the core Department, which is supply financed (Parliament has given statutory authority to utilise funding), plus all of our arm's length bodies that fall within the departmental boundary (as shown on page 183). We've 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're 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).

Since 2023-24 the 'Fraud and error in the benefit system' statistics have been calculated based on the legal definition of underpayments. In benefit legislation, claimants are not eligible for increases in their benefit until they accurately report changes in their circumstances to the Department. Estimates that were previously reported as Claimant Error underpayments have been removed from the 'Fraud and error in the benefit system' publication and are reported separately in a new 'Unfulfilled eligibility in the benefit system' publication. Further details are available in the Unfulfilled Eligibility publication and in note 20.

We estimate the level of overpayment and underpayments in benefit expenditure each year based on a sample of benefit records, and these are reported in our incorrect payments note (note 19). It is estimated that 96% of £308.6 billion of benefit payments were made correctly in this reporting year.

Benefit expenditure

The Department recognises social benefits as defined by the FReM as current transfers which are indistinguishable from income coming from other sources, received by households intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement.

Benefit expenditure is recognised when a social benefit claimant meets the eligibility criteria for the benefit. Expenditure is recognised for benefits attributable to the accounting period up to the reporting date.

Further information on the application of this policy, including the retrospective restatement of comparative figures, is set out in Note 1.2.

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 1.11.

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 17), DWP estimates the net present value of the likely assistance payments, 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 2026. The rates used take account of the latest economic conditions and are updated annually.

The FAS assets, which are not recognised in the DWP balance sheet, are mostly held as annuities. The income streams from these are generally not affected by any market volatility, 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.

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 17 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 20 years from the reporting date. We group debts by benefit and age then forecast recoveries and write-offs in a model which considers historical data. We've provided more detail in note 1.11.1.

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 IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) (see note 21).

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

Benefit expenditure is recognised in the financial statements when a social benefit claimant meets the eligibility criteria for the benefit. Expenditure is recognised for benefits attributable to the accounting period up to the reporting date.

Whilst benefit payments are administered through defined entitlement periods and paid on various cycles, the timing of payment does not affect the recognition of expenditure, which is based on eligibility conditions being met. Where amounts paid after the reporting date relate to eligibility before year-end, accruals are recognised to ensure expenditure is recorded in the correct accounting period.

The majority of benefits are paid in arrears, typically on a fortnightly or longer basis, and entitlement periods may span more than one financial year. In such cases, accounting estimates are used to allocate expenditure to the appropriate reporting period. Further information on payment frequencies is available at How and when your benefits are paid on GOV.UK: www.gov.uk/how-and-when-your-benefits-are-paid.

Benefit advances are classified as financial assets rather than benefit expenditure (see note 1.11.1) and are recognised in the Statement of Financial Position when paid. Repayments of advances are deducted from future benefit payments but do not affect total benefit expenditure, which reflects the underlying benefit eligibility.

1.8 Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, we 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 £5,000 (threshold for Leasehold Improvements has changed since April 2024 post decision made in the Capital board meeting)
- 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.

1.8.1 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.

Health and Safety Executive (HSE) assets like Redgrave Court are valued on an existing-use basis and Buxton laboratory site is an exception that is 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.

Currently the core Department does not own any land and buildings. However, independent valuations have been performed on Buxton and Redgrave land and buildings (owned by HSE). 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
HSE Redgrave Court, Bootle	BNP Paribas Real Estate Advisory & Property Management UK	31 March 2026
HSE Health and Safety Laboratory, Buxton	NPS Property Consultants	31 March 2026

1.9 Intangible assets

Whether acquired externally or generated internally, intangible assets are initially recognised at cost. Subsequent measurement is at fair value. Where an active market exists for an intangible asset, it is carried at a revalued amount based on its market value at the end of the reporting period. Prior to year end 31 March 2025, intangible assets were revalued using appropriate indices to estimate depreciated replacement cost as a alternative for fair value. Internally developed software and software licences were revalued using the most recent Office for National Statistics (ONS) published indices.

With effect from 1 April 2025, the Department will no longer be revaluing its intangible assets on an annual basis in line with FReM amendments.

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.

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). It classifies development costs as assets under the course of construction until the asset is available for use. At that point, it is transferred to the relevant asset class.

Website development costs

We capitalise website development costs in line with the requirements of Standard Interpretations Committee (SIC) 32 (Intangible Assets – Web Site Costs).

1.10 Depreciation and amortisation

We charge depreciation on property, plant and equipment and calculate amortisation on intangible assets with a finite life using the straight-line method to reflect the consumption of economic benefits. Depreciation and amortisation is charged to either administration or programme costs in accordance with how the associated assets are being used.

Depreciation

No depreciation is charged on freehold land. Estimated useful asset lives are within these ranges:

Freehold buildings	The shorter of 50 years or remaining life as assessed by valuers
Leasehold land and buildings	Period remaining on lease or to next rent review
Health and Safety Executive / Health and Safety Laboratory Private Finance Initiative (PFI) leasehold buildings	60 years designated life
Leasehold improvements	Period remaining on lease (up to 20 years)
Information technology	2 to 15 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 20 years
Websites	5 to 7 years

1.11 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.

1.11.1 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 financial assets. 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 (FVTPL), 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 receivables 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 293.

In addition to the above, the balance of gross benefit overpayments does not include all of the estimated overpayments reported in note 19, 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:

1) The overpayment has not been identified by the Department
2) An identified overpayment has not been properly referred for collection
3) 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 the Department'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 (Financial Instruments) simplified approach, whereby a historical recovery rate is calculated and applied to the debts according to age profile. These have been detailed within Note 14. Within the Trade and other receivables category we have debts relating to Support for Mortgage Interest, other government departments, 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 (Financial Instruments), changes in credit risk cannot be used to assess whether lifetime expected credit losses should be recognised and contractual cash flows cannot be used as an indicator of credit risk or default. We've 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 Departments' Impairment calculation:

1) Uses historic performance to assess future recoveries
2) Assumes recovery rates are linked to the age of the debt
3) Assumes that debts have a lifespan of 20 years

Further details are explained in Note 14a.

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.

1.11.2 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 non-interest bearing and are recognised at their estimated settlement value at the reporting date.

Accrued social benefit expenditure represents amounts recognised in accordance with the Government Financial Reporting Manual (FReM), whereby expenditure is recorded from the point at which claimants meet the relevant eligibility criteria, rather than when payments become legally due. As a result, accruals include amounts relating to periods where entitlement conditions have been satisfied but payment or formal determination has not yet occurred at the reporting date.

This includes amounts payable in April relating to entitlement periods prior to the year end, together with an estimate of amounts expected to be paid later in the following financial year where eligibility criteria were met before the reporting date. The balance will vary year-on-year depending on benefit payment patterns and the timing of eligibility relative to the reporting date.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

1.12 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 17a and 17e) 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 provisions and contingent liabilities associated with the social security benefits the Department administers.

The threshold of the de minimis is £10 million for individual liabilities and a £90 million de minimis is then applied in aggregate to the remainder. 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 to support an overall quantification of the outstanding liability. We therefore disclose a contingent liability, see Note 21.

State Pension underpayment provisions

These are specific liabilities relating to underpayment of benefit. As such, we adopt the same policy as set out for Benefit provisions. These items however merit separate disclosure in Note 17 (Provisions for liabilities and charges) due to their materiality and likely interest to readers of the accounts.

1.13 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover past and present employees. The defined benefit schemes are unfunded and are contributory public service occupational pension schemes made under the Superannuation Act 1972. In accordance with the FReM paragraph 8.2 adaptation of IAS 19 (Employee Benefits), the Department accounts for these as defined contribution schemes and recognised contributions it pays as an expense in the year in which they are incurred. 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 18.

1.14 Leases

The Department accounts for leases under IFRS 16 (Leases) which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

IFRS 16 (Leases) requires recognition of all qualifying leases on the balance sheet.

The result is the recognition of a right to use asset, measured at the present value of future lease payments, with a matching lease liability.

IFRS 16 (Leases) 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

IFRS 16 (Leases) 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.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HM Treasury.

The HM Treasury discount rates were 4.81% for leases entered into prior to 31 December 2025, or 5.32% after 1 January 2026.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the Department's estimates of the amount expected to be payable under a residual value guarantee, or if the Department changes its assessment of whether it will exercise a purchase, extension, or termination option.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee

The exercise price under a purchase option that the Department is reasonably certain to exercise, lease payments in an optional renewal period if the Department is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Department is reasonably certain not to terminate early.

When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset or recorded in the SoCNE if the carrying amount of the right of use asset is zero.

The Department presents right of use assets that do not meet the definition of investment properties per IAS 40 (Investment Property) as right of use assets on the SoFP. The lease liabilities are included within Lease liabilities within current and non-current liabilities on the SoFP.

Right of use asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant, and equipment assets. The cost measurement model in IFRS 16 (Leases) is used as an appropriate proxy for current value in existing use or fair value for the majority of leases (consistent with the principles for subsequent measurement of property, plant and equipment) except for those which meet one of the following:

- A longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates; and
- The fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

The right of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis of those of property, plant and equipment assets.

The Department includes an estimate of known costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligations for such costs are recognised and measured applying IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

Exemptions

- Short-term leases (leases where the term is less than 12 months)
- Low-value assets (leases where the underlying asset value is less than £5,000)
- Intangible assets
- Extension and termination options reasonably certain to be exercised
- Variable lease payments based on an index or rate

Subleases

At the commencement of a lease where a sub-leasing arrangement is present and DWP is the intermediate lessor, the Department recognises a lease receivable at an amount equal to the net investment in the lease (IFRS 16.67). The net investment in the lease is the sum of the following (discounted using HM Treasury discount rates as default):

- The lease payments receivable by the Department; and
- Any unguaranteed residual value

- Residual value guarantees (a guarantee made to a lessor that the value [or part of the value] of an underlying asset at the end of a lease will be at least a specified amount)
- Advance payments
- Previously included non-lease/service components (where possible the Department have separated lease and service components [maintenance, security etc.] and have only capitalised amounts relating to lease components)

1.15 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.

We apply the same de minimis threshold for recognition of contingent liabilities associated with the social security benefits the Department administers as a provision, see Note 1.12.

For some statutory and non-statutory contingent liabilities, the likelihood of transfer of economic benefits is remote. However, we disclose these for parliamentary reporting and accountability purposes in the Remote Contingent Liabilities section within the accountability report on page 299.

1.16 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.

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:

DWP Services and Fraud – incorporates Counter Fraud Compliance and Debt, Accessibility, Disability and Disputes, Child Maintenance Services and Retirement Services. Also included are Funeral Expense Payments.

Jobs and Careers Service – brings together Working Age and Universal Credit Operations, ahead of the transition to bring Jobcentre Plus and the National Careers Service together.

Corporate functions as follows:

Finance Group - incorporating Strategy; Payment Systems; Planning; Security and Risk Management; Central Analysis; Commercial and Contract Management and Partner Delivery. Also included are health and employment programmes and grants, and our DEL spend for local authorities.

Digital and Transformation Group - our IT Contracts and digital services for colleagues and customers, coupled with our investment programmes and projects.

Policy Group – our Policy functions support our ministers and the Departments' Executive Team. Policy Group also supports ALB's including Health and Safety Executive, the Money and Pensions Service, the Pension's Regulator and the Pension Protection Fund.

People and Capability - our core HR functions.

Corporate Transformation – incorporating Estates contract management and Synergy.

Other corporate functions – Central Costs/Recoveries; Communications; Private Office.

Arm's length bodies - the expenditure incurred by the bodies within our accounting boundary on page 183.

	2025-26	2024-25 (Restated)
	£000	£000
Service Delivery:[157]		
DWP Services and Fraud	1,637,463	1,223,312
Jobs and Careers Service[158]	2,276,990	2,418,990
Corporate:		
Finance Group	2,335,955	2,436,409
Digital and Transformation Group:[159]	1,910,844	
Digital Group		955,171
Strategy and Transformation		797,019
Policy Group	296,027	226,625
People and Capability	199,825	202,312
Corporate Transformation	1,408,997	1,222,199
Other corporate (Central Costs/Recoveries; Communications; Private Office)	31,097	(4,995)
Arm's Length Bodies	525,701	464,909
Total resource and capital DEL	**10,622,899**	**9,941,951**

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 2025-26 to review and approve the Department's AME strategy for Supply Estimates and subsequently reviewed AME forecasts versus the funding granted by Parliament.

157 Fraud, Disability and Health and Operations are now DWP Services and Fraud, and Jobs and Careers Service respectively.

158 The decrease in figures compared to 2024-25 is due to an Executive team reorganisation resulting in Child Maintenance Service and Retirement Services moving from Jobs and Career Service to DWP Services and Fraud, hence the increase in the latter.

159 Digital Group and Strategy and Transformation are now combined as Digital and Transformation Group.

	2025-26	2024-25 (Restated)
	£000	£000
Total resource and capital AME	**309,547,244**	**287,853,659**
Total resource and capital	**320,170,142**	**297,795,610**
DEL and AME		

SOPS notes 1.1 and 1.2 provide details of resource and capital.

SOPS 2 on page 279 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.

The reconciling difference between the total of reportable segments' net outturn (£320.2 billion, representing total resource and capital DEL and AME) to net expenditure shown in the SoCNE (£319.3 billion) is made up of (i) total capital outturn (£0.8 billion) (ii) other immaterial reconciling items (£0.1 billion).

3. Staff expenditure

	2025-26		2024-25	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Wages and salaries	3,283,821	3,565,729	3,039,930	3,290,761
Employers' National Insurance	398,230	432,603	291,658	318,909
Superannuation and pension costs	845,922	908,324	797,941	856,996
Total staff costs	**4,527,973**	**4,906,656**	**4,129,529**	**4,466,666**

We've presented the full staff and related expenditure disclosure in the remuneration and staff report on page 232.

4. Expenditure

		2025-26		2024-25	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Purchase of goods and services					
Goods and services		1,204,410	1,328,540	1,148,166	1,252,281
Accommodation expenditure		489,565	503,559	541,711	562,046
IT services		625,450	658,756	544,528	586,342
Grant in aid		551,659	-	505,260	-
Other costs		205,382	274,372	150,027	205,377
Non-cash goods and services	6	9,732	10,316	6,257	6,574
Rentals costs		973	1,083	1,242	2,441
Agency payments on behalf of EU to third-parties		-	-	543,865	543,865
Audit fee		-	349	-	329
Non-audit services fee		93	93	75	75
Purchase of goods and services total		**3,087,264**	**2,777,068**	**3,441,131**	**3,159,330**
Finance expense					
PFI service charges		-	13,749	-	2,481
Lease charges		18,093	34,855	15,690	54,989
Total finance expense		**18,093**	**48,604**	**15,690**	**57,470**

During the year, the Department paid £93,000 for other audit services not relating to the statutory audit of these accounts. These services were to provide a non-statutory audit opinion to the Department on benefit expenditure recharged to Social Security Scotland in relation to devolved benefits administered by the Department under Agency Agreements. This opinion will be shared with Social Security Scotland. The cost of the devolution audit was £65,000 in 2025-26. The remaining £28,000 cost relates to irrecoverable VAT, which relates to both 2025-26 and 2024-25.

The audit fee for the Department and its agencies of £1.7 million is shown in non-cash expenditure, see note 6.

5. Benefit and Social Fund expenditure

		2025-26		2024-25 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Voted expenditure	5a	156,627,268	156,627,268	146,237,903	146,237,903
Non-voted expenditure	5b	152,085,114	152,085,114	143,627,086	143,627,086
Social Fund expenditure[160]		1,969,101	1,969,101	360,130	360,130
Programme balances written off		487,963	487,963	456,070	456,070
Total		**311,169,446**	**311,169,446**	**290,681,189**	**290,681,189**

Comparatives have been restated to reflect the adoption of the FReM accruals policy for Social Benefits. See 1.2 for further details.

160 Social Fund Expenditure for 2024-25 includes changes to the eligibility criteria for Winter Fuel Payments. From July 2024, only those receiving select means tested benefits became eligible. From June 2025, the eligibility criteria revert back to being age based only.
The Winter Fuel Regulations no longer include citizens resident in Scotland as this was devolved from 1 April 2024.

5a. Voted expenditure

	2025-26		2024-25 (Restated)	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Universal Credit	79,858,392	79,858,392	66,132,254	66,132,254
Personal Independence Payment	28,486,535	28,486,535	25,956,672	25,956,672
Amounts paid to local authorities	13,490,011	13,490,011	15,934,813	15,934,813
Employment and Support Allowance	1,925,937	1,925,937	7,114,446	7,114,446
Disability Living Allowance	8,286,466	8,286,466	7,677,014	7,677,014
Cost of Living Payment	(27,036)	(27,036)	(14,068)	(14,068)
Attendance Allowance	8,437,893	8,437,893	7,718,724	7,718,724
Pension Credit	6,241,036	6,241,036	5,946,844	5,946,844
Carer's Allowance	4,544,200	4,544,200	4,214,581	4,214,581
Statutory Sick Pay and Statutory Maternity Pay	3,239,000	3,239,000	3,054,000	3,054,000
Industrial Injuries Benefits Scheme	737,552	737,552	750,679	750,679
Income Support	6,114	6,114	270,799	270,799
Jobseeker's Allowance	966	966	87,740	87,740
Employment Programmes – Restart	418,126	418,126	358,204	358,204
Employment Programmes – Other	432,160	432,160	486,062	486,062
Severe Disablement Allowance	46,591	46,591	53,588	53,588
Other expenditure	503,325	503,325	495,551	495,551
Total	**156,627,268**	**156,627,268**	**146,237,903**	**146,237,903**

Prior year comparatives have been restated. See note 1.2.

5b. Non-voted expenditure (financed by the National Insurance Fund)

	2025-26		2024-25 (Restated)	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
State Pension	145,849,129	145,849,129	137,363,255	137,363,255
Employment and Support Allowance	5,155,799	5,155,799	5,160,966	5,160,966
Bereavement Benefits	298,648	298,648	349,076	349,076
Maternity Allowance	380,082	380,082	402,135	402,135
Jobseeker's Allowance	268,576	268,576	222,108	222,108
Christmas Bonus	132,514	132,514	130,186	130,186
Incapacity Benefit[161]	366	366	(640)	(640)
Total	**152,085,114**	**152,085,114**	**143,627,086**	**143,627,086**

Prior year comparatives have been restated. See note 1.2.

161 The credit balance in 2024-25 is due to the reversal of over accrued Isle of Man expenditure

6. Non-cash expenditure

		2025-26		2024-25 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Non-cash purchase of goods and services					
Auditor's remuneration		1,688	1,688	1,741	1,741
Loss on disposal of assets		6,200	6,242	2,587	2,716
Revaluation (gain)/loss		-	542	(3)	185
Movements on pension liability		1,844	1,844	1,932	1,932
		9,732	**10,316**	**6,257**	**6,574**
Depreciation, amortisation and impairment					
Depreciation and amortisation of non-current assets	9 and 10	430,486	442,960	401,144	411,115
Impairment of non-current assets		9,072	12,290	7,152	7,206
Movement in impairment of receivables[162]	14	804,623	804,622	96,405	97,294
		1,244,181	**1,259,872**	**504,701**	**515,615**
Provision expense					
Movement in provisions	17	(394,919)	(394,847)	(1,005,729)	(1,005,701)
Borrowing costs of provisions	17	179,116	179,116	193,369	193,369
		(215,803)	**(215,731)**	**(812,360)**	**(812,332)**
Total		**1,038,110**	**1,054,457**	**(301,402)**	**(290,143)**

162 Note 14 includes non-cash expenditure (note 6) and donated assets (note 8) impairment

7. Income

	2025-26		2024-25	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Operating income				
HSE income	–	157,216	–	122,684
Pension levy receipts	124,062	124,062	113,498	113,498
EU income[163]	59,258	59,258	537,967	537,967
Other income	114,533	115,039	103,114	106,039
Mesothelioma recoveries	46,955	46,955	53,833	53,833
Income from other government departments	12,915	12,915	39,293	39,293
CFER income	19,058	19,058	25,195	25,195
Total operating income	**376,781**	**534,503**	**872,900**	**998,509**
Finance income				
Investment income	42,943	43,449	37,417	38,051
Non-cash				
ESF foreign exchange gain	11,032	11,032	1,460	1,460
Total financial income	**53,975**	**54,481**	**38,877**	**39,511**
Total income	**430,756**	**588,984**	**911,777**	**1,038,020**

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 the European Social Fund (ESF) 2014-20.

Income from other government departments has reduced as Scottish claimant health assessment contracts migrate to Scottish Government.

163 EU income relating to ESF has fallen due to the closure of the scheme. This matches with a commensurate reduction in expenditure funded by the EU. Payments continued through to closure in March 2026. It was replaced by the UK Shared Prosperity Fund administered by Ministry of Housing, Communities and Local Government (MHCLG)

8. Donated assets

	2025-26		2024-25	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Non-cash				
Gross Tax Credits transfer	(128,244)	(128,244)	(584,384)	(584,384)
Tax Credits transfer impairment	41,610	41,610	270,196	270,196
Total	**(86,634)**	**(86,634)**	**(314,188)**	**(314,188)**
Total Capital Grants in Kind	**(86,634)**	**(86,634)**	**(314,188)**	**(314,188)**

In April 2016 we started to take on the debt associated with HM Revenue and Customs personal Tax Credits for customers who have made a claim to Universal Credit and have existing Tax Credits debt or have migrated from Tax Credits to Universal Credit.

The transfer of Tax Credits overpayments from HM Revenue and Customs to the Department ceased on 31 March 2025, causing the reduction in gross Tax Credits transfer and Tax Credits transfer impairment shown above. Tax Credit debts can still transfer in future, when a debtor makes a Universal Credit claim or as procedural appeals are resolved.

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 1.11 for more information on Tax Credits receivables.

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 2025	1,378,054	417,654	110,142	73,631	66,500	915	304,698	**2,351,594**
Additions	334,003	(50)	10,083	4,551	370	92	150,205	**499,254**
Disposals	(65,417)	(130,703)	(21,706)	(2,312)	(76)	(194)	(39)	**(220,447)**
Remeasurements[164]	(76,090)	–	–	–	–	–	–	**(76,090)**
Impairment	(2,027)	–	5	(266)	–	–	(4,453)	**(6,741)**
Reclassifications	(6)	237,592	(12,957)	26,795	98	–	(251,756)	**(234)**
Revaluations	(1,170)	–	–	(860)	–	–	–	**(2,030)**
Transfers	–	–	(516)	–	–	–	–	**(516)**
At 31 March 2026	**1,567,347**	**524,493**	**85,051**	**101,539**	**66,892**	**813**	**198,655**	**2,544,790**
Depreciation								
At 1 April 2025	513,534	295,112	85,299	36,763	43,455	668	–	**974,831**
Charged in year	175,076	111,965	9,607	22,454	6,655	49	–	**325,806**
Disposals	(62,423)	(130,074)	(21,641)	(1,918)	(90)	(146)	–	**(216,292)**
Impairment	–	–	–	(105)	–	–	–	**(105)**
Reclassifications	3	(3)	–	–	–	–	–	**–**
Revaluations	(4,305)	–	–	(1,094)	–	–	–	**(5,399)**
Transfers	–	–	(214)	–	–	–	–	**(214)**
At 31 March 2026	621,885	277,000	73,051	56,100	50,020	571	–	**1,078,627**
Carrying amount at 31 March 2025	**864,520**	**122,542**	**24,843**	**36,868**	**23,045**	**247**	**304,698**	**1,376,763**
Carrying amount at 31 March 2026	**945,462**	**247,493**	**12,000**	**45,439**	**16,872**	**242**	**198,655**	**1,466,163**
Asset financing:								
Owned	15,433	247,493	8,269	43,311	16,013	242	198,655	**529,416**
Leased	861,854	–	3,731	2,128	–	–	–	**867,713**
PFI contracts	68,175	–	–	–	859	–	–	**69,034**
Carrying amount at 31 March 2026	**945,462**	**247,493**	**12,000**	**45,439**	**16,872**	**242**	**198,655**	**1,466,163**

164 Land and buildings remeasurements include upward modifications of £42 million, primarily arising from lease term extensions, rent reviews and the capitalisation of dilapidations provisions. These are offset by downward modifications of £118 million, mainly relating to terminations

	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
Of the total:								
Department	840,663	242,167	5,243	38,264	14,467	0	196,892	**1,337,696**
Arm's length bodies	104,799	5,326	6,757	7,175	2,405	242	1,763	**128,467**
Carrying amount at 31 March 2026	**945,462**	**247,493**	**12,000**	**45,439**	**16,872**	**242**	**198,655**	**1,466,163**
Cost or valuation								
At 1 April 2024	**1,296,405**	**375,236**	**248,516**	**61,070**	**66,903**	**1,048**	**251,599**	**2,300,777**
IFRS 16 Adjustments	–	–	–	–	–	–	–	**–**
Additions[165]	161,084	195	18,237	3,707	94	95	158,000	**341,412**
Disposals	(40,889)	(61,195)	(145,810)	(959)	(377)	(228)	–	**(249,458)**
Modifications	(35,091)	–	–	–	–	–	–	**(35,091)**
Impairment	(3,532)	–	(238)	–	(78)	–	(1,016)	**(4,864)**
Reclassifications	37	103,418	(10,563)	9,813	(42)	–	(103,885)	**(1,222)**
Revaluations	40	–	–	–	–	–	–	**40**
At 31 March 2025	**1,378,054**	**417,654**	**110,142**	**73,631**	**66,500**	**915**	**304,698**	**2,351,594**
Depreciation								
At 1 April 2024	**388,934**	**257,459**	**207,360**	**26,642**	**37,211**	**783**	**–**	**918,389**
Charged in year	165,081	96,912	23,304	10,883	6,607	84	–	**302,871**
Disposals	(40,481)	(59,259)	(145,365)	(762)	(363)	(199)	–	**(246,429)**
At 31 March 2025	**513,534**	**295,112**	**85,299**	**36,763**	**43,455**	**668**	**–**	**974,831**
Carrying amount at 31 March 2024	**907,471**	**117,777**	**41,156**	**34,428**	**29,692**	**265**	**251,599**	**1,382,388**
Carrying amount at 31 March 2025	**864,520**	**122,542**	**24,843**	**36,868**	**23,045**	**247**	**304,698**	**1,376,763**
Asset financing:								
Owned	13,045	122,542	18,612	33,815	22,086	247	304,698	**515,045**
Leased	779,907	–	6,231	3,053	–	–	–	**789,191**
PFI contracts	71,568	–	–	–	959	–	–	**72,527**
Carrying amount at 31 March 2025	**864,520**	**122,542**	**24,843**	**36,868**	**23,045**	**247**	**304,698**	**1,376,763**
Of the total:								
Department	759,657	116,174	16,842	30,809	20,042	2	302,821	**1,246,347**
Arm's length bodies	104,863	6,368	8,001	6,059	3,003	245	1,877	**130,416**
Carrying amount at 31 March 2025	**864,520**	**122,542**	**24,843**	**36,868**	**23,045**	**247**	**304,698**	**1,376,763**

165 Land and buildings additions value includes upwards modifications of £34.4 million relating to lease end date extensions, rent reviews and capitalised dilapidations provisions

a. Right of use assets

The figures in the table below are included within the consolidated property, plant and equipment note above.

	Land and buildings	Information Technology	Plant and machinery	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2025	**1,287,098**	**23,137**	**5,069**	**1,315,304**
IFRS 16 Adjustments	1,150	–	–	**1,150**
Additions	333,011	1,871	553	**335,435**
Disposals	(61,542)	–	(180)	**(61,722)**
Remeasurements	(76,090)	–	–	**(76,090)**
Impairment	(2,027)	–	–	**(2,027)**
At 31 March 2026	**1,481,600**	**25,008**	**5,442**	**1,512,050**
Depreciation				
At 1 April 2025	**508,257**	**16,906**	**2,016**	**527,179**
IFRS 16 Adjustments	84	–	–	**84**
Charged in year	172,947	4,371	1,430	**178,748**
Disposals	(61,541)	–	(133)	**(61,674)**
At 31 March 2026	**619,747**	**21,277**	**3,313**	**644,337**
Carrying amount at 31 March 2025	**778,841**	**6,231**	**3,053**	**788,125**
Carrying amount at 31 March 2026	**861,853**	**3,731**	**2,129**	**867,713**

b. Cash flow reconciliation

	2025-26	2024-25
	£000	£000
Capital payables and accruals at 1 April	24,460	39,113
Capital additions	499,254	341,412
Less: leased capital additions	(335,451)	(161,880)
Capital payables and accruals at 31 March	(17,281)	(24,460)
Purchases of property, plant and equipment as per Statement of Cash Flows	**170,982**	**194,185**
Of the total:		
Department	166,692	188,639
Arm's length bodies	4,290	5,546
Total	**170,982**	**194,185**

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 2025	**432**	**120,102**	**984,261**	**117,536**	**1,222,331**
Additions	–	23,123	1,771	94,816	**119,710**
Disposals	–	(31,554)	(32,717)	(2,245)	**(66,516)**
Impairments	–	–	(1,642)	(4,012)	**(5,654)**
Reclassifications	–	234	86,488	(86,488)	**234**
Revaluations	–	6	823	–	**829**
Transfers	–	–	(6,288)	–	**(6,288)**
At 31 March 2026	**432**	**111,911**	**1,032,696**	**119,607**	**1,264,646**
Amortisation					
At 1 April 2025	**287**	**74,421**	**546,332**	**–**	**621,040**
Charged in year	36	30,315	84,193	–	**114,544**
Disposals	–	(31,533)	(32,717)	–	**(64,250)**
Reclassifications	–	2	(2)	–	**–**
Revaluations	–	–	(1,268)	–	**(1,268)**
Transfers	–	–	(1,970)	–	**(1,970)**
At 31 March 2026	**323**	**73,205**	**594,568**	**–**	**668,096**
Carrying amount at 31 March 2026	**109**	**38,706**	**438,128**	**119,607**	**596,550**
Carrying amount at 31 March 2025	**145**	**45,681**	**437,929**	**117,536**	**601,291**
Of the total:					
Department	–	38,706	436,628	81,591	**556,925**
Arm's length bodies	109	–	1,500	38,016	**39,625**
Carrying amount at 31 March 2026	**109**	**38,706**	**438,128**	**119,607**	**596,550**
Cost or valuation					
At 1 April 2024	**881**	**137,519**	**810,896**	**140,359**	**1,089,655**
Additions	–	7,398	5,137	91,552	**104,087**
Disposals	(539)	(32,669)	(5,698)	–	**(38,906)**
Impairments	–	(100)	(5)	(2,237)	**(2,342)**

	Websites	Purchased software licences	Internally developed software	Payments on assets under construction	Total
	£000	£000	£000	£000	£000
Reclassifications	90	7,332	95,111	(112,138)	**(9,605)**
Revaluations	–	622	78,820	–	**79,442**
At 31 March 2025	**432**	**120,102**	**984,261**	**117,536**	**1,222,331**
Amortisation					
At 1 April 2024	**755**	**80,822**	**449,198**	**–**	**530,775**
Charged in year	72	25,992	76,293	–	**102,357**
Disposals	(540)	(32,666)	(5,356)	–	**(38,562)**
Revaluations	–	273	26,197	–	**26,470**
At 31 March 2025	**287**	**74,421**	**546,332**	**–**	**621,040**
Carrying amount at 31 March 2025	**145**	**45,681**	**437,929**	**117,536**	**601,291**
Carrying amount at 31 March 2024	**126**	**56,697**	**361,698**	**140,359**	**558,880**
Of the total:					
Department	–	45,660	432,844	87,841	**566,345**
Arm's length bodies	145	21	5,085	29,695	**34,946**
Carrying amount at 31 March 2025	**145**	**45,681**	**437,929**	**117,536**	**601,291**

a) Intangible asset cash flow reconciliation

	2025-26	2024-25
	£000	£000
Capital payables and accruals at 1 April	10,976	22,875
Capital additions	119,710	104,087
Capital payables and accruals at 31 March	(12,449)	(10,976)
Purchases of intangible assets as per Statement of Cash Flows	**118,237**	**115,986**
Of the total:		
Department	105,769	122,902
Arm's length bodies	12,468	(6,916)
Total	**118,237**	**115,986**

11. Commitments under non-PFI leases

Leases

Total future minimum lease payments are given in the table below for each of the following periods:

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Obligations under lease for the following period comprise:				
Buildings				
Not later than one year	194,675	198,655	179,181	182,993
Later than one year and not later than five years	425,117	437,608	413,336	426,280
Later than five years	496,711	508,442	411,532	424,621
	1,116,503	**1,144,705**	**1,004,049**	**1,033,894**
Less interest element	(160,898)	(168,145)	(101,048)	(107,416)
Present value of obligations	**955,605**	**976,560**	**903,001**	**926,478**
Other				
Not later than one year	3,686	3,686	5,814	5,814
Later than one year and not later than five years	2,882	2,882	4,188	4,188
Later than five years	–	–	–	–
	6,568	**6,568**	**10,002**	**10,002**
Less interest element	(284)	(284)	(347)	(347)
Present value of obligations	**6,284**	**6,284**	**9,655**	**9,655**

12. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), for the provision of goods and services. The payments to which the Department are committed are as follows:

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Not later than one year	2,171,781	2,176,931	1,682,634	1,697,972
Later than one year and not later than five years	2,891,188	2,894,805	3,028,615	3,043,818
Later than five years	474,872	474,872	850,192	858,572
Total	**5,537,841**	**5,546,608**	**5,561,441**	**5,600,362**

Total commitments include some volume and/or results driven contracts where actual expenditure may be lower than the estimated commitment.

13. Cash and cash equivalents

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Balances at 1 April	**(1,178,858)**	**(1,174,884)**	**(1,206,581)**	**(1,204,355)**
Net change in cash and cash equivalent balances	(2,758,936)	(2,761,187)	27,723	29,471
Balances at 31 March	**(3,937,794)**	**(3,936,071)**	**(1,178,858)**	**(1,174,884)**
Represented by:				
Cash and cash equivalents	1,036,377	1,039,580	643,149	647,303
Bank overdraft	(4,974,171)	(4,975,651)	(1,822,007)	(1,822,187)
Total	**(3,937,794)**	**(3,936,071)**	**(1,178,858)**	**(1,174,884)**

The following balances were held at:

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Government Banking Services	(3,937,824)	(3,939,303)	(1,179,016)	(1,179,196)
Commercial banks and cash in hand	30	3,232	158	4,312
Total	**(3,937,794)**	**(3,936,071)**	**(1,178,858)**	**(1,174,884)**

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.

Child Maintenance Service client funds

We are responsible for the collection and payment of client funds relating to the statutory child maintenance schemes operated through the Child Maintenance Service (CMS).

In November 2025, HM Treasury issued a revised Accounts Direction for child maintenance client funds. This direction ceased the requirement to produce separate client fund accounts and instead requires the overall cash position for these funds to be reported within the notes to the Resource Account.

The Department acts in a custodian role in respect of these funds, collecting payments from Paying Parents and issuing maintenance payments to Receiving Parents.

These funds are held in designated bank accounts. Their related transactions are not recognised as assets or liabilities and are excluded from the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Net Expenditure. The only transactions recognised in our financial statements are fees and charges levied in respect of the administration of the schemes.

The following table identifies the total client funds associated with both the 2012 child maintenance scheme and the legacy 1993/2003 child maintenance schemes.

	31 March 2026	31 March 2025
	£000	£000
Cash held at 1 April	13,251	10,697
Total client funds Cash Received during the year	450,544	369,414
Total client funds Cash Paid during the year	(449,260)	(366,860)
Cash held at 31 March	14,535	13,251

Please see Page 44 for additional information relating to CMS client funds.

14. Trade receivables, financial and other assets

		31 March 2026		31 March 2025	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Trade receivables		121,956	168,209	156,686	194,840
Benefit overpayments		978,085	978,085	1,099,078	1,099,078
Benefit advances		884,797	884,797	849,216	849,216
Housing Benefit subsidy		511,693	511,693	520,272	520,272
Prepayments and accrued income		1,487,999	1,548,064	721,624	770,518
Social Fund loans		40,705	40,705	67,023	67,023
Tax Credits		308,948	308,948	347,193	347,193
European Social Fund[166]		74	74	84,331	84,331
Value Added Tax		68,874	74,230	70,253	74,004
CFERS receivable		2,327	2,327	2,087	2,087
Supply receivable		719,409	719,409	-	-
Other receivables		18,497	19,587	18,773	19,042
Current part of Loans	14b	1,854	1,854	1,737	1,737
Gross receivables		**5,145,218**	**5,257,982**	**3,938,273**	**4,029,341**
Less: impairment of receivables	14a	(334,243)	(345,897)	(337,053)	(348,708)
Net receivables		**4,810,975**	**4,912,085**	**3,601,220**	**3,680,633**
Amounts falling due after more than one year					
Trade receivables		48,673	48,673	45,095	45,095
Benefit overpayments		5,842,483	5,842,483	4,627,527	4,627,527
Benefit advances		1,252,523	1,252,523	1,129,653	1,129,653
Loans and investments	14b	1,545,989	1,545,989	1,453,598	1,453,598
Social Fund loans		83,581	83,581	77,743	77,743
Tax Credits		1,935,221	1,935,221	2,128,652	2,128,652
Prepayments and accrued income		1,445	1,522	-	13

166 ESF 14-20 closed during 2025-26. It was replaced by the UK Shared Prosperity Fund administered by Ministry of Housing, Communities and Local Government (MHCLG)

		31 March 2026		31 March 2025	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Other receivables		116,396	118,824	121,350	124,053
Gross receivables		**10,826,311**	**10,828,816**	**9,583,618**	**9,586,334**
Less: impairment of receivables	14a	(2,881,866)	(2,881,866)	(2,033,228)	(2,033,228)
Net receivables		**7,944,445**	**7,946,950**	**7,550,390**	**7,553,106**
Total net receivables		**12,755,420**	**12,859,035**	**11,151,610**	**11,233,739**

a) Impairment of receivables

Impairment of receivables <1 year

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Benefit overpayments	(222,077)	(222,077)	(225,501)	(225,501)
Tax Credits	(22,997)	(22,997)	(20,972)	(20,972)
Benefit advances	(71,032)	(71,032)	(73,528)	(73,528)
Social Fund	(8,554)	(8,554)	(7,558)	(7,558)
Other	(9,583)	(21,237)	(9,494)	(21,149)
Total	**(334,243)**	**(345,897)**	**(337,053)**	**(348,708)**

Impairment of receivables >1 year

Benefit overpayments	(1,873,328)	(1,873,328)	(1,165,764)	(1,165,764)
Tax Credits	(648,103)	(648,103)	(587,886)	(587,886)
Benefit advances	(263,641)	(263,641)	(195,883)	(195,883)
Social Fund	(44,125)	(44,125)	(41,507)	(41,507)
Other	(52,669)	(52,669)	(42,188)	(42,188)
Total	**(2,881,866)**	**(2,881,866)**	**(2,033,228)**	**(2,033,228)**

Our impairment measurement approach reflects our experience of recovering a developing portfolio of debts. For the most significant benefit related financial instruments (benefit overpayments, benefit advances and Tax Credits), the following table provides a reconciliation of the movements in impairment from March 2025 to March 2026.

	Benefit overpayments (excluding Universal Credit)	Benefit overpayment – Universal Credit	Benefit Advances	Tax Credit	Social Fund Loans	Total
	£000	£000	£000	£000	£000	£000
Impairment at 1 April 2025	**(887,261)**	**(504,004)**	**(269,411)**	**(608,858)**	**(49,065)**	**(2,318,599)**
Movement in impairment due to:						
Impairment of debts recognised in 2025-26	(235,248)	(124,417)	(126,369)	(21,038)	(29,983)	(537,055)
Reduction in level of debts written off	123,502	2,485	4,130	4,396	10,232	144,745
Increase in level of debt recoveries and other movements	129,533	40,278	107,780	54,647	26,275	358,513
Change in rate utilised	(67,670)	(370,576)	(26,928)	(101,335)	(9,490)	(575,999)
Change in Discount Rate utilised	(6,366)	(195,661)	(23,875)	1,088	(648)	(225,462)
Impairment at 31 March 2026	**(943,510)**	**(1,151,895)**	**(334,673)**	**(671,100)**	**(52,679)**	**(3,153,857)**

The Department continues to:

- Review historic rates of debt recovery and write-off to estimate future Expected Credit Loss
- Apply a discount rate provided by HM Treasury to future recoveries
- Group debts by benefit and age within the model
- Annually consider 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. Based on the latest analysis, we are satisfied that historic rates provide the most reliable estimate for future impairment.

b) Financial assets

Our financial assets of £1.5 billion consist of loans to organisations within our departmental family and Support for Mortgage Interest loans.

National Employment Savings Trust Corporation (NEST)

National Employment Savings Trust Corporation (NEST): The total amount outstanding at 31 March 2026 is £1.185 billion (2024-25: £1.189 billion). 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 and income from member charges is now sufficient to fund both NEST's ongoing costs and a loan repayment profile. NEST began repayment of the loan in 2024-25 and it is scheduled to be fully repaid by March 2038.

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 total amount outstanding is £7.7 million (2024-25: £9.5 million). ONR have repaid £1.7 million during 2025-26, and it is expected that £1.9 million will be repaid in 2026-27.

Pension Protection Fund (PPF)

The total amount outstanding at 31 March 2026 is £101.7 million. An additional £47.6 million was provided to PPF in 2025-26. This loan funds compensation payments to members of several pension schemes which have suffered from fraudulent activity. The loan will be repaid from the Fraud Compensation Levy, as at 31 March 2026 no repayments have been made.

Support for Mortgage Interest (SMI)

The value of SMI loans now stands at £253.4 million (2024-25: £202.7 million). The majority of the increase is a result of new debt during 2025-26.

15. Trade payables and other liabilities

		31 March 2026		31 March 2025 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due within one year					
Taxation and social security		82,730	89,224	69,679	75,386
Superannuation		84,333	90,597	80,494	86,147
Trade payables		237,582	244,332	203,251	209,473
Accruals and deferred income		11,441,529	11,493,401	12,464,345	12,510,169
Capital payables and accruals	9b,10a	25,779	27,376	30,267	31,130
Bank overdrafts	13	4,974,171	4,975,651	1,822,007	1,822,187
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	10,025	–	6,869
Lease obligations		175,081	178,480	170,967	174,253
CFERs due to be paid to the Consolidated Fund – Received		3,545	3,545	11,418	11,418
CFERs due to be paid to the Consolidated Fund – Receivable		2,327	2,327	2,087	2,087
Amounts issued from the Consolidated Fund for supply but not spent at year end		–	–	226,107	226,107
Third-party payments		64,035	64,035	47,920	47,920
European Social Fund		–	–	161,546	161,546
Other payables		45,581	43,832	45,426	43,747
		17,136,693	**17,222,825**	**15,335,514**	**15,408,439**

		31 March 2026		31 March 2025 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Amounts falling due after more than one year					
Imputed finance lease element of on-Statement of Financial Position PFI contracts		–	119,903	–	126,354
Lease obligations		786,808	804,364	741,690	761,881
Accruals and Deferred Income		166	166	772	772
Capital Accruals	9b,10a	2,354	2,354	4,306	4,306
		789,328	**926,787**	**746,768**	**893,313**
Total payables		**17,926,021**	**18,149,612**	**16,082,282**	**16,301,752**

Prior year comparatives have been restated. See note 1.2.

16. Financial instruments

Our financial instruments include loans and receivables.

		31 March 2026		31 March 2025 (Restated)	
		Core Department	Departmental group	Core Department	Departmental group
	Note	£000	£000	£000	£000
Financial assets					
Loans and investments	14	1,547,843	1,547,843	1,455,335	1,455,335
Benefit advances	14	2,137,320	2,137,320	1,978,869	1,978,869
Other receivables		185,039	231,633	215,771	254,093
Cash and cash equivalents	13	1,036,377	1,039,580	643,149	647,303
Housing Benefit subsidy	14	511,693	511,693	520,272	520,272
Benefit overpayments	14	6,820,568	6,820,568	5,726,605	5,726,605
Tax Credits	14	2,244,169	2,244,169	2,475,845	2,475,845
Social Fund loans	14	124,286	124,286	144,766	144,766
European Social Fund	14	74	74	84,331	84,331
Total		**14,607,369**	**14,657,166**	**13,244,943**	**13,287,419**
Less: impairment of financial instruments		(3,216,109)	(3,227,763)	(2,370,281)	(2,381,936)
		11,391,260	**11,429,403**	**10,874,662**	**10,905,483**
Financial liabilities					
Other payables[167]		12,669,299	12,750,473	13,615,598	13,691,984
Bank overdraft	13	4,974,171	4,975,651	1,822,007	1,822,187
European Social Fund	15	-	-	161,546	161,546
Total		**17,643,470**	**17,726,124**	**15,599,151**	**15,675,717**

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 2026 are not materially different from their fair values, so we have not shown them separately.

Exposure to risks

The Department has significant levels of payables at the reporting date (Note 15), comprising of balances of £17,223 million of amounts falling within one year and £927 million of amounts falling after more than one year, which give rise to a liquidity risk.

167 Accruals and deferred income, capital payables and accruals, trade payables and lease obligations

The Department is primarily funded through Parliamentary Supply and has access to cash resources via HM Treasury Consolidated Fund. As a result, it can drawdown funding to meet its liabilities as they fall due. The Department manages its liquidity through the Supply Estimate process, in-year monitoring of cash requirements and regular engagement with HM Treasury. Consequently, while the level of payables is material, the Department does not consider itself exposed to material liquidity risk in practice.

17. Provisions for liabilities and charges

		31 March 2026		31 March 2025	
	Note	Core Department	Departmental group	Core Department	Departmental group
		£000	£000	£000	£000
Financial Assistance Scheme (FAS) provision	17a	3,571,524	3,571,524	3,744,993	3,744,993
Benefit provisions	17b	114,826	114,826	734,309	734,309
State Pension	17c	–	–	92,446	92,446
Home Responsibilities Protection (HRP)	17d	22,417	22,417	29,830	29,830
Other provisions	17e	108,291	108,840	69,517	70,067
		3,817,058	**3,817,607**	**4,671,095**	**4,671,645**

Analysis by type

a. FAS provision

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
FAS provision (a)	£000	£000	£000	£000
Balance at 1 April	3,744,993	3,744,993	3,830,144	3,830,144
Provided in year	30,083	30,083	7,093	7,093
Provisions not required written back	–	–	–	–
Change in discount rate	(129,521)	(129,521)	(21,618)	(21,618)
Utilised in year	(249,516)	(249,516)	(247,493)	(247,493)
Borrowing costs (unwinding of discount)	175,485	175,485	176,867	176,867
Balance at 31 March	**3,571,524**	**3,571,524**	**3,744,993**	**3,744,993**

The Financial Assistance Scheme (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 has been created to fund the liabilities arising from those qualifying schemes once the assets from such schemes have transferred to government. The provision is an estimate of the current liability required 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 long-term cash forecast provided by PPF includes actuarial assumptions such as future rates of price inflation, potential life span and ill health of scheme members as well as adjustments to reflect the impact of legal judgements where they may affect the payments made to pensioners under the scheme. Some members benefits have already been uplifted to reflect the outcome of various legal judgements, and their revised benefits are included in the data. Approximate loadings (expressed as a fixed multiple of the cashflows) are applied for the estimated impact where the actual impact is not yet included in the data or is not yet known (explained in more detail below).

Movement in provision from prior year (2024-25)

Movement of £0.2 billion from the prior year (decrease) reflects a modest increase in HM Treasury discount rates, with the impact amplified by largely unchanged cashflow projections.

Sensitivities for 2025-26

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
	£ million	£ million	£ million	£ million	£ million
Assumption		0.5% decrease	10% increase p.a.	0.5% increase p.a.	0.5% increase p.a.
Provision as at 31 March 2026	3,572	3,755	3,484	3,632	3,600
Increase/(decrease) in provision		183	(87)	60	28
Percentage change		5.12%	(2.44%)	1.68%	0.78%

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 £183 million (5%).

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 £87 million (2%) 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 £60 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 £28 million (1%) increase in the provision.

There are other assumptions included in the cash flows which are not considered to be significant. These include the age difference between male and female survivors; the proportion that are married and ill health decrements.

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.

Pre-97 Indexation

At the November 2025 Budget, the government announced its intention to amend legislation to enable prospective indexation of FAS assistance accrued before 6 April 1997, with the first increase due from 1 January 2027.

Legal Cases

There have been court cases in recent years which impact on the assistance to be paid by FAS, known as the Hampshire and Bauer judgements. All Hampshire uplifts due to members have now been implemented, so no additional allowance for Hampshire is needed in the forecast.

Virgin Media Ltd v NTL Pension Trustees II Ltd

A High Court ruling was made in the Virgin Media Ltd v NTL Pension Trustees II Ltd case in June 2023, which could have material consequences for some Defined Benefit pension schemes. The government is expected to introduce legislation through the Pension Schemes Bill 2025 to address issues arising from this case, where schemes that have already entered the FAS by the time the Bill receives Royal Assent (which is all FAS schemes) will be treated as having met the necessary requirements from their original effective date. As uncertainty around the impact of the judgement persists, no allowance has been made in the projected cashflows for the potential impact of this ruling to date.

b. Benefit provisions

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
Benefit provisions (b)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	734,309	734,309	755,672	755,672
Provided in year	7,689	7,689	155,919	155,919
Provisions not required written back	(324,412)	(324,412)	(51,230)	(51,230)
Utilised in year	(306,124)	(306,124)	(141,317)	(141,317)
Borrowing costs (unwinding of discount)	3,364	3,364	15,265	15,265
Balance at 31 March	**114,826**	**114,826**	**734,309**	**734,309**

This section excludes our provision for State Pension underpayments (as mentioned on page 359) which, although a benefit provision, merits separate disclosures in Note 17c and Note 17d due to its interest to readers of the accounts.

These provisions arise from liabilities relating to benefit payments.

These liabilities are in respect of:

Legal Entitlement and Administrative Practice (LEAP) Exercises

We're continuously learning and improving but from time to time, the Department becomes aware of situations where we've 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 sometimes necessary to correct customer underpayments through a LEAP exercise. In aggregate we consider £115 million to be our best estimate. More information is disclosed on page 128.

Legal cases

In the course of administering a complex benefit system across Great Britain it is inevitable that we will face legal challenge, which may result in liabilities. Where future economic outflow is probable, but the final verdict has not been heard, we estimate a provision. In order to avoid prejudicing continuing legal matters, separate disclosure is not provided.

As at 31 March 2026, benefit-related legal cases disclosed in prior year accounts no longer give rise to material provisions in these accounts, following their utilisation and reassessment during the year. Accordingly, no provision for legal cases has been recognised at the reporting date.

We continue to keep such matters under review and will recognise a provision where the criteria for recognition are met.

c. State Pension Underpayment provision

State Pension Underpayment provision (c)	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Balance at 1 April	92,446	92,446	368,621	368,621
Provided in year	–	–	–	–
Provisions not required written back	(5,146)	(5,146)	(64,544)	(64,544)
Utilised in year	(87,300)	(87,300)	(211,631)	(211,631)
Borrowing costs (unwinding of discount)	–	–	–	–
Balance at 31 March	**–**	**–**	**92,446**	**92,446**

We commenced a formal Legal Entitlements and Administrative Practices (LEAP) exercise in January 2021 to address State Pension cases where people were being underpaid – specifically some people married or in a civil partnership (Category BL), widows (Missed Conversions) and people aged 80 years and over (Category D). Correcting these underpayments has been a priority for us. The Category D and

Category BL exercises were completed in December 2023 and the Missed Conversions exercise closed in December 2024. A small number of cases where the Department was awaiting further information from a customer or a third party were cleared in 2025-26. By 31 March 2026, we had reviewed identified cases in the exercise and completed payments where underpayments were identified.

The final estimate of arrears paid across the whole exercise is £880 million to 135,000 pensioners with no remaining provision. Last year it was estimated that we underpaid £906 million to 135,000 pensioners.

As the LEAP exercise has now closed and the identified cases have been cleared, the final value of underpayments (arrears paid) is confirmed.

Uncertainties

During the exercise, sensitivity analysis was used to understand uncertainty in the provision estimate. As the exercise has now closed with cases cleared and the final arrears paid position is confirmed, no remaining provision is required. Any future Business as Usual cases are expected to be immaterial.

d. Home Responsibilities Protection provision

Home Responsibilities Protection (d)	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000
Balance at 1 April	29,830	29,830	1,152,624	1,152,624
Provided in year	–	–	77,094	77,094
Provisions not required written back	–	–	(1,099,604)	(1,099,604)
Utilised in year	(7,413)	(7,413)	(101,503)	(101,503)
Borrowing costs (unwinding of discount)	–	–	1,219	1,219
Balance at 31 March	**22,417**	**22,417**	**29,830**	**29,830**

Home Responsibilities Protection (HRP) was available between 1978 and 2010 for people in receipt of Child Benefit and those caring for sick and disabled people. In 2022, we identified historic gaps in HRP within National Insurance records. These gaps resulted in some individuals being underpaid State Pension and together with HM Revenue and Customs, we undertook a dedicated HRP State Pension correction exercise from January 2024 to March 2025. This exercise resulted in a much lower take up than was originally planned, reasons for which were informed by our research published in May 2025: Exploring take-up of missing Home Responsibilities Protection – GOV.UK

Further processing continued during 2025-26 to complete outstanding cases, alongside assessment of any new cases received.

Value and Volume Estimate

Between 1 April 2025 and 31 March 2026, just over 800 State Pension customers received an HRP correction, with total arrears payments amounting to £7 million. The value of the Provision, at £22 million, represents an estimate of arrears still to be paid out.

From April 2026 onwards, only new HRP cases are expected to result in arrears payments. Fraud and Error sampling in 2025-26 continues to identify State Pension cases where HRP credits are missing and we together with HM Revenue and Customs continue to support people on an ongoing basis to apply for missing periods of HRP and to have their State Pension revised.

e. Other provisions

	31 March 2026		31 March 2025	
	Core Department	Departmental group	Core Department	Departmental group
Other provisions (e)	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	69,517	70,067	103,723	104,394
Provided in year	56,955	57,111	4,514	4,518
Provisions not required written back	(9,932)	(10,089)	(15,943)	(15,973)
Change in discount rate	(235)	(235)	124	124
Utilised in year	(8,281)	(8,281)	(22,919)	(23,014)
Borrowing costs (unwinding of discount)	267	267	18	18
Balance at 31 March	**108,291**	**108,840**	**69,517**	**70,067**

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 DWP employees who are injured at work and cannot perform their job as a result.
- Special payments claims where the liability had been accepted by the Department, but the claim had not yet been paid.
- Active legal cases where a claim is considered likely to succeed but remains subject to final judgement.
- Expected future costs of work coaches recruitment exercise performed by SSCL.

Analysis of expected timing of discounted flows

	FAS provisions		Benefit provisions		State Pension provisions	
	Core Department	Departmental group	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000	£000	£000
Not later than one year	255,433	255,433	4,086	4,086	–	–
Later than one year and not later than 5 years	955,818	955,818	110,740	110,740	–	–
Later than 5 years	2,360,273	2,360,273	–	–	–	–
Balance at 31 March 2026	**3,571,524**	**3,571,524**	**114,826**	**114,826**	**–**	**–**

	HRP		Other provisions		Total	
	Core Department	Departmental group	Core Department	Departmental group	Core Department	Departmental group
	£000	£000	£000	£000	£000	£000
Not later than one year	22,417	22,417	51,622	51,785	333,558	333,721
Later than one year and not later than 5 years	–	–	53,270	53,270	1,119,828	1,119,828
Later than 5 years	–	–	3,399	3,785	2,363,672	2,364,058
Balance at 31 March 2026	**22,417**	**22,417**	**108,291**	**108,840**	**3,817,058**	**3,817,607**

18. Remploy Pension Scheme

The Secretary of State for Work and Pensions (the Sponsor) operates a defined benefit pension arrangement called the Remploy Limited Pension and Assurance Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation 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 Scheme is managed by a board of Trustees appointed in part by the Sponsor and in part from elections by its members. The Trustees have 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:

- Investment risk. The Scheme holds investments in asset classes, such as bonds and multi asset credit, which have volatile market values and, while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficits emerge.
- Interest rate risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme hedges some interest rate risk using Liability Driven Investment (LDI), the value of the assets is expected to move broadly in the same way as the liabilities.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk. In the event that members live longer than assumed deficits may emerge in the Scheme.
- Liquidity risk. The Scheme is holding significant proportions of illiquid assets (such as property and direct lending in addition to leveraged LDI funds). The Scheme monitors liquidity requirements to ensure any collateral calls and benefit payments can be met when required.

There were no Scheme amendments, curtailments or settlements during the period.

Risk mitigation strategies

An LDI strategy has been put in place to hedge against movements in interest rates and inflation. The Scheme has no other asset-liability strategies in place.

Effect of the Scheme on Sponsor's future cashflows

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 March 2025 and the next valuation of the Scheme is due as at 31 March 2028. Under the current Schedule of Contributions, no contributions are required as the Scheme was in a surplus at the 31 March 2025 valuation date. In the event that the next valuation reveals a deficit the Sponsor may be required to recommence contributions.

The Scheme currently has a surplus on the IAS19 (Employee Benefits) basis. The Sponsor does not consider it has an unconditional right to a future refund of this surplus, so an asset ceiling applies under IFRIC14 and the balance sheet asset is restricted to be nil. As no further contributions are due under the current Schedule of Contributions the Sponsor is not required to recognise any additional liabilities under IFRIC14.

The Sponsor expects to pay no contributions in the year to 31 March 2027.

Profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11 years.

GMP equalisation

The previous disclosures included an allowance for GMP equalisation for the liabilities of the current members of the Scheme. This allowance was equivalent to 1.0% of the value of the liabilities. The same allowance has been made this year.

In the liabilities, an allowance has been included for top-ups to previous transfers, of £265,000 at the Review Date. This is slightly lower than last year's allowance of £271,000.

Scheme surplus

At the Review Date there was a surplus in the Scheme of £55,402,000. This compares to a surplus of £34,657,000 at the previous review date. Although the surplus at the Review Date is £55,402,000, the net asset to be disclosed in the accounts is £0. This is due to the effect of an asset ceiling.

The reasons for the change in the surplus over the period can be summarised as follows:

- An increase in the discount rate, which has been offset to some extent by an increase in the inflation assumptions, has reduced the liability value by £8.5 million.
- Changes to demographic assumptions, primarily driven by a change in the base tables and mortality projections and changes to the Scheme's commutation factors has reduced the liability value by £16.2 million.
- Experience as a result of allowing for the 31 March 2025 actuarial valuation, offset slightly by higher than expected inflation over the period has reduced the liability value by £7.9 million.

- These improvements have been offset by asset returns being lower than the interest on assets by £12.0 million.

Pension Protection Fund levies

At present the Scheme remains exempt from paying the Pension Protection Fund levy, therefore there is no allowance in the calculation of the Scheme's liability or service cost for any amounts payable in respect of Pension Protection Fund levies.

Virgin Media vs NTL Trustees High Court judgement

A High Court judgment in *Virgin Media Ltd v NTL Pension Trustees II Ltd* (16 June 2023) established that benefit changes made without a valid Section 37 actuarial certificate may be invalid.

In response, the Government has introduced provisions in the Pension Schemes Act 2026 that allow schemes to retrospectively obtain actuarial confirmation that such historical benefit changes were valid, subject to certain conditions.

If certain past benefit changes were found to be invalid, this could result in an increase in scheme liabilities, which may in turn increase the level of any associated provision.

Pending further clarity, and taking account of the new legislation, the current disclosures have been prepared on the basis that the ruling does not impact the Scheme's benefits.

Disclosures

Figures for disclosure in accounts for period ending 31 March 2026 under IAS19 (Employee Benefits). Results are shown in pounds, rounded to the nearest £1,000.

Principal actuarial assumptions	**At 31 Mar 2026**	**At 31 Mar 2025**
Discount rate	6.00% p.a.	5.70% p.a.
Inflation (RPI)	3.35% p.a.	3.15% p.a.
Inflation (CPI)	2.95% p.a.	2.70% p.a.
Pension increase (CPI uncapped)	2.95% p.a.	2.70% p.a.
Pension increase (CPI (capped at 5%))	2.90% p.a.	2.65% p.a.
Pension increase (RPI (capped at 5%))	3.20% p.a.	3.05% p.a.

Principal actuarial assumptions	At 31 Mar 2026	At 31 Mar 2025
Post-retirement mortality	Remploy-specific table based on Remploy experience between 2017 and 2023 with CMI 2025 projections using a long-term improvement rate of 1.25% p.a. There is no initial addition. Core values are used for other parameters.	Remploy-specific table based on Remploy experience between 2007 and 2012 with CMI 2023 projections using a long-term improvement rate of 1.25% p.a. There is no initial addition. Core values are used for other parameters.
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	No Allowance	0.25% loading (non-pensioners)
Allowance for GMP equalisation	Inclusion of increases already in payment and all future increases on pre 1 April 1997 excess	Inclusion of increases already in payment and all future increases on pre 1 April 1997 excess
Life expectancy at age 65 of male aged 45	19.1	19.8
Life expectancy at age 65 of male aged 65	17.7	18.0
Life expectancy at age 65 of female aged 45	21.8	23.0
Life expectancy at age 65 of female aged 65	20.1	21.1

The current asset split is as follows:	Bid values as at 31 Mar 2026 £
Property	51,343,000
Buy and Maintain Bonds	235,222,000
LDI	220,656,000
Multi Asset Credit	58,884,000
Renewable infrastructure	37,419,000
Direct lending	9,211,000
Cash	5,580,000
Insured assets	1,467,000
Defined Benefit assets	619,782,000
Money purchase assets	6,227,000
Total assets	**626,009,000**

Note that the Assets labelled "LDI" actually include a number of different assets types, including derivatives.

Balance Sheet	At 31 March 2026 £	At 31 March 2025 £
Fair value of assets	626,009,000	642,768,000
Present value of funded obligations	(570,607,000)	(608,111,000)
Surplus/(deficit)* in scheme	**55,402,000**	**34,657,000**
Effect of asset ceiling	(55,402,000)	(34,657,000)
Net defined benefit asset/(liability)	**0**	**0**

* Surplus/(deficit) shown prior to deferred taxation

Amount recognised in Profit and Loss	At 31 March 2026 £	At 31 March 2025 £
Current service cost	0	0
Administration costs	1,795,000	1,887,000
Interest on liabilities	33,212,000	31,771,000
Interest on assets	(35,138,000)	(33,026,000)
Past service costs	0	0
Settlement and curtailment cost	0	0
Interest on effect of asset ceiling	1,975,000	1,300,000
Total charge to Profit and Loss	**1,844,000**	**1,932,000**

Re-measurements over the period	Period to 31 March 2026 £	Period to 31 March 2025 £
Loss/(gain) on assets in excess of interest	12,000,000	57,886,000
Experience losses/(gains) on liabilities	(7,917,000)	(2,403,000)
Losses/(gains) from changes to demographic assumptions	(16,201,000)	(1,462,000)
Losses/(gains) from changes to financial assumptions	(8,496,000)	(62,515,000)
Losses/(gains) from change in effect of asset ceiling	18,770,000	6,562,000
Total re-measurements	**(1,844,000)**	**(1,932,000)**

Change in value of assets	Period to 31 March 2026 £	Period to 31 March 2025 £
Fair value of assets at start	**642,768,000**	**708,326,000**
Money Purchase assets at start	(7,184,000)	(7,499,000)
Interest on assets	35,138,000	33,026,000
Company contributions	0	0
Contributions by Scheme participants	0	0
Benefits paid	(37,145,000)	(38,496,000)
Administration costs	(1,795,000)	(1,887,000)
Change due to settlements and curtailments	0	0
Return on assets less interest	(12,000,000)	(57,886,000)
Money Purchase assets at end	6,227,000	7,184,000
Fair value of assets at end	**626,009,000**	**642,768,000**
Actual return on assets	**23,138,000**	

Change in value of the DB liabilities	Period to 31 March 2026 £	Period to 31 March 2025 £
Defined benefit obligation at start	**608,111,000**	**681,531,000**
Money Purchase liabilities at start	(7,184,000)	(7,499,000)
Current service cost	0	0
Contributions by Scheme Participants	0	0
Past service costs	0	0
Interest on liabilities	33,212,000	31,771,000
Benefits paid	(37,145,000)	(38,496,000)
Change due to settlements and curtailments	0	0
Experience (gain)/loss on liabilities	(7,917,000)	(2,403,000)
Changes to demographic assumptions	(16,201,000)	(1,462,000)
Changes to financial assumptions	(8,496,000)	(62,515,000)
Money Purchase liabilities at end	6,227,000	7,184,000
Defined benefit obligation at end	**570,607,000**	**608,111,000**

Reconciliation of effect of asset ceiling	Period to 31 March 2026 £	Period to 31 March 2025 £
Effect of asset ceiling at start	**34,657,000**	**26,795,000**
Interest on effect of asset ceiling	1,975,000	1,300,000
Actuarial losses/(gains)	18,770,000	6,562,000
Effect of asset ceiling at end	**55,402,000**	**34,657,000**

Reconciliation of net defined benefit liability (asset)	Period to 31 March 2026 £	Period to 31 March 2025 £
Net defined benefit liability (asset) at start	**0**	**0**
Current service cost	0	0
Past service cost and settlement and curtailment cost	0	0
Net interest expense (income)	49,000	45,000
Remeasurements	(1,844,000)	(1,932,000)
Administration costs	1,795,000	1,887,000
Employer contributions	0	0
Net defined benefit liability (asset) at end	**0**	**0**

Sensitivity of the value placed on the liabilities	Approximate effect on liability
Discount rate	**£**
Discount rate +0.50%	(26,578,000)
Discount rate -0.50%	33,438,000
Inflation	
Inflation +0.50%	23,515,000
Inflation -0.50%	(17,992,000)
Mortality	
Decrease mortality rates by a factor of **10%**	20,114,000
Increase mortality rates by a factor of **10%**	(14,108,000)

19. Incorrect payments

Overview

We are responsible for paying claimants the right benefit at the right time. Social Security legislation sets out the basis on which we calculate and pay benefits. The purpose of this legislation is to provide a regulatory framework within which we operate to support those in need.

In many instances, Parliament has targeted specific benefits to claimants' needs and circumstances to ensure an efficient use of overall resources. However, this can introduce complexity and an attendant risk of fraud and error, leading to some incorrect payments. We administer over 25 benefits, ensuring that the very different conditions of entitlement are met in each individual instance. We take tackling incorrect payments seriously and pay around 96% of our £308.6 billion state pension and benefit payments correctly.

Rate of fraud and error in 2025-26

For this financial year we have carried out full reviews on Universal Credit, Pension Credit, Housing Benefit (both passported and non-passported pension age cases), Personal Independence Payment, State Pension and Disability Living Allowance for children. 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 2025-26 expenditure. For more information, please see the benefit fraud and error estimation uncertainty and assumptions section on page 410.

The 2025-26 statistics (published in May 2026) indicate that fraud and error overpayments in 2025-26 remained relatively similar to the previous financial year, at 3.2% of the expenditure. This amounts to a monetary value of £9.9 billion overpaid from a total expenditure of £308.6 billion this year. Fraud accounts for overpayments of 2.2% (£6.8 billion) of the expenditure, whilst Claimant Error is 0.6% (£2.0 billion) and Official Error is 0.4% (£1.1 billion).[168]

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 £1.2 billion was recovered in 2025-26[169]. The money recovered this year relates to overpayments this year and in prior periods[170].

The 2025-26 statistics estimate that the proportion of benefit underpaid from Official Error remained at 0.4% of the expenditure (£1.2 billion).

168 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.
169 Benefit recovery is through the Department's debt management function and local authorities.
170 Money recovered this year comprises in-year 2025-26 figures for directly administered benefits plus figures for Housing Benefit for the period October 2024 to September 2025. Further information can be found at GOV.UK, "Fraud and Error in the benefit system: financial year ending (FYE) 2026 estimates".

Where we've been notified about an underpayment, and where there is a legal obligation, we will pay any arrears due. Where underpayments are identified because of Official Error, we will pay arrears in full at the earliest opportunity, subject to any legal considerations. Our Fraud, Error and Debt strategy requires us to minimise underpayments and ensure that we pay claimants their full entitlement.

In 2020-21 the Department became aware of a widespread 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 17.

In 2022-23, whilst contacting claimants as part of the full review of State Pension we identified an area of Official Error that we were not capturing in previous years. We have continued to find errors of this nature in 2023-24, 2024-25 and 2025-26. For people reaching SP age since 6 April 2010, previously recorded periods of Home Responsibilities Protection (HRP) were converted into National Insurance credits. Errors occurred where periods when HRP was due, were not accurately recorded on their National Insurance record. More information on this can be found in Note 17.

Further details on our Fraud and Error strategy are included in the performance report, on page 97.

Fraud and Error Statistics

Table 1. Overall 2025-26 fraud and error estimates.

	Fraud	Claimant Error	Official Error	Total
Overpayments	2.2%	0.6%	0.4%	3.2%
	(£6.8bn)	(£2.0bn)	(£1.1bn)	(£9.9bn)
Underpayments			0.4%	0.4%
			(£1.2bn)	(£1.2bn)
Total Expenditure				*£308.6bn*

Table 2. Estimates for benefits reviewed in 2025-26.

	Overpayments				Underpayments	
	Fraud	Claimant Error	Official Error	Total	Official Error	Total Expenditure
Universal Credit	6.8% (£5.4bn)	0.9% (£0.7bn)	0.8% (£0.6bn)	8.5% (£6.7bn)	0.4% (£0.4bn)	£79.2bn
State Pension	0.0% (£0.0bn)	0.1% (£0.2bn)	0.0% (£0.1bn)	0.2% (£0.2bn)	0.3% (£0.4bn)	£146.1bn
Personal Independence Payment	1.4% (£0.4bn)	0.7% (£0.2bn)	0.2% (£0.1bn)	2.3% (£0.7bn)	0.2% (£0.1bn)	£28.5bn
Housing Benefit	3.6% (£0.5bn)	2.1% (£0.3bn)	0.5% (£0.1bn)	6.2% (£0.8bn)	0.3% (£0.0bn)	£12.9bn
Disability Living Allowance	0.2% (£0.0bn)	0.3% (£0.0bn)	0.4% (£0.0bn)	0.9% (£0.1bn)	2.3% (£0.2bn)	£8.3bn
Pension Credit	3.5% (£0.2bn)	4.6% (£0.3bn)	2.0% (£0.1bn)	10.0% (£0.6bn)	1.3% (£0.1bn)	£6.1bn

Table 3. Estimates for benefits reviewed in previous years.

			Overpayments		Under-payments		
	Fraud	Claimant Error	Official Error	Total	Official Error	Last measured	Total Expenditure
Attendance Allowance	0.0% (£0.0bn)	1.9% (£0.2bn)	0.3% (£0.0bn)	2.2% (£0.2bn)	0.1% (£0.0bn)	Oct 20 – Aug 21	£8.5bn
Employment and Support Allowance	1.5% (£0.1bn)	1.6% (£0.1bn)	0.4% (£0.0bn)	3.4% (£0.2bn)	1.1% (£0.1bn)	Sep 21 – Aug 22	£7.0bn
Carer's Allowance	2.5% (£0.1bn)	1.0% (£0.0bn)	0.5% (£0.0bn)	3.9% (£0.2bn)	0.0% (£0.0bn)	Mar 24 – Sep 24	£4.6bn
Jobseeker's Allowance	3.1% (£0.0bn)	0.3% (£0.0bn)	1.2% (£0.0bn)	4.6% (£0.0bn)	1.2% (£0.0bn)	Oct 17 – Sep 18	£0.3bn
Income Support	2.4% (£0.0bn)	1.0% (£0.0bn)	0.4% (£0.0bn)	3.9% (£0.0bn)	0.3% (£0.0bn)	Oct 13 – Sep 14	£0.0bn
Incapacity Benefit	0.3% (£0.0bn)	0.9% (£0.0bn)	1.2% (£0.0bn)	2.4% (£0.0bn)	0.7% (£0.0bn)	Oct 09 – Sep 10	£0.0bn

Table 4. Estimates for benefits never reviewed and interdependencies.

	Overpayments				Underpayments	
	Fraud	Claimant Error	Official Error	Total	Official Error	Total Expenditure
Benefits never reviewed	0.2% (£0.0bn)	0.1% (£0.0bn)	0.1% (£0.0bn)	0.5% (£0.0bn)	0.2% (£0.0bn)	£7.1bn
Interdependencies	0.0% (£0.0bn)	0.0% (£0.0bn)	0.0% (£0.1bn)	0.0% (£0.1bn)		£0.0bn

Notes to tables 1-4:

1. The 2025-26 data comes from DWP Accredited Official Statistics: "Fraud and Error in the benefit system: financial year ending (FYE) 2026 estimates". Fraud and Error rates for Universal Credit, Pension Credit, Housing Benefit, State Pension and Disability Living Allowance are based on cases sampled in the period November 2024 to October 2025. Personal Independence Payment rates are based on cases sampled in the period September 2024 to August 2025.
2. Estimates for all benefits are based on estimated benefit expenditure for 2025-26. These are consistent with Spring Budget 2026 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 underpaid cases were found in the sample when the benefit was last reviewed in 2024-25.
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 ending (FYE) 2026 estimates" 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. Disability Living Allowance was last measured in 2023-24 and this year's rates are compared to rates from that year. All other benefits are compared to the 2024-25 statistics. For the previous year figures please see the "Fraud and Error in the benefit system: financial year ending (FYE) 2026 estimates" 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 Accredited Official 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 £9.9 billion benefit expenditure, equating to an overall rate of 3.2%) and overall underpayment amount (of £1.2 billion benefit expenditure, equating to an overall rate of 0.4%). The table also shows how changes to the overpayment and underpayment rates for the individual benefits could affect the overall figures.

Table 5. Proportion that each benefit contributes to the overall overpayment rate.

Reviewed in 2025-26	**UC**	**SP**	**PIP**	**HB**	**DLA**	**PC**
Expenditure (£bn)	£79.2	£146.1	£28.5	£12.9	£8.3	£6.1
Overpayment rate	8.5%	0.2%	2.3%	6.2%	0.9%	10.0%
Overpayment value (£m)	£6,720	£230	£660	£800	£70	£620
Contribution to overall OP	*68%*	*2%*	*7%*	*8%*	*1%*	*6%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.22%*	*0.01%*	*0.02%*	*0.03%*	*0.00%*	*0.02%*

Previously reviewed	**AA**	**ESA**	**CA**	**JSA**	**IS**	**IB**	**Unreviewed**
Expenditure (£bn)	£8.5	£7.0	£4.6	£0.3	£0.0	£0.0	£7.1
Overpayment rate	2.2%	3.4%	3.9%	4.6%	3.9%	2.4%	0.5%
Overpayment value (£m)	£190	£240	£180	£10	£0	£0	£30
Contribution to overall OP	*2%*	*2%*	*2%*	*0%*	*0%*	*0%*	*0%*
Impact of a 10% change in monetary value of overpayment on the overall overpayment rate	*0.01%*	*0.01%*	*0.01%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*

Notes to table 5:

1. The contribution to the overall overpayment rate percentage is calculated from unrounded figures and therefore may not tally with a rate calculated from the rounded figures above it.

For example, Universal Credit currently contributes 68% of the overall overpayment value, the highest of all individual benefits. If the monetary value of overpayment on Universal Credit (currently £6,720 million) changed by 10%, this would lead to the overall overpayment rate of 3.2% changing by 0.22% (equating to around £670 million).

Table 6. Proportion that each benefit contributes to the overall official error underpayment rate.

Reviewed in 2025-26	UC	SP	PIP	HB	DLA	PC
Expenditure (£bn)	£79.2	£146.1	£28.5	£12.9	£8.3	£6.1
Underpayment rate	0.4%	0.3%	0.2%	0.3%	2.3%	1.3%
Underpayment value (£m)	£350	£390	£70	£40	£190	£80
Contribution to overall UP	*28%*	*32%*	*6%*	*3%*	*16%*	*6%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.01%*	*0.01%*	*0.00%*	*0.00%*	*0.01%*	*0.00%*

Previously reviewed	AA	ESA	CA	JSA	IS	IB	Unreviewed
Expenditure (£bn)	£8.5	£7.0	£4.6	£0.3	£0.0	£0.0	£7.1
Underpayment rate	0.1%	1.1%	0.0%	1.2%	0.3%	0.7%	0.2%
Underpayment value (£m)	£10	£80	£0	£0	£0	£0	£10
Contribution to overall UP	*1%*	*6%*	*0%*	*0%*	*0%*	*0%*	*1%*
Impact of a 10% change in monetary value of underpayment on the overall underpayment rate	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*

Notes to table 6:

1. The contribution to the overall underpayment rate percentage is calculated from unrounded figures and therefore may not tally with a rate calculated from the rounded figures above it.

For example, State Pension currently contributes 32% of the overall Official Error underpayment value, the highest of all individual benefits measured this year. If the monetary value of Official Error underpayment on State Pension (currently £390 million) changed by 10%, this would lead to the overall Official Error underpayment rate of 0.3% changing by 0.01% (equating to around £40 million).

Benefit Fraud and Error estimation uncertainty and assumptions

Our estimates are produced to the standards of the UK Statistics Authority protocols for Accredited Official 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 13,000 reviews of a random sample[171] of claimants on certain benefits.

171 Housing Benefit is a random sample stratified by Local Authority

Table 7. Number of cases reviewed for each benefit this year.

	Sample size	Percentage of claimant population reviewed
Universal Credit	3,998	0.07%
State Pension	1,496	0.01%
Personal Independence Payment	1,384	0.04%
Housing Benefit	2,976	0.16%
Disability Living Allowance	1,198	0.09%
Pension Credit	1,991	0.15%
Total	**13,043**	**0.05%**

Further information on our estimation strategy can be found at GOV.UK (within the latest "Fraud and error in the benefit system" Accredited Official Statistics publication, and the supporting Background Information and Methodology note.

When interpreting the statistics, please bear in mind that we only sample cases that are in receipt of benefit. The figures do not include, for example, people who are entitled to benefit but don't apply, those whose applications are incorrectly rejected, or benefit advances. One of the largest of these omissions is advances relating to Universal Credit. Analysis carried out by the Department, estimates that the monetary value of Fraud and Error on Universal Credit advances is between £20 million and £90 million.

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 within a stated range of accuracy, described as confidence intervals. The estimates are provided to a 95% confidence level. For 2025-26, the rates of total overpayments lie in the range from 3.0% to 3.5% (monetary value £9.1 billion to £10.7 billion), whilst the corresponding range for Official Error underpayments is 0.3% to 0.5% (£1.0 billion to £1.4 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. Due to the benefits measured this year making up around 91% of all expenditure, the impact this has had on the All-Benefits confidence intervals is minimal.

Further information on these figures can be found at GOV.UK (within the latest "Fraud and error in the benefit system" Accredited Official Statistics publication and the supporting Background Information and Methodology note.

‘Cannot Review’ assumption

Cases that cannot be reviewed, due to the claimant not engaging in the review process resulting in their benefit claim being suspended and later terminated, are initially recorded as Fraud. These cases are referred to as ‘Cannot Review’ and for most cases the Department holds very little evidence of their current circumstances and their reasons for failing to engage.

Not all of these cases will be Fraud so for cases where there is a lack of evidence available, additional checks are conducted at a later date. These checks are to determine if the individuals have reclaimed benefit and if there was a suspicion of Fraud recorded on the case at the initial preview. The outcome of these checks will result in these cases being re-categorised for reporting purposes. 1.8% of sampled cases in FYE 2026 did not have an effective review and we had no evidence as to why.

There are three different categories that are applied to ‘Cannot Review’ cases for reporting purposes:

- Not fraud – If the individual reclaims benefit within 4 months, with the same circumstances and at a similar rate they were receiving prior to review, then the Fraud is removed
- Fraud remains – If the individual reclaims benefit within 4 months, with different circumstances to prior to their claim termination, then the Fraud is retained
- Inconclusive – If the individual does not reclaim benefit and there was no suspicion of Fraud at the preview stage of the review then the case is categorised as inconclusive as there is no evidence to suggest the case is Fraud or not

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 £1,100 million of expenditure in 2025-26. Had all these cases been instead classed as Fraud, then the total monetary value of overpayments would rise from £6.8 billion to £7.9 billion, and the overall overpayment rate would rise from 3.2% to 3.6%. Carrying out the same calculation to include the inconclusive expenditure on 2024-25, the overpayment rate would have been 4.0%.

Further information on this assumption and the impact can be found at GOV.UK (within the latest “Fraud and error in the benefit system” Accredited Official Statistics publication, and the supporting Background Information and Methodology note).

State Pension

As the reviews for State Pension only cover cases from Great Britain, we also include an additional amount of Claimant Error to estimate the impact of non-notification of death on State Pension cases who live overseas. This adjustment is based on life certificate data from 2006. We are currently reviewing the best method of updating this figure.

Correction to State Pension expenditure for 2024-25

The expenditure figure that we used for State Pension in 2024-25 was incorrect. Although the State Pension rates were unaffected, the monetary amount of State Pension overpaid and underpaid was overstated. Since State Pension expenditure is large and accounts for around half of the total expenditure, in isolation, this correction has a small impact on the global all-benefit figure, specifically the all-benefit Fraud rate. However, when combined with wider changes, there is no impact on the rounded all-benefit Fraud rate.

Change to Winter Fuel Payment proxy measurement

From 2025-26, Winter Fuel Payments are no longer paid via passporting from Pension Credit. The proxy measure used to estimate levels of Fraud and Error on Winter Fuel Payments has been changed back to the service centre measurement from the Social Fund accounts. This change will reduce the rates of overpayments on Winter Fuel Payments, however the expenditure will increase compared to previous year, which means the impact of this change on MVFE is minimal.

Change to the 'failure to provide evidence' adjustment

This year, Universal Credit cases that were classified as 'failure to provide evidence' have a further check done on them, where if they come back onto benefit within four months with the same circumstances, the error is removed. This change only impacts Fraud on Universal Credit. In isolation this change removed £130 million from Universal Credit Fraud from the FYE 2025 figures and consequently removed around £100 million of MVFE from the all-benefit Fraud figure. Further information can be found at GOV.UK (within the latest "Fraud and error in the benefit system" Accredited Official Statistics publication, and the supporting Background Information and Methodology note).

Change to recording Fraud and Error and Unfulfilled Eligibility where a change of circumstances does not impact the claimant's award

Through a review of our measurement process, we identified inconsistencies in our recording of errors and Unfulfilled Eligibility, where a change of circumstances does not impact the claimant's award. To ensure consistency of our measurement and reporting and to ensure our statistics reflect the correct loss to the public purse, we are no longer recording any Fraud and Claimant Error or Unfulfilled Eligibility that occurs on the same element of a claim and where the award is not impacted. However, if the overpayment is due to Official Error, then both this and the Unfulfilled Eligibility will be retained. This change only impacts Universal Credit, but the change is minimal and accounts for around a £10 million decrease in Claimant Error overpayments. Further information can be found at GOV.UK (within the latest "Fraud and error in the benefit system" Accredited Official Statistics publication, and the supporting Background Information and Methodology note).

20. Unfulfilled Eligibility

Unfulfilled eligibility refers to claimants who are already in receipt of a certain benefit but may not be getting the full award they could be eligible for. Unfulfilled Eligibility in the Benefit System estimates the percentage of benefit expenditure that could have been paid to people with unfulfilled eligibility, if they had provided the correct information. In FYE 2024, following a review of the Fraud and Error statistics, Claimant Error underpayments were removed from the Fraud and Error publication and reclassified as Unfulfilled Eligibility in a separate publication. The review determined that the estimates now included in this Unfulfilled Eligibility publication should not be defined as underpayments. In benefit legislation, people are not eligible for increases in the amount of money they get until they tell us all the correct information, including when their circumstances change. Unfulfilled Eligibility is therefore not classed as an incorrect payment, and these figures no longer feature in the incorrect payment note. For more information on Unfulfilled Eligibility please see the latest "Unfulfilled eligibility in the benefit system" Official Statistics publication and the Unfulfilled eligibility section on page 95.

Unfulfilled Eligibility Statistics

Table 1. Overall estimates and estimates for benefits reviewed in 2025-26.

	2025-26 Unfulfilled Eligibility	2025-26 Expenditure	2024-25 Unfulfilled Eligibility	2024-25 Expenditure
Overall Unfulfilled Eligibility	1.2% (£3.7bn)	£308.6bn	1.3% (£3.7bn)	£286.6bn
Universal Credit	1.6% (£1.3bn)	£79.2bn	1.5% (£1.0bn)	£65.3bn
State Pension	0.0% (£0.0bn)	£146.1bn	0.0% (£0.0bn)	£136.4bn
Personal Independence Payment	3.3% (£1.0bn)	£28.5bn	4.1% (£1.1bn)	£25.8bn
Housing Benefit	1.0% (£0.1bn)	£12.9bn	1.2% (£0.2bn)	£15.4bn
Disability Living Allowance	8.5% (£0.7bn)	£8.3bn	11.1% (£0.8bn)	£7.6bn
Pension Credit	2.0% (£0.1bn)	£6.1bn	1.7% (£0.1bn)	£5.9bn

Table 2. Estimates for benefits reviewed in previous years.

	2025-26 Unfulfilled Eligibility	2025-26 Expenditure	2024-25 Unfulfilled Eligibility	2024-25 Expenditure	Last measured
Attendance Allowance	4.2% (£0.4bn)	£8.5bn	4.2% (£0.3bn)	£7.7bn	Oct 20 – Aug 21
Employment and Support Allowance	1.4% (£0.1bn)	£7.0bn	1.4% (£0.2bn)	£12.3bn	Nov 21 – Oct 22
Carer's Allowance	0.0% (£0.0bn)	£4.6bn	0.0% (£0.0bn)	£4.2bn	Mar 24 – Sep 24
Jobseeker's Allowance	0.3% (£0.0bn)	£0.3bn	0.3% (£0.0bn)	£0.3bn	Oct 17 – Sep 18
Income Support	0.4% (£0.0bn)	£0.0bn	0.4% (£0.0bn)	£0.3bn	Oct 13 – Sep 14
Incapacity Benefit	0.0% (£0.0bn)	£0.0bn	0.0% (£0.0bn)	£0.0bn	Oct 09 – Sep 10

Table 3. Estimates for benefits never reviewed.

	2025-26 Unfulfilled Eligibility	2025-26 Expenditure	2024-25 Unfulfilled Eligibility	2024-25 Expenditure
Unreviewed benefits	0.4% (£0.0bn)	£7.1bn	0.6% (£0.0bn)	£5.4bn

Notes to tables 1-3:

1. The 2025-26 data comes from DWP Official Statistics: "Unfulfilled Eligibility in the benefit system: financial year ending (FYE) 2026 estimates". Unfulfilled Eligibility rates for Universal Credit, Pension Credit, Housing Benefit, State Pension and Disability Living Allowance are based on cases sampled in the period November 2024 to October 2025. Personal Independence Payment rates are based on cases sampled in the period September 2024 to August 2025.
2. Estimates for all benefits are based on estimated benefit expenditure for 2025-26. These are consistent with Spring Statement 2026 and were the latest available for the financial year at the time of producing the Unfulfilled Eligibility estimates.
3. All monetary values are rounded to the nearest £100 million and displayed in £bn. The published Unfulfilled Eligibility statistics are rounded to a finer level of precision; as a result, small values may appear as £0.0 billion in the accounts but as non-zero values in the published statistics.
4. Figures expressed as percentages (%) give the Unfulfilled Eligibility as a % of the benefit paid out in the year (expenditure).
5. Rows and columns may not equal the totals due to rounding.
6. There is no Unfulfilled Eligibility on Carer's Allowance.
7. The Unfulfilled Eligibility 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 "Unfulfilled Eligibility in the benefit system: financial year ending (FYE) 2026 estimates" 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 have 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. Disability Living Allowance was last measured in 2023-24 and this year's rates are compared to rates from that year. All other benefits are compared to the 2024-25 statistics. For the previous year figures please see the "Unfulfilled Eligibility in the benefit system: financial year ending (FYE) 2026 estimates" page on GOV.UK.
9. The Unfulfilled Eligibility rates are derived from the same sample that underpins the Fraud and Error Accredited Official Statistics publication. This means that only a selection of benefits are reviewed each year for Unfulfilled Eligibility. Estimates for other benefits come from previous review exercises, or proxies. Please refer to the latest Official Statistics publication for further details.

How each benefit contributes to the overall level of Unfulfilled Eligibility

Individual benefits make varying contributions to the overall Unfulfilled Eligibility rate, and changes in the rates for each benefit from year to year have different impacts on the overall rate of Unfulfilled Eligibility. The table below illustrates how each of the benefits contribute to the overall Unfulfilled Eligibility value (of £3.7 billion benefit expenditure, equating to an overall rate of 1.2%). The table also shows how changes to the Unfulfilled Eligibility rates for the individual benefits could affect the overall figures.

Table 4. Proportion that each benefit contributes to the overall Unfulfilled Eligibility rate.

Reviewed in 2025-26	**UC**	**SP**	**PIP**	**HB**	**DLA**	**PC**
Expenditure (£bn)	£79.2	£146.1	£28.5	£12.9	£8.3	£6.1
Unfulfilled Eligibility rate	1.6%	0.0%	3.3%	1.0%	8.5%	2.0%
Unfulfilled Eligibility value (£m)	£1,290	£50	£950	£130	£710	£130
Contribution to overall UE	*35%*	*1%*	*26%*	*3%*	*19%*	*3%*
Impact of a 10% change in monetary value of Unfulfilled Eligibility on the overall overpayment rate	*0.04%*	*0.00%*	*0.03%*	*0.00%*	*0.02%*	*0.00%*

Previously reviewed	**AA**	**ESA**	**CA**	**JSA**	**IS**	**IB**	**Unreviewed**
Expenditure (£bn)	£8.5	£7.0	£4.6	£0.3	£0.0	£0.0	£7.1
Unfulfilled Eligibility rate	4.2%	1.4%	0.0%	0.3%	0.4%	0.0%	0.4%
Unfulfilled Eligibility value (£m)	£360	£100	£0	£0	£0	£0	£20
Contribution to overall UE	*10%*	*3%*	*0%*	*0%*	*0%*	*0%*	*1%*
Impact of a 10% change in monetary value of Unfulfilled Eligibility on the overall overpayment rate	*0.01%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*

Notes to tables 4:

1. The contribution to the overall Unfulfilled Eligibility rate percentage is calculated from unrounded figures and therefore may not tally with a rate calculated from the rounded figures above it.

For example, Universal Credit currently contributes 35% of the overall Unfulfilled Eligibility value, the highest of all individual benefits measured this year. If the monetary value of Unfulfilled Eligibility on Universal Credit (currently £1,290 million) changed by 10%, this would lead to the overall Unfulfilled Eligibility rate of 1.2% changing by 0.04% (equating to around £130 million).

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 2025-26, the rate of total unfulfilled eligibility lies in the range from 1.1% to 1.3% (monetary value £3.4 billion to £4.0 billion).

21. Contingent liabilities

Benefit underpayments

Distinct from legal cases, we acknowledge 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. Sometimes this can be after an official corrective exercise has ended.

Through annual review of fraud and error statistics, we have an estimate of official error both for the current year (see note 19), 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. We 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. This contingent liability includes unknown underpayments in relation to HRP, see page 132 for more information.

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 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.

Legal cases

Ongoing legal proceedings, including judicial reviews, appeals, and commercial litigation, may give rise to potential obligations where we are subject to legal challenge to the policy underpinning the legislation or to related contractual and commercial matters. These challenges are being pursued through the courts, and their outcomes are dependent on judicial determinations. In a number of cases at an early stage, the litigation involves multiple grounds and complex arguments that require resolution by the courts. Until further rulings are received, it is not always possible to provide a reliable

estimate of potential impacts. However, we undertake underpinning analysis to support a range of estimates based on different possible outcomes and scenarios.

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 2026 we are aware of 3 cases that we consider to be a contingent liability (as described in note 1.15), which are currently estimated at £517 million.

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 £13.769 million for successful mandatory reconsideration or appeals. This is all expected to be settled within the following financial year.

UC State Pension age

During the year, we have been investigating the appropriate course of action to address issues affecting a cohort of customers who continued to receive Universal Credit beyond State Pension age, despite no longer being eligible.

State Pension cannot be paid automatically when a customer reaches pension age, as it must be claimed, and there are limits on backdating claims (12 months for State Pension and three months for Pension Credit and Pension Age Housing Benefit).

Further analysis is required to fully assess the net financial impact. In the meantime, an automated process has been introduced to ensure customers are moved from Universal Credit at the point they reach State Pension age, preventing the issue from recurring.

The Rent Service employee pensions

The Rent Service transferred from us to the Valuation Office Agency on 1 April 2009. The Rent Service employed around 400 staff, who were members of the Local Government Pension Scheme, following the transfer they could continue to participate in the scheme. Whilst the scheme is currently balanced, if there is a pension deficit we will be liable to meet the shortfall, it is not practical to disclose an estimate of the financial effect or the timing of any outflow.

Compensation 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.

Dilapidation liabilities for leased property

We are obligated to reimburse some landlords for any dilapidations incurred during the Department's tenure on property leased from them. The timing and amount of these liabilities is presently unquantifiable. Where it has been established that an outflow of resources will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation, the amount is recognised in the dilapidations provision.

FAS – Bauer Judgement

While the United Kingdom was a member of the European Union, the Court of Justice of the European Union (CJEU) ruled in the Bauer case that reductions to occupational pension benefits following employer insolvency may be unlawful where they result in members receiving income below the Eurostat at-risk-of-poverty threshold.

The Retained EU Law (Revocation and Reform) Act, effective from 1 January 2024, removes the requirement for the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) to apply the Bauer judgment to schemes entering insolvency from that date.

However, it remains unclear whether this also removes any obligation to provide Bauer-related uplifts in respect of members of schemes that had already transferred to the PPF or FAS, or were in an assessment period, prior to 1 January 2024.

Accordingly, there is uncertainty regarding the potential scope and number of cases that may be affected, and it is not practicable to estimate the financial effect. An allowance for this risk was included in the FAS provision in prior years (31 March 2020 to 31 March 2024).

Employment Programmes – Access to Work (AtW)

This contingency addresses the potential liability in 2025-26 for new AtW applications that have been received but are awaiting processing at 31 March 2026.

When a decision is made on a new claim, the award is given for a fixed period. In some instances, the AtW recipient may be entitled to claim appropriate costs that they have incurred over that period. This Contingent Liability recognises that potentially there will be claims processed after 31 March 2026 that will pay costs relating to previous periods.

European Social Fund (ESF)

There remains a contingent liability relating to potential residual costs that may arise from closure activity that we are not aware of. This may include future audits penalties, for which the value of any penalty is currently unquantifiable and dependent on future audit outcomes. There is the possibility of future European Commission (EC) or European Court of Auditors (ECA) audit activity up to the end of 2027 (over £1 million projects), the end of 2028 (under £1 million projects) and for State Aid matters to the end of

March 2034, where the likelihood of selection is possible but not probable and any resulting corrections cannot be estimated.

Actian

The Department's software contract with Actian expired on 23 February 2026, and agreement has not been reached on replacement contractual terms or pricing. In anticipation of the contract expiry, we undertook work to ensure compliance with licensing requirements and to mitigate potential contractual and financial risks.

Following contract expiry, negotiations to reach an agreed commercial resolution have not been successful. As a result, we have applied to the Court to secure the continued use of the software in order to maintain critical services supporting citizens.

At the reporting date, the matter is subject to ongoing legal proceedings. Any potential outflow of economic benefits cannot be reliably measured until the Court has reached a decision.

22. Related party transactions

We sponsor the arm's length bodies listed on page 183. These include three public corporations: Pension Protection Fund, National Employment Savings Trust and Office for Nuclear Regulation.

In addition, we've had a significant number of transactions with other government departments. Most of these transactions have been with HM Revenue and Customs, Cabinet Office, Department for Communities – Northern Ireland, Government Legal Department, Ministry of Justice, Office for National Statistics, Scottish Government, HM Treasury, Department of Health and Social Care and Department for Environment, Food and Rural Affairs. We also have transactions with other public bodies such as local authorities and NHS Trusts.

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.

23. Events after the reporting period

This Annual Report and Accounts was authorised by the Accounting Officer for issue on the date of the Comptroller and Auditor General's audit certificate.

Pre-1997 indexation uplift (FAS provision)

The Pension Schemes Act 2026 received Royal Assent on 29 April 2026, enabling the introduction of pre 1997 indexation for Financial Assistance Scheme (FAS) members. The uplift provides inflation protection on pension benefits accrued before 1997, which were previously not subject to statutory indexation.

The Department has concluded that this represents a non-adjusting event under IAS 10 (Events After the Reporting Period), as the legislation was enacted after 31 March 2026 and applies prospectively. Accordingly, no present obligation existed at the reporting date and no adjustment has been made to the financial statements.

The estimated financial impact of the uplift is approximately £466 million.

Annex 1

(This information is not subject to audit)

Disaggregated information on arm's length bodies

Our departmental family is shown on page 183 within the Accountability Report, the following bodies are those within our accounting boundary for 2025-26 that contribute to the departmental group.

	Total operating income	Total operating expenditure	Net expenditure for the year (including finance)	Permanently employed staff		Other staff	
Bodies	**£000**	**£000**	**£000**	**Number of employees**	**Staff costs**	**Number of employees**	**Staff costs**
Health and Safety Executive	(157,721)	311,780	154,059	3,021	213,786	87	11,379
The Pensions Ombudsman	(1)	13,024	13,023	154	10,613	2	157
The Pensions Regulator	-	115,650	115,650	895	82,718	100	8,906
The Money and Pensions Service	-	195,455	195,455	559	45,680	36	5,444
	(157,722)	635,909	478,187	4,629	352,797	225	25,886

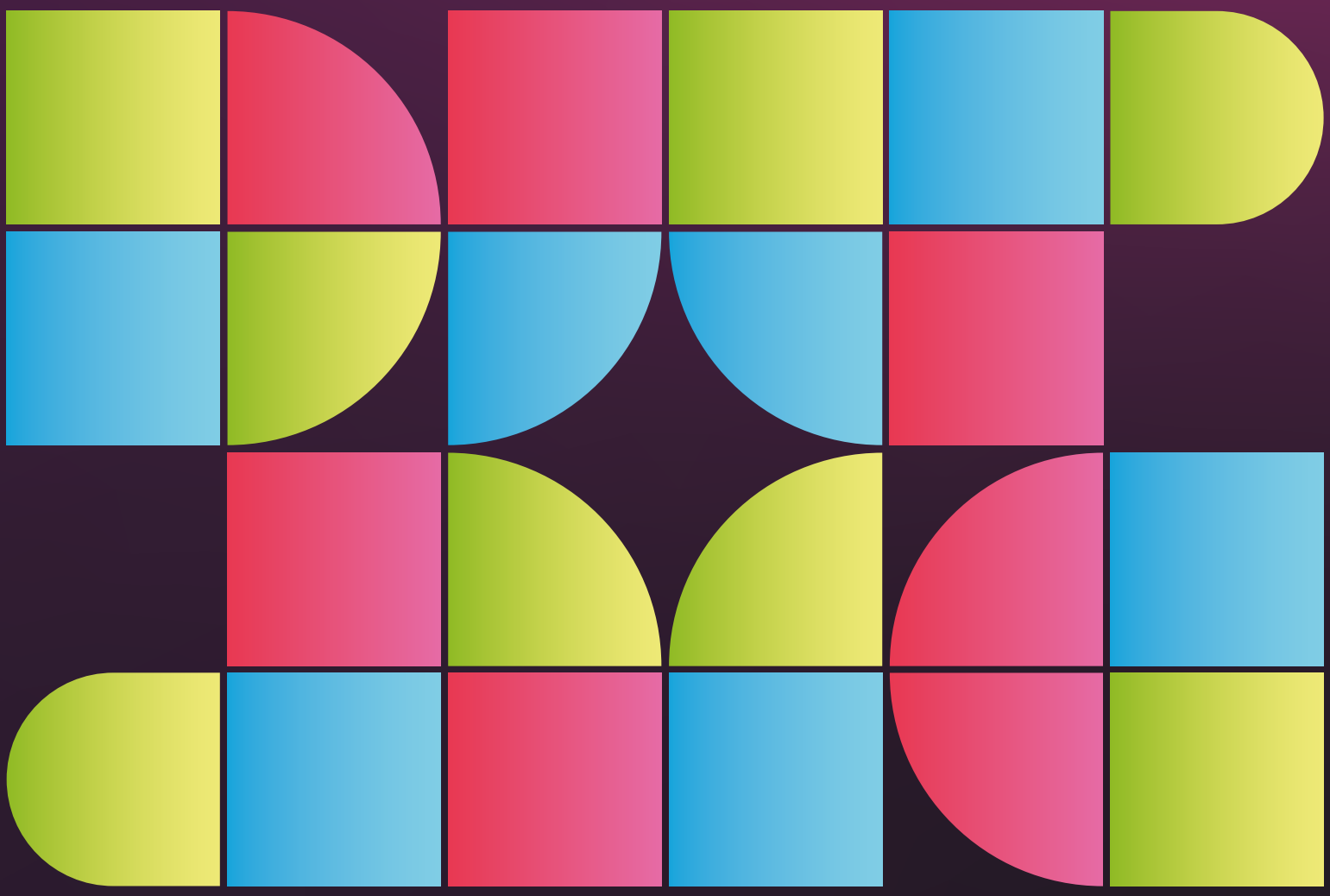
	Health and Safety Executive	The Pensions Ombudsman	The Pensions Regulator	The Money and Pensions Service
	£000	**£000**	**£000**	**£000**
Total operating income	(157,721)	(1)	–	–
Total operating expenditure	311,780	13,024	115,650	195,455
Total Net Operating Expenditure	154,059	13,023	115,650	195,455
Finance Income	–	–	(506)	–
Finance Expense	30,330	17	131	33
Net Expenditure for the Year	184,389	13,040	115,275	195,488

All tabled information was correct and accurate as at the approval date of the accompanying Annual Report and Accounts.

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 was dissolved on 3 June 2024
- Remploy Pension Scheme Trustees Ltd is registered on Companies House as a dormant company. The pension liability belongs to the Department and is shown in Note 18

The following are arm's length bodies of the Department outside our accounting boundary:

- Office for Nuclear Regulation
- Pension Protection Fund
- National Employment Savings Trust Corporation

ISBN 978-1-5286-6536-0
E03615276