

Department for Work and Pensions

Introduction

This Supplementary Estimate is required for the following purposes:

£			
Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total
i. The main reasons for this reduction are a transfer from Admin to CDEL (£65m); Budget Exchange application of £78m; and a returning of net £19m Dual Key funding to HM Treasury (Gross £33m offset by a £14m redistribution of Work Programme volumes dual key funding.)	534,114,000	-698,179,000	
Total change in Resource DEL (Voted)	534,114,000	-698,179,000	-164,065,000
i. The increase in provision reflects the latest outturn data and forecasting assumptions based on forecasts provided for the Autumn Statement. Noteworthy voted increases are Income Support £823m (line Q); Financial Assistance Scheme Provision £604m (line S); Housing Benefit (Rent Allowance) £580m (line X); Statutory Sick Pay / Statutory Maternity Pay £495m (line AA); and Jobseekers Allowance Non-Contributory £413m (line O).	3,125,195,000	-298,000,000	
Total change in Resource AME (Voted)	3,125,195,000	-298,000,000	2,827,195,000
i. Noteworthy Non-voted changes are, increases; Incapacity Benefits £569m (line AD); in Social Fund £417m (line AJ); State Pension - Contributory £288m (line AH); reduction in Jobseekers Allowance (contributory) £123m and a reduction in Employment and Support Allowance - Contributory £349m (line AF).	1,288,045,000	-472,000,000	
Total change in Resource AME (Non-Voted)	1,288,045,000	-472,000,000	816,045,000
i. This increase is due to a £65m transfer from RDEL (Admin) and a £1m net Dual Key additional CDEL draw down to finance capital investment plans (Gross £6m, offset by £4.9m Budget Exchange application and £0.1m surrendered to HM Treasury).	66,000,000		
Total change in Capital DEL (Voted)	66,000,000		66,000,000
i. This changes reflects an increase in the cash paid into the Social Fund to cover a potential demand for cold weather payments.	416,863,000		

Introduction

Total change in Non-Budget	416,863,000	416,863,000
i.Revision of the net cash requirement is reflected in the changes to resources and capital as set out above.	2,967,254,000	
Total change in Net cash requirement	<hr/> 2,967,254,000	2,967,254,000

Part I

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	-164,065,000	-	-164,065,000
Capital	66,000,000	-	66,000,000
Annually Managed Expenditure			
Resource	2,827,195,000	816,045,000	3,643,240,000
Capital	-	-	-
Total Net Budget			
Resource	2,663,130,000	816,045,000	3,479,175,000
Capital	66,000,000	-	66,000,000
Non-Budget Expenditure	416,863,000		
Net cash requirement	2,967,254,000		

Supplementary amounts required in the year ending 31 March 2012 for expenditure by Department for Work and Pensions on:

Departmental Expenditure Limit:Expenditure arising from:

Funding for the administration and operating costs of the Department, including grants, loans and payments to other Government Departments, private, public and voluntary organisations. This will enable the Department to fulfil its obligations to support people who are out of work move into work quickly, support the most vulnerable people in society, alleviating poverty and supporting responsible behaviour and deliver simplification reforms to the welfare system.

The provision of employment and training programmes and payments of appropriate allowances to help people back to work, including the support of cross-government initiatives related to employment.

Assisting people to make plans for their retirement, including research into pensions, private pension industry regulatory work, programmes and new measures to help improve independence and social inclusion for older people. Provision for general levy payments to the Pension Regulator in respect of Public Sector Pension Schemes, the costs and payments associated with the collapse of private pension schemes.

The provision of expenditure promoting the Department's objectives in other Government Departments; Crown and Executive Non-Departmental Public Bodies, including the Child Maintenance and Enforcement Commission, the Health and Safety Executive; private, public and voluntary organisations.

Training and employment projects assisted by the European Union through the European Social Fund, including programme losses and disallowances, refunds to the European Union and exchange rate gains and losses.

Subsidies to housing, billing, levying and local authorities for administering the Housing Benefit and Council Tax Benefit.

The costs incurred from the collection of debt arising from overpayments of benefit and on behalf of other public and private sector bodies.

Part I

The provision of IT, employee and financial services to other public sector bodies; policy; research; publicity; the UK subscription to the International Labour Organisation; international educational, training and employment programmes; assistance and advice on employment service and labour market issues to international organisations; measures to promote financial inclusion; associated depreciation and any other non-cash costs relating to DEL.

Income arising from:

In accordance with the prevailing legislation and regulations, income arising from the administration of the Department for Work and Pensions, Crown and Executive Non-Departmental Public Bodies in delivering its statutory responsibilities, including receipts from staff, outward secondments, sale of non-capital items, recovery of court costs, services carried out on behalf of public and private sector bodies and members of the public, EU activity, levy funded bodies and other associated income.

Annually Managed Expenditure:

Expenditure arising from:

The payment of social security benefits to people of working age, pensioners, and people with disabilities and their carers in accordance with the prevailing legislation and regulations. Significant social security benefits includes Jobseekers Allowance, Income Support, Employment Support Allowance, Disability Living Allowance, Pensions Credit and other associated benefits, including housing and council tax benefits, rent rebates, temporary subsidies to employers. Compensation for dust related diseases, payments for education and provisions and other non-cash costs relating to AME.

Income arising from:

Income arising from the receipt from damages payable to recipients of Statutory Sick Pay, receipts in respect of benefits paid in lieu and recoveries of payments towards Motability costs.

Non-Budget Expenditure

Expenditure arising from:

Payment of the Grant to the Social Fund to fund Regulated, Discretionary and Winter Fuel payments.

Department for Work and Pensions will account for this Estimate.

Part II: Changes Proposed

£'000

Present		Net Resources Changes		Revised		Present	Net Capital Changes	Revised	
Admin	Prog	Admin	Prog	Admin	Prog	7	8	9	
1	2	3	4	5	6				
Spending in Departmental Expenditure Limits (DEL)									
Voted expenditure									
	1,720,311	5,258,848	-294,799	130,734	1,425,512	5,389,582	245,000	66,000	311,000
<i>Of which:</i>									
A	Jobcentre Plus								
	196,810	2,127,374	-	15,511	196,810	2,142,885	43,864	-	43,864
B	Pension, Disability and Carers Service								
	88,996	245,572	1,829	11,703	90,825	257,275	12,630	6,000	18,630
D	Health and Safety Executive								
	119,008	79,359	-2,438	-13,954	116,570	65,405	6,700	-1,150	5,550
E	Financial Assistance Scheme								
	-	57,000	-	20,000	-	77,000	-	-	-
G	Executive Non-Departmental Public Bodies								
	17,508	387,124	-1,729	-19,597	15,779	367,527	6,555	-5,791	764
H	Employment Programmes								
	-	788,114	-	227,000	-	1,015,114	-	-	-
I	Housing Benefit and Council Tax Benefit Administration								
	-	500,400	-	49,000	-	549,400	-	-	-
J	Other Programmes								
	-	83,776	-	3,953	-	87,729	1,200	-	1,200
K	Departmental operating costs								
	1,115,389	259,728	-292,461	205,118	822,928	464,846	105,051	135,941	240,992
<i>Unallocated provision</i>									
	-	368,000	-	-368,000	-	-	69,000	-69,000	-
Total Spending in DEL			-294,799	130,734				66,000	
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
	-	72,474,171	-	2,827,195	-	75,301,366	-	-	-
<i>Of which:</i>									
M	Severe Disablement Allowance								
	-	889,263	-	-13,000	-	876,263	-	-	-
N	Industrial Injuries Disablement Benefit								
	-	891,483	-	-5,000	-	886,483	-	-	-
O	Jobseekers Allowance								
	-	3,950,822	-	413,000	-	4,363,822	-	-	-
P	Employment and Support Allowance								
	-	2,200,179	-	-30,000	-	2,170,179	-	-	-
Q	Income Support								
	-	6,205,414	-	823,000	-	7,028,414	-	-	-
R	Pension Credit and Minimum Income Guarantee								
	-	8,185,142	-	-102,000	-	8,083,142	-	-	-
S	Financial Assistance Scheme								
	-	359,000	-	604,195	-	963,195	-	-	-

Part II: Changes Proposed

T	TV Licences for the over 75s	-	579,344	-	-1,000	-	578,344	-	-	-
U	Attendance Allowance	-	5,468,081	-	-44,000	-	5,424,081	-	-	-
V	Disability Living Allowance	-	12,614,664	-	-23,000	-	12,591,664	-	-	-
W	Carers Allowance	-	1,726,962	-	3,000	-	1,729,962	-	-	-
X	Housing Benefit	-	16,748,792	-	580,000	-	17,328,792	-	-	-
Y	Council Tax Benefit	-	4,783,082	-	59,000	-	4,842,082	-	-	-
Z	Rent Rebates	-	5,347,010	-	148,000	-	5,495,010	-	-	-
AA	Statutory Sick Pay and Statutory Maternity Pay	-	2,053,477	-	495,000	-	2,548,477	-	-	-
AB	Other Benefits	-	490,456	-	-80,000	-	410,456	-	-	-
	Non-voted expenditure	-	84,897,609	-	816,045	-	85,713,654	86,086	-	86,086
	<i>Of which:</i>									
AD	Incapacity Benefit	-	4,290,899	-	569,000	-	4,859,899	-	-	-
AE	Jobseekers Allowance	-	884,998	-	-123,000	-	761,998	-	-	-
AF	Employment and Support Allowance	-	1,807,075	-	-349,000	-	1,458,075	-	-	-
AG	Maternity Allowance	-	351,541	-	6,000	-	357,541	-	-	-
AH	State Pension	-	74,429,373	-	288,000	-	74,717,373	-	-	-
AI	Bereavement Benefits	-	584,036	-	8,000	-	592,036	-	-	-
AJ	Expenditure incurred by the Social Fund	-	2,549,687	-	417,045	-	2,966,732	86,086	-	86,086
	Total Spending in AME				3,643,240					
	Non-Budget spending									
	Voted expenditure	-	2,544,114	-	416,863	-	2,960,977	-	-	-
	<i>Of which:</i>									
AK	Cash paid into the Social Fund	-	2,544,114	-	416,863	-	2,960,977	-	-	-
	Total Non-Budget spending				416,863					

Part II: Changes Proposed

Total for Estimate			
	-294,799	4,190,837	66,000
<i>Of which:</i>			
Voted expenditure	-294,799	3,374,792	66,000
Non-voted expenditure	-	816,045	-
			£'000
	Present Plans	Changes	Revised Plans
Net cash requirement	81,960,501	2,967,254	84,927,755

Part II: Revised subhead detail including additional provision**£'000**

		Resources				Capital			
		Administration		Programme					
Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	
1	2	3	4	5	6	7	8	9	
Revised Plans									
Spending in Departmental Expenditure Limits (DEL)									
Voted expenditure									
	1,616,613	-191,101	1,425,512	6,098,854	-709,272	5,389,582	316,514	-5,514	311,000
<i>Of which:</i>									
A	Jobcentre Plus								
	197,003	-193	196,810	2,156,801	-13,916	2,142,885	43,864	-	43,864
B	Pension, Disability and Carers Service								
	90,924	-99	90,825	259,957	-2,682	257,275	18,630	-	18,630
C	Child Maintenance and Enforcement Commission								
	182,703	-103	182,600	365,111	-2,711	362,400	-	-	-
D	Health and Safety Executive								
	135,455	-18,885	116,570	164,391	-98,986	65,405	6,064	-514	5,550
E	Financial Assistance Scheme								
	-	-	-	77,000	-	77,000	-	-	-
F	European Social Fund								
	-	-	-	440,000	-439,999	1	-	-	-
G	Executive Non-Departmental Public Bodies								
	15,779	-	15,779	367,527	-	367,527	764	-	764
H	Employment Programmes								
	-	-	-	1,015,109	5	1,015,114	-	-	-
I	Housing Benefit and Council Tax Benefit Administration								
	-	-	-	549,400	-	549,400	-	-	-
J	Other Programmes								
	-	-	-	136,247	-48,518	87,729	1,200	-	1,200
K	Departmental operating costs								
	994,749	-171,821	822,928	567,311	-102,465	464,846	245,992	-5,000	240,992
<i>Unallocated provision</i>									
	-	-	-	-	-	-	-	-	-
Non-voted expenditure									
	-	-	-	821,152	-	821,152	-	-	-
<i>Of which:</i>									
L	National Insurance Fund								
	-	-	-	821,152	-	821,152	-	-	-
Total Spending in DEL									
	1,616,613	-191,101	1,425,512	6,920,006	-709,272	6,210,734	316,514	-5,514	311,000
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
	-	-	-	75,352,375	-51,009	75,301,366	-	-	-
<i>Of which:</i>									
M	Severe Disablement Allowance								
	-	-	-	876,263	-	876,263	-	-	-
N	Industrial Injuries Disablement Benefit								
	-	-	-	886,483	-	886,483	-	-	-

Part II: Revised subhead detail including additional provision**£'000**

		Revised Plans								
		Resources						Capital		
	Administration									
	Gross	Income	Net	Gross	Programme	Net	Gross	Income	Net	
	1	2	3	4	5	6	7	8	9	
O	Jobseekers Allowance	-	-	-	4,366,056	-2,234	4,363,822	-	-	-
P	Employment and Support Allowance	-	-	-	2,171,501	-1,322	2,170,179	-	-	-
Q	Income Support	-	-	-	7,075,867	-47,453	7,028,414	-	-	-
R	Pension Credit and Minimum Income Guarantee	-	-	-	8,083,142	-	8,083,142	-	-	-
S	Financial Assistance Scheme	-	-	-	963,195	-	963,195	-	-	-
T	TV Licences for the over 75s	-	-	-	578,344	-	578,344	-	-	-
U	Attendance Allowance	-	-	-	5,424,081	-	5,424,081	-	-	-
V	Disability Living Allowance	-	-	-	12,591,664	-	12,591,664	-	-	-
W	Carers Allowance	-	-	-	1,729,962	-	1,729,962	-	-	-
X	Housing Benefit	-	-	-	17,328,792	-	17,328,792	-	-	-
Y	Council Tax Benefit	-	-	-	4,842,082	-	4,842,082	-	-	-
Z	Rent Rebates	-	-	-	5,495,010	-	5,495,010	-	-	-
AA	Statutory Sick Pay and Statutory Maternity Pay	-	-	-	2,548,477	-	2,548,477	-	-	-
AB	Other Benefits	-	-	-	410,456	-	410,456	-	-	-
AC	Other Expenditure	-	-	-	-19,000	-	-19,000	-	-	-
	Non-voted expenditure	-	-	-	85,713,654	-	85,713,654	86,086	-	86,086
	<i>Of which:</i>									
AD	Incapacity Benefit	-	-	-	4,859,899	-	4,859,899	-	-	-
AE	Jobseekers Allowance	-	-	-	761,998	-	761,998	-	-	-
AF	Employment and Support Allowance	-	-	-	1,458,075	-	1,458,075	-	-	-
AG	Maternity Allowance	-	-	-	357,541	-	357,541	-	-	-
AH	State Pension	-	-	-	74,717,373	-	74,717,373	-	-	-
AI	Bereavement Benefits	-	-	-	592,036	-	592,036	-	-	-

Part II: Revised subhead detail including additional provision**£'000**

		Revised Plans								
		Resources						Capital		
		Administration	Resources		Programme			Gross	Income	Net
		Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
		1	2	3	4	5	6	7	8	9
AJ	Expenditure incurred by the Social Fund	-	-	-	2,966,732	-	2,966,732	86,086	-	86,086
Total Spending in AME		-	-	-	161,066,029	-51,009	161,015,020	86,086	-	86,086
Non-Budget spending										
Voted expenditure		-	-	-	2,960,977	-	2,960,977	-	-	-
<i>Of which:</i>										
AK	Cash paid into the Social Fund	-	-	-	2,960,977	-	2,960,977	-	-	-
Total Non-Budget spending		-	-	-	2,960,977	-	2,960,977	-	-	-
Total for Estimate		1,616,613	-191,101	1,425,512	170,947,012	-760,281	170,186,731	402,600	-5,514	397,086
<i>Of which:</i>										
Voted expenditure		1,616,613	-191,101	1,425,512	84,412,206	-760,281	83,651,925	316,514	-5,514	311,000
Non-voted expenditure		-	-	-	86,534,806	-	86,534,806	86,086	-	86,086

Part II: Resource to cash reconciliation

£'000

	Present Plans	Changes	Revised Plans
Net Resource Requirement	167,716,205	3,896,038	171,612,243
Net Capital Requirement	331,086	66,000	397,086
Accruals to cash adjustments	-281,943	-178,739	-460,682
<i>Of which:</i>	-		
<i>Adjustments to remove non-cash items:</i>	-		
Depreciation	-303,024	-40	-303,064
New provisions and adjustments to previous provisions	-416,000	-624,195	-1,040,195
Departmental Unallocated Provision	-437,000	437,000	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-798	-	-798
<i>Adjustment for NDPBs:</i>	-		
Remove voted resource and capital	-411,187	27,117	-384,070
Add cash grant-in-aid	421,387	-38,621	382,766
<i>Adjustments to reflect movements in working balances:</i>	-		
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	188,679	-	188,679
Increase (-) / Decrease (+) in creditors	600,000	-	600,000
Use of provisions	76,000	20,000	96,000
Removal of non-voted budget items	-85,804,847	-816,045	-86,620,892
<i>Of which:</i>	-		
Consolidated Fund Standing Services	-	-	-
Other adjustments	-85,804,847	-816,045	-86,620,892
Net Cash Requirement	81,960,501	2,967,254	84,927,755

Part III: Note A - Forecast Operating Cost Statement & Reconciliation Table

	£'000
	Revised Plans
Gross Administration Costs	1,616,613
<i>Less:</i>	
Administration DEL Income	-191,101
Net Administration Costs	1,425,512
Gross Programme Costs	168,126,661
<i>Less:</i>	
Programme DEL Income	-709,272
Programme AME Income	-51,009
Non-budget income	-
Net Programme Costs	167,366,380
Total Net Operating Costs	168,791,892
<i>Of which:</i>	
Resource DEL	6,810,747
Capital DEL	1,200
Resource AME	161,111,020
Capital AME	-
Non-budget	868,925
<i>Adjustments to include:</i>	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the OCS	-
<i>Adjustments to remove:</i>	
Capital in the OCS	-1,200
Non-Budget Consolidated Fund Extra Receipts in the OCS	-
Other adjustments	-139,426
Total Resource Budget	168,651,266
<i>Of which:</i>	
Resource DEL	7,636,246
Resource AME	161,015,020
<i>Adjustments to remove:</i>	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	2,960,977
Total Resource (Estimate)	171,612,243

Part III: Note B - Analysis of Departmental Income

	£'000
	Revised Plans
Voted Resource DEL	-900,373
<i>Of which:</i>	
Administration	
Sale of goods and services	-191,101
<i>Of which:</i>	
Section A: Jobcentre Plus	-193
Section B: Pension, Disability and Carers Service	-99
Section C: Child Maintenance and Enforcement Commission	-103
Section D: Health and Safety Executive	-18,885
Section K: Departmental operating costs	-171,821
Total Administration	-191,101
Programme	
Sale of goods and services	-249,169
<i>Of which:</i>	
Section A: Jobcentre Plus	-13,916
Section B: Pension, Disability and Carers Service	-2,682
Section C: Child Maintenance and Enforcement Commission	-2,711
Section D: Health and Safety Executive	-98,986
Section H: Employment Programmes	5
Section J: Other Programmes	-31,124
Section K: Departmental operating costs	-99,755
EU income	-439,999
<i>Of which:</i>	
Section F: European Social Fund	-439,999
Interest and dividends	-2,710
<i>Of which:</i>	
Section K: Departmental operating costs	-2,710
Other income (including receipts)	-17,394
<i>Of which:</i>	
Section J: Other Programmes	-17,394
Total Programme	-709,272
Voted Resource AME	-51,009
<i>Of which:</i>	
Programme	
Sale of goods and services	-51,009
<i>Of which:</i>	
Section O: Jobseekers Allowance	-2,234
Section P: Employment and Support Allowance	-1,322
Section Q: Income Support	-47,453
Total Voted Resource Income	-951,382
Voted Capital DEL	-5,514
<i>Of which:</i>	
Programme	
Sale of assets	-514

Part III: Note B - Analysis of Departmental Income

	£'000
	Revised Plans
<hr/>	
<i>Of which:</i>	
Section D: Health and Safety Executive	-514
Other income (including receipts)	-5,000
<i>Of which:</i>	
Section K: Departmental operating costs	-5,000
Total Voted Capital Income	-5,514

Part III: Note C - Analysis of Consolidated Fund Extra Receipts

No CFER income or receipts are expected in 2011-12.

Part III: Note D - Explanation of Accounting Officer responsibilities

The Accounting Officer prepares resource accounts for each financial year.

The following individuals are responsible for the expenditure within this Estimate:

Accounting Officer	Robert Devereux
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In accordance with Chapter 3 of *Managing Public Money* (issued by the Treasury), the following individuals are NDPB Accounting Officer appointments:

NDPB Accounting Officers

Noel Shanahan	Child Maintenance and Enforcement Commission
Geoffrey Podger	Health and Safety Executive
Patrick Boyle	Independent Living Fund
Marta Phillips OBE	The Pensions Advisory Service
Bill Galvin	The Pensions Regulator

Robert Devereux has personal responsibility for the proper presentation of the department's resource accounts and their transmission to the Comptroller & Auditor General, and is also responsible for the use of public money and stewardship of assets.

In discharging these responsibilities, particular regard is given to:

- observing any accounting and disclosure requirements (including any Accounts Direction) and applying suitable accounting policies on a consistent basis;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards, as set out in the Financial Reporting Manual (FRM), or an organisation's version of it, have been followed, and explain any material departures in the accounts; and
- preparing the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for regularity and propriety of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding assets, are also set out in Chapter 3 of *Managing Public Money*.

In accordance with *Managing Public Money* requirements, the relationship between the Principal Accounting Officer and Additional Accounting Officer(s), and with their Ministers, together with their respective responsibilities, is set out in writing. Similarly, the relationship between the Principal/Additional Accounting Officer and the NDPB Accounting Officer(s) is set out in writing.

Part III: Note E - Non-Departmental Public Bodies

£'000

Section in Part II:					
Subhead Detail	Body	Resources	Capital	Grant-in-aid	
G- DEL	Independent Living Fund	337,987	-	337,489	
G- DEL	The Pensions Regulator	41,788	658	41,744	
G- DEL	The Pensions Advisory Service	3,531	106	3,533	
Total		383,306	764	382,766	

Part III: Note G - Expenditure resting on the sole authority of the Appropriation Act

The following subheads contain provision sought under the sole authority of Part I of the Estimate and of the confirming Appropriation Act:

Section in Part II:		
Subhead Detail	Service	£'000
K - DEL	Establishment and Development of Regional Forums on Ageing	164

Part III: Note J - Staff Benefits

For the financial year 2011-12 budget holders have delegated authority to award gift vouchers to staff under the terms of our Special Bonus Scheme. The vouchers are for a range of well known retail outlets and are given in recognition of valuable or exceptional contributions to business performance. Individual awards will not exceed £50 and in total the expenditure, for the Special Bonus Scheme, will not in total exceed 0.25% of the DWP paybill. In practice the total expenditure is likely to be less than £2.5 million.

The Department operates an Employee Discount Scheme which provides staff with the opportunity to purchase a range of on-line goods at a reduced price. The cost of items purchased is met by the employee, however the Department pays an annual fee to a third party provider for the operation of the contract. This cost is determined by the number of employees registered with the scheme and is likely to be in the region of £200,000.

Budget holders have delegated authority to provide staff with childcare assistance. This includes provision of on site facilities and contributions to the cost of private childcare made directly to the employee through payroll. The availability, method and amount of assistance is at the discretion of the budget holder.

Part III: Note K - Contingent Liabilities

Nature of liability	£'000
Contingent Liabilities disclosed under IAS 37	
Remploy Limited	193,900
<p>The Secretary of State for Work and Pensions has given formal guarantee in respect of Remploy Limited, an Executive Non-Departmental Public Body. In the event of Remploy Limited becoming insolvent, the Secretary of State has agreed to pay Remploy Limited a sum equal to any and all of its remaining debts for example the excess of its liabilities over and above the proceeds from realisation of its assets. In addition to this guarantee over Remploy's net liabilities the Department also guarantees to cover any shortfall in its pension provision.</p>	
European Social Fund (ESF) Repayments	Unquantifiable
<p>As Managing Authority of the European Social Fund (ESF) in England and Gibraltar, the Department has a potential liability in respect of ineligible claims for ESF programmes. The Department has included an impairment provision of £9.5 million in its accounts against non-recovery of overpayment debt from specific ESF providers it contracted with in the 2000-06 ESF programme. The ESF Audit Authority produced a closure statement for each ESF 2000-06 programme which assessed the standard of financial management and control and the underlying level of error. All financial liabilities associated with those closure statements, which amounted to £32.4 million have been repaid during 2010-11. However, the programmes have not yet been formally closed by the European Commission (EC) so there is a residual risk of additional financial corrections. Additional liabilities are not anticipated by the Department although the likelihood and possible magnitude of the risk cannot be assessed with any certainty.</p> <p>There is no provision in the Department's accounts to cover financial corrections or unrecoverable ineligible expenditure in the 2007-13 ESF programme. The Audit Authority produces an annual control report and opinion for the EC. The opinion is largely based on the amount of error found during checks of claims submitted by the Managing Authority to the EC over a calendar year. If this exceeds the EC's defined 2% tolerable error the opinion is likely to be qualified, with the risk that the EC would impose a financial correction, which may not be recoverable. The 2010 annual opinion was unqualified but it is possible that future years may be qualified.</p> <p>Due to the complexity of European Regulations governing ESF there is an ongoing risk that unforeseen liabilities could arise in future which cannot be recovered by the Department. The risk and amount of any unforeseen future liabilities cannot be assessed with any degree of certainty at this stage.</p>	
European Social Fund	Unquantifiable
<p>European Social Fund (ESF) grant enables Jobcentre Plus to add value or fund additional places to domestically funded projects. Grant claims are submitted through a local Government Office, which administers ESF on behalf of the European Community. The grant is based on payments to contracted providers. Shortfalls arise if a grant cannot be claimed on expenditure incurred. If this expenditure cannot be recovered from the provider, the Department incurs the cost. Because of the timescales involved for deriving any such shortfalls, specific amounts cannot be ascertained.</p>	

Part III: Note K - Contingent Liabilities

Financial Assistance Scheme (FAS)

Unquantifiable

In December 2007, the Government announced its intention for the Financial Assistance Scheme to take over payments of some fully funded pensions and other associated benefits in qualifying schemes and, in return, to take the assets of those pension schemes into Government (the FAS Review of Assets estimated the value of these assets to be £1.7 billion).

Further regulations came into force on 2 April 2010 which enables the transfer of assets, remaining in FAS qualifying schemes, to Government. As a result, the liabilities associated with FAS will increase as the assets transfer from individual schemes to Government. The provision (note 32) has increased by £49.5 million for liabilities associated with the assets transferred in 2010-11.

Bridge Trustees

550

The Imperial Home Decor Pension Scheme offered both final salary and 'cash balance' benefits to members with notional interest added annually to each members 'pot', the value of which was guaranteed. The rate of member's pensions was determined by the application of actuarial factors.

As the scheme was in substantial deficit the Trustees sought a direction as to the statutory priority order to be applied on winding up, specifically in relation to the definition of "money purchase benefits" in s181 of the Pension Schemes Act 1993.

The Department challenged the judgement in the Court of Appeal considering it to be not in accordance with the Department's interpretation of relevant legislation. The Supreme Court hearing took place in June 2011 with judgement expected several months later.

The Department has agreed to indemnify the costs of two out of the three Respondents in the appeal proceedings, the estimated cost of which is £500,000 - £600,000.

Vaccine Damage Payments

Unquantifiable

Important changes to the Vaccine Damage Payments Scheme came into force on 16 June 2002. The level of disablement that is defined as severe was reduced from 80% to 60% and the period of time during which a claim can be made was extended.

These changes mean that some people who have been disallowed in the past may be able to make another claim under these new rules. These further claims had to be received by 16 June 2005 and 399 claims were received by this deadline. Of these, 310 still have the right to request an appeal any time in the future should they wish to do so.

Currently there are approximately 3,100 Vaccine Damage Payment claims (including those detailed above) which have existing appeal rights. As there is no time limit for requesting Vaccine Damage Payment Appeals there is no means of establishing if, or when, these appeal rights may be exercised. It is therefore not currently possible to estimate the value or success of these claims and so no provision has been made in these accounts.

Part III: Note K - Contingent Liabilities

Incorrect payment of Disability Living Allowance or Attendance Allowance

Unquantifiable

During 2010, the Agency identified 40,000 customers in receipt of both Disability Living Allowance (DLA) or Attendance Allowance (AA) and State Pension where the potential existed for an incorrect combined payment (i.e. where a single payment is made for both benefits) to be in payment. Results from a small pilot involving 500 customers indicated that further investigation of remaining cases was required with payment errors expected in approximately 57% of cases, resulting in underpayments, overpayments and special payments.

These errors occurred due to a breakdown in communication between Pension Centres and Disability Centres and, in particular, reliance on a clerical combined payment notification process. Steps have been taken to rectify the weaknesses.

The pilot exercise, undertaken during 2010 corrected a small sample of the incorrect cases, for which agreement was obtained from HMRC. This resulted in arrears payments to 191 customers of £1.2 million, together with £90,143 of special payments. In addition, programme losses of £372,854 were reported. In March 2011 Ministers agreed that the remaining cases should also be reviewed and corrected where appropriate. Updated analysis suggests that 34,886 cases remain outstanding.

Based on such a small sample, it is not possible to accurately estimate the total benefit arrears, potential overpayments, resulting in compensation payments and interest to be payable in the future, due to the significant element of uncertainty at this early stage of the correction exercise.

Transfer of State Pensions and Benefits

Unquantifiable

The Transfer of State Pensions and Benefits Regulations 2007 allows for a person's rights which have accrued by virtue of National Insurance contributions to be transferred to the Pension Scheme for Officials and Servants of Community Institutions and a transfer payment made accordingly by the Department. Until the transfer value is calculated, a contingent liability arises.

Additional Pension Exercise

Unquantifiable

Following work done to correct erroneous up-rating of Guaranteed Minimum Pensions (GMP) in public sector schemes, HM Revenue and Customs have requested further checks on cases suspected of having further errors in the calculation of GMP. It is estimated from scans produced that 256,000 customer records could be affected and initial analysis of approximately 3,000 cases has shown 5 scenarios where the error rate increased from an initial average 3% to 30%. Correction activity will initially focus on the 5 scenarios more prone to overpayment error.

The project will be monitoring results to ensure that the current targeted approach will be continually verified and refined where possible; therefore, the percentage of cases prone to error is subject to change.

The size of the Additional Pension caseload and the initial estimates of the monetary value of error prompted a review of all cases identified. The review started in August 2010. During 2010-11, special payments were made to customers totalling £2.5 million.

Part III: Note K - Contingent Liabilities

Again, it is not possible to accurately estimate the amounts payable in the future due to inconsistency within the population causing a significant element of uncertainty at this early stage of the correction exercise.

DLA Exportability

Unquantifiable

A decision made on 18 October 2007 by the European Court of Justice means that certain UK disability benefits are considered to be sickness benefits and consequently will be paid to some people who leave the UK to live in another European Economic Area (EEA) state or Switzerland providing they meet certain eligibility criteria. A provision was originally created during 2009-10. During 2010-11 1,268 claims have been received and it is calculated that a provision of £4.2 million is appropriate to cover cases where individuals who have met the eligibility criteria have submitted a claim. However, the Department has no way of knowing at this stage how many potential customers will become eligible. Initial estimates suggest that the possible liability for individuals who have not yet submitted a claim could be in the order of £12.4 million, but there remains a significant element of uncertainty in respect of the number of invitees who may respond.

Overpayments of Housing Benefit/Council Tax benefit from State Pension Correction Exercise

18,000

The Pension, Disability and Carers Service has identified errors in payments of Home Responsibilities Protection (HRP) and Additional Pension payments. As a result of the failure by the Department to record HRP and Additional Pension payments correctly there has been an underpayment of State Pension.

For Housing Benefit (HB) and Council Tax Benefit (CTB) assessment purposes, the customer's income calculation excluded the correct State Pension element and was assessed at a lower level, thereby understating income. As a direct result of the error in State Pension, HB/CTB has been calculated at higher levels than the customers should actually have been entitled to, thereby resulting in a retrospective overpayment of HB/CTB, at the point the State Pension underpayment is corrected through the payment of arrears. These overpayments are irrecoverable under the prevailing legislation.

The Department estimates that the total number of State Pension underpayment cases impacting HB/CTB is in the region of 6,400. The total value of HB/CTB losses is estimated to be in the order of £17-18 million.

Lump sum compensation payments in respect of pneumoconiosis and certain other dust related diseases

Unquantifiable

The Department was accountable for lump sum compensation payments in relation to pneumoconiosis and certain other dust related diseases.

Payments due under the Pneumoconiosis etc. (Workers' Compensation) Act 1979 compensate those suffering from certain dust diseases where, at the time of submitting their claim to the scheme, they are unable to claim compensation by way of civil action in the courts. Award of Industrial Injuries Disablement Benefit (IIDB) is a precondition for payments to all sufferers and most dependants under this scheme.

Part III: Note K - Contingent Liabilities

Compensation payments due under the Child Maintenance and Other Payments Act 2008 are made through the Mesothelioma Scheme (2008). This scheme was introduced on 1 October 2008 and compensates sufferers from Mesothelioma who are not eligible for help from the 1979 Act. Payments made under this scheme are financed by recovery from civil damages paid to sufferers claiming under both schemes, and the expectation is that the net cost of this scheme to the Department will be £nil.

The diseases covered by both schemes have a long latency period which makes the number of years over which claims will continue to be made unclear. No reliable estimate of the financial effect can therefore be given.

Personal Injury

Unquantifiable

The Health and Safety Executive (HSE) is currently defending a claim for personal injury concerning a past employee who claims to have contracted mesothelioma as a result of his employment with HSE.

Compensation claims

Unquantifiable

The Department has contingent liabilities arising from possible compensation payments that may become due as a result of compensation claims against the Department by staff and members of the public. Claims relate to employment tribunal, personal injury and Civil Service Appeals Board cases. There is significant uncertainty surrounding the estimated liability and the timing of payments, which can fluctuate based on various factors such as medical evidence received, witness statements and whether claims proceed to trial or are settled early.

Bearer connection charges

543

A contingent liability exists in respect of bearer connection charges incurred by British Telecom. These costs will only become payable by the Department if a site closes within three years of connection. At 31 March 2011 the total potential liability is £543,169.

Fujitsu contract

Unquantifiable

The Department terminated its desktop contract with Fujitsu on 11 March 2011. Discussions with Fujitsu are on-going, and the Department has not disclosed the information usually required by IAS 37 because the Department believes that to do so would seriously prejudice the outcome of these discussions.

Employment programmes

Unquantifiable

During the year the Department terminated contracts with providers in respect of the Flexible New deal programme. The Department has recognised in the accounts its best estimate of the known termination costs, but there may be additional costs arising from the termination that cannot yet be measured with any certainty.