Department for Work and Pensions

Resource Accounts
2009-10

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Department for Work and Pensions

Resource Accounts 2009-10

(For the year ended 31 March 2010)

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Annual Report
for the year ended 31 March 2010

Scope

This is the Annual Report and Accounts of the Department for Work and Pensions (DWP).

The Department is responsible for delivering the Government's welfare reform agenda in Great Britain, while continuing to provide day-to-day services for all its customers, including employers. Its principal aim is to promote opportunity and independence for all. More information about the Department's aims and objectives can be found in the Management Commentary (see page 8).

Departmental Boundary

In addition to the core Department, the Departmental bodies that fell within the resource accounting boundary during the financial year were:

- Jobcentre Plus;
- The Pension, Disability & Carers Service;
- The Child Maintenance & Enforcement Commission; and
- Health and Safety Executive.

Although within the boundary, the Child Maintenance and Enforcement Commission and Health and Safety Executive are Crown Non-Departmental Public Bodies administered separately from the Department.

In addition to the above bodies, the following areas of expenditure are also included within the boundary:

Social Fund

The Department is responsible for the Social Fund which is used to make grants and repayable loans to individuals. It makes regulated payments of funeral grants, maternity payments, winter fuel payments and cold weather payments, and discretionary payments for budgeting loans, crisis loans and community care grants.

National Insurance Fund

The National Insurance Fund (NIF) is the responsibility of HM Revenue and Customs, but the contributory benefits funded from the NIF are administered by the Department on their behalf and are included within the Department's Operating Cost Statement. These contributory benefit payments, together with the associated costs of administration, are recovered by the Department from the NIF (See also Note 1.4).

European Social Fund

The European Social Fund (ESF) is one of the European Union structural funds designed to strengthen economic and social cohesion. The ESF helps unemployed and socially excluded people to find work or develop their employability. It can also be used to help prevent people in work from becoming unemployed.

Other Programme Expenditure

Other programme expenditure includes all non-contributory benefit expenditure, together with miscellaneous grants and compensation payments. Also included are subsidies paid by way of a grant to local authorities who, in turn, administer and pay Housing and Council Tax Benefit.

Non-Departmental Public Bodies

The Department has responsibility for the following Executive Non-Departmental Public Bodies (NDPBs) which publish separate accounts and are not included within the Department's resource accounting boundary:

- The Independent Living Fund;
- The Pensions Regulator;
- The Pensions Advisory Service;
- The Pension Protection Fund;
- Personal Accounts Delivery Authority; and
- Remploy Limited.

During 2009-10, the Department also had responsibility for Working Ventures UK, which was wound up with effect from 30 September 2009. The operational business was transferred to local regional area partnerships.

The Pension Protection Fund

The Pension Protection Fund is both an Executive Non-Departmental Public Body and a Public Corporation.

Remploy Ltd

The Department pays grants in aid to Remploy Ltd to help meet the additional costs associated with employing very large numbers of disabled people. Remploy Ltd is a private company limited by guarantee, whose net liabilities are guaranteed by the Secretary of State for Work and Pensions. It also has status as an Executive Non-Departmental Public Body and Public Corporation. Remploy Ltd falls outside of the Department's resource accounting boundary.

Events after the Reporting Period

Government and Budget announcements

Following the creation of the new Government in May 2010, a number of efficiency saving and Budget-related announcements have been made which affect the Department. The introduction of a new Work Programme by the Summer of 2011 should enable the Department to contract for employment support in a faster, flexible and more efficient way than the current system allows. This is part of a package of reform measures, which include a reassessment of 1.5 million people who are claiming Incapacity Benefit, in addition to an independent review of the Work Capability Assessment.

Shortly after entering office, efficiency savings of £6.2 billion were announced by the Government, with the Department's share of these amounting to £535 million. £320 million of savings will come from ending less effective elements of employment programmes, including ending further rollout of temporary jobs through the Young Person's Guarantee and removing recruitment subsidies from the 'Six-Month Offer'.

The remaining savings will principally be made in discretionary areas, such as consultancy, travel costs and IT spending. On 1 July 2010, the Department introduced a new Departmental Travel Policy to ensure that only travel deemed essential is undertaken and then only by using the most cost-effective and sustainable option available. In respect of IT spending, an investigation is underway to review the projects, both ongoing and planned, with a value of between £1 million and £50 million, to ensure that their continuance can be justified. Decisions will be taken by the Department's Investment Committee and this may result in future losses to the Department should existing projects be terminated.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Department provides to employees. Additionally, the Budget announced changes to the rules for entitlement to Housing Benefit and Disability Living Allowance. From April 2011, the basic State Pension will be uprated by a triple guarantee of earnings, prices or 2.5%, whichever is highest, and benefits will be indexed by the Consumer Price Index instead of the Retail Prices Index.

Following the election on 6 May 2010, the Government announced a Whitehall-wide review of health and safety law and practice to be undertaken by Lord Young of Graffham. He will also examine the compensation culture and report to the Prime Minister in the summer. HSE will offer any help to the review that is required.

A Written Ministerial Statement by the Prime Minister on a Machinery of Government change affecting responsibility for Directgov was announced on 20 July 2010. As a result, responsibility for Directgov will transfer from the Secretary of State for Work and Pensions to the Minister for the Cabinet Office.

Other events

The Personal Accounts Delivery Authority (PADA) ceased to exist with effect from 5 July 2010. All of the assets and liabilities of PADA transferred to the National Employment Savings Trust (NEST) Corporation who have responsibility for setting up and running the NEST Scheme (a new low cost pension scheme that employers will be able to use to enrol employees into a qualifying pension scheme).

Further regulations came into force on 2 April 2010, in relation to the Financial Assistance Scheme (FAS), which enable the transfer of assets remaining in qualifying schemes to the Government. No assets have been transferred to the Government in 2009-10. The Department will be required to prepare a Trust Statement in relation to the revenue associated with asset transfers from FAS qualifying schemes. The first such Trust Statement will be published alongside the 2010-11 Resource Account.

On 5 July 2010 the Department started to use the new Government Banking Services (GBS). Customer Benefit Payable Orders are now being delivered via GBS and this represents over 90% of the Payable Orders issued. Administration Payable Orders are expected to go-live on 19 July 2010. Citibank and Royal Bank of Scotland are expected to fully replace the current Office of the Paymaster General (OPG) accounts by 2 August 2010.

The Department's financial statements are laid before the Houses of Parliament by HM Treasury. International Accounting Standard (IAS) 10 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Department's management to HM Treasury.

The authorised date for issue is 23 July 2010.

Corporate Governance

Overview

The Department's overarching governance arrangements are contained in the Departmental Framework. The Departmental Framework sets out how the Department is organised and managed to deliver Welfare Reform and its strategic objectives. The Departmental Framework can be accessed from the Department for Work and Pensions' web site:
http://www.dwp.gov.uk/aboutus/departmental_framework.asp

Departmental decision-making

The Department's decision-making arrangements are fully compliant with the intent of HM Treasury's Code of Good Practice in Central Government Departments.

Permanent Secretary

The Permanent Secretary is the Head of Department and also holds the position of Accounting Officer.

Departmental Board

The Departmental Board supports the Head of Department and is responsible for scrutinising, challenging and providing advice on delivery strategies, plans and programmes, performance and governance arrangements. It has a key role in considering risks to achievement of the Department's objectives, ensuring financial information is reliable and controls robust. The Departmental Board includes four Non-Executive Members and its role is primarily advisory and supervisory, although it may provide recommendations and direction for consideration by the Head of Department and the Executive Team.

Departmental Audit Committee

The Departmental Audit Committee is a permanent sub-committee of the Departmental Board and is chaired by one of its Non-Executive members. The membership of the Departmental Audit Committee constitutes Non-Executives only, in line with Treasury guidance in the Audit Committee Handbook.

The Departmental Audit Committee provides an independent view on the appropriateness, adequacy and value for money of the Department's governance, risk and assurance processes. It provides constructive challenge, opinion and advice, taking account of known and emerging risks and reports to the Accounting Officer, at least annually, on the effectiveness of the Department's control environment.

The Department has in place an integrated Audit Committee structure with effective alignment between the Departmental Audit Committee, the Shared Services Audit Committee and the Agency Audit Committees. This is supported by clearly defined arrangements for the escalation of strategic and cross cutting issues to the Departmental Audit Committee. This framework provides a cohesive approach to assurance across the Department.

Non-Executive Directors

The Head of Department appoints Non–Executive Members to the Departmental Board and to the Departmental Audit Committee. Their role is primarily to:

- Provide an independent advisory, support and constructive challenge role to the Head of Department and Executive Team;
- Support and monitor the performance and progress of management in meeting targets and objectives, and in the overall management of strategic risks;
- Seek assurance and evidence that financial information is available and reliable, and that financial controls are robust; and
- Seek assurance and evidence that there are sound and robust governance and risk management arrangements in place.

See page 30 for details of Departmental Board members.

Executive Team

The Executive Team supports the Head of Department in managing the Department and its business in line with Ministers' aims and draws on advice and challenge from the Departmental Board. The Executive Team is the Department's senior decision-making body, having a strategic, cross-cutting corporate focus and providing Departmental corporate leadership. Corporate decision-making rights are set out in the Executive Team terms of reference. The Executive Team also acts as the programme board in managing the delivery of the Departmental Change Programme. See page 29 for details of Executive Team members.

The Executive Team is supported by seven sub-committees, each chaired by an Executive Team member. These sub-committees take defined delegated decisions and provide scrutiny and direction to recommendations and initiatives prior to submission for Executive Team decision.

The Executive Team Sub-Committees are:

Planning Performance and Risk Sub-Committee

The purpose of the committee is to take decisions and make recommendations to the Executive Team, on:

- Formulation of corporate level plans;
- Securing resources under the Spending Review process;
- Management of the Department's short, medium and long-term resources; and
- Monitoring and steering of performance against agreed corporate objectives and managing planning and performance risks.

Investment Sub-Committee

The purpose of the committee is to:

- Provide senior management challenge to proposed investments by reviewing value for money at inception and where tolerances are breached and as appropriate at the Critical Design Review; and
- Confirm or otherwise the continued existence of projects and make recommendations.

Change Delivery Sub-Committee

The purpose of the committee is to support successful delivery of the portfolio of mission critical projects and programmes by:

- Approving progression of projects at the Critical Design Review stage and referring to the Investment Committee for business case sign off;
- Agreeing significant changes to plans and scope;
- Resolving cross-cutting issues and conflicting dependencies; and
- Reviewing programmes on a 6-12 month basis.

People Strategy Sub-Committee

The purpose of the committee is to:

- Take a visionary role, looking two to five years into the future to assist the Human Resources Director General in the development of a Departmental People Strategy;
- Support and enable the delivery of strategic business goals;
- Prioritise key areas for business and Human Resources (HR) going forward; and
- Ensure compliance with the People strategy across the Department.

Information and Security Sub-Committee

The purpose of the committee is to:

- Provide leadership and decision-making covering all aspects of information security strategy and policy including IT, Physical Security, Document and Personnel Security where they impact on Information Security; and
- Provide a focal point and ownership within the Department for information security issues, including supplier security performance.

IS/IT Strategy Sub-Committee

The purpose of the committee is to:

- Own, develop and update the Department's IS/IT Strategy;
- Facilitate and manage its mobilisation;
- Ensure ongoing monitoring of the strategy's effectiveness, maintaining alignment with the Department's Change Programme; and
- Ensure that risks to the delivery of the strategy are effectively managed.

The committee also sets the priorities for IT investment and technology, supporting leadership and excellence in IT management, both within the Department and across government.

Communications Strategy and Corporate Reputation Sub-Committee

The purpose of the committee is to:

- Ensure the Department continues to improve its communication strategy to better meet the needs of the customer and enable the Department to meet its business objectives;
- Ensure that the Communications Strategy is effectively implemented, with resources, risks and key outcomes regularly reviewed and monitored; and
- Regularly monitor and review the Department's corporate reputation.

Non-Departmental Public Bodies

The Department sponsors (through Client Directorate sponsor teams) a wide range of Non-Departmental Public Bodies to help it achieve its objectives. A list of these bodies can be found on the Department's Internet site;
http://www.dwp.gov.uk/about-dwp/public-bodies/dwp-sponsored-public-bodies/

Where legislation provides, the Secretary of State appoints the chair, members, commissioners or trustees to the Board of these bodies as appropriate. Certain appointments fall within the remit of the Commissioner for Public Appointments. These appointments are made in line with the Commissioner's Code of Practice.

For each of the NDPBs the Secretary of State designates a lead official within the Department who has responsibility for the stewardship of that body. This involves an annual review of the overall strategies, priorities, performance targets and budgets of the NDPBs on the basis of their Business and Corporate Plans.

Each Executive NDPB has a framework document or management statement and financial memorandum drafted by the sponsor team in close consultation with the NDPB. These documents set out the framework within which the NDPB operates, including aims, objectives and targets; the respective roles and responsibilities of the Department and the NDPB; the planning, budgeting and control arrangements; and how the NDPB will be accountable for its performance.

The remit of each of the Department's NDPBs can be found at, or accessed via links from, Annex A of the Department's Annual Appointments Report, which can be found at the following internet address; http://www.dwp.gov.uk/docs/dwp-annual-appointments-report2009.pdf

Management Commentary

Introduction

The Department for Work and Pensions is responsible for the development and delivery of welfare and pension policy, has a key role in tackling child poverty and plays a major role in helping people to gain the support and skills they need to find and stay in work. It is the biggest public service delivery organisation in the UK and serves over 20 million customers.

On average, every working day the Department:

- receives over 10,000 job vacancies;
- receives over 1.1 million job searches via the internet;
- helps over 5,000 people move into work;
- provides over 4,000 pension forecasts;
- conducts over 50,000 adviser interviews to help people prepare for work;
- processes over 20,000 new benefit claims;
- assesses over 2,700 applications for State Pension;
- clears over 1,000 claims to Pension Credit;
- visits over 2,500 customers;
- oversees around 3,000 new or renewal claims for Disability Living Allowance; and
- makes around 2.8 million benefit payments.

Our vision and objectives

The Department for Work and Pensions exists to:

- contribute towards fair, safe and fulfilling lives, free from poverty, for children, people in work and retirement, disabled people and carers;
- reduce welfare dependency and increase economic competitiveness by helping people to work wherever they can and employers to secure the skills and employees they need; and
- provide greater choice and personalisation and higher quality of service for customers, where it is in their interests and those of the taxpayers.

During 2009-10 the Department focused on delivering the following key objectives:

- Reducing the number of children living in poverty;
- Maximising employment opportunity for all;
- Improving health and safety outcomes;
- Promoting independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform;
- Promoting equality of opportunity for disabled people;

- Paying our customers the right benefits at the right time; and
- Making the Department an exemplar of effective service delivery.

Organisation

The Department is designed and organised to support the delivery of its objectives.

Customer services are primarily delivered through the Department's Executive Agencies: Jobcentre Plus and the Pension, Disability and Carers Service, and those Non-Departmental Public Bodies sponsored by the Department, including the Health and Safety Executive and the Child Maintenance and Enforcement Commission.

The development of strategy, policy and legislation is led by three policy groups: the Employment Group; the Welfare and Wellbeing Group and the Strategy, Information and Pensions Group.

The Department also collaborates and works jointly with other government departments and their agencies, local authorities and the private and voluntary sectors in the development and delivery of services to its customers.

The Department's corporate functions, including finance and commercial, human resources, information systems and technology, legal services and communications, provide support by working in partnership with the strategic and customer service businesses. In addition, an internal shared services operation provides human resource and finance services to the Department and, increasingly, to other government departments.

The Department's achievements in 2009-10

In pursuit of the policies of the previous Administration, the Department:

For families and children:

- Secured Royal Assent to the Child Poverty Act to enshrine in law the commitment to eradicate child poverty;
- Piloted approaches to tackling child poverty, including the provision of employment advice to parents in schools and Children's Centres;
- Introduced family-friendly rules in Jobseeker's Allowance to allow parents with children below age 13 to restrict their availability to work to school hours; and
- Introduced a disregard of Child Benefit in the calculation of Housing Benefit and Council Tax Benefit entitlement.

For working age people:

- Introduced a number of employment initiatives to help combat the effects of the recession including a number of initiatives to support young people;
- Secured Royal Assent to the Welfare Reform Act in November 2009, to support more people back into work and enshrine a system of rights and responsibilities between the Department and the customer;
- Published the Employment White Paper *Building Britain's Recovery: Achieving Full Employment* in December 2009, which set out a strategy for helping people to find work, to progress while in work and to remain in work;
- Set out a Great Britain-wide strategy for supporting those with mental health conditions, *Working our way to better mental health: a framework for action,* in December 2009 to improve well-being at work for everyone and to deliver better employment results for people who have mental health conditions;

- Launched the consultation *Supporting People into Work: The Next Stage of Housing Benefit Reform* to support people through the Housing Benefit system as they move into employment; and

- Reported a significant reduction in the number of people killed or injured at work or suffering work-related ill-health. In June 2009, the Health and Safety Executive launched its new Strategy *The Health and Safety of Great Britain: Be part of the solution* to tackle the challenge of reducing these numbers still further.

For older people:

- Continued to work with the Pensions Regulator and the Personal Accounts Delivery Authority to implement the programme of workplace pensions reforms from 2012, including through secondary legislation to take forward the Pensions Act 2008 and a major communications campaign – *Pensions and Savings for Later Life;*

- Made preparations for the changes to the State Pensions system from April 2010; and

- Supported pensioners by increasing Pension Credit by more than the rate of inflation and by introducing a disregard for the first £10,000 of their capital or savings in Housing Benefit and Council Tax Benefit calculations.

For disabled people:

- Legislated for the 'right to control' increasing choice and control for disabled adults by enabling them to choose how selected state funding is used to meet agreed outcomes;

- Published the *Roadmap to 2025* which sets out a vision of disability equality under 14 key themes based on disabled people's views of what equality means to them and which also details what government departments have achieved so far and the next steps on the strategy;

- Published *Realising ambitions: Better employment support for people with a mental health condition,* an independent review which made recommendations on how to help and support people with a mental health condition and claiming benefits to get into and remain in employment;

- Supported the ratification of the UN Convention on the Rights of Persons with Disabilities; and

- Supported the Equality Act through Parliament. The Act contains a package of measures for disabled people and delivers strengthened and streamlined disability discrimination law.

Agency Targets:

- During 2009-10 Jobcentre Plus introduced a range of initiatives to support customers aged 18-24 and continued to consolidate the implementation of the Employment and Support Allowance for customers who need more support to enter work due to ill-health or disabilities. Despite the impact of the recession on business volumes, Jobcentre Plus met three of its five business targets and latest data indicates that it is on track to meet the remaining two; and

- Despite a reduction in its workforce, rising workloads and the effect of the recession, the Pension, Disability and Carers Service made good progress during 2009-10, meeting 11 out of its 13 performance targets.

Managing Attendance

Between April 2009 and March 2010 the Department reduced sickness absence by 0.4 days per employee. The average level of sickness absence is now 8.5 days per staff year. This reduction was achieved against the background of an exceptional flu pandemic, which added 0.6 days to the average figure.

Performance data

Further key data relating to Departmental performance can be found in Annex B.

Principal Risks and Uncertainties

The Department faces a number of risks. The financial risks of the Department are included within the financial instrument disclosures in Note 24. The Department also faces a number of operational risks, the management of which are considered as part of the Statement on Internal Control.

Contingent Liabilities

Details of contingent liabilities reported under IAS 37 are disclosed in Note 39. In addition, the Department is required to disclose details of remote contingent liabilities, that is, those that are disclosed under Parliamentary reporting requirements and not under IAS 37. Details are reported in Note 38 – Financial Guarantees, Indemnities and Letters of Comfort.

Pension Liabilities

Details of the Department's treatment of pension liabilities are disclosed within Accounting Policy Note 1.29 and Note 8 to the accounts. In addition, a link is provided to the separate scheme statement which is published on the Cabinet Office's Civil Superannuation site. Further information regarding the Civil Service Pension schemes is given in the Remuneration Report.

Personal data related incidents

Departments are required to report on personal data related incidents. The tables below cover the entire departmental family, including executive agencies and Crown Non-Departmental Public Bodies. Incidents, the disclosure of which would in themselves create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000, or may be subject to the limitations of other UK information legislation.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2009-10

Statement on information risk	During 2009-10 the Department has continued to focus on security of information. It has implemented a range of improvements, managed through a formal project which reports to the Department's Information and Security Committee. The Department's information security awareness campaign has continued throughout the year, and its success is reflected in the relatively low number of reportable incidents involving personal data. The Departmental Security Officer judges the overall level of assurance around security controls to be significantly improved from last year, a view supported by the Chief Information Officer and the Senior Information Risk Owner. However, the Department's risk appetite on data loss is very low; and it is recognised that the Department must vigilantly continue to address a range of challenges. Equally it must be prepared to identify and tackle new risks as they arise.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
April 2009	Loss of paper documents from outside secured Government premises	Names, dates of birth, National Insurance numbers, bank account details	145	Individuals notified by post

June 2009	Other	Names, addresses and National Insurance numbers	65,000	Individuals notified by post. Statement to Parliament
Further action on information risk	The Department will continue to monitor and assess its information risks, in the light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.			

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2009-10

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

Financial Position and Results for the Year

Supply Procedure

Supply Estimates are a request to Parliament for funds to meet most expenditure by Government departments and certain related bodies. When approved by Parliament, they form the basis of the statutory authority for the appropriation of funds and for the Treasury to make issues from the Consolidated Fund. Statutory authority is provided annually by means of Consolidated Fund Acts and by an Appropriation Act. These arrangements are known as the "Supply Procedure" of the House of Commons.

Certain expenditure may be outside the Supply Procedure and, where Parliament gives statutory authority, will be charged directly to the Consolidated Fund. Alternatively, a statutory fund will be set up to finance the service, as in the case of the National Insurance Fund.

As a Government Department, the Department for Work and Pensions is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through Supply Estimates presented to the House of Commons.

The Department is subject to gross expenditure control under the Parliamentary Vote system and has one Vote which is constructed on a resource account basis and is analysed by Request for Resources (RfR). Each RfR includes a formal description (ambit) of the services to be financed by the RfR and Voted money cannot be used to finance services not covered by the ambit.

Results for the year – Operating Cost Statement (OCS)

The Operating Cost Statement reports the net total administration and programme resources consumed during the year by Request for Resource.

The results for the year included in the Operating Cost Statement are as follows:

- Net Operating Cost amounting to £155.2 billion (2008-09 £143.1 billion);
- Gross payments of social security benefits administered by the Department amounting to £149.5 billion (2008-09 £137.8 billion) (see Note 13); and
- Included within Gross payments are payments made by the Department of £0.3 billion (2008-09 £0.2 billion) on behalf of the European Social Fund.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	Outturn	Estimate	Variance
	£000	£000	£000
Net Resource Outturn (Estimates)	**78,625,223**	**80,718,765**	**2,093,542**
Adjustments to remove:			
Provision voted for earlier years	-	-	-
Adjustments to additionally include:			
Non-voted expenditure in the OCS	81,806,104	82,642,713	836,609
Consolidated Fund Extra Receipts in the OCS	(46,640)	(5,000)	41,640
Other adjustments *	(5,197,654)	(5,610,861)	(413,207)
Net Operating Cost (Accounts)	**155,187,033**	**157,745,617**	**2,558,584**
Adjustments to remove:			
Capital grants	(26,068)	(18,605)	7,463
Gains/Losses from sale of capital assets	(2,016)	(1,006)	1,010
Adjustments to additionally include:			
Other Consolidated Fund Extra Receipts	46,640	5,000	(41,640)
Resource consumption of non-departmental public bodies	36,718	33,519	(3,199)
Unallocated resource provision	-	-	-
PFI Adjustments	(144,063)	(188,113)	(44,050)
Other adjustments	-	-	-
Resource Budget Outturn (Budget)	**155,098,244**	**157,576,412**	**2,478,168**
Of which			
Departmental Expenditure Limits (DEL)	8,752,572	9,123,522	370,950
Annually Managed Expenditure (AME)	146,345,672	148,452,890	2,107,218

* Other adjustments principally comprise statutory benefits of £1,683,656k (line AA in RfR 2) and payments to the Social Fund of £3,513,998k (line F in RfR 3).

Statement of Financial Position

The Statement of Financial Position is dominated by Trade and other Receivables of £3.4 billion (see Note 28) and Trade and other Payables of £6.2 billion (see Note 30), which consist mainly of amounts due to or from the Department in respect of benefit payments, European Social Fund claims and Finance Lease obligations. Provisions of £4.3 billion (see Note 31) mainly relates to the Financial Assistance Scheme provision of £4.2 billion.

Also of significance are the Property, Plant and Equipment assets of £2.1 billion (see Note 21). These are comprised mainly of Land and Buildings of £1.9 billion, £1.8 billion of which are on-Statement of Financial Position PFI contracts, and IT related assets of £0.1 billion.

Comparison of Outturn against Estimate (Statement of Parliamentary Supply)

The Statement of Parliamentary Supply provides information on how the Department has performed against the Parliamentary and Treasury control totals by which it is monitored. This information is supplemented by Note 3 which reports Outturn in the same format as the Supply Estimate.

In 2009-10 the Department met all of its control totals:

- Resource Departmental Expenditure Limit (DEL) – Outturn was £8.8 billion, 4.1% below the Estimate.
- Capital DEL – Outturn was £0.3 billion, 1.8% below the Estimate.
- Near Cash in Resource DEL – Outturn was £8.6 billion, 3.7% below the Estimate.
- Administration Cost Limit – Outturn was £6.1 billion, 2.5% below the Estimate.
- Net Cash Requirement – Outturn was £79.0 billion, 2.5% below the Estimate.

- In addition the outturn on each Request for Resources (RfR) was within its control total as follows:

RfR1 (Children)	Outturn was 3.53% below the Estimate;
RfR2 (Working Age)	Outturn was 2.68% below the Estimate;
RfR3 (Pensions)	Outturn was 4.99% below the Estimate;
RfR4 (Disability)	Outturn was 0.33% below the Estimate;
RfR5 (Corporate)	Outturn was 5.93% below the Estimate.

- The total voted resource outturn was £78.6 billion, 2.59% below the Estimate (£2.09 billion underspend). The underspend is made up of £0.36 billion DEL, £1.27 billion AME and £0.46 billion non-budget. The full analysis by Estimate line is provided in Note 3. Explanations of some of the more notable variances are as follows:

Estimate Line	Limit £000	Outturn £000	Variance (Over)/ Under £000	Explanation of variance
2G – European Social Fund payments in advance of receipts	(9,103)	(21,975)	12,872	Underspend caused mainly by exchange rate gains and losses. Movement in the sterling and euro exchange rate, which could not have been predicted at the time of the Spring Supplementary Estimate, caused favourable exchange rate gains during the latter part of the year.
2H – Employment Programmes (support for Local Authorities)	37,047	66,264	(29,217)	The variance is due to greater than forecast grant payments to Local Authorities. This is more than off-set by a favourable variance in Line 2B – Employment Programmes.
2O – Income Support (under 60 years of age)	7,856,105	8,273,355	(417,250)	The sick/disabled caseload rose above forecast in the latter part of the year partly due to fewer exiting Income Support/ Incapacity Benefit than forecast, more linked and backdated claims and more entitlement routes to Income Support Disability Premium than forecast. This, combined with higher than forecast expenditure on premia on sick/disabled cases against lower levels of income, led to the increase in expenditure.
2P – Jobseekers Allowance (income based)	4,321,218	3,589,512	731,706	The HM Treasury unemployment forecast used to calculate the payments was higher than the final JSA claimant count.

Estimate Line	Limit £000	Outturn £000	Variance (Over)/ Under £000	Explanation of variance
2S – Employment Allowance (New Deal Allowance)	90,429	115,341	(24,912)	Movement of individuals from Jobseekers Allowance to New Deal Allowance was higher than forecast. Alongside this, there was a slightly lower movement of individuals out of New Deal onto Flexible New Deal. This overspend is offset by the underspend on line 2P above – Jobseekers Allowance (income based).
2T – Housing and Council Tax benefit capital charge	3,000	(19,685)	22,685	The variance has arisen due to the level of year end Local Authority creditors being higher than expected. The Department does not receive details of actual payments made by Local Authorities until year-end.
2U – Employment and Support Allowance (non-contributory)	1,143,035	689,088	453,947	The HM Treasury assumption on unemployment levels was higher than outturn. In addition the forecast of claimants expected to transfer from JSA to ESA was higher than actual outturn. Backlogs in Work Capability Assessment and appeals led to fewer cases than expected on the higher rates of benefit. Anticipated longer duration of claims in recession did not materialise.
3A - Administration	189,359	120,285	69,074	The underspend is due to re-prioritisation and re-scheduling of investment.
3E – Financial Assistance Scheme	54,451	(185,022)	239,473	The provision in the Spring Supplementary Estimate was to cover forecast increases in the number of expected recipients before year-end. The forecast included assumptions on the timings of obligating events that would require the provision to be made. These events did not materialise in 2009-10.

Statement of Cash Flows

The Statement of Cash Flows provides information on how the Department finances its activities. The main sources of funding are the Consolidated Fund and the National Insurance Fund.

The Statement of Cash Flows shows a net cash outflow from operating activities of £154.7 billion compared to a cash outflow in 2008-09 of £141.1 billion. The change is mainly due to the increase in net operating costs of the Department from £143.1 billion to £155.2 billion.

The £341.4 million net cash outflow on investing activities consists mainly of expenditure on intangible fixed asset additions of £203.4 million, the major items being assets under construction, purchased software licences and internally developed software.

Consolidated Statement of Operating Costs by Departmental Strategic Objectives

This statement reports expenditure by Departmental Strategic Objective. European Social Fund expenditure is excluded, where the Department acts only as paying agent, as this does not directly contribute to the Department's overall objectives. The basis of allocation and apportionment of administration and programme expenditure is provided in Note 33.

Prior Year Comparatives

Comparative figures within the Account have been restated to take account of the following:

- First-time adoption of International Financial Reporting Standards (IFRS) from 1 April 2008;
- Transfer of the functions of the Rent Service to the Valuation Office Agency, an executive Agency of HM Revenue and Customs.

Further details on the adoption of IFRS are disclosed in Note 2.

Investment

Major Projects and Programmes

The Department manages and delivers a number of major projects and programmes, which collectively help deliver improved customer services and reduce costs.

Pensions Transformation Programme

This programme introduced major change to the delivery of State Pension and Pension Credit to customers through the use of streamlined processes and modernised call centre management.

Pension Centres have been transformed into fully operational contact centres with significantly improved use of telephony, Information Technology and electronic document management. This has enabled the Department to improve productivity and reduce workforce numbers.

The Pensions Transformation programme was completed in March 2010 and has delivered significant savings for the Department.

Employment and Support Allowance

Employment and Support Allowance supports the overall vision detailed in the Green Paper *A new deal for welfare: Empowering people to work.* It replaced new claims for incapacity benefits from October 2008.

Employment and Support Allowance was designed to operate interactively with other welfare reform measures to reduce the number of people claiming incapacity benefits by up to one million in a decade.

The introduction of Employment and Support Allowance was completed on time in October 2008 and is expected to yield significant savings over the coming years.

Enabling Retirement Savings Programme

The Enabling Retirement Savings Programme was set up to implement the Government's workplace pension reforms, mainly through two Non-Departmental Public Bodies:

- The Pensions Regulator has responsibility for delivery of a compliance regime to support the introduction of an employer duty on all employers to automatically enrol its employees into a qualifying pension scheme; and
- The National Employment Savings Trust (NEST) Corporation has responsibility for setting up and running the NEST Scheme (a new low cost pension scheme that any employer can use to meet this duty).

The programme is intended to significantly increase private pensions saving, resulting in social welfare benefits and reduced pressure on future state expenditure.

The Government has announced a review of the Enabling Retirement Savings Programme to consider how best to support the implementation of automatic enrolment into workplace pensions. The review is expected to conclude by 30 September 2010.

The Department's Change Programme

The Department's Change Programme consists of a number of projects which are transforming the way the Department deals with its customers to improve their experience at reduced cost.

The Change Programme operates across all the agencies and business units of the Department through a series of projects:

- Customer Transitions – this focuses on what can often be a difficult experience for customers when they access more than one benefit or service, or move between them;
- Transforming Customer Contact – this focuses on the methods used by the Department to contact its customers and how it deals with their queries, including telephony, letters, face-to-face contact and text messaging;
- Self Service – the Department is providing and improving more of its services online through the Directgov website. This project enables customers to play a more direct role, involving them in the design and development of the services. Customers benefit from being able to access services at a time of their choosing, whether this is to seek advice, claim or track their benefit;
- Automated Service Delivery (a joint project between Jobcentre Plus and the Change Programme) – this project is working to simplify the process of claiming Jobseeker's Allowance so that customers will be able to claim it online. It aims to develop a solution that can be used more widely in future benefit delivery;
- Information Management – is focused on improving how the Department collects, verifies, shares and stores information across different parts of its business; and
- Lean – is a set of systematic behaviours which uses staff expertise to improve the way the Department works by removing non-value added activities from everything it does.

Incapacity Benefit Migration

Incapacity Benefit Migration has been set up to transfer existing recipients of incapacity benefits onto Employment and Support Allowance or other appropriate benefits by 2014.

The Project will align benefit rates and reassess entitlement of Incapacity Benefit customers, those claiming Income Support on the grounds of incapacity and working age customers claiming Severe Disablement Allowance. Implementation will commence on a phased basis with trials in two locations in autumn 2010, followed by national rollout in spring 2011.

Departmental reporting cycle

The Department's Main Estimate for 2009-10 was published in June 2009 as part of the Central Government Supply Estimates 2009-10 Main Supply Estimates (HC 514). The Department also applied for Winter and Spring Supplementary Estimates, details of which are available in the Central Government Supply Estimates 2009-10 Winter Supplementary Estimates (HC 24) and the Central Government Supply Estimates 2009-10 Spring Supplementary Estimates (HC 257).

All of the above are in the public domain and can be accessed from the Department's website http://www.dwp.gov.uk.

Benefit Overpayment Receivables

Before 2006-07 there had been a qualification on the Resource Account in relation to the Department's benefit overpayment receivables, which covered three aspects: existence, valuation and completeness.

The existence and valuation of debt were addressed with:

- the introduction of the "Debt Manager" computer system, which provides a full audit trail of debts; and
- the setting out of the Department's benefit debt policy in a disclosure note to the accounts, stating that the Department regards debt notification letters as evidence of the existence of a debt.

In 2006-07, due to the significant progress made by the Department and the available evidence, the National Audit Office confirmed that these issues had been resolved and these aspects of the qualification were removed. The completeness issue remained, as the NAO felt that there were still material amounts of debt that had not been identified and referred to Debt Centres for recovery.

The Department initiated a programme of activity in 2007-08, which resulted in significant improvements in the systems for identifying and referring overpayments for recovery. The Department also sought, and received, approval from Treasury not to pursue unidentified overpayments prior to 2007-08 on a value for money basis, except in the normal course of business. As a result, in 2007-08, the NAO removed the remaining (completeness) qualification in respect of the level of overpaid benefit debt reported in the accounts.

During 2009-10, the Department has continued to sustain growth in levels of overpayment referrals. The following table records the number of overpayments referred for action and the amount of debt recovered in 2009-10. For comparison purposes the figures since 2005-06 are also included:

Year	Overpayment referral volumes	Recoveries
2005-06	0.8 million	£180 million
2006-07	1.0 million	£233 million
2007-08	1.3 million	£272 million
2008-09	1.6 million	£281 million
2009-10	1.9 million	£294 million

The Department made an assessment of the value of unreferred overpayments at 31st March 2010 and has established that the unreferred amount of benefit overpayment debt since 2007-08 remains at less than 0.1% of total benefit expenditure.

Public Interest Matters

Employment of disabled people

Disabled people, as defined in the Disability Discrimination Act 1995 (as amended by the Disability Discrimination Act 2005), are employed across all grades within the Department. The Department aims to improve the level of knowledge and understanding of disability throughout its business in order to improve services for disabled staff and customers.

The abilities of disabled people are recognised and valued throughout the Department by focusing on what people can do rather than what they cannot and by making reasonable adjustments to the workplace to allow people with disabilities to achieve their full potential.

Diversity and Equality

The Department's diversity and equality strategic goals are to ensure that diversity and equality of opportunity are an integral part of the Department's work in addressing disadvantage that individuals may experience because of their gender, transgender, race, disability, age, sexual orientation or their religion or belief.

In 2009 the Department participated in the Opportunity Now Benchmarking Survey, an exercise to measure gender equality. The Department performed well, achieving the Gold standard.

The Department's Reach programme is a 'positive action' scheme for talented staff who are disabled or who are from an ethnic minority which aims to equip participants with the skills and confidence they will need when competing for promotions or job opportunities. Of the 45 staff who joined the 2008 programme, 8 have subsequently gained promotion.

The Department signed up to the Mindful Employer Charter at the end of March 2010. The Charter is a network of employers and support organisations which aims to increase awareness of mental health at work, and to provide support for employers in recruiting and retaining staff with mental health conditions.

Employee Engagement

Staff have access to welfare services which support staff and managers and promote well-being in the workplace. Staff also have access to trade union membership. The Department recognises three Trade Unions which it will negotiate with, consult and inform at national level. The Department has been running an annual staff survey for a number of years. Incremental improvements have been made in a number of indicators including; confidence in the Senior Civil Service; pride in the Department; opportunity to improve skills; diversity; job clarity and intention to stay.

In the 2009 Civil Service-wide people survey the Department achieved 51 percent for employee engagement. This is at the mid range point when compared to other large Government departments (10,000 or more employees). Overall improvements have been made against a number of indicators: purpose of the Department; job clarity; opportunity to improve skills and delivering a quality customer service.

Overall the Department's staff feel they are treated with respect, that there is good teamwork and that their line manager is supportive in helping staff achieve a good work-life balance.

Sustainability and combating climate change

The Department's sustainable development strategy and targets are set out in the Sustainable Development Action Plan 2007-2010 and progress against the plan was published in the 2009 Sustainable Development Annual Report (www.dwp.gov.uk/docs/sd-annual-report2009.pdf).

In contributing to the delivery of pan-government sustainable operations targets (http://www.defra.gov.uk/sustainable/government/gov/estates/targets.htm) the main focus has been to work with one of the Department's partners, Telereal Trillium, on reducing carbon emissions from energy consumption.

Emissions from energy use have fallen by 17,003 tonnes in 2009-10, a reduction of 8.4 per cent against the previous year (this data is still to be verified and weather-corrected by the Building Research Establishment, as part of the cross-government Sustainable Development in Government reporting process). The good progress to date on managing emissions has been recognised by the achievement of the Carbon Trust Standard.

Employee engagement and awareness, coupled with changes in travel policy, have instigated a behavioural shift in choice of travel. The use of rail, which has the lowest rate of carbon emissions, increased by 7 per cent. Overall emissions from business travel have decreased by 2 per cent against the previous year.

Through a combination of staff participation and supplier initiatives, the Department continues to exceed its targets for waste, recycling and water consumption. Against last year, waste has reduced by 13 per cent, with 63 per cent being recycled. Water consumption continues to fall as a result of technical installations and leak detection, with a 35 per cent reduction against the baseline year (2004-05).

The Department aims to ensure that all its procurement is sustainable. All aspects of sustainability have been built into specifications and terms and conditions of contracts and are discussed with suppliers as part of continued contract management, for example through the introduction of fleet vehicles with reduced carbon emission levels.

An ambitious spend to save initiative has now commenced, to install a combined heat and power plant into one of the Department's largest buildings. This installation is expected to save 428 tonnes of CO_2 per annum and £93,000 per annum based on current usage and utility prices.

The Department's new Sustainability and Climate Change Strategy is in development and the first two sections, comprising a detailed Carbon Reduction Delivery Plan (http://www.dwp.gov.uk/docs/dwp-carbon-reduct.pdf) and a Climate Change Adaptation Plan (http://www.dwp.gov.uk/docs/dwp-climate-change-adapt.pdf) focused on Departmental policies, have already been published.

Payment to Suppliers

The Department is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the suppliers' contract. If there is no contractual provision or other understanding, the Department aims to make all payments not in dispute within 10 working days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during the year, conducted to measure how promptly the Department pays its bills, found that 93% of bills were paid within this standard. The new payment policy was phased in over the period October 2008 to March 2009. For the month of March 2009, 92% of invoices received were paid within 10 working days.

The 'Late Payment of Commercial Debts (Interest) Act 1998' and the 'Late Payment of Commercial Debts Regulations 2002' provides all businesses and public sector bodies with the following entitlements:

i. the right to claim interest for late payment;

ii. the right to claim reasonable debt recovery costs, unless the supplier has acted unreasonably;

iii. the right to challenge contractual terms that do not provide a substantial remedy against late payment; and

iv. the right for 'representative bodies' to challenge contractual terms that are grossly unfair on behalf of small and medium sized enterprises.

There were interest charges of £2,889 arising and payable by the Department during the year (2008-09 £5,204). These costs are included within Interest Charges in other administration costs, which are reported at Note 9.

Charitable Donations

The Department did not make any charitable donations in excess of £200 in aggregate requiring disclosure.

Research and Development

The Department incurred expenditure on research and development activities to the value of £18.9 million (2008-09 £14.5 million), which is reported in Note 13.

Statement of Compliance

The Department has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

External Audit

These accounts have been audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000. His certificate is on pages 46 to 47.

The total cost of audit work was £2,955,000, (2008-09 – £2,902,000) which related to statutory audit services. This includes cash fees of £774,000 (2008-09 – £703,000 – see Note 9) and notional fees of £2,181,000 (2008-09 £2,199,000 – see Note 11).

During the year, the following Value for Money studies were completed and published:

- The Management of Overpayment Debt (published 1 May 2009);
- Communicating with Customers (published 7 May 2009); and
- The Pension Protection Fund (published 5 February 2010).

As at 31 March 2010, the following Value for Money studies were ongoing:

- Community Care Grants;
- Official Error in the Benefits System;
- Reducing Losses in the Benefits system caused by Customer Error; and
- Supporting Incapacity Benefit Claimants through Pathways to Work (published 28 May 2010).

Statement on the Disclosure of Relevant Audit Information

So far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware. The Accounting Officer confirms that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances, on Peers' allowances, and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's Departmental Expenditure Limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at http://www.ome.uk.com.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Principles. The Principles require appointment to be on merit on the basis of fair and open competition, but also include the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which 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 Commissioners can be found at http://www.civilservicecommissioners.gov.uk.

Details of the service contract for each member of the Department's Executive Team are shown on page 28.

Methods used to assess performance

There are four stages involved in the assessment of performance:

i) Self assessment;

ii) Performance Review Discussion with Line Manager;

iii) Relative Assessment Peer Group; and

iv) Pay Committee.

How these operate in practice is explained below.

i) Although there is no requirement to formally record a self assessment, Senior Civil Service (SCS) members are encouraged to consider their own assessment in preparation for their performance review discussion. They would reflect on and collect a reasonable amount of examples or evidence that would be helpful in assessing their contribution in relation to the measures and required outcomes they signed up to, either at the beginning of the year or as their role developed during the year.

ii) The performance review discussion is an opportunity for the SCS member and their line manager to address performance in relation to:

- the achievement of objectives;
- contribution to organisational objectives;
- growth in competences; and
- the application of skills, knowledge and leadership behaviours.

They will also discuss issues for the forthcoming year, which would include:

- the objectives for the forthcoming year;
- the range of sources to be used in assessing their performance in the forthcoming year; and
- the potential and development needs of the SCS member.

This discussion, once documented, is reviewed by a countersigning officer and returned to the SCS member before referral to a relative assessment peer group. Countersigning Officers have an important role in performance review in helping to ensure consistency in relative assessment. The SCS member will not have had the performance group recommendation disclosed to them at this stage.

To ensure consistency within each business area of the Department, Countersigning Officers or Business Heads will hold discussions with their reporting teams at the outset to ensure consistent interpretation of relative assessment and non-consolidated performance pay criteria for SCS staff within their command.

In order to maximise consistency in standards across Businesses, and to better inform the Pay Committee, Business Heads or senior Directors may confer with other similar Businesses to provide a wider benchmark for staff.

iii) The performance of individual SCS staff will be relatively assessed against peers within the same pay band within the following performance profile:

Performance Group	Percentage of Staff	Award
Group 1	25	receive the highest awards
Group 2	40	receive awards
Group 3	25-30	do not receive an award
Group 4	5-10	do not receive an award

iv) The role of Departmental moderation, especially in the form of senior pay committees (see below) is to:

- determine and publish the Department's SCS pay strategy;
- assess the relative contribution of its SCS members;
- authorise decisions on individual base pay awards and non-consolidated performance payments made on the criteria outlined in this guidance and the HR Practitioners Guide;

- ensure the average increase to the SCS pay bill is within the centrally determined budget;
- monitor pay outcomes to ensure that any differences are justifiable;
- monitor the identification of those SCS members needing extra help and support to improve their performance;
- ensure that line managers receive feedback on final pay decisions so that they can explain to individuals how these have been reached;
- comment on the quality of managers' evidence and recommendations so that improvements are made for the next year, if necessary; and
- report to Management Boards and the Cabinet Office on the operation of the pay round and any lessons for the future.

The Pay Committees are comprised of:

Pay Strategy Committee
Leigh Lewis (Chair)
Chris Last
Mike Sommers (Non-Executive Director)
John Cross (Non-Executive Director)

Pay Band 1 and Pay Band 2 Pay Committees
Leigh Lewis (Chair)
Darra Singh
Adam Sharples
Richard Heaton
Joe Harley
Chris Last
Gill Aitken
Terry Moran
Sue Garrard
Hunada Nouss
Sue Owen
Mike Sommers (Non-Executive Director)
John Cross (Non-Executive Director)
Adrian Fawcett (Non-Executive Director)
Helen Stevenson (Non-Executive Director)

Pay Band 3 Pay Committee
Leigh Lewis (Chair)
Mike Sommers (Non-Executive Director)
John Cross (Non-Executive Director)
Adrian Fawcett (Non-Executive Director)
Helen Stevenson (Non-Executive Director)

After the end of year performance review, the Pay Committees will consider line managers' pay recommendations, assess the relative contribution of those in the pay band and make final base pay and non-consolidated performance pay award decisions. (In the 2009-10 reporting year, there was no increase in SCS base pay).

Relative importance of relevant proportions of remuneration which are subject to performance conditions

There are two financial elements to the remuneration paid to SCS members:

i) Base Pay; and

ii) Non-consolidated performance pay award (including a corporate leadership element).

Both elements are linked to performance but are considered and awarded separately.

The following criteria must be used in the round to recommend individual performance groups and non-consolidated performance pay awards:

- whether objectives in the corporate, business and capacity parts of the common framework have been met or not, and to what degree;
- judgements about how the objectives were achieved and in particular whether the leadership behaviours and professional skills part of the common framework have been demonstrated or not, and to what degree; and
- the degree of difficulty or ease of meeting the objectives in the light of actual events.

There was no increase in SCS base pay in 2009-10 and therefore base pay criteria were not required to be considered.

All awards must fall within the range determined by the Government based on the recommendations made by the Senior Salaries Review Body (SSRB) and within an overall cost envelope.

Non-consolidated performance pay awards are intended to reward and provide incentives for in-year delivery of key results. The size of the available pot is set by the Government, based on the recommendations made by the SSRB, as a percentage of the Department's SCS pay bill. Non-consolidated performance pay awards will be awarded to 65% of SCS staff.

Policy on notice periods and termination payments

Standard SCS Notice Period

Notice

a. Because of the power of the Crown to dismiss at will, an SCS member is not entitled to a period of notice terminating their employment. However, unless employment is terminated by agreement, in practice they will normally be given the following periods of notice in writing terminating employment:

(i) if retired on age grounds, if dismissed on grounds of inefficiency, or if dismissal is the result of disciplinary proceedings in circumstances where summary dismissal is not justified:

- Continuous service up to 4 years, a notice period of 5 weeks;
- Continuous service of 4 years and over, a notice period of 1 week plus 1 week for every year of continuous service, up to a maximum of 13 weeks.

(ii) if retired on medical grounds, a period of notice as above or, if longer, 9 weeks, unless a shorter period is agreed.

(iii) if employment is terminated compulsorily on any other grounds, unless such grounds justify summary dismissal at common law or summary dismissal is the result of disciplinary proceedings, a notice period of 6 months applies.

On the expiration of such notice, employment will terminate.

There will be no notice if an individual agrees to flexible or approved early retirement or voluntary redundancy.

b. If employment is terminated without the notice which it is stated in (a) would normally be given, having regard to the reason for such termination, compensation will be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

c. Unless otherwise agreed, an individual is required to give 3 months' written notice to the Group HR Director if they wish to terminate their employment.

Compensation for early termination is based upon the standard SCS terms and conditions as set out in the SCS Contracts.

Details of the service contract for each Executive Team member who has served during the year*

The main details of service contracts are included in the table shown below.

Officials	Date of appointment	End date of term	Unexpired Term
			Years
Leigh Lewis Permanent Secretary	14/11/2005	N/A	N/A
Phil Wynn Owen	15/11/2004	14/06/2009	N/A
Alan Woods	15/06/2009	08/11/2009	N/A
Richard Heaton	02/01/2007	N/A	N/A
Isabel Letwin	09/11/2009	28/02/2010	N/A
Gill Aitkin	01/03/2010	N/A	N/A
Mel Groves	03/11/2008	29/11/2009	N/A
Darra Singh	30/11/2009	N/A	N/A
Terry Moran	14/06/2004	N/A	N/A
Adam Sharples	06/09/2004	N/A	N/A
Sue Owen	30/03/2009	N/A	N/A
John Codling	01/12/2001	23/12/2009	N/A
Richard Paul	24/12/2009	07/03/2010	N/A
Hunada Nouss	08/03/2010	N/A	N/A
Chris Last	02/01/2008	N/A	N/A
Joe Harley	28/07/2004	N/A	N/A
Sue Garrard	05/02/2007	N/A	N/A

Note: Where the end date of term is shown as N/A, this denotes that their appointment is on a permanent basis.

Details of any element of the remuneration package which is not cash*

Elements of the remuneration package which are not cash are classified as benefits-in-kind.

* This information is audited by the Comptroller and Auditor General.

Ministers and Executive Team*

The following held ministerial office during the year with responsibilities as shown:

Rt Hon James Purnell MP	Secretary of State for Work and Pensions to 4 June 2009
Rt Hon Yvette Cooper MP	Secretary of State for Work and Pensions from 6 June 2009
Rt Hon Rosie Winterton MP	Minister of State for Pensions Reform (and Minister for Yorkshire and Humber) to 5 June 2009
Angela Eagle MP	Minister of State for Pensions and the Ageing Society from 8 June 2009
Rt Hon Tony McNulty MP	Minister of State for Employment and Welfare Reform (and Minister for London) to 5 June 2009
Rt Hon Jim Knight MP	Minister of State for Employment and Welfare Reform (and Minister for London) from 6 June 2009
Lord McKenzie of Luton	Parliamentary Under-Secretary (Lords)
Kitty Ussher MP	Parliamentary Under-Secretary (Commons) to 8 June 2009
Helen Goodman MP	Parliamentary Under-Secretary (Commons) from 9 June 2009
Jonathan Shaw MP	Parliamentary Under-Secretary and Minister for Disabled People

Following the General Election on 6 May 2010, a new Ministerial Team was appointed as follows:

Rt Hon Iain Duncan Smith MP	Secretary of State
Chris Grayling MP	Minister of State for Employment
Steven Webb MP	Minister of State for Pensions
Maria Miller MP	Parliamentary Under-Secretary for Disabled People
Lord Freud	Parliamentary Under-Secretary for Lords (Minister for Welfare Reform)

The composition of the Executive Team during the year was as follows:

Leigh Lewis[1]	Permanent Secretary and Head of Department
Phil Wynn Owen	Director General, Strategy, Information and Pensions to 14 June 2009
Alan Woods	Acting Director General, Strategy, Information and Pensions from 15 June 2009 to 8 November 2009
Richard Heaton	Director General, Legal Group to 8 November 2009
	Director General, Strategy, Information and Pensions from 9 November 2009
Isabel Letwin	Acting Director General, Legal Group from 9 November 2009 to 28 February 2010
Gill Aitkin	Director General, Legal Group from 1 March 2010
Mel Groves[1]	Acting Chief Executive, Jobcentre Plus to 29 November 2009
Darra Singh[1]	Chief Executive, Jobcentre Plus from 30 November 2009
Terry Moran[2]	Chief Executive, The Pension, Disability and Carers Service
Adam Sharples	Director General, Employment Group
Sue Owen	Director General, Welfare and Wellbeing Group
John Codling[1]	Finance Director General to 23 December 2009
Richard Paul[1]	Acting Finance Director General from 24 December 2009 to 7 March 2010
Hunada Nouss[1]	Finance Director General from 8 March 2010
Chris Last	Group Human Resources Director General
Joe Harley[1]	IT Director General and Chief Information Officer
Sue Garrard	Director General for Communications and Customer Strategy

* This information is audited by the Comptroller and Auditor General
1 The above members of the Executive Team are or were also members of the Departmental Board.
2 Terry Moran was an interim member of the Departmental Board to 11 December 2009.

Departmental Board

In addition to the Executive Team members, there were four Non-Executive Directors of the Departmental Board as follows:

Mike Sommers	Non-Executive Director
John Cross	Non-Executive Director
Adrian Fawcett	Non-Executive Director
Helen Stevenson	Non-Executive Director

Directorships

Leigh Lewis is a Trustee of the charity Broadway Homelessness and Support.

Hunada Nouss is a Trustee of Breast Cancer Campaign and Non-Executive Director of the Department for Business, Innovation and Skills Audit Committee.

Chris Last is a board member of the Careers Research and Advisory Centre (CRAC); The Career Development Organisation.

Mike Sommers is a Non-Executive director of The Ordnance Survey.

John Cross is a Non-Executive Member for Icex Inc. (Boston, MA. USA).

Sue Garrard is a Non-Executive director of the Serious Organised Crime Agency and Directgov.

Richard Heaton is a director of Bench Freehold Limited.

Salary and pension entitlements*

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the Department.

* This information is audited by the Comptroller and Auditor General.

Remuneration*

	2009-10		2008-09
	Salary	Full Year Equivalent	Salary
Ministers	£	£	£
Rt Hon James Purnell MP *Secretary of State* (to 4 June 2009)	33,519	78,356	79,260
Yvette Cooper *Secretary of State* (from 6 June 2009)	58,767	78,356	-
Rt Hon Rosie Winterton MP *Minister of State* (to 5 June 2009)	10,162	40,646	16,991 (FYE 40,646)
Angela Eagle *Minister of State* (from 8 June 2009)	31,110	40,646	-
Rt Hon Tony McNulty MP *Minister of State* (to 5 June 2009)	17,501	40,646	16,936 (FYE 40,646)
Jim Knight *Minister of State* (from 6 June 2009)	30,485	40,646	-
Lord McKenzie of Luton[1] *Parliamentary Under-Secretary (Lords)*	110,606	110,606	73,236
Kitty Ussher MP *Parliamentary Under-Secretary of State (Commons)* (to 8 June 2009)	6,599	30,851	12,855 (FYE 30,851)
Helen Goodman *Parliamentary Under-Secretary of State (Commons) (*from 9 June 2009)	23,425	30,851	-
Jonathan Shaw MP *Parliamentary Under-Secretary of State*	30,851	30,851	12,855 (FYE 30,851)

Benefits in Kind for Ministers

Ministers' private use of official cars is exempt under the rules governing the definition of taxable benefits in kind.

This report is based on 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 (£64,766 from 1 April 2009, £63,291 from 1 April 2008) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

* This information is audited by the Comptroller and Auditor General.

1 Lord McKenzie elected not to receive a salary from 29 June 2007 to 3 October 2008. The figure disclosed in salaries for 2008-09 includes the sum of £37,657 he received as night subsistence allowances for Lord Ministers.

Officials*	2009-10 Salary £000	Benefits in Kind (to nearest £100)	Total £000	Full Year Equivalent (FYE) £000	2008-09 Total £000
Leigh Lewis *Permanent Secretary*	220-225	-	220-225	220-225	220-225
Phil Wynn Owen (to 14 June 2009)	30-35	-	30-35	125-130	140-145
Alan Woods (from 15 June 2009 to 8 November 2009)	55-60	-	55-60	125-130	-
Richard Heaton	140-145	-	140-145	140-145	135-140
Isabel Letwin (from 9 November 2009 to 28 February 2010)	30-35	-	30-35	110-115	-
Gill Aitkin (from 1 March 2010)	10-15	-	10-15	125-130	-
Mel Groves (to 29 November 2009)	140-145	1,700	145-150	205-210	55-60
Darra Singh (from 30 November 2009)	60-65	-	60-65	190-195	-
Terry Moran	180-185	-	180-185	180-185	170-175
Adam Sharples	150-155	-	150-155	150-155	145-150
Sue Owen	145-150	-	145-150	145-150	-
John Codling (to 23 December 2009)	190-195	-	190-195	240-245	220-225
Richard Paul (from 24 December 2009 to 7 March 2010)	30-35	-	30-35	145-150	-
Hunada Nouss (from 8 March 2010)	10-15	-	10-15	165-170	-
Chris Last	195-200	-	195-200	195-200	180-185
Joe Harley	260-265	-	260-265	260-265	265-270
Sue Garrard	145-150	-	145-150	145-150	135-140

Within the Department, Directors' bonuses are paid in July following the financial year to which they relate and are in respect of the performance during their period of service as a Director during the preceding financial year i.e. bonuses included in July 2009 salaries (2009-10) relate to the period served during 2008-09. This ensures that payments made to Directors in relation to their period of service on the Board are disclosed in their totality.

Salary

Salaries quoted relate solely to the period during the year when the individuals concerned served on the Department's Executive Team.

"Salary" includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowances and contracted expenses to the extent that they are subject to UK taxation.

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.

The information given relates to the Permanent Secretary and members of the Departmental Executive Team. Equivalent information relating to any Board Members of Supply-financed Agencies consolidated into the Departmental Resource Account is given in the separate Agency accounts.

* This information is audited by the Comptroller and Auditor General.

Pension Benefits*

Ministers*	Total accrued pension at age 65 as at 31/03/10	Real increase in pension at age 65	CETV at 31/03/10[1]	CETV at 31/03/09[2]	Real increase in CETV
	£000	£000	£000	£000	£000
Rt Hon James Purnell MP *Secretary of State* (to 4 June 2009)	0-5	0-2.5	40	37	1
Yvette Cooper *Secretary of State* (from 6 June 2009)	10-15	0-2.5	96	78	7
Rt Hon Rosie Winterton MP *Minister of State* (to 5 June 2009)	5-10	0-2.5	92	89	2
Angela Eagle *Minister of State* (from 8 June 2009)	5-10	0-2.5	86	65	13
Rt Hon Tony McNulty MP *Minister of State* (to 5 June 2009)	5-10	0-2.5	104	99	4
Jim Knight *Minister of State* (from 6 June 2009)	0-5	0-2.5	44	37	3
Lord McKenzie of Luton *Parliamentary Under-Secretary (Lords)*	5-10	0-2.5	126	82	29
Kitty Ussher MP *Parliamentary Under-Secretary (Commons)* (to 8 June 2009)	0-5	0-2.5	13	11	1
Helen Goodman *Parliamentary Under-Secretary of State (Commons)* (from 9 June 2009)	0-5	0-2.5	14	6	5
Jonathan Shaw MP *Parliamentary Under-Secretary of State*	0-5	0-2.5	31	20	5

1 Where a minister has left the Department part way through the year, the Cash Equivalent Transfer Value (CETV) column refers to the date of leaving.

2 The figure may be different from the closing figure in last year's account. This is due to the Cash Equivalent Transfer Value (CETV) factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. For new ministers the CETV disclosed is that immediately before the individual joined the Department.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

As the House of Commons and House of Lords and not the Department meet the Exchequer contribution to the cost of pension provision for all Ministers, the pension details are included on a 'for information' basis only.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are revalued

* This information is audited by the Comptroller and Auditor General.

annually in line with changes in the Retail Prices Index. From 1 April 2009, members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Officials*	Accrued pension at pension age as at 31/03/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/10[3]	CETV at 31/03/09[4]**	Real Increase in CETV
	£000	£000	£000	£000	£000
Leigh Lewis *Permanent Secretary*	85-90 plus 265-270 lump sum	2.5-5 plus 12.5-15 lump sum	2,119	1,918	94
Phil Wynn Owen (to 14 June 2009)	45-50 plus 135-140 lump sum	0-2.5 plus 0-2.5 lump sum	799	758	5
Alan Woods (from 15 June 2009 to 8 November 2009)	50-55 plus 150-155 lump sum	2.5-5 plus 7.5-10 lump sum	1,000	915	53
Richard Heaton	25-30 plus 85-90 lump sum	2.5-5 plus 7.5-10 lump sum	445	377	42
Isabel Letwin (from 9 November 2009 to 28 February 2010)	35-40	0-2.5	636	634	8
Gill Aitkin (From 1 March 2010)	25-30 plus 75-80 lump sum	0-2.5 plus 0-2.5 lump sum	462	445	7
Mel Groves (to 29 November 2009))	75-80 plus 225-230 lump sum	7.5-10 plus 22.5-25 lump sum	1,748	1,540	186
Darra Singh (from 30 November 2009)	0-5	0-2.5	17	4	12
Terry Moran	55-60 plus 165-170 lump sum	2.5-5 plus 10-12.5 lump sum	976	856	63
Adam Sharples	55-60 plus 175-180 lump sum	2.5-5 plus 10-12.5 lump sum	1,292	1,130	73
Sue Owen	45-50 plus 140-145 lump sum	5-7.5 plus 15-17.5 lump sum	966	810	104
John Codling (to 23 December 2009)	70-75 plus 210-215 lump sum	2.5-5 plus 10-12.5 lump sum	1,587	1,442	75
Richard Paul (from 24 December 2009 to 7 March 2010)	5-10	0-2.5	89	82	5
Hunada Nouss (from 8 March 2010)	5-10	0-2.5	117	115	2
Chris Last[2]	5-10	2.5-5	120	63	48
Joe Harley[1]	10-15	2.5-5	222	165	44
Sue Garrard[1]	5-10	0-2.5	97	59	30

None of the above opted to open a Partnership Pension Account.

1 Opted to join the Premium Scheme.
2 Opted to join the Nuvos Scheme.
3 Where an official left the Department part way through the year, the CETV column refers to the date of leaving.
4 The figure may be different from the closing figure in last year's account. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
** For new board members the CETV disclosed is that immediately before the individual joined the board.

* This information is audited by the Comptroller and Auditor General.

Civil Service Pensions (CSP)

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) 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 that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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 worked out within the guidance and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

None of the officials received compensation for loss of office during 2009-10.

Non-Executives*

Fees amounting to £87,000 (2008-09 £113,000) were payable to the Non-Executive Board Directors as follows:

	Total Fees 2009-10	Total Fees 2008-09
	£000	£000
Michael Sommers	30	30
John Cross	27	53
Adrian Fawcett	15	15
Helen Stevenson	15	15
	87	**113**

Leigh Lewis
Accounting Officer

22 July 2010

* This information is audited by the Comptroller and Auditor General.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in *Managing Public Money*, published by HM Treasury.

Statement on Internal Control

Scope of Responsibility

1. As Accounting Officer for the Department for Work and Pensions, I am responsible for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Department, whilst safeguarding the public funds and Departmental Assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'.

2. The last year has been a particularly challenging one. The economic downturn and rise in unemployment led to an unprecedented acceleration in demand for our frontline services and necessitated a rapid recruitment campaign amongst a number of other measures. It is, in my view, a tribute to the Department that, overall, it coped very well with such a significant and sudden growth in its business volumes. As I look forward, under the new administration there will clearly be major changes in policy that will affect what we do and how we work. That, coupled with increased financial pressure, will present even greater challenges for us as, with fewer staff resources and a challenging employee relations environment, we strive to maintain and further improve the quality of customer service that the Government and the people of this country expect.

3. I have delegated some Accounting Officer responsibilities to the Chief Executives of the Department's Agencies and Non-Departmental Public Bodies, which fall within the Departmental boundary. Individual Chief Executives are accountable for the maintenance and operation of the system of internal control and risk management in their business areas, and for the production of an associated Statement on Internal Control.

4. The Department's Executive Team, which I chair, has collective responsibility for the leadership and strategic management of the Department, including its Agencies, in line with Ministers' objectives and our Departmental Strategic Objectives.

5. My accountabilities and those of senior directors within the Department are formally recorded in the Departmental Framework. The Departmental Framework also describes our overall governance arrangements. I have issued Letters of Designation to each of my Executive Team colleagues, which set out in more detail both their corporate and business-specific accountabilities.

6. In the Department's Three Year Business Plan for 2009-12 we set out our high-level plan for achieving our Departmental Strategic Objectives, agreed as part of our CSR07 settlement. These plans are currently being reviewed as part of the new Government's appraisal of expenditure commitments and delivery priorities. We are also reviewing our Performance Management Frameworks as we prepare for the SR10 spending review.

7. The Department's Change Programme continues to support the delivery of the Department's vision of "Work, welfare, well-being, well delivered" and our Business Strategy, which is to transform the quality of customer service and drive up the efficiency of our delivery.

8. I also chair the Departmental Board, which includes four non-executive Directors, and which is responsible for scrutinising, challenging and providing advice on the Department's strategy, performance and governance arrangements.

The purpose of the system of internal control

9. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place in the Department throughout 2009-10 and up to the date of the approval of the Annual Report and Accounts. It is kept under review by senior management and the Departmental and Agency Audit Committees.

The risk and control framework

10. The Department's strategy for managing risk is outlined in its Risk Management Framework, which sets out our principles, practices and processes, and reflects good practice in risk management. The framework provides a standard approach across the Department, and adopts a common categorisation of risks, to improve the reporting, sharing and communication of risk information. All areas of the Department are compliant with the mandatory elements of the framework.

11. Following a review of the Risk Management Framework, changes are being progressed to improve process efficiency and effectiveness, and to enhance risk reporting. The Department has also developed a statement of risk appetite for each of the risk categories, referred to above, which is used to support improved risk assessment and reporting. These developments reflect our commitment to continuous improvement and to learning from best practice in the public and private sectors.

12. Progress has been made to integrate the reporting of risk and performance management. ET members are both individually and collectively accountable for managing risks to the achievement of Departmental Strategic Objective targets and support me in managing the strategic risks that the Department faces in delivering its key outcomes.

13. The Department retains a culture of strong financial management. The recent, external, Financial Management Capability Review reported that the Department continues to improve in all areas of its financial management, with particular emphasis being placed on the positive role which finance plays in strategic planning, and informed decision making. At the same time, the report recognises the need to reduce complexity and increase the pace of change, as well as to continue to focus on enhancing the contribution of finance and non finance staff.

14. During 2009-10, as part of our drive to improve internal control, we set up a 'Business Control Division' which aims to strengthen the Department's internal control environment through a structured programme of work.

15. We have also established a Corporate Compliance function and a network of people with responsibility for compliance issues, working with them to develop, agree, and embed an effective process that ensures compliance with our policies.

16. In 2008-09 we undertook an analytical review of the end-to-end payment process of one of our major benefits to identify and understand our key risks and controls. Further reviews have been commissioned to analyse other benefits and payment processes. In addition an initiative has been established to address opportunities for improving the risk and control environment of the Department. This is looking at simplifying processes, providing clearer communications, and improving the skills and capability of staff to protect the Department from risk.

17. The Department's business continuity management arrangements are set out in the Departmental Business Continuity Framework and are led by an Executive Team member in his role as the Department's Business Continuity Director. Business continuity rehearsals have been undertaken across the Department, including by the Executive Team, to ensure that these plans are robust. A total of 19 incidents were managed effectively by the Business Continuity Team during 2009-10. The Department is also directly involved in wider cross-Government business continuity planning and rehearsals.

18. Our Information and Security Committee is chaired by an Executive Team member in their capacity as the Senior Information Risk Owner. The Information and Security Committee sets policy and oversees the major information and security issues facing the Department, including the delivery of a formal portfolio of information and security improvement initiatives. Comprehensive policies and Information System Security Standards are in place, and new information systems are subject to security accreditation in accordance with Cabinet Office standards.

Capacity to handle risk

19. Each quarter, the Executive Team reviews the Department's strategic risks and associated mitigation plans (a 'Top Down' view) and also the significant threats recorded in the Department's Risk Registers (a 'Bottom Up' view). This enables the Executive Team to assure themselves that risks are being managed within their risk appetite, or to direct remedial action where this is not the case.

20. The Planning Performance and Risk Committee, chaired by the Finance Director General, meets monthly and considers those risks that threaten performance against our Departmental Strategic Objectives, which are then presented to the Executive Team.

21. The Department's top risks are also considered twice a year by the Board, who review and challenge the assessments made and the mitigating activities.

Review of Effectiveness

22. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the Department's internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and by findings and recommendations made by the Department's external auditors in their management letter and other reports. I also receive independent assurance and advice from the Departmental Board and Departmental Audit Committee on the findings from these sources of assurance. I have initiated activities to ensure continuous improvement of the system where necessary.

23. The Department's Internal Audit function provides an independent and objective assurance service through the systematic and disciplined evaluation of the adequacy and effectiveness of risk management, internal control and governance, and the provision of advice and recommendations for improvement. It continues to operate in accordance with Government Internal Audit Standards, and was independently benchmarked during the year as comparing favourably in relation to its peer group within both government and the private sector.

24. The Internal Audit work programme for 2009-10 provided for coverage of the areas of greatest risk, including a clear correlation with the Department's risk and control challenges. Throughout the year, Internal Audit has continued to liaise with management to understand and evaluate changes to the Department's risk profile, and to make any appropriate changes to the assurance focus. Progress against the plan has been regularly reported to the Departmental Audit Committee together with any significant changes to the plan and variations in the allocation of resource.

25. In his Annual Assurance Report the Director of Risk Assurance Division reported that, in his opinion, the level of assurance provided by the Department's governance, risk management and control arrangements was 'reasonable', whilst highlighting four matters on which he has particular concern. These relate to the challenges faced by the Department in Information Security, Contracted Employment Provision, the Social Fund, and Resource Management Manual Payments on which he offered 'limited' assurance.

26. Where remedial action has been recommended to address significant control challenges, the Director of the Risk Assurance Division is satisfied that either the appropriate action has been taken or that senior management are developing plans in order to effect reasonable management of risks within a realistic period of time.

27. The Departmental Security Officer ensures that the Department is managing security risks to people, IT systems, information and buildings. He evaluates threats to the Department and produces an assessment of the extent to which threats are being managed by DWP businesses, reporting to the Executive Team and the Departmental Audit Committee quarterly. The Departmental Security Officer has assessed the overall level of assurance around security controls to be significantly improved from last year, a view supported by the Chief Information Officer and the Senior Information Risk Owner. This is based on the progress that the Department has made during 2009-10 in managing information risks and mitigating known control weaknesses. It also reflects the Department's improved Information Assurance maturity, as independently assessed by the external and independent Communications Electronic Security Group in April 2010.

28. More generally each member of the Executive Team has provided me with a Letter of Assurance setting out their opinion on how effectively the risks associated with the discharge of their accountabilities have been managed. Where appropriate, they have identified internal control challenges and these have informed those reported within this statement. Where control issues fall within the accountability of an individual Agency Chief Executive, they are also reported within the relevant Agency Resource Accounts and associated Statement on Internal Control. This process is reviewed annually to ensure that assurance reporting aligns with current risks.

29. The Executive Team met on 14 June 2010 to consider the effectiveness of the System of Internal Control within the Department. At our meeting we considered the findings of the key assurance reports. While we were encouraged by the progress reported, we committed ourselves to take additional significant steps to improve our overall control and levels of assurance still further.

30. We identified some areas which, although not regarded as 'significant control challenges', we will nevertheless be paying close attention to in the coming months to ensure that we continue to manage the risks and challenges that they present.

31. 2009-10 is the first year in which the Department is required to prepare its accounts on the basis of International Financial Reporting Standards. As a result, the accounts have been reviewed and restated as at 1 April 2008, the date of transition, together with comparative figures for 2008-09. The nature, scope and complexity of the task has proved to be particularly challenging in such a large and complex organisation as the Department.

32. Currently, IFRS expertise is restricted to a limited number of key individuals in each business unit. We have initiated on-going training activity and have updated processes and controls, ensuring due regard is given to the implications of IFRS in all future investment decisions.

33. As part of the ongoing review of our end-to-end employee and financial processes we have identified several areas where further work will be required during the coming year.

34. The introduction of the Employment and Support Allowance has highlighted a potential capacity and capability challenge for the provider of our medical services examinations for the Work Capability Assessments. The Department is currently monitoring the number of assessments required and undertaken by the supplier, and the number of appeals received and outstanding.

35. We continue to expand the scope of our Shared Services organisation, providing full shared services to two other government departments. The introduction of new clients has required changes to our control and assurance processes. Working with colleagues in Cabinet Office and the Department for Education, an assurance framework has been developed which will strengthen governance and assurance for current and future clients. In April 2010, we agreed to a request from the Cabinet Secretary to take the various units that administer the Civil Service Pension Scheme into the Department's Shared Services from across Government and the private sector under the auspices of the 'My Civil Service Pension' Programme.

Significant Control Challenges

36. The Executive Team identified 10 significant control challenges which will be regularly monitored by the Executive Team with updates being provided to the Departmental Audit Committee each quarter on the progress and effectiveness of actions taken. The significant control challenges are set out below under separate headings.

(i) Monetary value of fraud and error

37. The Department's published target is to reduce benefit expenditure overpaid to 1.8% and underpaid to 0.7% by March 2011.

38. In 2009-10, the proportion of total estimated overpayments due to fraud and error increased from 2% to 2.1% of benefit expenditure, compared to the previous set of estimates for 2008-09. This, however, represents a small improvement over the mid year (Nov 09) estimated overpayment level of 2.2%. There has also been a substantial rise in total benefit expenditure from £135.9 billion in 2008-09 to a forecasted £148.0 billion in 2009-10, which is one reason why the estimates of fraud and error in money terms have increased. The monetary value of such overpayments increased to £3.1 billion. The proportion of total estimated underpayments remained at 0.9% of benefit expenditure, with the monetary value increasing from £1.2 billion in 2008-09 to £1.3 billion in 2009-10. These are the first results to fully reflect the impact of the economic downturn.

39. The percentage of expenditure overpaid due to official error has increased from the last set of estimates (from 0. 6% to 0.7%) and the monetary value of overpayments has risen from £0.9 billion to £1.1 billion. The percentages of expenditure overpaid due to customer error has remained stable at 0.7% while fraud has increased from 0.6% to 0.7%. The monetary values have increased from £0.9 billion to £1.1 billion and £0.9 to £1 billion respectively.

40. Following recent significant investment the Department is committed to continuing to drive down levels of fraud and error and has introduced an action plan for 2010. We are also systematically reviewing all related initiatives; ensuring each is appropriately focused and identifying further action that needs to be taken. The Department has established a Fraud and Error Council to ensure collective responsibility, and to drive forward the programme of work.

41. The Department is also exploring and developing risk profiling through the use of predictive technology and data comparison as used in the private sector. We are also using new/alternative communication channels – such as text messaging – to remind customers to report changes in circumstances promptly. We continue to pursue those who receive benefits unlawfully through a tougher sanction regime. From April 2010 a one strike loss of benefit for up to four weeks will be imposed on those committing a first fraud offence.

(ii) Social Fund Account Production

42. Recent work has highlighted significant concerns with the methodology for producing the Social Fund White Paper Account. In earlier years accounting differences between the Programme Accounting Computer System (PACS – which records customer transactions) and the Social Fund Computer System (which processes social fund transactions) have been relatively small and the NAO have been satisfied that the explanation that they related to timing differences was reasonable. Given the size of the difference this year, and the lack of a comprehensive explanation for this increase, this matter has been considered material to the Social Fund White Paper Account and is being dealt with accordingly. However, it is not considered material to the Resource Account.

43. Accordingly we have agreed an alternative accounts production methodology, endorsed by the NAO, for preparing the Social Fund White Paper Account using the PACS system. Work is also underway to gain assurance as to the completeness and accuracy of the debt balance that is shown within the Department's Accounts. Both pieces of work are designed to improve the integrity of the accounting methodology. As this work is both complex and extensive, involving restatement of accounts for a number of years, the decision has been made to delay the laying of the Social Fund Account.

44. To address these issues I have asked the Chief Executive of Jobcentre Plus, in his capacity as the Department's Second Permanent Secretary, to convene a cross-functional task force to examine the current difficulties and make recommendations to the Executive Team.

(iii) Social Fund decision making

45. Following the introduction of the Social Fund Quality Assurance Framework Jobcentre Plus has continued to focus on improving the standard of decision-making. The Framework has provided data that is analysed to identify which elements of the Social Fund are causing the most problems in relation to accuracy. This will enable checks to be better targeted, in particular, on how Crisis Loans eligibility is being applied. The role of the Quality Assurance Framework checker has been revised to ensure that they continue to focus on raising quality, and checks on decision makers will be extended as a result.

(iv) Debt referrals and recovery

46. Debt recovery is a continuing priority for the Department. In 2009-10 we exceeded our target of £282 million for the year and recovered a record sum of £294 million. This result was achieved despite approximately 150 debt recovery staff being loaned to Jobcentre Plus for much of the year to help Jobcentre Plus manage the increased workloads brought about by the recession. Whilst we have again exceeded targets we are seeking further to improve performance through the introduction of a process that automatically identifies, captures and refers overpayments for recovery, rather than relying on staff intervention and compliance. Electronic referrals will provide automated transmission of the overpayments to the central Debt Management Service leading to quicker decision-taking and recovery. This will also allow us to capture customer details automatically from the Customer Information System, and will be fully implemented during 2010-11. Further work is in hand for an automated identification and capture solution that will permanently capture overpayment details from Agency systems at the outset. We expect full implementation in 2011-12.

47. It was identified, during the year, that debt referrals had not been made for Social Fund passported grant overpayments. Guidance and processes have been strengthened to address inadequacies in the recording and referral of Social Fund grant overpayments resulting from the loss of qualifying benefits.

(v) Resource Management Manual Payments

48. A weakness has been identified in the end-to-end process for making certain types of payment through the Department's Shared Services. I have agreed with the Finance Director General that a revised process will be introduced which will tighten control in this area.

(vi) Contracted Employment Programmes

49. A major programme of work is being undertaken by the Employment Group Delivery Directorate to strengthen the controls and associated assurances in the management of Contracted Employment Provision (CEP). CEP accounted for expenditure of around £1 billion in 2009-10.

50. Enhanced measures, processes and systems to prevent and detect provider fraud have been introduced. Progress so far includes the online Provider Referrals and Payment System which has replaced the previous clerical system, more stringent contractual requirements for providers to demonstrate that they have effective fraud and prevention measures in place, and additional independent verification checks on provider claims.

51. Work is continuing to embed and refine the improvements and build on progress made.

(vii) Recording of National Insurance Credits

52. Within the 2008-09 Statement on Internal Control I reported on discrepancies with the accurate recording of National Insurance Credits and the interfaces with the HM Revenue and Customs National Insurance and PAYE System (NPS – previously known as NIRS2). The Department continues to undertake a number of actions to address these issues. In particular it has just completed a two year exercise to correct errors in the recording of credits for periods of incapacity and continues to work with HMRC to mitigate the risks caused by any residual error. The Department also reported issues following an earlier suspension of the automatic notifications from NPS to the Carers Allowance Unit which are generated where National Insurance contributions from employment overlap with National Insurance credits from entitlement to Carers Allowance. This issue has now been resolved and work to clear the remaining backlog of notifications is due to be completed by the end of 2010-11.

(viii) Accounting issues at the Child Maintenance and Enforcement Commission

53. The Commission has an Audit Committee which supports the Commission's Board in its discharge of its overall accountabilities regarding finance, audit, standards and corporate governance. The Commission also produces its own Statement of Internal Control which includes significant internal control challenges. There is, however, a significant control challenge concerning client fund accounting.

54. The Commission had inherited the legacy computer problems of the Child Support Agency. As the Commission attempted to produce its 2008-09 Client Funds Account, in the last financial year it became evident that some of these problems made it difficult to produce an auditable client funds arrears listing. A programme of work was agreed between the Commission and the National Audit Office to address this issue for both the 2008-09 and the 2009-10 closing arrears balances, which are now planned to be published simultaneously later in 2010.

(ix) Storage and retrieval of customer files

55. During the past year there have been examples of customer files being lost, misplaced, destroyed, or stored inappropriately. As a result we have implemented a number of actions to improve the efficiency and effectiveness of the processes involved and to reduce the risk of files being lost, misplaced, or sent for storage with inappropriate destruction dates.

56. These actions have included the implementation of recommendations from Audit reports carried out on storage facilities, enhancements to the Department's electronic file retrieval system, the introduction of an improved dedicated courier mail network, and improved Management Information. Once embedded these changes will enhance conformance with guidance and process.

(x) Security of Information

57. During 2009-10 the Department has continued to focus on security of information and we have implemented a range of improvements. Our information security awareness campaign has continued throughout the year, and its success is reflected in the relatively low number of reportable incidents involving personal data. However, the Department's risk appetite on data loss remains very low and the Executive Team recognise that we must continue to address a range of challenges and be prepared to identify and tackle new risks as they arise.

Leigh Lewis
Accounting Officer

22 July 2010

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department for Work and Pensions for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Qualified Opinion on Regularity

The Resource Accounts records benefit expenditure of £148.0 billion. Some £66.9 billion (45.2 per cent) of this expenditure relates to State Pension payments and £81.1 billion (54.8 per cent) to other benefits administered by the Department. The Department estimates that in 2009-10 fraud and error within State Pension expenditure resulted in overpayments of £90 million (0.1 per cent of related expenditure) and underpayments of £110 million (0.2 per cent of the relevant expenditure). For other benefits the Department estimates that fraud and error resulted in overpayments of £3.0 billion (3.7 per cent of relevant expenditure) and underpayments of £1.2 billion (1.5 per cent of relevant expenditure). Where fraud and error result in over or underpayment of benefits the transactions are not in conformity with the primary legislation which specifies the entitlement criteria for each benefit and the method to be used to calculate the amount of benefit to be paid.

I have therefore qualified my opinion on the regularity of benefit expenditure other than State Pension because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by Parliament and because of the level of under and over payments in such benefit expenditure which are not in conformity with the relevant authorities.

In my opinion, except for the level of fraud and error in certain benefit expenditure as referred to above, in all material respects the revenue and expenditure have been applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Details of these matters are set out in my accompanying report.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report, Management Commentary, the unaudited parts of the Renumeration Report and Annexes A-D for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

23 July 2010

Report by the Comptroller and Auditor General

Introduction

Fraud and error in benefit expenditure

1 The resource accounts of the Department for Work and Pensions include net expenditure of £155.2 billion on benefits, employment programmes and their related administration costs, together with the assets and liabilities at the year end.

2 Under the Government Resources and Accounts Act 2000, I am required to give an opinion on whether, in all material respects:

i) the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows for the year then ended;

ii) the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder; and

iii) the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them (the "regularity" opinion).

3 In respect of the Department's 2009-10 accounts I have qualified the regularity aspect of my audit opinion due to the material level of fraud and error in benefit expenditure, other than State Pension, which has a low level of error. The Department's accounts, and those of predecessor Departments administering this expenditure, have received similar qualified opinions since 1988-89.

4 Legislation specifies entitlement criteria for each benefit and the method to be used to calculate the amount of benefit to be paid. Where fraud and error result in over or underpayment of benefit to an individual who is either not entitled to that benefit or is paid at a rate which exceeds that specified in the legislation, the transaction is not in conformity with the governing legislation and is irregular.

5 Note 43 to the Department's resource accounts discloses the Department's best estimate of all such activity. As shown in Note 43, overpayments due to fraud and error in 2009-10 are estimated at £3.1 billion (2008-09 – £2.7 billion), which equates to 2.1% of total benefit expenditure of £148.0 billion (2008-09 – 2.0% on expenditure of £135.9 billion), representing an increase in the percentage of benefits being overpaid. Total underpayments in 2009-10 are estimated at £1.3 billion (2008-09 – £1.2 billion), which equates to 0.9% of total benefit expenditure (2008-09 – 0.9%). Within those figures, the Department estimates that in 2009-10 fraud and error within State Pension resulted in overpayments of £0.1 billion (2008-09 £0.1 billon), 0.1% of related expenditure (2008-09 0.2%) and underpayments of £0.1 billion (2008-09 £0.2 billion), 0.2% of related expenditure (2008-09 0.3%).

6 I have therefore qualified my opinion on the regularity of benefit expenditure, other than State Pension, because of the level of overpayments attributable to fraud and error which do not conform to Parliament's intention; and because the level of under and overpayments in such benefit expenditure which are not in conformity with the relevant authorities. This report provides further explanation of the reasons and context for my qualified audit opinion, by commenting on the causes of fraud and error in the benefit system, together with the challenges faced by the Department and their actions to reduce it.

7 The report again demonstrates that overall the Department faces significant challenges in administering a complex benefits system in a cost effective way. Some benefits, mainly those with means tested entitlement, are more inherently prone to error due to their complexity and to the difficulties in obtaining reliable information to support the claim. In addition, in the current year the Department has faced a significant increase in demand in the work related benefits as a result of the economic downturn, which has adversely impacted its performance in fraud and error in work related benefits.

Where do the errors occur?

Overview

8 Total expenditure on benefits in 2009-10 was some £148.0 billion, of which £123.3 billion was in respect of benefits paid directly by the Department and £24.7 billion in respect of benefits paid on the Department's behalf by Local Authorities, mainly Housing Benefit and Council Tax Benefit. Note 43 to the Department's resource accounts sets out expenditure by benefit type and the extent of fraud and error as estimated by the Department. The note also explains the extent of statistical uncertainty inherent in these estimates and the difficulty in identifying certain types of complex error or well concealed frauds, and that therefore some caution must be maintained when examining the estimates for trends. The estimate of fraud and error disclosed in the accounts is nevertheless the best measure currently available.

9 The estimates separate the reported incorrect payments into three categories; official error, customer error and fraud, defined as follows:

- Official error arises where a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department, a Local Authority or Her Majesty's Revenue and Customs.
- Customer error arises when the customer has provided inaccurate or incomplete information, or failed to report a relevant change in circumstances, but there is no fraudulent intent on the customer's part.
- Fraud arises when incomplete or inaccurate information has been provided intentionally by the claimant in order to receive benefit.

10 The following paragraphs of this report provide further analysis of the types of fraud and error which commonly arise within the Department's three main error categories of customer error, official error and fraud. For the purposes of this report, we have primarily focussed on the benefits administered directly by the Department and have discussed Housing Benefit and Council Tax Benefit, which are administered by Local Authorities, separately in paragraphs 23 to 27.

Official error

11 The Department's 2009-10 estimate of official error (defined in paragraph 9 above) is broken down in Figure 1 below.

Figure 1: Estimated official error

Benefits	2009-10 Total expenditure £ million *	2009-10 Official error overpayments £ million * *(% of related expenditure)*	2009-10 Official error underpayments £ million * *(% of related expenditure)*	2008-09 Official error overpayments £ million * *(% of related expenditure)*	2008-09 Official error underpayments £ million * *(% of related expenditure)*
Benefits administered directly by the Department	123,300	800 *(0.6)*	400 *(0.3)*	700 *(0.6)*	400 *(0.3)*
Housing related benefits administered by Local Authorities	24,700	300 *(1.2)*	100 *(0.4)*	200 *(0.9)*	100 *(0.3)*
All DWP benefits	148,000	1,100 *(0.7)*	500 *(0.3)*	900 (0.7)	500 (0.4)

Source: Department for Work and Pensions Resource Accounts, Fraud and Error in the Benefit System October 2008 to September 2009 (for the 2009-10 estimates), Fraud and Error in the Benefit System October 2007 to September 2008 (for the 2008-09 estimates).

** Rounded to the nearest £100 million*

12 In the Department's administered benefits, the benefits with the highest rates of official error are those that are to some extent means-tested, such as State Pension Credit, Income Support and Jobseekers' Allowance. Here, the claimant's entitlement is partially dependent upon their declared income, their personal capital, their household living arrangements, or a combination of those factors. In general, the greater the data requirements to establish entitlement to a benefit, the more complex it is to administer and therefore the higher the inherent risk of an official error being made. These factors can also be subject to frequent change over the course of a claim, which requires the claimant to update his / her details and officials to process those changes. The greater the volume of transactions, the higher the level of official input and the greater the inherent risk of official error entering the system.

13 The most common types of official error relate to recording the level of a claimant's income, complex additional premiums being wrongly applied, or by establishing the claimant's status incorrectly (such as their fitness for work, single status etc). Errors of this type by the Department will occur for a number of reasons, from simple transcription errors in recording data from a claim, to individual instances of non-compliance with procedures, through to the incorrect interpretation or calculation of complex entitlements. Such errors may occur at least partially due to the level of manual input where there are no, or only inadequate, interfaces between benefit systems which contain information on one benefit claim and which may be directly relevant to the entitlement to another. This will tend to increase the extent of judgement and manual input, consequently increasing the requirement for adequate training and resource to ensure the correct processing of the more complex claims.

14 Therefore, reducing official error may depend on providing better staff training, enforcing adherence to internal procedures and correcting inadequate system interfaces. Yet whilst central estimates of fraud and error give a broad indication of where the majority of errors are occurring, they do not currently provide sufficient root cause analysis of specific official mistakes to be able to suggest how they might be addressed. My planned Value for Money study on Minimising the Cost of Administrative Errors in the Benefit System, expected to be published in Autumn 2010, will comment further on the challenges faced by the Department with regard to Official Error, by examining the quality of information that it has on which to base its decisions and the success or otherwise of its interventions.

Customer error

15 The Department's estimate of customer error, as defined in paragraph 9, is shown in Figure 2 below.

Figure 2: Estimated customer error

Benefit	2009-10 Total expenditure £ million *	2009-10 Customer error overpayments £ million * *(% of related expenditure)*	2009-10 Customer error underpayments £ million * *(% of related expenditure)*	2008-09 Customer error overpayments £ million * *(% of related expenditure)*	2008-09 Customer error underpayments £ million * *(% of related expenditure)*
Benefits administered directly by the Department	123,300	600 *(0.5)*	500 *(0.4)*	400 *(0.3)*	500 *(0.4)*
Housing related benefits administered by Local Authorities	24,700	500 *(2.0)*	300 *(1.2)*	500 *(2.3)*	200 *(0.9)*
Total	148,000	1,100 *(0.7)*	800 *(0.5)*	900 *(0.7)*	700 *(0.5)*

Source: Department for Work and Pensions Resource Accounts, Fraud and Error in the Benefit System October 2008 to September 2009 (for the 2009-10 estimates), Fraud and Error in the Benefit System October 2007 to September 2008 (for the 2008-09 estimates).

** Rounded to the nearest £100 million.*

16 As with official error, the Department's administered benefits with the highest claimant error over and underpayment rates are means tested benefits such as state pension credit and income support, which have entitlement conditions that relate to, among other things, the claimant's income, their personal capital, their household living arrangements, or a combination of such factors. Mistakes will arise here as a result of the claimant failing to provide full or accurate details to the Department, but where there is no fraudulent intent in doing so.

17 Typically, the Department is reliant on receiving accurate information from the claimant in these circumstances as it does not have routine access to third party sources of information (or such sources may not exist) with which it would be able to verify the completeness or accuracy of the information provided. For example, where the claimant fails to accurately or fully disclose relevant non-earnings related income this can affect benefit entitlement and lead to over or underpayments. The claimant may, for example, not realise that certain types of income or capital are relevant to the assessment, or may not be able to provide an accurate figure due to frequently changing circumstances, such as periods of self employment. Current verification procedures require some third party corroboration, such as requiring claimants to provide bank statements to verify capital over certain thresholds. However, these procedures will not always be able to ensure full and complete disclosure; for example, where a claimant does not realise that certain asset types count as capital, or where bank accounts may be overlooked and information not provided and therefore fails to provide relevant information, errors in the benefit calculations will arise.

18 Nevertheless, a major source of error relates to the disclosure of other benefit information, which the Department might be expected to be able to check more easily if the different benefit systems were better integrated. Because not all of the Department's benefit systems interface directly on a real-time basis, if a claimant has not accurately declared other benefits which they receive to the correct Departmental official, it will affect the subsequent calculation of relevant income and therefore the amount of means tested benefit to which they are entitled.

19 In situations where such information is not fully disclosed, the Department has to distinguish between those making a fraudulent misrepresentation of key facts supporting a claim and a genuine claimant who may be unable to understand the detailed requirements for making an accurate claim. This is important since, apart from the need to prosecute benefit fraudsters, the remedies used to prevent and detect genuine errors will differ from those used for fraud. Genuine claimant error may arise from a misunderstanding of the rules or how they are applied and one method of addressing customer error is therefore to simplify benefits and the claim procedure wherever possible, such as through the Department's Benefit Simplification Unit. Additionally, the Department has also tried to rationalise the literature provided to claimants to explain whether they are eligible for specific benefits and the evidence they will be required to provide. I reported on the Department's progress on communications in my May 2009 Value for Money report *"DWP: Communicating with customers"*. The Department considers that there are likely to be practical limits on the ability of their existing preventative and detective controls to identify such errors, whilst also enabling timely payments to be made to genuine claimants and to minimise unnecessary intrusion into genuine claimants' lives. I will return to the subject of customer error in a future Value for Money Study planned for autumn 2010.

Fraud

20 The Department's estimate of fraud, as defined in paragraph 9, is shown in Figure 3 below.

Figure 3: Estimated fraud

Benefits	2009-10 Total expenditure £ million *	2009-10 Fraud overpayments £ million * *(% of related expenditure)*	2008-09 Fraud overpayments £ million * *(% of related expenditure)*
Benefits administered directly by the Department	123,300	700 *(0.6)*	600 *(0.5)*
Housing related benefits administered by Local Authorities	24,700	300 *(1.2)*	300 *(1.4)*
Total *	148,000	1,000 *(0.7)*	900 *(0.7)*

Source: Department for Work and Pensions Resource Accounts, Fraud and Error in the Benefit System October 2008 to September 2009 (for the 2009-10 estimates), Fraud and Error in the Benefit System October 2007 to September 2008 (for the 2008-09 estimates).

** Rounded to the nearest £100m*

21 Of the benefits administered directly by the Department, it is the means tested benefits, such as State Pension Credit, Jobseekers' Allowance and Income Support which again tend to have the highest rates of fraud, as they require the claimant to supply complete and accurate information in order to establish entitlement to benefit. Most commonly, fraudulent statements include details of the claimant's living arrangements, where the customer has a partner, but is claiming and therefore receiving benefit as a single person, or falsely stating the level of their earnings, whether those are legitimate earnings or from the grey economy. There are also instances where the claimant cannot be contacted at their registered address or may have provided a false address in order to claim benefit. Common features of these frauds are that it would be difficult and labour intensive to identify fraudsters at the point of making a claim, since information is being deliberately concealed and as the Department does not have a readily available source of information against which to verify the facts of the claim.

22 In my report[1] on progress in tackling benefit fraud we drew attention to Departmental initiatives to combat fraud including advertising campaigns, fraud investigation procedures, customer compliance, data-matching and fraud prosecutions. The Department therefore attempts to reduce fraud levels through a range of initiatives, one of the most important of which is raising awareness amongst the general public through initiatives and publicity such as the National Benefit Fraud Hotline and website www.targetingfraud.co.uk – as the Department cannot prevent all fraud before it occurs, it is always likely to be to some extent reliant on reporting from the public.

Housing Benefit and Council Tax Benefit

23 As noted in paragraph 10, Housing Benefit and Council Tax Benefit are administered by the claimant's relevant Local Authority rather than directly by the Department. Entitlement to these benefits can, however, be established by the claimant already being in receipt of an income related benefit, such as Jobseeker's Allowance or Income Support. Therefore, fraud and error in one claim can be passported into the Local Authority administered benefit. As Housing Benefit and Council Tax Benefit are also means tested, with the same limitations around evidence that can be gathered, a number of fraud and error types that are common to the Department's administered means tested benefits also arise here.

24 The Department has a key role in monitoring the level of programme spend and setting the framework in which the Local Authorities must operate. Common official errors arise from poor or non-timely interfaces between the Department and the Local Authority with regard to whether the claimant

1 Department for Work and Pensions – progress in tackling benefit fraud (HC 102 2007-08)

is in receipt, or entitled to, a qualifying benefit. In practice, given the non-integrated nature of the Department's systems with that of all Local Authorities, many such errors will be difficult to eliminate; changes in customer circumstances will directly affect benefit entitlement and any delays in passing on information can lead to errors in payments.

25 Housing Benefit and Council Tax Benefit also contribute a combined £500 million of the estimated £1,100 million of total claimant overpayment errors, and £300 million of the £1,000 million total fraudulent overpayment errors. As noted above, fraud and error can be passported into both of these benefits as a result of communication failures between the Department and Local Authorities, but there is also a linked risk in that a claimant whose circumstances change and who is required to inform the Department of these changes is also required to notify the relevant Local Authority of the change. This requirement to inform both the Department and the Local Authority will naturally increase the risk of delay or mistake as it increases the number of contacts with the Department or its benefit administering agents.

26 There are additional fraud and error risks which are more specific to Housing Benefit and Council Tax Benefit, as the benefit is paid on a specific property. Claimant changes of address, or in the status of other contributing members of the household, will have an impact on the benefit receivable. A change in address affects benefit entitlement, as well as the amount of benefit received because of changing rental and housing costs. Where the claimant moves between districts, this will also mean that they may need to communicate effectively with more than one Local Authority, which, again increases the risk of errors being made or changes in circumstance not being communicated effectively or being concealed.

27 For Housing Benefit, the funding arrangement between the Department and Local Authorities contains a formula intended to encourage accurate payments by the Authority by affecting the amounts refunded to them based on accuracy targets. The Department has also established a performance management regime to encourage Local Authorities to adopt best practice in the administration of Housing Benefit, including an output based performance measure which sets each Local Authority a target for identifying reductions in benefits overpaid and to prevent overpayments due to customer error entering the system.

The benefit framework

28 The Department has put significant work into reducing fraud and error within the benefit system in recent years. Yet, in spite of these efforts, the gross value overpayments and underpayments have increased over the past 12 months. The Department believe that, in large part, this has been due to increased benefit expenditure and pressures on staff and processes caused by the increased volumes of benefit claims brought by the current economic downturn. However, it must also be the case that the benefit system has not been able to be sufficiently flexible to enable it to meet these demand pressures without at least some adverse impact on fraud and error.

29 I recognise that there are inherent difficulties in administering any system of payments to individuals where means tested information is required, as the increased complexity of data required naturally increases the possibility of fraud and error. Those difficulties are compounded where the information required is not held already or is not easily accessible by the Department, and where external verification is not always possible. Indeed, by adding additional verification procedures, the risk increases that genuine claimants will be deterred from making a claim and thereby conflict with the Department's other priorities, such as with meeting the stated aims of reducing pensioner poverty and supporting the vulnerable. There is a linked risk to the public purse that processes become too cumbersome and bureaucratic to allow payments to be made in a sufficiently timely or cost effective manner. The challenge for the Department is in trying to judge what this balanced best performance looks like, which must be based on a sound evidence-based understanding of the root causes of fraud and error, of interventions to tackle those causes, and the outcome of those interventions. The Department's future plans in this area are discussed below.

Future plans

30 In 2008-09 the Department introduced new formal governance arrangements through the establishment of a Fraud and Error Council, which includes the operational Directors responsible for

fraud and error across their businesses, and also members drawn from across the Department whose responsibilities include helping to deliver the fraud and error agenda, for example in relation to information technology. It reports directly to the Permanent Secretary and intends to initiate a cross Departmental approach to fraud and error reduction, culminating in a refreshed fraud and error strategy for 2011-2013.

31 Planned work includes a systematic review of each of the Department's current fraud and error reduction initiatives to ensure that they are focussed on the root causes of fraud and error and ensure that resources are directed to maximum effect. The Department intends to trial this approach with a full review of State Pension Credit systems, to design and test a framework for measuring and evaluating the robustness and cost effectiveness of its fraud and error controls, starting with a root cause analysis of the true, underlying cause of incorrectness in that benefit. The ultimate aim is to construct a common robust analytical framework for all benefits which will allow the Department to assess the extent to which their approach to tackling fraud and error is robust, appropriate and delivers value for money, whilst also meeting policy and legislative objectives for delivering benefits to claimants.

32 I note also that, as described in Note 43 to the accounts, the Department intends to exploit increased opportunities for data sharing with other countries and part of the wider work of the National Fraud Authority will work more closely with HMRC, Local Authorities and the private sector as recommended in the report from the Smarter Government Fraud Task Force. Other current initiatives include evaluating the trial of Voice Risk Analysis in Housing Benefit to help identify potentially fraudulent claims, and the extension of a pilot exercise undertaken during 2008-09 in a number of Local Authorities to use information held by a credit reference agency to identify risk of potential fraud in Housing Benefit cases. Finding new ways to tackle fraud and error and ensure the accurate payment of benefit will rightly remain a key area of focus for the Department in the future.

Conclusion

33 The Department faces significant challenges in administering a complex benefits system in a cost effective way. Some benefits, mainly those with means tested entitlement, are prone to error due to their complexity and the difficulties in obtaining reliable evidence to support the claim. The estimated amount of fraud and error overpayments in the benefits system in 2009-10 was £3.1 billion, or 2.1% of expenditure, which represents an increase on 2008-09 over both the value and the percentage of benefit overpaid (£2.7 billion and 2.0% respectively). The economic downturn has increased the volume of income related benefit claims, which have historically been the most prone to fraud and error. In response, Jobcentre Plus, which administers such benefits, increased front line staff by reassigning staff within the Agency and the Department from other responsibilities and against this background, the Department has also experienced a worsening of error rates in those benefits. We therefore welcome the Department's increased emphasis on good programme management as described in paragraphs 30 to 32 and the refreshed approach that it intends to take in reducing fraud and error, which it sets out in more detail in Note 43 to the accounts.

34 Over the period in which fraud and error has been measured by the Department, regardless of the overall trends, fraud and error rates have consistently remained highest in the means tested or disability related benefits where entitlement can be based on complex, interlinked or subjective evidence and which the Department is either unsuccessful in verifying, or which it simply gets wrong. These observations have led us to qualify the Department's accounts on the grounds of material amounts of fraud and error in the benefit system since 1988-99.

35 The complexity of the benefits system and the information needed to process claims accurately means that benefits always be subject to some degree of fraud and error. The Department is required to decide, on the balance of probabilities, whether a claimant is entitled to benefit and therefore it will sometimes make payments which subsequently turn out to be incorrect. However, it should not give the claimant the benefit of the doubt and must continue to seek new ways to drive down the level of fraud and error in the benefit system. No system can be perfect, not least because human error can and does occur even in the best designed systems.

36 Reducing the level of fraud and error is dependent on the Department correctly identifying the causes of error and using the emerging lessons to enhance processes to prevent reoccurrence. The

Department recognises the importance of establishing effective programme management to improve understanding of the underlying root causes of fraud and error. It is currently improving its measurement programme to supply more detail about causes and will continue to review this requirement as the benefits landscape changes. An evidence based framework of this kind will enable the Department to demonstrate that its systems are suitably optimised having regard to the cost effectiveness of interventions and the success of actions in reducing inaccurate payments. My staff continue to monitor the Department's progress in this area.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

23 July 2010

Statement of Parliamentary Supply

Summary of Resource Outturn 2009-10

		Estimate			Outturn				Restated 2008-09 Outturn
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	2009-10 Net total outturn compared with Estimate: saving/ (excess)	Net Total
Request for Resources	**Note**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
1: Children	3	464,207	(2,900)	**461,307**	447,722	(2,699)	**445,023**	16,284	**588,314**
2: Working Age	3	48,918,669	(2,459,124)	**46,459,545**	47,443,118	(2,228,609)	**45,214,509**	1,245,036	**40,300,873**
3: Pensioners	3	13,409,234	(391,096)	**13,018,138**	12,760,048	(391,096)	**12,368,952**	649,186	**12,817,638**
4: Disabled	3	18,758,610	(32,922)	**18,725,688**	18,682,776	(18,326)	**18,664,450**	61,238	**17,221,645**
5: Corporate Services	3	2,388,503	(334,416)	**2,054,087**	2,261,537	(329,248)	**1,932,289**	121,798	**707,541**
Total Resources	3	**83,939,223**	**(3,220,458)**	**80,718,765**	**81,595,201**	**(2,969,978)**	**78,625,223**	**2,093,542**	**71,636,011**
Non-Operating Cost A in A		**-**	**(1,610)**	**(1,610)**	**-**	**(623)**	**(623)**	**(987)**	**(21,697)**

Net Cash Requirement 2009-10

				2009-10	Restated 2008-09
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Outturn
	Note	**£000**	**£000**	**£000**	**£000**
Net Cash Requirement	5	**81,018,536**	**78,980,841**	**2,037,695**	**70,074,965**

Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

		Forecast 2009-10		Outturn 2009-10	
		Income	*Receipts*	Income	*Receipts*
	Note	**£000**	***£000***	**£000**	***£000***
Total	6	5,000	*5,000*	46,640	*60,040*

Explanations of variances between Estimate and Outturn are given in the Management Commentary.

The Statement of Parliamentary Supply is not directly comparable to the Operating Cost Statement and the Consolidated Statement of Operating Costs by Departmental Strategic Objectives (DSOs) due to the fact that:

- The Statement of Parliamentary Supply only includes Supply expenditure and the Operating Cost Statement comprises both Supply and non-Supply expenditure. Supply expenditure is funded via the Consolidated Fund and non-Supply expenditure is funded from the National Insurance Fund.

- Additional financing is also received by the Department from the National Insurance Fund in respect of administration costs for the delivery of contributory benefits. This is treated as A-in-A within the Estimate and the Statement of Parliamentary Supply but as financing via the General Fund within the Resource Accounts.

- Total Social Fund expenditure is consolidated within the Operating Cost Statement whereas the cash grant element only is included in the Statement of Parliamentary Supply.

- The administration cost expenditure within each RfR is shown gross in the Statement of Parliamentary Supply, whereas central recharges are eliminated on consolidation to produce the Operating Cost Statement expenditure.

Note 4(i) provides a reconciliation of Net Resource Outturn to Net Operating Cost.

Request for Resources (RfRs):

RfR 1: Ensuring the best start for all children, ending child poverty in 20 years.

RfR 2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.

RfR 3: Combating poverty and promoting security and independence in retirement for today's and tomorrow's pensioners.

RfR 4: Improving the rights and opportunities for disabled people in a fair and inclusive society.

RfR 5: Corporate contracts and support services.

The notes on pages 66 to 142 form part of these accounts.

Consolidated Operating Cost Statement
for the year ended 31 March 2010

	Note	Staff Costs £000	Other Costs £000	Income £000	2009-10 Sub-total by RfR £000	Restated 2008-09 £000
Administration Costs						
RfR 1 (Children)						
Staff costs	8	240,365				258,165
Other administration costs	9		187,154			268,430
Operating income	14			(3,179)		(4,694)
RfR 1 Sub-total					424,340	521,901
RfR 2 (Working Age)						
Staff costs	8	2,420,226				2,031,567
Other administration costs	9		1,740,440			1,517,703
Operating income	14			(183,015)		(161,132)
RfR 2 Sub-total					3,977,651	3,388,138
RfR 3 (Pensioners)						
Staff costs	8	292,064				304,274
Other administration costs	9		413,286			431,970
Operating income	14			(9,187)		(9,965)
RfR 3 Sub-total					696,163	726,279
RfR 4 (Disabled)						
Staff costs	8	135,098				135,669
Other administration costs	9		154,069			129,142
Operating income	14			(799)		(129)
RfR 4 Sub-total					288,368	264,682
RfR 5 (Corporate Services)						
Staff costs	8	425,279				380,936
Other administration costs	9		558,190			608,531
Operating income	14			(82,490)		(145,330)
RfR 5 Sub-total					900,979	844,137
		3,513,032	**3,053,139**	**(278,670)**		
Net Administration Costs					**6,287,501**	**5,745,137**
Programme Costs						
RfR 2 (Working Age)						
Programme costs	13		43,205,520			37,622,785
Income	14			(567,065)		(411,713)
RfR 2 Sub-total					42,638,455	37,211,072
RfR 3 (Pensioners)						
Programme costs	13		12,110,839			12,583,016
Income	14			(54,624)		(49,586)
RfR 3 Sub-total					12,056,215	12,533,430
RfR 4 (Disabled)						
Programme costs	13		18,467,525			16,966,598
Income	14			(1,059)		(935)
RfR 4 Sub-total					18,466,466	16,965,663
RfR 5 (Corporate Services)						
Programme costs	13		34,143			(7,275)
Income	14			-		-
RfR 5 Sub-total					34,143	(7,275)

The notes on pages 66 to 142 form part of these accounts.

	Note	Staff Costs £000	Other Costs £000	Income £000	2009-10 Sub-total by RfR £000	Restated 2008-09 £000
National Insurance Benefits and Non-Voted expenditure						
Expenditure	13		75,706,094			70,636,520
Income	14			(1,841)		(1,257)
NIF and non-Voted Sub-total	15 (ii)				75,704,253	70,635,263
			149,524,121	**(624,589)**		
Net programme costs	13				**148,899,532**	**137,338,153**
Totals		**3,513,032**	**152,577,260**	**(903,259)**		
Net Operating Cost					**155,187,033**	**143,083,290**

All income and expenditure is derived from continuing operations.

The notes on pages 66 to 142 form part of these accounts.

Consolidated Statement of Financial Position
as at 31 March 2010

	Note	31 March 2010 £000	Restated 31 March 2009 £000	Restated 1 April 2008 £000
Non-current assets				
Property, plant and equipment	21	2,050,289	2,120,357	2,737,743
Intangible assets	22	480,182	370,635	305,338
Financial assets	25	49,289	10,876	1,451
Trade and other receivables	28	1,159,138	941,336	902,996
Total non-current assets		**3,738,898**	**3,443,204**	**3,947,528**
Current assets				
Assets classified as held for sale	26	725	-	-
Inventories	27	1,113	1,456	1,346
Trade and other receivables	28	2,212,284	2,181,813	2,789,348
Cash and cash equivalents	29	499,517	314,598	193,292
Total current assets		**2,713,639**	**2,497,867**	**2,983,986**
Total assets		**6,452,537**	**5,941,071**	**6,931,514**
Current liabilities				
Trade and other payables	30	(5,003,769)	(4,698,461)	(4,007,554)
Total current liabilities		**(5,003,769)**	**(4,698,461)**	**(4,007,554)**
Non-current assets less net current liabilities		**1,448,768**	**1,242,610**	**2,923,960**
Non-current liabilities				
Provisions	31	(4,319,249)	(4,366,763)	(3,640,264)
Other payables	30	(1,222,736)	(1,262,043)	(1,658,785)
Pension liabilities	32	(1,434)	(1,140)	(1,417)
Total non-current liabilities		(5,543,419)	(5,629,946)	(5,300,466)
Assets less Liabilities		**(4,094,651)**	**(4,387,336)**	**(2,376,506)**
Taxpayers' Equity				
General Fund		(5,145,501)	(5,392,356)	(3,828,288)
Revaluation Reserve		1,050,849	1,005,018	1,451,779
Government Grant Reserve		1	2	3
Total Taxpayers' Equity		**(4,094,651)**	**(4,387,336)**	**(2,376,506)**

Leigh Lewis
Accounting Officer

22 July 2010

The notes on pages 66 to 142 form part of these accounts.

Consolidated Statement of Cash Flows
for the year ended 31 March 2010

	Note	2009-10 £000	Restated 2008-09 £000
Cash flows from operating activities			
Net operating cost		(155,187,033)	(143,083,290)
Adjustments for non-cash transactions	12	246,843	1,129,386
Interest element of finance lease payments		(1,053)	(909)
Decrease/(Increase) in inventories		343	(110)
(Increase)/Decrease in trade and other receivables		(248,273)	569,195
Less movements in receivables relating to items not passing through the OCS		13,359	(7,774)
Increase in trade and other payables		260,903	379,569
Less movements in payables relating to items not passing through the OCS		323,922	(29,391)
Use of provisions		(71,414)	(83,807)
Net cash outflow from operating activities		**(154,662,403)**	**(141,127,131)**
Cash flows from investing activities			
Purchase of property, plant and equipment	21(iii)	(100,990)	(75,183)
Purchase of intangible assets	22(ii)	(203,406)	(139,341)
Proceeds of disposal of property, plant and equipment		625	1,345
Loans to HPES and Personal Accounts Delivery Authority		(37,641)	(9,060)
Net cash outflow from investing activities		**(341,412)**	**(222,239)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		78,805,092	70,300,415
From the Consolidated Fund (Supply) – prior year		-	45,910
Net financing from the National Insurance Fund		76,559,381	71,454,551
Advances from the Contingencies Fund		-	2,400
Repayments to the Contingencies Fund		-	(3,712)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(148,299)	(138,554)
Net financing		**155,216,174**	**141,661,010**
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**212,359**	**311,640**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(32,538)	(104,930)
Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**179,821**	**206,710**
Cash and cash equivalents at the beginning of the period	29	259,769	53,059
Cash and cash equivalents at the end of the period	29	**439,590**	**259,769**
Add: Bank overdrafts and Paying Agents reported in trade and other payables	29	59,927	54,829
Cash at bank and in hand at the end of the period	29	**499,517**	**314,598**

The notes on pages 66 to 142 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2010

	Note	General Fund £000	Revaluation Reserve £000	Government Grant Reserve £000	Total £000
Balance at 31 March 2008		(3,080,486)	15,220	3	(3,065,263)
Restatement	2(i)	(747,802)	1,436,559	-	688,757
Restated balance at 1 April 2008		(3,828,288)	1,451,779	3	(2,376,506)
Change in taxpayers' equity for 2008-09					
Net loss arising on revaluation of property, plant and equipment		-	(247,566)	-	(247,566)
Net loss arising on disposal of property, plant and equipment		-	(54,961)	-	(54,961)
Net loss arising on revaluation of intangible assets			(4,435)		(4,435)
Amortisation of reserves		-	-	(1)	(1)
Transfers between reserves		139,799	(139,799)	-	-
Non-cash charges – cost of capital credit		(121,988)	-	-	(121,988)
Non-cash charges – auditor's remuneration	11	2,199	-	-	2,199
Non-cash charges – non-cash capital additions		75	-	-	75
Actuarial gain on pension	32	147	-	-	147
Net operating cost for the year		(143,083,290)	-	-	(143,083,290)
Other		(442)	-	-	(442)
Total recognised income and expense for 2008-09		(143,063,500)	(446,761)	(1)	(143,510,262)
Net Parliamentary Funding – drawn down (current year)		70,300,415	-	-	70,300,415
Net Parliamentary Funding – prior year		45,910	-	-	45,910
Financing in respect of transfer of functions		(20,135)	-	-	(20,135)
National Insurance Fund		71,454,551	-	-	71,454,551
Supply payable adjustment		(231,903)	-	-	(231,903)
Excess A in A		(36,712	-	-	(36,712)
CFERs repayable to the Consolidated Fund		(12,694)	-	-	(12,694)
Balance at 31 March 2009		**(5,392,356)**	**1,005,018**	**2**	**(4,387,336)**
Change in taxpayers' equity for 2009-10					
Net gain arising on revaluation of property, plant and equipment		-	138,183	-	138,183
Net loss arising on disposal of property, plant and equipment		-	(7,279)	-	(7,279)
Net gain arising on revaluation of intangible assets			32,696		32,696
Amortisation of reserves		-	-	(1)	(1)
Transfers between reserves		117,769	(117,769)	-	-
Non-cash charges – cost of capital credit		(180,332)	-	-	(180,332)
Non-cash charges – auditor's remuneration	11	2,181	-	-	2,181
Actuarial loss on pension	32	(303)	-	-	(303)
Net operating cost for the year		(155,187,033)	-	-	(155,187,033)
Other		991	-	-	991
Total recognised income and expense for 2009-10		(155,246,727)	45,831	(1)	(155,200,897)
Net Parliamentary Funding – drawn down (current year)		78,805,092	-	-	78,805,092
Net Parliamentary Funding – amounts drawn not spent (deemed supply)		185,993	-	-	185,993
National Insurance Fund		76,559,381	-	-	76,559,381
Supply payable adjustment		(10,244)	-	-	(10,244)
Excess A in A		(69)	-	-	(69)
CFERs repayable to the Consolidated Fund		(46,571)	-	-	(46,571)
Balance at 31 March 2010		**(5,145,501)**	**1,050,849**	**1**	**(4,094,651)**

The notes on pages 66 to 142 form part of these accounts.

a. The General Fund represents the total assets less liabilities of each 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. All of the assets purchased by the use of Government grants have been financed by UK grants.

Consolidated Statement of Operating Costs by Departmental Strategic Objectives (DSOs)
for the year ended 31 March 2010

Aim: The Department's aim is to promote opportunity and independence for all.

	2009-10				
	Programme			Administration	Total
	Gross	Income	Net	Net	Net
	£000	£000	£000	£000	£000
Objective 1 To reduce the number of children living in poverty.	2,259,401	(1,050)	2,258,351	440,125	2,698,476
Objective 2 To maximise employment opportunity for all and reduce the numbers on out-of-work benefits.	39,915,294	(125,122)	39,790,172	4,527,001	44,317,173
Objective 3 To improve health and safety outcomes.	44,065	(4,904)	39,161	188,625	227,786
Objective 4 To promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform.	87,663,212	(91,723)	87,571,489	691,625	88,263,114
Objective 5 To promote equality of opportunity for disabled people.	19,294,644	(8,968)	19,285,676	440,125	19,725,801
Objective 6 To pay our customers the right benefits at the right time.	-	-	-	-	-
Objective 7 To make the Department an exemplar of effective service delivery to individuals and employers.	-	-	-	-	-
Net Operating Costs	**149,176,616**	**(231,767)**	**148,944,849**	**6,287,501**	**155,232,350**

The *Government Financial Reporting Manual (FReM)* requires Departments to apportion costs over DSOs. However, the Department is unable to fully comply with *FReM* requirements. The Department's DSOs were changed in 2008-09, increasing from five to seven but in the 2008-09 Resource Accounts resources were attributed across the Department's first five objectives only. These cover "what" the Department is here to deliver rather than "how", which is covered by DSO 6 (Pay our customers the right benefit at the right time) and DSO 7 (Make the DWP an exemplar of effective service delivery to individuals and employers). The Department continues to consider that this method of presenting what it spends its money on is the most helpful to the reader. It is also consistent with the Department's published business plans for 2008-09 and 2009-10.

The above figures are exclusive of any European Social Fund income (£392.8 million) and expenditure (£347.5 million) where the Department acts only as paying agent, as these do not directly contribute to the overall Objectives.

Note 33 provides further information on this statement and explains how the social security programme costs have been allocated to DSOs.

The notes on pages 66 to 142 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Strategic Objectives (DSOs)
for the year ended 31 March 2009

	Restated 2008-09				
	Programme			Administration	Total
	Gross	Income	Net	Net	Net
	£000	£000	£000	£000	£000
Objective 1 To reduce the number of children living in poverty.	2,301,696	(2,089)	2,299,607	787,084	3,086,691
Objective 2 To maximise employment opportunity for all and reduce the numbers on out-of-work benefits.	34,122,313	(73,785)	34,048,528	3,653,907	37,702,435
Objective 3 To improve health and safety outcomes.	36,110	(6,847)	29,263	189,590	218,853
Objective 4 To promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform.	83,259,104	(117,111)	83,141,993	810,064	83,952,057
Objective 5 To promote equality of opportunity for disabled people.	17,853,219	(15,913)	17,837,306	304,492	18,141,798
Objective 6 To pay our customers the right benefits at the right time.	-	-	-	-	-
Objective 7 To make the Department an exemplar of effective service delivery to individuals and employers.	-	-	-	-	-
Net Operating Costs	**137,572,442**	**(215,745)**	**137,356,697**	**5,745,137**	**143,101,834**

The above figures are exclusive of any European Social Fund income (£247.7 million) and expenditure (£229.2 million) where the Department acts only as paying agent, as these do not directly contribute to the overall Objectives.

The notes on pages 66 to 142 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

1.1 Basis of Preparation and Statement of Compliance

The financial statements have been prepared in accordance with the 2009-10 *FReM* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the Public Sector context.

These financial statements are the first financial statements of the Department for Work and Pensions (the Department) to be prepared in accordance with IFRS and accordingly IFRS 1 *First Time Adoption of International Financial Reporting Standards* has been applied in preparing these financial statements. Reconciliations disclosing the effect of the transition from UK GAAP to IFRS on the Department's financial statements are shown in Note 2. Comparative figures in respect of 2008-09 have been restated to reflect these adjustments.

Where the *FReM* permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Department are set out below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn compared to Estimate in terms of the Department's net resource requirement and the net cash requirement. The Consolidated Statement of Operating Costs by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure across the objectives agreed with Ministers.

In accordance with the *FReM*, the Department has not prepared separate accounting statements for the core and consolidated elements of the Department, as the results of each do not give a significantly different view.

All amounts included in the accounts have been rounded to the nearest thousand pounds unless stated otherwise.

1.2 Accounting Standards, Interpretations and Amendments

Adopted in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2010 have been adopted for the first time in these financial statements, taking into account the specific interpretations and adaptations included within the *FReM*.

In addition, early adoption of changes to IFRS 8 *Operating Segments* has been agreed by the Financial Reporting Advisory Board for public sector bodies and therefore disclosure of total assets by operating segment is no longer mandatory unless already reported to the management board. The effective date of the revision is 1 January 2010.

Effective for future Financial Years

The following IFRSs, International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Amendments applicable to the Department, have been issued but are not yet effective and have not been adopted early by the Department:

International Accounting Standard (IAS) 24 *Related Party Transactions* (effective 1 January 2011) – The amendment provides exemption for full disclosure of transactions with state-controlled entities and is not expected to impact the current exemption allowed within the FReM. IAS 24 also clarifies the definition of a related party.

IFRS 9 *Financial Instruments: Classification and Measurement* (effective 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduces new requirements for the classification and measurement of

financial assets, together with the elimination of two categories. The Standard does not include Financial Liabilities. Further proposals are to be introduced during 2010 and the Department will undertake an assessment of the impact of IFRS 9 once these are known.

The HM Treasury Clear Line of Sight Project aims to align budgets, Estimates and accounts. As a result of amendments to the budgetary regime, there will be an impact on accounts from 1 April 2010 in respect of cost of capital charges which are to be removed from accounts in line with corresponding changes to budgets and Estimates.

Additional amendments to the *FReM*, effective from 1 April 2010, are as follows:

- IAS 36 *Impairment of Assets* require impairments of property, plant and equipment that arise from a clear consumption of economic benefits to be taken direct to the Operating Cost Statement; and

- Accounting for Consolidated Fund revenue – Trust Statements are to be introduced for revenue collected by entities that is due to the Consolidated Fund, where the entity is, in effect, acting as an agent on behalf of the Consolidated Fund. The Department will therefore be required to prepare a Trust Statement in relation to the revenue associated with asset transfers from FAS qualifying schemes. The first such Trust Statement will be published alongside the 2010-11 Resource Account.

1.3 Accounting Convention

These accounts have been prepared under the historical cost convention modified for the revaluation of property, plant and equipment and available for sale financial assets at fair value, as determined by the relevant IFRS.

1.4 Basis of Consolidation

These accounts comprise a consolidation of the non-Agency parts of the Department (core Department), its Supply-financed Executive Agencies, certain Non-Departmental Public Bodies (NDPBs), the Health and Safety Executive (HSE) and the Child Maintenance and Enforcement Commission (CMEC). Each of these bodies produces its own annual report and accounts. Similarly, separate accounts are also produced for the Social Fund and National Insurance Fund.

A list of entities within the Departmental boundary is given at Note 44. Transactions between these entities are eliminated on consolidation.

The consolidation also includes payment of grants to the following bodies: Better Government for Older People, Motability, the Independent Living Fund, the Pensions Regulator, the Pensions Advisory Service, the Pension Protection Fund, Pensions Ombudsman, Working Ventures UK*, the Personal Accounts Delivery Authority and Remploy. Income and expenditure in relation to the Department's activities as an agent for the European Social Fund are also included.

Social Fund expenditure is consolidated within the accounts and the cash grant to the Social Fund is included in the Summary of Resource Outturn.

Contribution receipts of the National Insurance Fund (NIF) are excluded from the consolidation. However, certain elements of the NIF are included, being contributory benefits funded from the NIF and costs to the Department for administration of the NIF. Also included are amounts repaid by the Department to the NIF in respect of Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) deducted by employers from National Insurance Contributions. The contributory benefits are excluded from the Summary of Resource Outturn. Recoveries from the NIF in respect of administration costs are disclosed as Appropriations in Aid (A in A) within the Summary. Both these recoveries and those in respect of Contributory Benefits are shown as financing in the General Fund. Any difference between contributory benefits paid and funding received from the NIF is recognised within various balances on the Statement of Financial Position, which are summarised in Note 30d.

* Working Ventures UK was given notice to wind up the organisation with effect from 30 September 2009. The operational business was transferred to local regional area partnerships, to whom grants have been paid for the remainder of the year.

The Child Maintenance & Enforcement Commission (CMEC) is responsible for recovering outstanding maintenance from non-resident parents. This includes amounts which, once recovered, will be repaid to the Secretary of State in respect of parents with care who are on benefits. The Departmental Resource Account excludes these as they are legally due to the parent with care until the money is collected. They are accounted for within the CMEC Client Funds Account, which is published separately. When maintenance is collected in respect of parents with care who are receiving gross amounts of Income Support, the receipts are accounted for as Appropriations in Aid within the Department's Resource Account. The income is recognised when the CMEC Client Funds Account makes the payment to the Department.

The consolidation boundary ensures that all items which fall within total social security expenditure are reflected in the Operating Cost Statement, whereas the Summary of Resource Outturn reflects only those items which fall within the Supply Process.

1.5 Transfer of Functions

Machinery of Government changes, which involve the merger of two or more Departments or the transfer of functions or responsibilities from one part of the public sector to another, are accounted for using merger accounting. This requires the restatement of the opening Statement of Financial Position and prior year's Operating Cost Statement, Consolidated Statement of Cash Flows, Statement of Operating Costs by Departmental Strategic Objectives and associated notes to the accounts.

1.6 Areas of Judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include depreciation and amortisation periods, provisions, early departure costs and impairment.

1.7 Estimation Techniques

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Department's accounting policies.

The policies below highlight those areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements.

Impairment of Receivables

Impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, the calculation of which differs depending on the type of receivable.

a. Social Fund

The percentage used in respect of Social Fund impairments is calculated by reference to the previous 8 years' write-offs compared to the receivables outstanding for these years. This percentage is then applied to the total Social Fund receivables outstanding for the current year and projected forward 15 years.

b. Compensation Recovery Unit

The impairment for payments made by the Compensation Recovery Unit (CRU) is calculated on a case-by-case basis.

c. Contributory and non-Contributory Benefits

For contributory and non-contributory benefits the impairment is calculated by reference to data held on new overpayments and information received from the Department's Debt Management function in relation to write-offs and recoveries.

d. Administration Receivables

The impairment percentage is calculated to reflect the aged profile characteristics of the receivables falling due within one year and the recoverability thereof.

The percentage is calculated using the prevailing recovery rates exhibited by the respective receivables profile by Business Unit and by receivable category type and by calculating the actual recovery rates from a recent preceding 12-month period. The calculation includes instalment payments but excludes receivables due within one year from other government departments.

The respective impairment percentage calculations are applied to the appropriate receivables falling due within one year (by category) as disclosed in the related Business Unit Statement of Financial Position at 31 March 2010. This ensures that assets are carried at no more than their fair value i.e. their expected recoverable (net carrying) amount.

Financial Assistance Scheme

In respect of the Financial Assistance Scheme, an estimate is made of the Net Present Value of the likely assistance payments. The estimate is based on an actuarial model of likely caseload. The Department recognises that the basis of the estimate is subject to uncertainty and may need adjustment in a subsequent year of account once actual caseloads are known. The assumptions underlying the model are regularly reviewed against operational data.

Departmental Estimation of Statutory Sick Pay and Statutory Maternity Pay (SSP/SMP)

The figures given for these two benefits are amounts paid to the National Insurance Fund, in respect of expected recoveries of Statutory Sick Pay and Statutory Maternity Pay by employers. Unlike other benefits, where payment is a direct transaction between the Department and a claimant, the employer recovers SSP and SMP. The employer is able to make this recovery after the end of the financial year to which the SSP or SMP payment related; thus the Department must make an estimate of the total recovery for the past financial year, as the actual recovery is not known at this time.

The estimates are created using information on past recoveries. The data is taken from systems administered by HM Revenue & Customs.

The most recent year for which full data is available is 2006-07. Projecting the total from that year forward, to arrive at a value for the current year, generates the estimates. In doing so, allowances are made for the changes that have occurred since 2006-07. These include both demographic factors (including changes in births since 2006-07) and also economic factors (such as inflation and its effect on the benefit rates).

Employee Leave Accrual

IAS19 requires the Department to determine true short term employee benefit liability for employee leave. The Department had originally been relying on a planned system upgrade to collect data for each employee that would calculate the respective employee leave accrual figures at a specific point in time. Delays to the implementation of the upgrade have resulted in the Department developing an interim proxy measure using a sampling approach for calculating both the restated IFRS accrual at 31 March 2009 and the year end accrual for 31 March 2010. The Department's financial representatives (including its statisticians) have worked to develop and implement the appropriate methodology that provides a statistically valid sample from the respective business units, the results of which may be extrapolated across the population to establish a reliable estimate for both 2008-09 and 2009-10.

For the accrual as at 31 March 2008, on the basis that the population and its structure within the Department has not experienced any material changes to that presented for the 2008-09 sample, the employee leave accrual calculation for 2008-09 has been applied retrospectively to the population at 31 March 2008, adjusting for average salaries in total by Business Unit and Full Time Equivalent numbers at 31 March 2008 to provide a valid estimate.

Revaluation of Intangible Assets

The *FReM* interpretation of IAS 38 requires the Department to revalue its intangible assets to depreciated replacement cost as a proxy for fair value. The Department has therefore applied appropriate indices to revalue internally developed software and software licence assets from 1 April 2007 to 31 March 2010.

a. Internally Developed Software

Following extensive consideration and a review of alternative indices, the Department has selected the Average Weekly Earnings (AWE) Private Sector indices to revalue its internally developed software assets. Management consider this to be the most suitable proxy to fair value for internally developed software given the labour intensive nature of software development.

b. Software Licences

The index viewed by management as most appropriate in achieving the requirement of IAS 38 and the *FReM* to establish a suitable proxy for fair value is MM 17: Price Index Numbers for Current Cost Accounting – Indices PQEK Computers & other information processing equipment, as this adequately reflects the movements in the costs of licences during changing market conditions experienced over the reporting period.

1.8 Administration and Programme Expenditure

The Operating Cost Statement is analysed between Administration and Programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition set out in the *FReM*.

Administration costs reflect the costs of running the Department. These include both administrative costs and associated income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining outturn against the administration cost limit, and that operating income which is not.

Programme costs include programme expenditure, programme overheads and non-administration costs, including payments of grants and other disbursements by the Department, which have been agreed as programme expenditure with HM Treasury.

Programme expenditure comprises statutory payments, which include contributory benefit expenditure funded from the National Insurance Fund and expenditure borne by the Social Fund, in addition to the programme expenditure that is within the Supply Process.

Programme overheads consist of impairments, amounts written off and capital charges on programme related net assets.

In respect of grants, a liability arises when the grant recipient carries out the specific activity that forms the basis of the entitlement, or otherwise meets the grant entitlement criteria. Grants payable are recorded as expenditure during the period that the underlying event or activity giving entitlement to the grant occurs.

1.9 Employee Benefits

Short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that the Department has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to Senior Civil Service employees are not recognised until payments to individuals have been determined. The policy in relation to employee pensions is disclosed in Note 1.29.

1.10 Research and Development Expenditure

Expenditure on research is charged to the Operating Cost Statement in the year in which it is incurred. Development expenditure is also recognised in the Operating Cost Statement when incurred unless it meets the specific criteria for capitalisation within IAS 38 *Intangible Assets*. Development costs previously recognised correctly as an expense prior to the relevant criteria being met are not subsequently recognised as an asset upon satisfaction of those criteria. However, on first-time adoption of IFRS some expenditure has been restated due to retrospective application of IAS 38.

1.11 Foreign Currency Translation

These financial statements are prepared in sterling, which is the functional currency of the Department. Foreign currency transactions are accounted for in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Transactions relating to the European Social Fund and which are denominated in a foreign currency are translated into sterling using the exchange rate prevailing on the date of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Operating Cost Statement.

1.12 Value Added Tax (VAT)

For VAT purposes, the Department is treated as a single entity excluding HSE and CMEC as these bodies have separate individual VAT status. Most of the activities of the Department are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.13 Capital Charge

A charge reflecting the cost of capital utilised by the Department is included in expenditure. The charge is calculated at the real rate set by HM Treasury (currently 3.5% – 2008-09 3.5%) on the average carrying amount of all assets less liabilities, except for:

a. cash balances with the Office of the Paymaster General (OPG), where the charge is nil; and

b. assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund where the charge will be at a nil rate.

The capital charge is split between administration costs (see Note 11) and programme overheads (see Note 16) in accordance with the relative proportions of net assets.

1.14 Operating Income

Operating income is income that relates directly to the operating activities of the Department. It comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work and it also includes other income such as that from investments. It includes both income appropriated in aid of the Estimate and income to the Consolidated Fund which, in accordance with the *FReM,* is treated as operating income. Operating income is stated net of VAT.

1.15 Revenue Recognition

The Department complies with IAS 18 in respect of its income streams and recognises revenue when earned.

1.16 Property, Plant and Equipment

Property, plant and equipment are stated at valuation. However, as permitted by the *FReM*, the Department has elected to adopt 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 therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture.

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. Computer hardware has a capitalisation

threshold of £1,000. A capitalisation threshold of £100,000 is applied to leasehold improvements. For all other tangible assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset.

For furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered prohibitive and therefore the majority of these items are recorded on a pooled basis.

On initial recognition, assets include any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Department and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Operating Cost Statement during the financial period in which it is incurred.

1.17 Land and Buildings

Land and buildings are measured initially at cost, restated to current value using external professional valuations in accordance with IAS 16 at least every five years and in the intervening years by use of published indices appropriate to the type of land or building.

Land and buildings are valued on an existing use basis except for the specialist laboratory site owned by HSE, which has been included at depreciated replacement cost.

Expenditure in respect of major capital 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 for the Department.

1.18 Intangible Assets

Whether acquired externally or generated internally, intangible assets are initially measured at cost, with subsequent measurement at valuation. Where an active market exists for the asset, it is carried at a revalued amount based on fair value at the end of the reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

Purchased Software

Purchased software licences and applications covering a period of more than one year and which are above the capitalisation threshold of £1,000 are capitalised at cost as intangible assets and subsequently revalued, using appropriate indices as a proxy for fair value. Licences purchased by HSE are capitalised if cost exceeds £500. In view of the large number of software licences purchased across the Department, those capitalised are accounted for on a pooled basis with any items or pools amounting to over £100,000 identified individually.

Licences with a finite life are amortised, on a straight-line basis, over the shorter of the licence period or 5 years. Should the Department purchase licences in advance they are deemed available for use and therefore subject to amortisation as soon as they are purchased.

Expenditure on annual software licences is charged to the Operating Cost Statement.

Internally Developed Software

Internally developed software is capitalised if it meets the criteria specified in IAS 38 *Intangible Assets*. Costs that are categorised as research or development costs are accounted for accordingly (see Note 1.10). Development costs are classified as assets under construction until the asset is available for use when the asset is transferred to the relevant asset class. Internally developed software that has a finite useful life is amortised on a straight-line basis over the shorter of 5 years or the life of the software.

The Department does not capitalise staff costs for permanent employees of DWP. These form part of the ongoing costs of the Department and, as they relate to core staff, are not considered incremental costs to an internally developed software project.

Expenditure that does not meet the criteria for capitalisation is recognised as an expense in the year in which it is incurred. Costs associated with the maintenance of software are also expensed when incurred.

Website Development Costs

Website development costs are capitalised in line with the requirements of SIC 32 *Web Site Costs* and the specific criteria as determined by IAS 38 *Intangible Assets*. Costs that are categorised as research or development costs are accounted for accordingly (see Note 1.10).

1.19 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives. No depreciation is charged on freehold land.

Depreciation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Property, plant and equipment is therefore depreciated from the month following acquisition, except for those of HSE and those relating to the Department's TREDSS and ICONS contracts, which are depreciated from the date of acquisition. No depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until the asset is available for use.

Estimated useful asset lives are within the following ranges:

Freehold Buildings	50 years or remaining life as assessed by the valuers
Leasehold Buildings	Period remaining on lease or to next rent review
HSL PFI Leasehold Buildings	60 years designated life
Leasehold Improvements	Up to 20 years (over the period remaining on lease)
Information Technology	3 to 7 years
Plant and Machinery	5 to 10 years
Furniture and Fittings	2 to 15 years (except HSL PFI contract which is 30 years)
Motor Vehicles	4 to 9 years

For vehicles acquired by the Health and Safety Executive car-leasing scheme, 68% of the original cost is depreciated over the three-year life of the contract.

The residual values and useful lives of assets are reviewed and adjusted if appropriate at the end of each reporting period.

1.20 Amortisation

Amortisation is calculated on intangible assets using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Intangible assets are therefore amortised from the month following acquisition, except for those of HSE, which are amortised from the date of acquisition. No amortisation is charged in the month of disposal. Assets in the course of construction are not amortised but are subject to impairment reviews until the asset is brought into use.

Estimated useful asset lives are within the following ranges:

Software licences	Shorter of licence period and 5 years
Internally developed software	5 years
Websites	5 years

The residual values and useful lives of intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.21 Revaluation and Impairment of Non-Current Assets

Increases in value are credited to the revaluation reserve whilst decreases in value are debited to the revaluation reserve up to the level of depreciated historical cost for any asset previously revalued. Any excess devaluation is charged to the Operating Cost Statement. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Operating Cost Statement.

Intangible assets with an indefinite useful life are not subject to amortisation and are instead tested annually for impairment. All non-current assets are also reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.22 Financial assets and liabilities

Financial assets and liabilities are recognised when the Department becomes party to the contracts that give rise to them. The Department determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by IAS 39 as appropriate. Financial assets are derecognised when the right to receive cash flows has expired or the Department has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligations under the liability are discharged, cancelled or expire. It is, and has been, the Department's policy that no trading in financial instruments is undertaken.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between informed and willing parties. On initial recognition of a financial instrument, this is usually the transaction amount. Where the classification of a financial instrument requires it to be subsequently measured at fair value, fair value is determined using expected cash flows discounted back to a present value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost, net of any impairment. The fair value of trade receivables is usually the original invoiced amount. Any changes in value are recognised in the Operating Cost Statement. Loans and receivables are included in current assets, except for those maturing more than 12 months after the end of the reporting period, which are classed as non-current assets.

Cash and cash equivalents comprise cash in hand and current balances, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. These balances are held with banks and similar institutions or with Paying Agents. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts and encashment control balances. Bank overdrafts are included within current liabilities in the Statement of Financial Position.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. They are recognised at fair value. Unrealised gains and losses arising from changes in fair value are recognised initially in the Consolidated Statement

of Changes in Taxpayers' Equity until sale, when the cumulative gain or loss is transferred to the Operating Cost Statement.

Financial liabilities measured at amortised cost

Financial liabilities within trade payables and accruals are non interest-bearing and are initially recognised at fair value, which is deemed to be the original invoiced amount. They are subsequently carried at amortised cost.

Impairment of financial assets

The Department assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events have had an adverse impact on the estimated future cash flows of the financial instrument they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped, where they are not individually significant, on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows and is recognised in the Operating Cost Statement. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

For the purpose of measuring the impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows.

1.23 Assets held for sale

Assets held for sale are accounted for in accordance with IAS 5 *Non-Current Assets Held For Sale* and *Discontinued Operations*. Where the carrying amount of an asset is to be recovered by sale rather than continuing use and a sale is expected to be completed within one year of the reporting date, the asset is reclassified as an asset held for sale. Such assets are disclosed separately in the Statement of Financial Position and are included at the lower of carrying amount and fair value less costs to sell. Once classified as assets held for sale, depreciation is no longer applied.

1.24 Inventories

Inventories and work in progress are valued as follows:

- Finished goods and priced goods for resale are valued at cost less costs to sell or, where materially different, current replacement cost and at net realisable value only when they either cannot or will not be used. The cost of free publications is expensed in the year in which it is incurred.

- Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

The Department also holds inventories of stationery, computer spares and similar consumable materials for its own use. Due to the nature of these items the Department does not consider it appropriate to reflect their value in the Statement of Financial Position. Accordingly, the Department charges all expenditure on consumable items to the Operating Cost Statement on receipt.

1.25 Benefit Overpayment Receivables

The Department seeks to recover all overpayments where it is cost effective to do so, unless it will cause hardship to the customer.

Overpayments are referred to Debt Management for collection using recovery procedures appropriate to the receivable. The current sums and guidelines on overpayment referral and recovery are set out in the Department's procedures for dealing with overpayments and recoveries. Overpayments below the de minimis limit are scheduled and written off in the Department's Agencies, with the exception of fraud cases, exception cases and direct payments after death which are referred.

Receivables are recognised in the accounts when a decision has been taken that an overpayment above the de minimis limit is identified, and there is a legal basis to seek recovery. In such circumstances a notification letter is issued which sets out the legal decision that the receivable is recoverable. The Department regards this letter as sufficient and appropriate evidence to support the existence and valuation of a receivable. Benefit receivables recognised in the Statement of Financial Position are valued at the difference between the amount the customer has been paid and what they should have been paid.

Benefit payments made are accounted for as Programme expenditure in the year in which they are made. The receivable recognised is accounted for as a reduction to Programme expenditure in the year in which it is recognised.

Receivables are assessed at the end of each accounting period and reduced to the present value of estimated future cash recoveries by impairment. In addition, the Department includes impairment in respect of any element of benefit receivables that could be subject to challenge and consequently written-off.

Certain categories of identified overpayment are not recognised as receivables, including:

- Those due to official error where there is no statutory right of recovery;
- Cases satisfying Secretary of State waiver policies; and/or
- The customer is deceased and there is insufficient estate to recover the receivable.

The Department does not embark on specific exercises to identify and recover potential overpayments from periods prior to 2007-08, as this does not represent value for money. However, current business processes will identify some receivables arising that may not have been recognised at the time that they occurred through activities such as data matching, scans and case cleansing work.

The Department's write-off policy has been agreed with HM Treasury. To ensure it is applied consistently, detailed guidance is given in the Overpayment Recovery Guide and Managing Public Money. Secretary of State waivers are referred to a central unit for a decision. In addition to the day-to-day supervisory controls, the Department undertakes periodic exercises to review the quality and consistency of write-off decision-making.

1.26 Housing Benefit and Council Tax Benefit Subsidy Overpayments

Receivables arise when the subsidy paid to a local authority by the Department is in excess of entitlement and results in an overpayment. Receivables are valued in the Statement of Financial Position at the amount of overpayment recoverable by the Department.

Following the certification of final claims submitted by local authorities, the external auditor reports any subsidy claimed by an authority that does not comply with the subsidy regulations. The Secretary of State, in the exercise of his discretion under the provisions of S140C (3) of the Social Security Administration Act 1992, will decide whether and, if so, how much of the overpayment should be recovered.

Following the Secretary of State's decision, the value of the recoverable overpayment is communicated to the local authority by an overpayment decision letter. Local authorities have no right of appeal against a decision taken by the Secretary of State to recover overpaid subsidy under S140C (3) of the 1992 Act. The decision can only be challenged by judicial review.

The Department regards the overpayment decision letter as sufficient and appropriate evidence of the existence and valuation of a receivable and the point at which it is recognised.

1.27 Provisions

Provisions are recognised when the Department has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle the obligation. These obligations, which are of uncertain timing or amount at the end of the reporting period, are included on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2% – 2008-09 2.2%). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Operating Cost Statement.

1.28 Early Departure Costs

The Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 1.8% (2008-09 2.2%) in real terms. Where the Department funds early release schemes centrally then a provision is created in the Resource Account with notional costs of lump sum and annual compensation payments recharged to Business Units.

In past years the Department paid in advance some of its liability for early retirement by making a payment to the Office of the Paymaster General Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance was treated as a prepayment, which is disclosed within administration receivables (see Note 28).

1.29 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 8, cover past and present employees. The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. The Department recognises the expected cost of these elements, on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

Previous Chairs of the Health and Safety Executive were not members of the PCSPS but arrangements exist whereby HSE make pension payments analogous to those that would have been made had they been members of the PCSPS and which are payable out of current year's funds that are made available. The appointment of Board members (other than the Chair) is non-pensionable. The current Chair is not a member of the PCSPS but a contribution of 25% of her salary is made to a stakeholder pension provider. The pension liability is valued each year by the Government Actuary's Department and the full amount calculated is treated as a provision in the Statement of Financial Position. Changes to the provision resulting from actuarial losses or gains are charged to the General Fund, with in-year service charges and interest charges included in the Operating Cost Statement.

1.30 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases of assets where substantially all risks and rewards of ownership are borne by the Department are classified as finance leases. Leased assets are capitalised, on inception of the lease, at the lower of

the present value of the minimum lease payments discounted by the interest rate implicit in the lease or the fair value of the leased asset. Obligations relating to finance leases are recognised as liabilities. Lease payments are apportioned between reductions in the capital obligation included in payables and the interest element of the finance lease payment, which is charged to the Operating Cost Statement over the period of the lease.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.31 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector.

Where the Department has control over the PFI asset, or where the Department does not have control but the balance of control is borne by the Department, the asset is recognised as a non-current asset and the liability to pay for it is accounted for as a finance obligation. Contract payments are apportioned between a reduction in the capital obligation, an imputed finance lease charge and a service charge.

Where the Department does not have control over the PFI asset and the balance of risks and rewards of control are borne by the PFI operator, the PFI payments are recorded as an expense. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

1.32 Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed, unless they are remote.

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the agreement; and

- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts), which are required by the *FReM* to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities that are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.33 Third-Party Assets

CMEC holds, as custodian, certain monies belonging to third parties (see Note 42). These are not recognised in the accounts, as neither the Department nor Government more generally has a direct beneficial interest in them. The transactions are included within a Client Funds Account, which is published separately.

1.34 Operating Segments

The Department is not required to apply IFRS 8 in full and does not therefore disclose segmental reporting information within the financial statements. Instead, the Department prepares a Statement of Operating Costs by Departmental Strategic Objectives.

IFRS 8 applies in full to the individual Agencies and NDPBs within the consolidation boundary. Within these bodies, operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker and used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the entity's management board.

2. First-time adoption of IFRS

This is the first year that the Department has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31 March 2009.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2010, the restated comparative information presented for the year ended 31 March 2009 and in the preparation of an opening IFRS Statement of Financial Position as at 1 April 2008, the Department's date of transition to IFRS.

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in Spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy not related to IFRS were included in Estimates in line with conventional arrangements.

The effect of the transition on the Department's financial position, operating costs and cash flows is set out in the following tables and the accompanying notes.

(i) Reconciliation of Financial Position at 31 March 2008

Reconciliation of Financial Position at 31 March 2008 and date of transition

	Note	UK GAAP Published accounts at 31 March 2008	IFRS Adjustments	MOG Transfers	IFRS Statement of Financial Position as at 1 April 2008
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	a c h	833,136	1,906,271	(1,664)	2,737,743
Intangible assets	b c	51,585	254,773	(1,020)	305,338
Financial assets	d	1,451	-	-	1,451
Trade and other receivables	e	950,275	(47,279)	-	902,996
Current assets					
Inventories		1,346	-	-	1,346
Trade and other receivables	e	2,795,220	(3,780)	(2,092)	2,789,348
Cash with paying agents	f	35,132	(35,132)	-	-
Cash and cash equivalents		193,294	-	(2)	193,292
Current liabilities					
Trade and other payables	f g	(3,851,853)	(162,048)	6,347	(4,007,554)
Non-current liabilities					
Provisions	i	(3,641,578)	(355)	1,669	(3,640,264)
Other payables	g	(430,653)	(1,228,132)	-	(1,658,785)
Pension liabilities		(2,618)	-	1,201	(1,417)
Net Assets/(Liabilities)		**(3,065,263)**	**684,318**	**4,439**	**(2,376,506)**
Taxpayers' Equity					
General Fund		(3,080,486)	(752,652)	4,850	(3,828,288)
Revaluation Reserve		15,220	1,436,970	(411)	1,451,779
Government Grant Reserve		3	-	-	3
		(3,065,263)	**684,318**	**4,439**	**(2,376,506)**

UK GAAP figures as at 31 March 2008 are as restated in the 2008-09 published accounts.

(ii) Reconciliation of Financial Position at 31 March 2009

	Note	UK GAAP Published accounts at 31 March 2009	IFRS adjustments	MOG Transfers	Reclassifications	IFRS Statement of Financial Position as at 31 March 2009
		£000	£000	£000	£000	£000
Non-current assets						
Property, plant and equipment	a c h	755,946	1,364,967	(556)	-	2,120,357
Intangible assets	b c	58,801	312,203	(369)	-	370,635
Financial assets	d	7,439	3,437	-	-	10,876
Trade and other receivables	e	984,505	(43,169)	-	-	941,336
Current assets						
Inventories		1,456	-	-	-	1,456
Trade and other receivables	e	2,186,717	(4,166)	(399)	(339)	2,181,813
Cash and cash equivalents		314,598	-	-	-	314,598
Current liabilities						
Trade and other payables	f g	(4,498,813)	(197,338)	1,198	(3,508)	(4,698,461)
Non-current liabilities						
Provisions	i	(4,370,652)	(355)	397	3,847	(4,366,763)
Other payables	g	(180,879)	(1,081,164)	-	-	(1,262,043)
Pension liabilities		(17,622)	-	16,482	-	(1,140)
Net Assets/(Liabilities)		**(4,758,504)**	**354,415**	**16,753**	**-**	**(4,387,336)**
Taxpayers' Equity						
General Fund	2(v)	(4,770,952)	(638,169)	16,753	12	(5,392,356)
Revaluation Reserve	2(v)	12,446	992,584	-	(12)	1,005,018
Government Grant Reserve	2(v)	2	-	-	-	2
		(4,758,504)	**354,415**	**16,753**	**-**	**(4,387,336)**

(iii) Reconciliation of net operating costs for the year ended 31 March 2009

	Note	UK GAAP published accounts 2008-09	IFRS adjustments	MOG Transfers	Reclassifications	IFRS Operating Cost Statement 2008-09
		£000	£000	£000	£000	£000
Administration costs						
Staff costs	j	3,121,736	18,846	(29,668)	(303)	3,110,611
Other administration costs	a h k m	2,903,199	46,135	(1,331)	7,773	2,955,776
Gross administration costs		**6,024,935**	**64,981**	**(30,999)**	**7,470**	**6,066,387**
Operating income		(316,801)	1	-	(4,450)	(321,250)
Net administration costs		**5,708,134**	**64,982**	**(30,999)**	**3,020**	**5,745,137**
Programme costs						
Expenditure		137,809,116	(2)	-	(7,470)	137,801,644
Income		(467,941)	-	-	4,450	(463,491)
Net programme costs		**137,341,175**	**(2)**	**-**	**(3,020)**	**137,338,153**
Net Operating cost		**143,049,309**	**64,980**	**(30,999)**	**0**	**143,083,290**

Reclassifications have been made to ensure the correct presentation of certain items between categories in the accounts.

(iv) Summary of net operating cost restatements for the year ended 31 March 2009

	Note	£000	£000
Net operating cost for 2008-09 under UK GAAP			**143,049,309**
Adjustments for:			
IAS 19 *Employee Benefits* – Employee leave accrual	j	2,387	
IAS 19 *Employee Benefits* – Actuarial loss on pensions	l	16,456	
IAS 38 *Intangible Assets* – Retrospective capitalisation of IT spend	b	(58,121)	
IAS 17 –*Leases* –Derecognition of leasehold improvements	a	(77,394)	
IAS 17 *Leases* and IFRIC 12 *Service Concession Arrangements* – Recognition of TREDSS and ICONS assets on-Statement of Financial Position	a	9,287	
IFRIC 12 *Service Concession Arrangements* – Recognition of PRIME Estate as on-Statement of Financial Position assets	a	135,820	
IAS 17 *Leases* – Recognition of Newcastle Estate	a	11,036	
IAS 17 *Leases* and IFRIC 12 *Service Concession Arrangements* – PFI contracts service charges	k	(7,518)	
IAS 17 –*Leases* – PFI interest and interest on capital		2,111	
IAS 36 *Impairment of Assets* – Impairment of Callender Gate Estate to market value	h	4,065	
IAS 17 – *Leases* – Deficit on revaluation of Redgrave Court	c	5,435	
IAS 16 – *Property, plant and equipment* – Recognition, revaluation and depreciation of assets	a c	5,093	
Other adjustments	m	16,323	
Total IFRS adjustments			64,980
MOG Transfers	2 (viii)		(30,999)
Net operating cost for 2008-09 under IFRS			**143,083,290**

(v) Reconciliation of Taxpayers' Equity at 31 March 2009

	Note	General Fund £000	Revaluation Reserve £000	Government Grant Reserve £000	Total £000
Taxpayers' equity at 31 March 2009 under UK GAAP		**(4,770,952)**	**12,446**	**2**	**(4,758,504)**
IFRS Adjustments:					
IAS 19 *Employee Benefits*	j	(65,324)	-	-	(65,324)
IAS 38 *Intangible Assets*	b c	124,015	1,477	-	125,492
IAS 17 *Leases,* IFRIC 12 *Service Concession Arrangements* and IFRIC 4 *Determining whether an Arrangement contains a Lease*	a c g	(691,712)	991,106	-	299,394
IAS 16 *Property, Plant and Equipment*	a	(3,992)	-	-	(3,992)
IAS 36 *Impairment of Assets*	h	(4,065)	-	-	(4,065)
MOG Transfers		16,768	(11)	-	16,757
UK GAAP		3,405	-	-	3,405
Other		(499)	-	-	(499)
Total adjustments		**(621,404)**	**992,572**	**-**	**371,168**
Taxpayers' equity at 1 April 2009 under IFRS		**(5,392,356)**	**1,005,018**	**2**	**(4,387,336)**

(vi) Reconciliation of Cash Flows for the year ended 31 March 2009

	Note	UK GAAP 2008-09 £000	Adjustments 2008-09 £000	Restated IFRS 2008-09 £000
Cash flows from operating activities				
Net operating cost	2(iv)	**(143,049,309)**	**(33,981)**	**(143,083,290)**
Adjustments for non-cash transactions	a h	860,296	269,090	1,129,386
Interest element of finance lease payments	g	712	(1,621)	(909)
(Increase) in inventories		(110)	-	(110)
Decrease in Paying Agents	f	35,132	(35,132)	-
Decrease in trade and other receivables	e	574,273	(5,078)	569,195
Less movements in receivables relating to items not passing through the Operating Cost Statement		(10,885)	3,111	(7,774)
Increase in trade and other payables	g	507,057	(127,488)	379,569
Less movements in payables relating to items not passing through the Operating Cost Statement		(192,373)	162,982	(29,391)
Use of provisions	i	(83,880)	73	(83,807)
Net cash outflow from operating activities		**(141,359,087)**	**231,956**	**(141,127,131)**
Cash flows from investing activities				
Purchase of property, plant and equipment	a	(88,622)	13,439	(75,183)
Purchase of intangible assets	b	(11,472)	(127,869)	(139,341)
Loans to other bodies	d	(5,623)	(3,437)	(9,060)
Proceeds of disposal of property, plant and equipment		1,345	-	1,345
Net cash outflow from investing activities		**(104,372)**	**(117,867)**	**(222,239)**
Cash flows from financing activities				
From the Consolidated Fund (Supply) – current year		70,300,415	-	70,300,415
From the Consolidated Fund (Supply) – prior year		45,910	-	45,910
From the National Insurance Fund		71,454,551	-	71,454,551
Net financing from the Contingencies Fund		(1,312)	-	(1,312)
Payments of amounts due to the Consolidated Fund		(104,930)	-	(104,930)
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		-	(138,554)	(138,554)
Net financing		**141,694,634**	**(138,554)**	**141,556,080**
Net increase in cash and cash equivalents in the period	f	**231,175**	**(24,465)**	**206,710**
Cash and cash equivalents at the beginning of the period	f	**55,225**	**(2,166)**	**53,059**
Cash and cash equivalents at the end of the period	f	**286,400**	**(26,631)**	**259,769**

(vii) Impact of transition to IFRS

a. Lease and Service Concession Arrangements (IAS 17, IFRIC 12 and IFRIC 4) – the main impact has been the reclassification of some lease arrangements. Finance lease tests under UK GAAP and IFRS are broadly similar except that IAS 17 requires property leases to be considered as component parts i.e. land and buildings separately. Following a detailed review of the Department's lease and service concession arrangements, several leases have been reclassified as finance leases as at 1 April 2008. This has led to an increase in property, plant and equipment and a similar increase in finance lease payables. The impact on expenditure is that some operating lease expenses are replaced with depreciation and financing charges for the capitalised elements of the reclassified leases.

b. Intangible Assets (IAS 38) – Under UK GAAP, software purchases and capitalised software development costs were included within tangible fixed assets in the Statement of Financial Position. Under IAS 38, such items have been reclassified and are now disclosed as intangible assets. In addition, retrospective application of IAS 38 has resulted in the identification of additional expenditure to be capitalised as Intangible Assets and additional associated amortisation charges.

c. Property, Plant and Equipment (IAS 16) and Intangible Assets (IAS 38) – IAS 16 and IAS 38, as adapted by the *FReM,* require assets to be included in the Statement of Financial Position at

valuation. The Department has elected to use depreciated historic cost as a proxy for fair value for the following asset categories – IT hardware, motor vehicles, plant and machinery and furniture –as permitted by the *FReM*. Property revaluations have been included based on professional valuations. Intangible assets have been included at depreciated replacement cost as a proxy for fair value using appropriate indices.

d. Financial Assets (IAS 39) – *Financial Instruments: Recognition and Measurement* – Additional loans made by the Department have been identified and classified as financial assets on the Statement of Financial Position.

e. Trade and other receivables – IAS 17 *Leases* and IFRIC 12 *Service Concession Arrangements* – The classification of property contracts as finance leases has resulted in the derecognition of accommodation prepayments previously disclosed within receivables in the statement of Financial Position.

f. Cash and Cash Equivalents (IAS 7) – IAS 7 extends the definition of cash to cash and cash equivalents. This results in a change of presentation of the cash flow information to include Cash with Paying Agents. Overdraft balances are disclosed within payables.

g. The most significant change within non-current liabilities is the recognition of finance lease obligations of £1,177 million.

h. Impairments (IAS 36) – Under IAS 36, assets are reviewed when there are any indicators of impairment. Following impairment reviews, the Department has recognised impairments on property to the value of £4.065 million on transition, which have reduced the value of non-current assets shown in the Statement of Financial Position.

i. Provisions (SIC 15) – *Operating Leases – Incentives* – Provisions in respect of onerous leases were adjusted in respect of rent-free periods and reverse premiums following a review of lease incentives included within contracts held by the Rent Service.

j. Leave accrual (IAS 19) – *Employee Benefits* – The Department has recognised accruals in relation to holiday leave and flexi-leave which has been earned by employees as at the reporting date. In-year movements in the accrual are reflected within the Operating Cost Statement.

k. PFI service charges – IAS 17 *Leases* and IFRIC 12 *Service Concession Arrangements* – Adjustments have been made to the service charge element of PFI arrangements as a result of the review of contracts.

l. Pensions (IAS 19) – *Employee Benefits* – The actuarial movements on pensions are now accounted for via the Operating Cost Statement rather than the General Fund.

m. Other adjustments – This consists mainly of adjustments to capital charges as a result of changes to the assets and liabilities held on the Statement of Financial Position.

(viii) Machinery of Government (MOG) Transfers

Reported figures have been restated for the effect of MOG transfers. The following MOG transfers were effected and reported in the 2008-09 accounts:

- Transfer of the Pesticides Safety Directorate to the Health and Safety Executive on 1 April 2008
- Transfer of Directgov from the Central Office of Information to the Department on 1 April 2008
- Transfer of the e-Delivery Team from the Cabinet Office to the Department on 1 April 2008

Further adjustments were made and are reported in these accounts in respect of the following MOG transfer:

- Transfer of the functions of the Rent Service to the Valuation Office Agency, an executive Agency of HM Revenue and Customs from 1 April 2009. The Rent Service is responsible for the provision of rental valuations for local authority Housing Benefit determinations and the registration of fair rents for tenancies regulated by the Rent Act 1977.

3. Analysis of Net Resource Outturn by Section

		2009-10								Restated 2008-09
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total Outturn compared with Estimate Saving / (Excess)	Prior-Year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 1: Ensuring the best start for all children and ending child poverty in 20 years										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Child Maintenance and Enforcement Commission	447,727	(5)	–	447,722	(2,699)	445,023	461,307	16,284	587,462
	Impairments	–	–	–	–	–	–	–	–	852
		447,727	**(5)**	**–**	**447,722**	**(2,699)**	**445,023**	**461,307**	**16,284**	**588,314**
RfR 2: Promote work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	2,849,154	13,171	96,542	2,958,867	(569,080)	2,389,787	2,509,185	119,398	2,789,450
B	Employment programmes	–	1,299,849	75,583	1,375,432	(659)	1,374,773	1,514,217	139,444	1,028,363
C	Health and Safety Executive	247,769	76,230	–	323,999	(99,871)	224,128	231,019	6,891	219,240
D	Health and Safety Laboratory	33,122	5,591	–	38,713	(39,561)	(848)	1	849	(6)
E	Capital Grants	–	–	6,700	6,700	–	6,700	7,000	300	–
F	European Social Fund and European Globalisation Fund	–	–	251,920	251,920	(251,920)	–	1	1	(741)
G	European Social Fund payments in advance of receipts	–	(26,667)	90,362	63,695	(85,670)	(21,975)	(9,103)	12,872	10,382
Support for Local Authorities										
H	Employment Programmes	–	–	66,264	66,264	–	66,264	37,047	(29,217)	66,020
I	Housing benefit and council tax benefit administration grants	–	–	613,752	613,752	–	613,752	578,739	(35,013)	548,010
J	European Social Fund	–	–	8,295	8,295	(8,295)	–	1	1	–
K	European Social Fund payments in advance of receipts	–	–	1,620	1,620	(1,620)	–	1	1	–
L	Area Based Grants	–	–	50,969	50,969	–	50,969	48,000	(2,969)	32,884

		2009-10								Restated 2008-09
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total Outturn compared with Estimate Saving / (Excess)	Prior-Year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
M	Severe Disablement Allowance	–	(138)	906,754	906,616	(21)	906,595	888,005	(18,590)	887,794
N	Industrial injury benefits	–	7	871,725	871,732	(26,479)	845,253	842,926	(2,327)	819,566
O	Income support (under 60 years of age)	–	(34,713)	8,360,032	8,325,319	(51,964)	8,273,355	7,856,105	(417,250)	8,599,279
P	Jobseeker's allowance (income based)	–	(3,757)	3,597,071	3,593,314	(3,802)	3,589,512	4,321,218	731,706	2,128,555
Q	Jobseeker's allowance (contribution based)	–	–	1,089,432	1,089,432	(1,089,432}	–	1	1	–
R	Job Grant	–	–	48,431	48,431	–	48,431	50,762	2,331	38,630
S	Employment Allowances	–	–	115,341	115,341	–	115,341	90,429	(24,912)	115,643
T	Housing and Council tax benefit capital charge	–	(19,685)	–	(19,685)	–	(19,685)	3,000	22,685	(8,615)
U	Employment and Support Allowance non contributory	–	21	689,302	689,323	(235)	689,088	1,143,035	453,947	62,867
V	In Work Credit	–	–	106,996	106,996	–	106,996	101,619	(5,377)	91,762
W	Return to Work Credit	–	–	63,076	63,076	–	63,076	60,122	(2,954)	62,838
Support for Local Authorities										
X	Housing benefit and council tax benefit subsidies	–	–	18,854,705	18,854,705	–	18,854,705	18,716,423	(138,282)	15,634,419
Y	Rent rebates	–	–	5,324,189	5,324,189	–	5,324,189	5,572,259	248,070	5,204,982
Z	Discretionary housing payments	–	–	18,951	18,951	–	18,951	20,000	1,049	18,746
Non-Budget										
AA	Statutory benefits (Statutory Sick Pay and Statutory Maternity Pay)	–	–	1,683,656	1,683,656	–	1,683,656	1,869,108	185,452	1,626,475
AB	Working Age (Grant-in-Aid)	–	–	4,822	4,822	–	4,822	1,751	(3,071)	4,000
AC	IFRS Adjustments	–	6,674	–	6,674	–	6,674	6,674	–	–
	Prior Period Adjustment	–	–	–	–	–	–	–	–	320,299
	Impairments	–	–	–	–	–	–	–	–	31
		3,130,045	**1,316,583**	**42,996,490**	**47,443,118**	**(2,228,609)**	**45,214,509**	**46,459,545**	**1,245,036**	**40,300,873**

		2009-10								Restated 2008-09
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total Outturn compared with Estimate Saving / (Excess)	Prior-Year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 3: Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	459,460	49,004	2,917	511,381	(391,096)	120,285	189,359	69,074	257,732
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
B	Pension benefits	–	(1,800)	90,278	88,478	–	88,478	82,358	(6,120)	274,938
C	Income support for the elderly and Pension Credit	–	255	8,228,896	8,229,151	–	8,229,151	8,355,292	126,141	7,795,235
D	TV licences for the over 75s	–	–	555,293	555,293	–	555,293	545,116	(10,177)	533,192
E	Financial Assistance Scheme	–	(185,022)	–	(185,022)	–	(185,022)	54,451	239,473	650,271
Non-Budget										
F	Payments to the Social Fund	–	–	3,513,998	3,513,998	–	3,513,998	3,741,753	227,755	3,243,943
G	Payments to Executive Non-Departmental Public Bodies	–	–	46,769	46,769	–	46,769	49,809	3,040	57,808
H	Prior Period Adjustment	–	–	–	–	–	–	–	–	4,519
		459,460	**(137,563)**	**12,438,151**	**12,760,048**	**(391,096)**	**12,368,952**	**13,018,138**	**649,186**	**12,817,638**
RfR 4: Improve the rights and opportunities for disabled people in a fair and inclusive society										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	196,775	298	–	197,073	(1,064)	196,009	182,282	(13,727)	229,513
B	Motability administration	–	–	1,271	1,271	(122)	1,149	2,567	1,418	3,651
Spending in Annually Managed Expenditure (AME)										
Central Government spending										
C	Attendance allowance	–	(574)	5,111,327	5,110,753	(3,550)	5,107,203	5,172,506	65,303	4,736,681
D	Disability living allowance	–	(2,287)	11,519,401	11,517,114	(13,590)	11,503,524	11,511,347	7,823	10,527,026
E	Carer's allowance	–	(1,222)	1,497,932	1,496,710	–	1,496,710	1,498,921	2,211	1,363,279
F	Vaccine Damage payments	–	–	292	292	–	292	360	68	–
G	Grants to independent bodies	–	–	17,063	17,063	–	17,063	16,099	(964)	16,801
Non-Budget										
H	Disability Grants in Aid	–	–	342,500	342,500	–	342,500	341,606	(894)	322,610
I	Prior Period Adjustment	–	–	–	–	–	–	–	–	22,084
		196,775	**(3,785)**	**18,489,786**	**18,682,776**	**(18,326)**	**18,664,450**	**18,725,688**	**61,238**	**17,221,645**

		2009-10								Restated 2008-09
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total Outturn compared with Estimate Saving / (Excess)	Prior-Year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000	£000
RfR 5 : Corporate contracts and support services										
Spending in Departmental Expenditure Limits (DEL)										
Central Government spending										
A	Administration	1,380,314	13,314	25,974	1,419,602	(328,379)	1,091,223	1,159,567	68,344	677,278
B	Directgov	27,915	1	–	27,916	(869)	27,047	29,572	2,525	30,188
C	Local Authority Grants	–	–	(54)	(54)	–	(54)	1,085	1,139	75
Non-Budget										
D	IFRS Adjustments	–	814,073	–	814,073	–	814,073	863,863	49,790	–
		1,408,229	**827,388**	**25,920**	**2,261,537**	**(329,248)**	**1,932,289**	**2,054,087**	**121,798**	**707,541**
Resource Outturn		**5,642,236**	**2,002,618**	**73,950,347**	**81,595,201**	**(2,969,978)**	**78,625,223**	**80,718,765**	**2,093,542**	**71,636,011**

Explanation of the variation between Estimate and Outturn:

Detailed explanations of the variances are given in the Management Commentary.

Prior period adjustments relate to fair value adjustments of financial instruments as a result of the introduction of IAS 39 *Financial Instruments: Recognition and Measurement* in 2008-09 (see also Note 4).

4. Reconciliation of outturn to net operating cost and against Administration Budget

(i) Reconciliation of net resource outturn to net operating cost

	Note	Outturn £000	Supply Estimate £000	2009-10 Outturn compared with Estimate Saving/ (Excess) £000	Restated 2008-09 Outturn £000
Net Resource Outturn	3	78,625,223	80,718,765	2,093,542	71,636,011
Non-Supply Expenditure	15(ii)	75,704,253	76,188,489	484,236	70,635,263
Excess of Social Fund expenditure over Social Fund grant and excess SMP/SSP		(153,424)	(212,314)	(58,890)	157,202
Non A in A operating income		1,055,681	1,055,677	(4)	1,001,351
Income payable to the Consolidated Fund (excess A in A)		(69)	-	69	(36,712)
Income payable to the Consolidated Fund (non A in A)	6	(46,571)	(5,000)	41,571	(12,694)
Other non-voted expenditure		1,940	-	(1,940)	1,182
IFRS Adjustments		-	-	-	48,588
Prior period adjustments		-	-	-	(346,901)
Net operating cost		**155,187,033**	**157,745,617**	**2,558,584**	**143,083,290**

Non A in A operating income is amounts received in respect of National Insurance Fund administration costs.

(ii) Outturn against final Administration Budget

	Budget	2009-10 Outturn	Restated 2008-09 Outturn
	£000	£000	£000
Gross Administration Budget	6,473,742	6,318,920	5,897,536
Income allowable against the Administration Budget	(231,235)	(233,071)	(242,542)
Non-Voted expenditure within the Administration Budget	-	-	-
Net outturn against final Administration Budget	**6,242,507**	**6,085,849**	**5,654,994**

5. Reconciliation of net resource outturn to net cash requirement

		2009-10			Restated 2008-09
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Prior Year Outturn
		£000	£000	£000	£000
Net Resource Outturn	3	80,718,765	78,625,223	2,093,542	71,636,011
Capital:					
Acquisition of property, plant and equipment		328,702	330,393	(1,691)	99,315
Non-Operating Cost A in A					
Proceeds of asset disposals		-	-	-	(1,345)
Development gains		-	-	-	(20,352)
Accruals adjustments					
Non-cash items	10(ii)	(684,745)	(212,063)	(472,682)	(1,095,334)
Changes in working capital other than cash		584,883	162,657	422,226	(276,116)
Use of provisions		70,931	74,631	(3,700)	79,687
Cash receipts surrenderable to the Consolidated Fund		-	-	-	-
Prior period adjustment		-	-	-	(346,901)
Net Cash Requirement		**81,018,536**	**78,980,841**	**2,037,695**	**70,074,965**

Explanation of the variation between Estimate and Outturn:

Detailed explanations of the variances are given in the Management Commentary.

6. Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Forecast 2009-10		Outturn 2009-10	
	Income	*Receipts*	Income	*Receipts*
	£000	*£000*	£000	*£000*
Operating income and receipts – excess A in A	-	-	69	*13,469*
Other operating income and receipts not classified as A in A	5,000	*5,000*	46,571	*46,571*
	5,000	*5,000*	46,640	*60,040*
Non-operating income and receipts – excess A in A	-	-	-	-
Other non-operating income and receipts not classified as A in A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**5,000**	***5,000***	**46,640**	***60,040***

7. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009-10	Restated 2008-09
		£000	£000
Operating income	14	903,259	784,741
Gross income		903,259	784,741
National Insurance Fund and other administration adjustments		1,053,840	1,000,094
Netted off gross expenditure		1,059,519	711,178
Income authorised to be appropriated-in-aid		(2,969,978)	(2,446,604)
Operating income payable to the Consolidated Fund	6	**46,640**	**49,409**

8. Staff Numbers and Related Costs

(i) Staff costs

Staff costs comprise:

	2009-10					Restated 2008-09
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,755,295	100,555	353	236	2,856,439	2,505,931
Employer's National Insurance	185,168	1,727	30	16	186,941	163,675
Superannuation and pension costs	469,228	424	-	-	469,652	441,005
	3,409,691	**102,706**	**383**	**252**	**3,513,032**	**3,110,611**
Less: recoveries in respect of outward secondments	(8,917)	-	-	-	(8,917)	(12,899)
Total net costs	**3,400,774**	**102,706**	**383**	**252**	**3,504,115**	**3,097,712**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the Scheme as at 31 March 2007. Details are published in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £464.8 million were payable to the PCSPS (2008-09 £425.9 million) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £44.9 million (2008-09 £46.4 million) were payable to the Civil Superannuation Vote at 31 March 2010 and are included in payables (See Note 30).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £1,876,491 (2008-09 £878,094) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £115,962 (2008-09 £27,490), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £231,241. Contributions prepaid at that date were £nil.

In 2009-10 126 persons (2008-09 198 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £194,153 (2008-09 £242,293). These liabilities are not the responsibility of the Department but are to be paid by the Civil Superannuation Vote.

(ii) Staff costs by Departmental Strategic Objective

	2009-10					Restated 2008-09**
Departmental Strategic Objective	**Permanently employed staff**	**Others**	**Ministers**	**Special Advisers**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
1: Children	238,054	7,189	27	18	245,288	424,387
2: Work	2,448,557	73,948	276	181	2,522,962	1,970,145
3: Health and Safety	102,023	3,082	12	8	105,125	102,224
4: Pensions	374,085	11,298	42	28	385,453	436,777
5: Disabled	238,055	7,189	26	17	245,287	164,179
6: Payment Accuracy	-	-	-	-	-	-
7: Service Delivery	-	-	-	-	-	-
Total Net Costs	**3,400,774**	**102,706**	**383**	**252**	**3,504,115**	**3,097,712**

** A different basis of apportionment of costs by DSO was used in 2008-09. Costs have been apportioned on the basis of support to the DSOs by the Corporate Centre. In 2009-10, the basis of apportionment was changed and a percentage split by DSO was obtained by using an Activity Based Model approach based on activity based inputs across the DSOs. Hence, a number of variances exist on comparison between years. The Department has selected to apportion costs across DSOs 1 to 5 inclusive thereby providing information to the reader as to 'what' the Department is here to deliver rather than 'how'.

(iii) Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the Core Department as well as in Agencies and other bodies included within the consolidated Departmental Resource Account.

			2009-10			Restated 2008-09**
			Number			Number
Departmental Strategic Objective	**Permanent staff**	**Others**	**Ministers**	**Special Advisers**	**Total**	**Total**
1 Children:	7,981.0	311.0	0.75	0.5	8,293.25	13,139.25
2 Work:	82,091.0	3,197.0	1.75	1.5	85,291.25	72,522.25
3 Health & Safety:	3,421.0	133.0	0.50	-	3,554.50	3,582.50
4 Pensions:	12,542.0	488.0	1.75	0.5	13,032.25	12,494.25
5 Disabled:	7,981.0	311.0	1.25	0.5	8,293.75	5,903.75
6 Payment Accuracy:	-	-	-	-	-	-
7 Service Delivery:	-	-	-	-	-	-
Total	**114,016.0**	**4,440.0**	**6.0**	**3.0**	**118,465.0**	**107,642.0**

As at 31 March 2010, 121,240.0 whole-time equivalent persons were employed by the Department.

Objective 1:
To reduce the number of children living in poverty.

Objective 2:
To maximise employment opportunity for all and reduce the numbers on out-of-work benefits.

Objective 3:
To improve health and safety outcomes.

Objective 4:
To promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform.

Objective 5:
To promote equality of opportunity for disabled people.

Objective 6:
To pay our customers the right benefits at the right time.

Objective 7:
To make the Department an exemplar of effective service delivery to individuals and employers.

9. Other Administration Costs

	Note	2009-10 £000	2009-10 £000	Restated 2008-09 £000	Restated 2008-09 £000
Goods and services	9a		963,472		917,461
IT services			780,249		746,486
Non-cash items	10(i)		572,950		601,081
Accommodation costs			529,356		463,914
Finance lease interest			62,063		68,922
PFI service charges:					
Service element of on-Statement of Financial Position contracts			55,636		58,465
Rentals under operating leases:					
Hire of plant and machinery		3,492		5,620	
Other operating leases		16,298		18,009	
			19,790		23,629
Compensation payments to customers			16,118		12,599
Audit fee for HSE			137		129
Audit fee for CMEC	9b		637		574
Interest charges			3		5
Other administration costs			52,728		62,511
			3,053,139		**2,955,776**

a. Goods and Services expenditure of £963 million (2008-09 £917 million) includes the cost of services provided by Post Office Ltd and Alliance and Leicester Commercial Bank. This consists of encashment costs of £18.7 million (2008-09 £31.9 million) and Post Office Card Account costs amounting to £131.5 million (2008-09 £144.1 million). Other elements included are postage, printing and stationery, minor capital items, medical evidence, external consultancy costs, utilities and staff training.

b. The £637,000 (2008-09 £574,000) audit fee for CMEC relates to the statutory audit of the administration account and the Client Funds Account.

10. Other Administration Costs: Non-cash items

(i) Non-Cash Items

	Note	2009-10 £000	Restated 2008-09 £000
Notional costs	11	28,610	38,968
Depreciation and amortisation of non-current assets		405,892	388,516
Loss/(profit) on disposal of non-current assets		4,207	(6,038)
Impairment of non-current assets		211	26,466
Amortisation of prepayments		118,669	119,951
Movement in impairment of receivables		1,615	8,838
Provisions:			
Movement in year		11,326	23,180
Unwinding of discount		2,420	1,242
Other		-	(42)
		572,950	**601,081**

(ii) Non-cash items included in the reconciliation of net resource outturn to net cash requirement in Note 5

	Note	2009-10 £000	2009-10 £000	Restated 2008-09 £000	Restated 2008-09 £000
Administration non-cash transactions	10(i)		572,950		601,081
Programme non-cash transactions	16	(320,340)		546,108	
Less: Social Fund capital charge	19	(6,078)		(13,621)	
NIF capital charge	15(ii)	37,018		30,335	
			(289,400)		562,822
Non-cash income:					
Government Grant Reserve			(1)		(1)
Less: Non Voted non-cash items			(71,486)		(68,568)
			212,063		**1,095,334**

11. Notional administration costs

Certain services are provided and received by the Department without the transfer of cash. An amount of £28.6 million (2008-09 restated £39.0 million) has been included in expenditure to reflect these costs and is comprised of:

	Note	2009-10 £000	Restated 2008-09 £000
Cost of capital charges		26,429	36,769
Auditor's remuneration	11a	2,181	2,199
		28,610	**38,968**

a. The audit fee represents the cost for the audit of the Financial Statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-statutory audit work.

12. Non-cash items

	Note	2009-10 £000	Restated 2008-09 £000
Administration costs	10(i)	572,950	601,081
Programme costs	16	(320,340)	546,108
Interest income	14	(5,766)	(17,802)
Income: Government Grant Reserve		(1)	(1)
		246,843	**1,129,386**

13. Net Programme Costs

	Note	2009-10 £000	Restated 2008-09 £000
Current grants and other current expenditure	13a	73,422,486	65,992,103
Research and development expenditure		18,929	14,524
Programme overheads	16	55,417	951,295
Non-Supply expenditure: contributory benefits	15(i)	75,679,785	70,614,520
Agency payments on behalf of EU to third parties	13b	347,504	229,202
Gross programme costs		**149,524,121**	**137,801,644**
Other programme income		(185,122)	(169,272)
EU income		(439,467)	(294,219)
Net programme costs		**148,899,532**	**137,338,153**

a. Current grants and other current expenditure and non-contributory benefits expenditure is the amount of expenditure incurred in year (net of overpayments) and excludes programme overheads. The expenditure analysed in Note 3 includes programme overheads.

b. EU income and payments relate to funding received and payments made from the European Social Fund (ESF), which provides European Union (EU) funding for long term programmes to help regions across Europe upgrade and modernise their workforce skills. The Department acts as a paying agent for these transactions on behalf of the EU.

14. Income

	RfR1	RfR2	RfR3	RfR4	RfR5	2009-10 Total	Restated 2008-09 Total
	£000	£000	£000	£000	£000	£000	£000
Administration							
Fees and charges to other Government Departments	1,839	12,685	3,875	586	62,186	81,171	74,715
Income from mortgage lenders	-	714	437	177	253	1,581	1,179
Amortisation of government grants	-	-	-	-	1	1	1
Income from outside bodies	770	3,207	636	20	4,576	9,209	34,515
Development gains	-	-	-	-	317	317	20,716
Income from accommodation	-	-	311	-	6,438	6,749	6,889
Law costs from defendants	90	82	-	1	2,763	2,936	5,050
International labour organisation	-	15,422	-	-	-	15,422	13,106
Single International Programme	-	33,588	-	-	-	33,588	29,866
European Union division	-	5,902	-	-	-	5,902	8,723
Secondments	-	4,742	3,923	13	239	8,917	12,899
HSE administrative income	-	99,756	-	-	-	99,756	84,348
Other miscellaneous income	480	6,917	5	2	5,717	13,121	29,243
	3,179	**183,015**	**9,187**	**799**	**82,490**	**278,670**	**321,250**
Programme							
Benefit income							
– New Deal	-	660	-	-	-	660	185
– Help for unemployed people	-	225	-	-	-	225	550
– Income Support	-	51,964	-	-	-	51,964	98,584
– Jobseeker's Allowance	-	2,195	-	-	-	2,195	1,095
– Motability receipts	-	-	-	1,059	-	1,059	1,097
Pension levy receipts	-	-	54,624	-	-	54,624	49,586
Other programme income	-	57,064	-	-	-	57,064	8,327
ESF income	-	86,196	-	-	-	86,196	47,215
EU income where DWP acts as agent for payments to third parties	-	347,504	-	-	-	347,504	229,202
Interest income	-	5,766	-	-	-	5,766	17,802
Exchange rate gains	-	10,587	-	-	-	10,587	1,743
HSE programme income	-	4,904	-	-	-	4,904	6,848
	-	**567,065**	**54,624**	**1,059**	**-**	**622,748**	**462,234**
NIF income						1,841	1,257
						624,589	**463,491**
Total income						**903,259**	**784,741**

HSE administrative income includes licensing and safety of the nuclear industry, control of major accident hazards and offshore safety.

Other miscellaneous income mainly comprises CFER income repayable to the Consolidated Fund in respect of reduced rental charges for the Newcastle Estate of £5.0 million.

The following analysis of income from services provided to external and public sector customers is provided for fees and charges purposes and not for the purposes of IFRS 8.

	2009-10		
	Income	Full Cost	Deficit
	£000	£000	£000
Fees and charges to external customers	76,069	80,122	(4,053)
Fees and charges to other Government Departments	29,179	29,179	-
	105,248	**109,301**	**(4,053)**

	Restated 2008-09		
	Income	Full Cost	Deficit
	£000	£000	£000
Fees and charges to external customers	60,486	63,135	(2,649)
Fees and charges to other Government Departments	31,115	31,115	-
	91,601	**94,250**	**(2,649)**

15. Non-Supply Expenditure

(i) Contributory Benefits

	2009-10	Restated 2008-09
	£000	£000
Pensions Benefit		
Retirement Benefit		
Basic element	53,642,598	49,683,952
Earnings-related component	13,182,647	11,830,278
Christmas Bonus	121,182	822,779
Widows' Benefit		
Basic element	387,310	411,887
Earnings-related component	69,675	86,665
Bereavement Benefits	189,355	174,923
Unemployment Benefits		
Jobseeker's Allowance – contribution based	1,085,517	726,515
Employment and Support Allowance	577,071	64,340
Sickness Benefit	(67)	(103)
Incapacity Benefit		
Short-term and Long-term	5,900,187	6,271,087
Earnings-related component	178,477	214,941
Invalidity Benefit	1,248	6,285
Family Benefits		
Maternity Allowance	344,585	320,971
	75,679,785	**70,614,520**

(ii) Total Non-Supply expenditure

	Note	2009-10 £000	Restated 2008-09 £000
Contributory Benefits	15(i)	75,679,785	70,614,520
NIF income	14	(1,841)	(1,257)
NIF write-offs and movement in impairment of receivables		63,184	52,865
NIF Movement on CRU Provision		143	(530)
NIF capital credit		(37,018)	(30,335)
		75,704,253	**70,635,263**

16. Programme Overheads

	Note	2009-10 £000	2009-10 £000	Restated 2008-09 £000	Restated 2008-09 £000
Programme balances written off	18		375,757		405,187
Non-cash Items:					
Movement in impairment of receivables	17	(126,575)		(82,585)	
Movement in other provisions		(157,249)		665,697	
Unwinding of discount	31	170,245		121,753	
Notional Costs:					
Cost of Capital credit	19	(206,761)		(158,757)	
			(320,340)		546,108
			55,417		**951,295**

17. Impairments: Programme

The movement in the provision for impairment of receivables relates to the following benefits:

	2009-10 £000	Restated 2008-09 £000
Contributory benefits	8,612	(3,509)
Non-Contributory benefits	(58,127)	11,870
Social Fund payments	(77,060)	(90,946)
	(126,575)	**(82,585)**

18. Programme balances written off

These consist of the write-off of the following benefits:

	2009-10	2008-09
	£000	£000
Contributory benefits		
Pensions benefits	23,214	26,754
Incapacity Benefit	22,655	26,751
Other	8,703	2,869
Non-Contributory benefits		
Disability benefits	37,374	37,280
Income Support (including Pension Credit)	175,003	190,238
Other	19,498	2,911
Social Fund payments		
Funeral payments	87,285	116,491
Other	2,025	1,893
	375,757	**405,187**

Small overpayments valued at £65 or less which are subject to formal write off action are included in the above figures.

19. Cost of Capital: Programme

The capital charge/(credit) on programme assets and liabilities consists of:

	Note	2009-10	Restated 2008-09
		£000	£000
Cost of Capital charged on:			
Cash with paying agents		1,231	924
Social Fund payments		6,078	13,621
National Insurance Fund	15(ii)	(37,018)	(30,335)
Other programme net liabilities (excluding amounts due to HM Treasury and Office of the Paymaster General balances)		(177,052)	(142,967)
		(206,761)	**(158,757)**

The cost of capital on programme net assets has been apportioned over Requests for Resources on the basis of programme expenditure levels, taking account of the source of funding of those benefits, whether from voted expenditure, the National Insurance Fund or the Social Fund.

20. Analysis of Net Operating Cost by Spending Body

	2009-10	Restated 2008-09
	£000	£000
DWP Head Office and Corporate and Shared Services	149,678,131	138,117,511
Child Maintenance & Enforcement Commission	571,926	605,335
Jobcentre Plus	3,746,848	3,166,975
The Pension, Disability and Carers Service	960,196	972,650
Health and Safety Executive	229,932	220,819
Net operating cost	**155,187,033**	**143,083,290**

21. Property, Plant and Equipment

(i) Property, Plant and Equipment by Category – 2009-10

	Note	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 2009 restated		2,187,787	20,042	396,274	26,583	22,180	3,436	345	2,656,647
Additions		21,925	4,114	54,506	3,045	10,041	747	673	95,051
Disposals		(14,858)	(1,787)	(15,703)	(482)	(4,397)	(865)	–	(38,092)
Impairments	21c	1,423	–	–	–	–	–	–	1,423
Reclassifications		31	144	6,924	48	122	–	(345)	6,924
Revaluations	21c	129,142	–	–	(6)	–	–	–	129,136
At 31 March 2010		**2,325,450**	**22,513**	**442,001**	**29,188**	**27,946**	**3,318**	**673**	**2,851,089**
Depreciation									
At 1 April 2009 restated		237,073	9,565	254,485	21,681	12,183	1,303	–	536,290
Charged in year	21d	207,646	1,875	72,269	1,098	2,088	687	–	285,663
Disposals		(1,633)	(165)	(9,112)	(445)	(2,967)	(564)	–	(14,886)
Impairments	21c	–	–	–	–	–	–	–	–
Reclassifications		–	–	–	–	–	–	–	–
Revaluations	21c	(6,267)	–	–	–	–	–	–	(6,267)
At 31 March 2010		**436,819**	**11,275**	**317,642**	**22,334**	**11,304**	**1,426**	**–**	**800,800**
Net Book Value at 31 March 2010		**1,888,631**	**11,238**	**124,359**	**6,854**	**16,642**	**1,892**	**673**	**2,050,289**
Net Book Value at 31 March 2009 restated		**1,950,714**	**10,477**	**141,789**	**4,902**	**9,997**	**2,133**	**345**	**2,120,357**
Asset financing:									
Owned		10,899	11,238	40,206	5,096	14,125	1,892	673	84,129
Finance leased		65,444	–	84,153	1,758	–	–	–	151,355
On-Statement of Financial Position PFI contracts		1,812,288	–	–	–	2,517	–	–	1,814,805
Net Book Value at 31 March 2010		**1,888,631**	**11,238**	**124,359**	**6,854**	**16,642**	**1,892**	**673**	**2,050,289**

Property, Plant and Equipment by Category – 2008-09

	Note	Land and Buildings £000	Leasehold Improvements £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Motor Vehicles £000	Payments on Account and Assets Under Construction £000	Total £000
Cost or Valuation									
At 1 April 2008 restated		2,536,970	21,768	345,917	25,780	21,983	3,334	27,187	2,982,939
Additions		8,937	5,880	44,260	904	856	862	8,774	70,473
Disposals		(99,766)	(8,260)	(5,583)	(213)	(276)	(968)	–	(115,066)
Impairments	21c	(13,117)	–	(851)	–	–	–	–	(13,968)
Transfers out to OGDs		–	–	–	–	–	–	–	–
Restatements		–	–	(43)	10	(648)	(1)	(857)	(1,539)
Reclassifications		9,339	–	12,670	–	–	–	(34,759)	(12,750)
Revaluations	21c	(254,576)	654	(96)	102	265	209	–	(253,442)
At 31 March 2009 restated		**2,187,787**	**20,042**	**396,274**	**26,583**	**22,180**	**3,436**	**345**	**2,656,647**
Depreciation									
At 1 April 2008 restated		5,085	14,526	192,528	20,773	11,035	1,249	–	245,196
Charged in year	21d	237,555	3,299	66,934	1,031	1,901	516	–	311,236
Disposals		(5,034)	(8,260)	(5,122)	(199)	(224)	(556)	–	(19,395)
Impairments	21c	–	–	–	–	–	–	–	–
Transfers out to OGDs		–	–	–	–	–	–	–	–
Reclassifications		–	–	–	–	–	–	–	–
Restatements		–	–	183	2	(645)	24	–	(436)
Revaluations	21c	(533)	–	(38)	74	116	70	–	(311)
At 31 March 2009 restated		**237,073**	**9,565**	**254,485**	**21,681**	**12,183**	**1,303**	**–**	**536,290**
Net Book Value at 31 March 2009 restated		**1,950,714**	**10,477**	**141,789**	**4,902**	**9,997**	**2,133**	**345**	**2,120,357**
Net Book Value at 31 March 2008 restated		**2,531,885**	**7,242**	**153,389**	**5,007**	**10,948**	**2,085**	**27,187**	**2,737,743**
Asset financing:									
Owned		9,771	10,477	37,978	4,902	7,480	2,133	345	73,086
Finance leased		66,143	–	103,811	–	–	–	–	169,954
On-Statement of Financial Position PFI contracts		1,874,800	–	–	–	2,517	–	–	1,877,317
Net Book Value at 31 March 2009 restated		**1,950,714**	**10,477**	**141,789**	**4,902**	**9,997**	**2,133**	**345**	**2,120,357**

a. Property, plant and equipment are stated at valuation, which is obtained either by professional valuation or by the use of appropriate indices. However, as permitted by the *FReM*, the Department has elected to adopt 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 therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture.

b. Costs incurred during the year in respect of major refurbishment and improvement of properties have been capitalised as land and buildings or leasehold Improvements depending on their nature.

c. The net increase in asset values arising from the revaluation of property, plant and equipment of £135.4 million (2008-09 restated – net decrease £247.2 million) has been transferred to the Revaluation Reserve (The remaining £5.9 million decrease in 2008-09 has been taken to the operating cost statement). The reversal of the impairment in property, plant and equipment arising from the permanent increase in value of £1.4 million (2008-09 restated permanent decrease £14.0 million) in excess of previous revaluation has been charged to the Operating Cost Statement.

d. The in year depreciation charge for On-Statement of Financial Position PFI Contracts is £208.6 million (2008-09 restated £236.0 million). The loss on sale of property, plant and equipment charged to the Operating Cost Statement in the year is £4.2 million (2008-09 restated profit of £6.0 million) (see note 10(i)).

(ii) Land and Buildings

Land and Buildings by Category – 2009-10

	Note	Land	Freehold Buildings	Leasehold Buildings	Total
		£000	£000	£000	£000
Cost or Valuation					
At 1 April 2009 restated		929,668	8,617	1,249,502	2,187,787
Additions		5,740	1,005	15,180	21,925
Disposals		(2,797)	(8)	(12,053)	(14,858)
Impairments	21c	-	-	1,423	1,423
Reclassifications		-	23	8	31
Revaluations	21c	32,231	(746)	97,657	129,142
At 31 March 2010		**964,842**	**8,891**	**1,351,717**	**2,325,450**
Depreciation					
At 1 April 2009 restated		83,486	648	152,939	237,073
Charged in year	21d	94,221	250	113,175	207,646
Disposals		(311)	-	(1,322)	(1,633)
Impairments	21c	-	-	-	-
Reclassifications		-	-	-	
Revaluations	21c	-	(790)	(5,477)	(6,267)
At 31 March 2010		**177,396**	**108**	**259,315**	**436,819**
Net Book Value at 31 March 2010		**787,446**	**8,783**	**1,092,402**	**1,888,631**
Net Book Value at 31 March 2009 restated		**846,182**	**7,969**	**1,096,563**	**1,950,714**

Leasehold land is depreciated in order to write-off the value of land held under the PRIME finance lease arrangement over the remaining period of the PRIME contract.

Land and Buildings by Category – 2008-09

	Note	Land	Freehold Buildings	Leasehold Buildings	Total
		£000	£000	£000	£000
Cost or Valuation					
At 1 April 2008 restated		871,830	3,382	1,661,758	2,536,970
Additions		4,674	196	4,067	8,937
Disposals		(38,181)	-	(61,585)	(99,766)
Impairments	21c	-	(4,065)	(9,052)	(13,117)
Reclassifications		-	9,339	-	9,339
Revaluations	21c	91,345	(235)	(345,686)	(254,576)
At 31 March 2009 restated		**929,668**	**8,617**	**1,249,502**	**2,187,787**
Depreciation					
At 1 April 2008 restated		-	505	4,580	5,085
Charged in year	21d	85,528	190	151,837	237,555
Disposals		(2,042)	-	(2,992)	(5,034)
Impairments	21c	-	-	-	-
Reclassifications		-	-	-	-
Revaluations	21c	-	(47)	(486)	(533)
At 31 March 2009 restated		**83,486**	**648**	**152,939**	**237,073**
Net Book Value at 31 March 2009 restated		**846,182**	**7,969**	**1,096,563**	**1,950,714**
Net Book Value at 31 March 2008 restated		**871,830**	**2,877**	**1,657,178**	**2,531,885**

DWP Head Office and Corporate and Shared Services

The figures for land and buildings reflect independent professional valuations on a fair value basis at 31 March 2010 by Drivers Jonas LLP, members of the Royal Institution of Chartered Surveyors (RICS). These valuations have been incorporated into the financial statements and were performed in accordance with the RICS Valuation Standards. The property inspections were completed between August 2009 and January 2010.

Health and Safety Executive

DTZ professionally valued Redgrave Court as at 31 March 2009. Jones Lang LaSalle professionally revalued all land and building assets on the Buxton site as at 31 March 2010. This resulted in a downward re-valuation of £5.4 million, which was charged against previous re-valuation gains in the revaluation reserve. The excess over revaluation reserves of £845,000 was charged to the Operating Cost Statement. Additionally, the freehold property at Carlisle was independently valued at 31 March 2009 by Donaldsons, Chartered Surveyors. In each case, the valuations were in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors (RICS).

(iii) Cash Flow Reconciliation

	Note	2009-10	Restated 2008-09
		£000	£000
Capital payables and accruals at 1 April	30	127,594	133,213
Movement on long-term payables		(1,053)	(909)
Capital additions		95,051	70,473
Capital payables and accruals at 31 March	30	(120,602)	(127,594)
Purchases of property, plant and equipment as per Statement of Cash Flows		**100,990**	**75,183**

22. Intangible Assets

(i) Intangible Assets by Category

The Department's intangible assets comprise purchased software licences, development costs for websites that deliver services and internally developed software.

Intangible Assets by Category – 2009-10

	Note	Websites £000	Purchased software licences £000	Internally Developed Software £000	Payments on Account and Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2009 restated		1,288	80,412	407,350	72,230	561,280
Additions	22a	1,807	37,305	13,708	150,586	203,406
Disposals		-	-	-	-	-
Impairments	22b	-	-	(20)	-	(20)
Reclassifications		24,349	10,876	53,897	(96,046)	(6,924)
Revaluations	22b	-	19,401	31,142	-	50,543
At 31 March 2010		**27,444**	**147,994**	**506,077**	**126,770**	**808,285**
Amortisation						
At 1 April 2009 restated		778	38,269	151,598	-	190,645
Charged in year	22c	2,425	21,349	95,855	-	119,629
Disposals		-	-	-	-	-
Impairments	22b	-	-	-	-	-
Reclassifications		-	-	-	-	-
Revaluations	22b	-	7,229	10,600	-	17,829
At 31 March 2010		**3,203**	**66,847**	**258,053**	**-**	**328,103**
Net book value at 31 March 2010		**24,241**	**81,147**	**248,024**	**126,770**	**480,182**
Net book value at 31 March 2009 restated		**510**	**42,143**	**255,752**	**72,230**	**370,635**

Intangible Assets by Category – 2008-09

	Note	Websites £000	Purchased software licences £000	Internally Developed Software £000	Payments on Account and Assets Under Construction £000	Total £000
Cost or valuation						
At 1 April 2008 restated		-	68,806	285,312	70,809	424,927
Additions	22a	1,256	17,752	70,825	49,508	139,341
Disposals		-	-	-	-	-
Impairments	22b	-	(6,146)	-	-	(6,146)
Reclassifications		32	-	60,805	(48,087)	12,750
Revaluations	22b	-	-	(9,592)	-	(9,592)
At 31 March 2009 restated		**1,288**	**80,412**	**407,350**	**72,230**	**561,280**
Amortisation						
At 1 April 2008 restated		-	27,025	92,564	-	119,589
Charged in year	22c	778	13,373	61,621	-	75,772
Disposals		-	-	-	-	-
Impairments	22b	-	(2,129)	(122)	-	(2,251)
Reclassifications		-	-	-	-	-
Revaluations	22b	-	-	(2,465)	-	(2,465)
At 31 March 2009 restated		**778**	**38,269**	**151,598**	**-**	**190,645**
Net book value at 31 March 2009 restated		**510**	**42,143**	**255,752**	**72,230**	**370,635**
Net book value at 31 March 2008 restated		**-**	**41,781**	**192,748**	**70,809**	**305,338**

a. Total additions in the year were £203.4 million (2008-09 restated £139.3 million). This consisted of £203.6 million (2008-09 restated £139.2 million) of capital expenditure and £(0.2) million (2008-09 restated £0.1 million) of assets which had been purchased prior to 2009-10 but which had previously been charged as expenditure.

b. The net increase in asset values arising from the revaluation of intangibles of £32.7 million (2008-09 restated – net decrease £4.4 million) has been transferred to the Revaluation Reserve (the remaining £2.7 million decrease in 2008-09 has been taken to the operating cost statement). The impairment in intangible assets arising from the permanent decrease in value of £20,000 (2008-09 £3.9 million) in excess of previous revaluation has been charged to the Operating Cost Statement.

c. Total amortisation in the year was £119.6 million (2008-09 restated £75.8 million). This consisted of £120.2 million (2008-09 restated £75.8 million) charged to the Operating Cost Statement and £(0.6) million (2008-09 £nil million) relating to assets purchased prior to 2009-10 charged to the General Fund.

(ii) Cash Flow Reconciliation

	Note	2009-10 £000	Restated 2008-09 £000
Capital payables and accruals at 1 April	30	-	-
Capital additions		203,406	139,341
Capital prepayments at 31 March		-	-
Capital payables and accruals at 31 March	30	-	-
Purchases of intangible assets		**203,406**	**139,341**

23. Non-Current Assets: Impairment

	Note	2009-10 £000	Restated 2008-09 £000
Charged to Operating Cost Statement			
Property, plant and equipment		(1,423)	19,854
Intangible assets		-	6,612
Transferred from Revaluation Reserve			
Property, plant and equipment		1,634	-
Total	10(i)	**211**	**26,466**

24. Financial Instruments

(i) Financial Instruments by Category

	31 March 2010		
	Loans and Receivables	Available for Sale	Total
	£000	£000	£000
Financial assets			
Working Links investment	-	2,588	2,588
Assets held for sale	-	725	725
Loan to Personal Accounts Delivery Authority	41,059	-	41,059
Loan to HP Enterprise Services	5,642	-	5,642
Trade receivables	28,263	-	28,263
Amounts due from other Government Departments	47,731	-	47,731
Other receivables	57,969	-	57,969
Deposits and advances	3,406	-	3,406
Development gains receivable	-	317	317
Cash and cash equivalents	499,517	-	499,517
Benefit overpayments	856,561	-	856,561
Social Fund	798,887	-	798,887
Total	**2,339,035**	**3,630**	**2,342,665**

	31 March 2009			1 April 2008		
	Loans and Receivables	Available for Sale	Total	Loans and Receivables	Available for Sale	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Working Links investment	-	1,816	1,816	-	1,451	1,451
Loan to Personal Accounts Delivery Authority	5,623	-	5,623	-	-	-
Loan to HP Enterprise Services	3,437	-	3,437	-	-	-
Trade receivables	44,495	-	44,495	21,339	-	21,339
Amounts due from other Government Departments	61,177	-	61,177	125,119	-	125,119
Other receivables	130,914	-	130,914	108,543	-	108,543
Deposits and advances	7,794	-	7,794	5,630	-	5,630
Development gains receivable	-	13,400	13,400	-	-	-
Cash and cash equivalents	314,598	-	314,598	193,292	-	193,292
Benefit overpayments	821,776	-	821,776	920,929	-	920,929
Social Fund	720,701	-	720,701	611,937	-	611,937
Total	**2,110,515**	**15,216**	**2,125,731**	**1,986,789**	**1,451**	**1,988,240**

	31 March 2010	31 March 2009	1 April 2008
	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	£000	£000	£000
Financial liabilities			
Trade payables	82,191	73,491	69,743
Accruals	657,881	560,834	600,449
Cash and cash equivalents	59,927	54,829	140,233
Amounts due to other Government Departments	11,028	25,175	22,875
Other payables	13,064	31,802	42,506
Total	**824,091**	**746,131**	**875,806**

(ii) Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair value. The book values of the Department's financial assets and liabilities at 31 March 2010 are not materially different from their fair values. They have accordingly not been shown separately.

(iii) Exposure to Risk

Due to the largely non-trading nature of its activities and the fact that cash requirements of the Department are met through the Estimates process, the Department is not exposed to the degree of financial risk faced by commercial business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body of a similar size. The Department is therefore exposed to little credit, liquidity or market risk.

a. Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Minimal deposits are held with commercial banks.

The Department's exposure to credit risk is limited due to the majority of administrative related receivables being with other Government Departments. There is also the risk of non-payment in relation to benefit overpayment and social fund receivables. This risk is limited to the extent that the receivable can be recovered from benefit payments (ultimately the universal State Pension) and even from the estate on death. Some risk still remains as the level that can be recovered from each benefit payment is small to avoid causing poverty, and customers do not always have sufficient funds in their estate to cover the receivable. However, the Department has an active recovery process in place, in order to maximise the amounts recovered.

b. Liquidity risk

Each financial year, Parliament makes provision for the use of resources by the Department for revenue and capital purposes in the annual Appropriation Act (the Act). Resources may be used only for the purposes specified and up to the amounts specified in the Act. The Act also specifies an overall cash limit for the financial year. The Estimates process offers further opportunities throughout the year to amend funding levels and purposes. The Department is not therefore exposed to significant liquidity risks.

c. Market risk

The Department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Department in achieving its objectives.

d. Interest rate risk

The Department has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates. The interest profile of the Department's financial assets and liabilities has therefore not been disclosed.

e. Foreign currency risk

Due to the time delay between preparation of claims and receipt of funds in respect of the European Social Fund, the Department is exposed to movements in the Euro/Sterling exchange rate. Other than in this the Department's exposure to foreign currency risk is not significant.

(iv) Aged Analysis of Financial Assets

Financial Assets that are past due but not impaired are analysed below:

	0-30 days past due	30-60 days past due	60-90 days past due	90-180 days past due	180-360 days past due	Total
	£000	£000	£000	£000	£000	£000
Trade receivables	4,342	882	695	2,332	961	**9,212**
Amounts due from other Government Departments	2,848	3,801	73	968	3,283	**10,973**
Other receivables	184	78	28	77	133	**500**
As at 31 March 2010	**7,374**	**4,761**	**796**	**3,377**	**4,377**	**20,685**

25. Financial Assets

(i) Working Links (Employment) Limited

	2009-10	2008-09
	£000	£000
Balance at 1 April	1,816	1,451
Additions	-	-
Disposals	-	-
Revaluations	772	365
Balance at 31 March	**2,588**	**1,816**

The only investment held by the Department for Work and Pensions at the end of the reporting period comprised 100 Ordinary Shares, with a nominal value of £1 each, in Working Links (Employment) Limited, a joint venture with Manpower plc, Capgemini UK plc and Mission Australia. The valuation is based on the one-third share that the Department has of the company's net assets based on its audited accounts for the year ended 31 March 2010. There has been no change in the number of shares owned by the Department during the year.

The net assets and results of the above body are summarised below.

	2009-10	2008-09
	£000	£000
Net assets at 31 March	7,764	5,447
Surplus for the year (before financing)	2,291	744

(ii) Loan to Personal Accounts Delivery Authority (PADA)

	2009-10	2008-09
	£000	£000
Balance at 1 April	5,623	-
Additions	35,436	5,623
Loan repayments	-	-
Balance at 31 March	**41,059**	**5,623**

Since 1 December 2008, following the extension of PADA's role through the Pensions Act 2008, PADA incurred costs in connection with setting up the personal accounts scheme. The Act also made provision for the establishment of a trustee corporation, which will be responsible for managing/running the personal accounts scheme. The Department has funded PADA via a loan for these scheme related set up costs as the intention is that they will be repaid by the trustee corporation through revenues raised from scheme member charges once the scheme is up and running. It is intended that all liabilities associated with this loan to PADA will transfer to the trustee corporation who will be responsible for repaying the loan.

This is an interim funding arrangement, which will be reviewed following Ministerial decisions on the scheme funding strategy. The loan facility is for £105 million and is currently provided with interest charged at a rate of 6.84% (the European Commission's benchmark for a commercial rate loan), payable every 6 months. Any changes to this funding arrangement will be accounted for at the time they are made and reported in the financial statements of that period.

The Personal Accounts Delivery Authority ceased to exist with effect from 5 July 2010. All of the assets and liabilities of PADA have transferred to the National Employment Savings Trust (NEST) Corporation.

(iii) Loan to HP Enterprise Services Limited

	2009-10	2008-09
	£000	£000
Balance at 1 April	3,437	-
Additions	2,205	3,437
Loan repayments	-	-
Balance at 31 March	**5,642**	**3,437**

Payments made in 2009-10 amounted to £2,250,000 (2008-09 – £3,750,000). All amounts shown in the table are included at fair value.

26. Assets held for sale

	2009-10	2008-09
	£000	£000
Balance at 1 April	-	-
Additions	725	-
Disposals	-	-
Balance at 31 March	**725**	**-**

The Department is due to transfer one of its freehold buildings (Alfreton Tannery House), to Telereal Trillium for a value of £0.725 million. The property was a replacement for an ex-Employment Services building that was held by the Department at the time that the former estate was transferred to Trillium as part of the TIES contract. As Alfreton was under construction, it was not included in the bulk transfer of the estate at that time.

27. Inventories

	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
Work in progress	555	664	595
Finished inventories for sale	558	792	751
	1,113	**1,456**	**1,346**

Inventories consist of publications, stationery and protective clothing in relation to the Health and Safety Executive.

28. Trade and other Receivables

(i) Analysis by type

Administration Receivables	Note	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
		£000	£000	£000
Amounts falling due within one year				
Trade receivables		28,263	44,495	21,339
Deposits and advances	28a	2,788	7,051	4,810
Amounts due from other Government Departments		47,731	61,177	125,119
Other receivables		57,969	130,914	108,543
Gross receivables		**136,751**	**243,637**	**259,811**
Less: provision for impairment		(26,847)	(38,727)	(32,824)
Net receivables		**109,904**	**204,910**	**226,987**
VAT		84,919	57,612	40,685
Prepayments and accrued income		120,354	70,347	43,145
Early departure prepayment	31(i)	-	6	20
TREDSS prepayment		41,849	115,100	114,151
Amounts due from the Consolidated Fund		-	-	45,910
		357,026	**447,975**	**470,898**
Amounts falling due after more than one year				
Deposits and advances	28a	618	743	820
Prepayments and accrued income		38	75	30
Early departure prepayment	31(i)	-	-	6
TREDSS prepayment		-	45,418	161,714
		656	**46,236**	**162,570**

Programme Receivables		31 March 2010			Restated 31 March 2009	Restated 1 April 2008
		Gross Receivables	Fair Value Adjustment	Net Receivables	Net Receivables	Net Receivables
	Note	£000	£000	£000	£000	£000
Amounts falling due within one year						
Benefit overpayments						
Contributory benefits	28b	17,123	(3,154)	13,969	16,404	28,009
Non-contributory benefits	28b	154,765	(24,518)	130,247	113,522	44,229
Housing Benefit and Council Tax	28c	179,790	-	179,790	105,967	259,536
Social Fund		567	-	567	609	696
Prepayments						
Contributory benefits		320,373	-	320,373	369,839	361,617
Non-contributory benefits		166,513	-	166,513	147,735	152,837
Local Authorities		20,250	-	20,250	48,558	47,670
SSP/SMP	28e	-	-	-	-	203,520
Social Fund						
Funeral payments		2,133	(1)	2,132	484	218
Other loans		437,884	(1,623)	436,261	411,102	461,892
European Social Fund & other EU receivables		620,618	(43,007)	577,611	519,618	758,226
Other programme receivables	28d	7,545	-	7,545	-	-
		1,927,561	**(72,303)**	**1,855,258**	**1,733,838**	**2,318,450**
Amounts falling due after more than one year						
Benefit overpayments						
Contributory benefits	28b	202,195	(131,485)	70,710	59,230	43,604
Non-contributory benefits	28b	1,583,530	(943,763)	639,767	526,044	544,855
Social Fund loans	28f	685,904	(238,610)	447,294	309,115	149,827
Other programme receivables	28d	711	-	711	711	2,140
		2,472,340	**(1,313,858)**	**1,158,482**	**895,100**	**740,426**
Total trade and other receivables				**3,371,422**	**3,123,149**	**3,692,344**
Of which						
Due within one year				2,212,284	2,181,813	2,789,348
Due after one year				1,159,138	941,336	902,996

a. Deposits and advances due within one year includes £0.1 million (2008-09 £0.1 million) of house purchase advances due from 116 (2008-09 132) members of staff. Those due after more than one year include £0.6 million (2008-09 £0.7 million) due from 108 (2008-09 117) members of staff.

b. Included in Contributory Benefits overpayments is an amount of £3.2 million (2008-09 restated £3.4 million) in respect of Compensation Recovery Unit receivables. The amount included within Non-Contributory Benefit overpayments is £15.4 million (2008-09 £12.7 million).

c. The Department makes monthly payments of Housing Benefit and Council Tax Benefit subsidy to local authorities based on estimated liabilities. The District Auditor validates the final claim from each local authority. The Accounts include estimates of amounts due from and to local authorities based on pre-audited claims submitted by local authorities. The Department recognises that the basis of the estimate is subject to uncertainty and may need adjustment in a subsequent year of account on receipt of final audited claims (see also Note 30).

d. Other programme receivables consist of balances due from other Government Departments and external bodies.

e. £203.5 million was paid in advance to HMRC as partial settlement of the 2008-09 SSP/SMP liability. This prepayment arose due to settlements paid on a forecast that was subsequently revised downwards based on revised outturn figures for 2003-04 and 2004-05 which originate from the systems operated by HMRC.

f. Social Fund Loans mainly consist of Budget Loans, Crisis Loans and Funeral Payments, which have been included at fair value, calculated by the discounting of future cash flows using the real discount rate of 3.5% set by HM Treasury.

g. Accrued interest on the loan made to the Personal Accounts Delivery Authority (see note 25(ii)) has been included in prepayments and accrued income.

(ii) Intra-Government Balances

The following tables analyse total trade and other receivable balances across the categories shown:

		Amounts falling due within one year		
		31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	Note	£000	£000	£000
Balances with other central Government bodies		137,135	147,077	480,047
Balances with local authorities		204,984	163,439	279,176
Balances with NHS Trusts		741	240	322
Balances with public corporations and trading funds		2,603	5,733	26,137
Intra-government balances		345,463	316,489	785,682
Balances with bodies external to Government		1,866,821	1,865,324	2,003,666
Total receivables at 31 March/1 April	28(i)	**2,212,284**	**2,181,813**	**2,789,348**

		Amounts falling due after one year		
		31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	Note	£000	£000	£000
Balances with local authorities		-	701	1,429
Intra-government balances		**-**	**701**	**1,429**
Balances with bodies external to Government		1,159,138	940,626	901,567
Total receivables at 31 March/1 April	28(i)	**1,159,138**	**941,336**	**902,996**

29. Cash and cash equivalents

	Note	2009-10 Total £000	Restated 2008-09 Total £000	Restated 2007-08 Total £000
Balances at 1 April		259,769	53,059	216,502
Net change in cash and cash equivalent balances		179,821	206,710	(163,443)
Balances at 31 March		**439,590**	**259,769**	**53,059**
Represented by:				
Cash and cash equivalents		499,517	314,598	193,292
Bank Overdraft and Paying Agents reported in trade and other payables and cash with paying agents	30	(59,927)	(54,829)	(140,233)
		439,590	**259,769**	**53,059**

The following balances at 31 March were held at:	Note	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Office of the Paymaster General	29a	367,983	276,100	48,377
Commercial banks and cash in hand		12,678	10,300	6,950
Cash with paying agents		58,929	(26,631)	(2,268)
		439,590	**259,769**	**53,059**

a. The Office of the Paymaster General (OPG) provides a current account banking service to the Department. This is currently in the process of transferring under the new Government Banking Services to Citibank and RBS.

b. Balances are shown net of outstanding liabilities for instruments of payment due to be encashed against the Department's bank accounts.

30. Trade and other payables

(i) Analysis by type

	Note	31 March 2010 £000	Restated 31 March 2009 £000	Restated 1 April 2008 £000
Administration Payables				
Amounts falling due within one year				
Taxation and social security		64,188	57,833	56,145
Superannuation		44,853	46,399	39,157
Trade payables – non capital		81,130	73,122	69,121
– capital	21/22	1,061	369	622
Amounts due to other Government Departments		11,028	25,175	22,875
Other payables		13,064	31,802	42,506
Accruals and deferred income		657,881	560,834	600,449
Capital accruals	21/22	10,454	17,085	21,542
Bank overdrafts	29	59,927	28,198	137,965
Imputed finance lease element for on-Statement of Financial Position PFI contracts	21/22	1,218	1,055	-
Finance lease obligations		135,368	132,659	134,741
Amounts issued from the Consolidated Fund for Supply but not spent at year end		10,244	185,993	-
Amounts issued from the Contingencies Fund		-	-	1,312
CFERs due to be paid to the Consolidated Fund – received		14,763	2,815	3,994
CFERs due to be paid to the Consolidated Fund – receivable		38	36	31,346
Excess A in A due to the Consolidated Fund		69	36,712	3,696
		1,105,286	**1,200,087**	**1,165,471**
Amounts falling due after more than one year				
Imputed finance lease element for on-Statement of Financial Position PFI contracts	21/22	107,869	109,085	111,049
Finance lease obligations		938,884	1,031,331	1,176,680
Other payables		2,365	4,643	4,247
		1,049,118	**1,145,059**	**1,291,976**
Programme Payables				
Amounts falling due within one year				
Accruals				
Contributory benefits		1,594,394	1,369,494	1,220,904
Non-contributory benefits		673,503	625,425	639,070
Social Fund benefits		1,283	4,961	3,174
Local Authorities	28c	759,056	678,283	421,806
European Social Fund		161,560	240,914	287,490
Cash with paying agents	29	-	26,631	2,268
CFERs due to be paid to the Consolidated Fund – received		39,571	259	824
CFERs due to be paid to the Consolidated Fund – receivable		-	-	43,255
Third party payments	30a	89,455	47,886	45,418
Other programme payables		59,853	47,903	33,651
European Social Fund & other EU payables	30b	519,808	456,618	144,223
		3,898,483	**3,498,374**	**2,842,083**
Amounts falling due after more than one year				
European Social Fund	30c	173,618	116,984	366,809
		173,618	**116,984**	**366,809**
Total trade and other payables		**6,226,505**	**5,960,504**	**5,666,339**
Of which				
Due within one year		5,003,769	4,698,461	4,007,554
Due after one year		1,222,736	1,262,043	1,658,785

a. Third Party Payments represent amounts deducted from benefit payments and due to external bodies such as utility companies and mortgage lenders.

b. The Department makes payments from the European Social Fund upon receipt of a valid declaration from applicants stating project spend to date. Until the declaration is received from the applicant, the Department cannot accurately quantify its liabilities and related accrued income. The Accounts include an estimate of these amounts at the year-end and this is based on a comparison between the agreed spend profiles provided by the applicants and payments made to date. The accruals have been adjusted to reflect the fact that over the life of a project the applicant does not claim the full value stated in the forecast. However, the Department recognises that the basis of the calculation is subject to uncertainty and may need adjustment in a subsequent year of account.

c. Balances due over one year of £173.6 million (31 March 2009 £117.0 million) consist of monies paid to the Department by the EU relating to European Social Fund. These advances are due to be paid back when final claims are agreed for the 2007-13 Programme which is expected to be in 2015-16.

d. Included within the Statement of Financial Position is a credit balance of £1,241.5 million (31 March 2009 £1,005.6 million) which represents the current account balance with the NIF. This is held within several ledger balances due to the nature of the relationship between the Department and the NIF.

(ii) Intra-government balances

The following tables analyse total payables balances across the categories shown:

		Amounts falling due within one year		
		31 March 2010	31 March 2009	1 April 2008
	Note	£000	£000	£000
Balances with other central Government bodies		395,419	382,153	103,464
Balances with local authorities		768,648	701,889	466,379
Balances with NHS Trusts		73	10,539	7,928
Balances with public corporations and trading funds		22,789	4,019	15,766
Intra-government balances		1,186,929	1,098,600	593,537
Balances with bodies external to Government		3,816,840	3,599,861	3,414,017
Total payables at 31 March/1 April	30(i)	**5,003,769**	**4,698,461**	**4,007,554**

		Amounts falling due after one year		
		31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	Note	£000	£000	£000
Balances with bodies external to Government		1,222,736	1,262,043	1,658,785
Total payables at 31 March/1 April	30(i)	**1,222,736**	**1,262,043**	**1,658,785**

31. Provisions for Liabilities and Charges

(i) Analysis by Type

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£000	£000	£000
Early departure provision (gross)	79,706	100,554	127,729
Other administration provisions	16,027	21,504	14,761
Programme provisions	4,223,516	4,244,705	3,497,774
	4,319,249	**4,366,763**	**3,640,264**

Early departure and pension commitments

	Gross Provision		Prepayment Note 28(i)		Net Provision	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009 restated		100,554		(6)		100,548
Provided in year						
New early retirees	3,583		-		3,583	
Uplift	1,669		-		1,669	
		5,252		-		5,252
Provisions utilised in year		(28,446)		8		(28,438)
Unwinding of discount		2,346		-		2,346
Interest received on pre-funding		-		(2)		(2)
Balance at 31 March 2010		**79,706**		**-**		**79,706**

Early departure and pension commitments

	Gross Provision		Prepayment Note 28(i)		Net Provision	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008 restated		127,729		(26)		127,703
Provided in year						
New early retirees	7,329		-		7,329	
Uplift	911		-		911	
		8,240		-		8,240
Provisions utilised in year		(36,514)		20		(36,494)
Unwinding of discount		1,099		-		1,099
Balance at 31 March 2009 restated		**100,554**		**(6)**		**100,548**

a. In accordance with guidance issued by HM Treasury, the early departure provision and prepayment have not been offset but are instead shown separately. The prepayment is included within trade and other receivables – see Note 28(i). The discount rate used is 1.8% (2008-09 2.2%).

b. Other administration provisions have been made in respect of the following:

Other Administration provisions

	Industrial Injuries	Other	Total
	£000	£000	£000
Balance at 1 April 2009	3,439	18,065	21,504
Provided in year	476	5,729	6,205
Provisions not required written back	-	(2,972)	(2,972)
Utilised in year	(172)	(8,612)	(8,784)
Unwinding of discount	74	-	74
Balance at 31 March 2010	**3,817**	**12,210**	**16,027**

Other Administration provisions

	Industrial Injuries	Other	Total
	£000	£000	£000
Balance at 1 April 2008	3,031	11,730	14,761
Provided in year	691	14,564	15,255
Provisions not required written back	(167)	(2,870)	(3,037)
Utilised in year	(183)	(5,435)	(5,618)
Unwinding of discount	67	76	143
Balance at 31 March 2009	**3,439**	**18,065**	**21,504**

Programme provisions

	Compensation Recovery Unit (Note 31c)	FAS (Note 31d)	DLA Provision (Note 31e)	Other Provisions (Note 31f)	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2009	2,642	4,238,052	-	4,011	4,244,705
Provided in year	176	-	43,280	7,475	50,931
Provisions not required written back	-	(208,181)	-	-	(208,181)
Utilised in year	-	(33,250)	-	(934)	(34,184)
Unwinding of discount	-	170,245	-	-	170,245
Balance at 31 March 2010	**2,818**	**4,166,866**	**43,280**	**10,552**	**4,223,516**

Programme provisions

	Compensation Recovery Unit (Note 31c)	FAS (Note 31d)	DLA Provision (Note 31e)	Other Provisions restated (Note 31f)	Restated Total
	£000	£000	£000	£000	£000
Balance at 1 April 2008	3,803	3,487,784	-	6,187	3,497,774
Provided in year	-	666,121	-	732	666,853
Utilised in year	(1,161)	(37,606)	-	(2,908)	(41,675)
Unwinding of discount	-	121,753	-	-	121,753
Balance at 31 March 2009	**2,642**	**4,238,052**	**-**	**4,011**	**4,244,705**

c. Compensation Recoveries – The Department recognises that it is likely to collect recoveries from insurance companies in respect of on-going compensation claims made by benefit recipients. Once insurance companies have paid they have the right to appeal within one month. If the appeal is successful recoveries are refunded to the insurance company.

d. The Financial Assistance Scheme (FAS) was announced in 2004 to provide assistance to members of defined benefit occupational pension schemes that wound up under-funded when their employers became insolvent during the period 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund. Since 2004, the scope of the scheme and the levels of assistance have been expanded through additional legislation. The value of the provision as at 31 March 2010 has been impacted by changes in the FAS modelling assumptions (for example, inflation rates) and changes in the split between the provision for Great Britain (included here) and Northern Ireland (which is not included here).

Regulations which came into force in April 2010 allow for remaining assets to be transferred from FAS qualifying schemes to government. The liabilities for the FAS payments associated with these asset transfers will eventually be added to this provision, but only when the assets are actually received by government. Note 39 provides further information.

e. A decision made on 18 October 2007 by the European Court of Justice means that certain UK disability benefits are to be 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 made as at 31 March 2010 of £43.3 million.

f. A provision of £9.8 million (31 March 2009 £2.3 million) has been made in respect of the transfer of State Pensions and is included in other provisions.

g. Due to the nature of each of the provisions there is uncertainty over the actual amounts which will become payable.

(ii) Analysis of expected timing of discounted flows

	Early Departure Provision	Other Administration provisions	Programme provisions	Total
	£000	£000	£000	£000
In the remainder of the Spending Review period (to 2011)	44,266	12,573	43,513	100,316
Between 2012 and 2016	34,908	769	252,254	287,931
Between 2017 and 2021	532	704	460,614	461,850
Thereafter	-	2,017	3,467,135	3,469,152
Balance at 31 March 2010	**79,706**	**16,027**	**4,223,516**	**4,319,249**

Included in the amounts not expected to be called until after 2021 are:

	FAS	Total
	£000	£000
Amounts not expected to be called until the period beginning 2061	120,257	120,257
Amounts not expected to be called until the period beginning 2086	352,931	352,931

32. Pension Liabilities

Provision for retired chairs of HSE

Provision has been made for retired chairs' pensions in HSE's accounts as if they were members of PCSPS. The current Chair receives a contribution towards a private pension and is not included in the provision.

The provision reflects the valuation made by the Government Actuaries Department (GAD) at 31 March 2010. The results of the actuarial assessment are shown below:

	31 March 2010		31 March 2009		1 April 2008	
	£000	%	£000	%	£000	%
Financial assumptions						
The inflation rate assumptions		**2.75**		2.75		2.75
The rate of increase in salaries		**4.29**		4.29		4.30
The rate of increase for pensions in payment and deferred pensions		**2.75**		2.75		2.75
The rate used to discount scheme liabilities		**4.60**		6.04		5.30
Amounts charged to Operating Cost Statement						
The current service cost (net of employee contributions)	**-**		-		17	
Interest cost	**67**		70		58	
	67		70		75	
Actuarial gains and losses during year:						
Experience losses (gains)	**52**		(42)	(3.7)	143	10.1
Effect of changes in assumptions underlying the present value of the scheme's liabilities	**251**		(105)	-	(46)	-
Total actuarial losses (gains)	**303**		(147)		97	6.8
Liability						
Deferreds	**-**		-		1,148	
Pensioners and dependant pensioners	**1,434**		1,140		269	
Total present value of the scheme liabilities	**1,434**		1,140		1,417	

The current service and interest cost elements are a charge to HSE expenditure.

33. Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

This note provides an analysis of expenditure against the five objectives that underpin the Department's aim.

(i) Administration Expenditure

Administration expenditure in the Consolidated Statement of Operating Costs by Departmental Strategic Objectives has been assigned to DSOs using a percentage split based on the Resource outturn and is derived from a Departmental activity based model.

(ii) Programme grants and other current expenditure have been allocated as follows:

	2009-10	Restated 2008-09
	£000	£000
Objective 1 (Children)	2,258,351	2,299,607
Objective 2 (Work)	39,790,172	34,048,528
Objective 3 (Health & Safety)	39,161	29,263
Objective 4 (Pensions)	87,571,489	83,141,993
Objective 5 (Disabled)	19,285,676	17,837,306
Objective 6 (Payment Accuracy)*	-	-
Objective 7 (Service Delivery)*	-	-
	148,944,849	137,356,697

*The Department has selected to apportion costs across DSOs 1 to 5 inclusive thereby providing information to the reader as to 'what' the Department is here to deliver rather than 'how'.

Benefits have been allocated to a single objective that is matched most closely, with the exception of Income Support, Housing/Council Tax Benefit, Severe Disablement Allowance and the Social Fund grant, which have been split between objectives. These payments have been apportioned across the relevant objectives based upon statistical analysis of historic expenditure.

The principal benefits allocated to the Department's objectives are therefore:

Objective 1: Income Support (Child Element)

Objective 2: Income Support, JSA, Incapacity Benefit, Employment and Support Allowance, Housing/Council Tax Benefit, Statutory Benefits

Objective 4: Retirement Pension, Income Support, Housing/Council Tax Benefit, Winter Fuel Payment

Objective 5: Disability Living Allowance, Attendance Allowance, Carer's Allowance

Social Fund loans are not included in net operating cost and are not, therefore, included within the note. For information purposes, outstanding Social Fund loans of £798.9 million (2008-09 £720.7 million) can be allocated to the Department's objectives as follows:

	2009-10	2008-09
	£000	£000
Objective 2	798,887	720,701
Total	**798,887**	**720,701**

(iii) Capital Employed by Departmental Strategic Objectives

	31 March 2010	Restated 31 March 2009
	£000	£000
Objective 1	(285,904)	(601,065)
Objective 2	(2,950,967)	(2,790,346)
Objective 3	(122,530)	(144,782)
Objective 4	(449,346)	(618,614)
Objective 5	(285,904)	(232,529)
Objective 6	-	-
Objective 7	-	-
	(4,094,651)	**(4,387,336)**

Capital employed has been split by DSOs using the same percentage split used to apportion Administration expenditure.

34. Capital Commitments

Contracted capital commitments at 31 March and 1 April not otherwise included in these financial statements are set out in the table below.

	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
Property, plant and equipment	36,288	29,346	6,659
Intangible assets	239	5,873	441
	36,527	**35,219**	**7,100**

35. Commitments under non-PFI Leases

(i) Operating Leases

Total future minimum lease payments under operating leases are given in the table below:

	31 March 2010			Restated 31 March 2009		
	Land	Buildings	Other	Land	Buildings	Other
	£000	£000	£000	£000	£000	£000
Not later than 1 year	-	-	9,943	-	-	10,287
Later than 1 year and not later than 5 years	-	-	12,827	-	-	15,016
Later than 5 years	-	-	-	-	-	-
	-	**-**	**22,770**	**-**	**-**	**25,303**

	Restated 1 April 2008		
	Land	Buildings	Other
	£000	£000	£000
Not later than 1 year	-	-	7,661
Later than 1 year and not later than 5 years	-	-	11,270
Later than 5 years	-	-	-
	-	**-**	**18,931**

Details of the most significant contracts assessed under IAS 17 *Leases* and determined as operating leases are provided below.

Photocopiers

The Department has a contract in place with Ricoh for the use and maintenance of photocopiers over a three year rental period. From March 2010, the current photocopiers are being replaced with multi-function devices on a rolling basis. The contract with Ricoh has therefore been temporarily extended to cover the rollout period. The figures included above reflect the reduced commitments as photocopiers are removed from the estate.

Fleet Contract

The Department has a contract with Inchcape for the use and associated maintenance of motor vehicles over a four year period. The contract has been assessed under IAS 17 *Leases* and determined as an operating lease.

(ii) Finance Leases

Total future minimum lease payments under finance leases are given in the table below:

	31 March 2010		Restated 31 March 2009		Restated 1 April 2008	
	Buildings	Other	Buildings	Other	Buildings	Other
	£000	£000	£000	£000	£000	£000
Gross liabilities						
Not later than 1 year	8,206	41,881	8,256	46,828	8,256	53,277
Later than 1 year and not later than 5 years	32,825	49,281	33,025	56,313	33,025	78,965
Later than 5 years	150,731	-	159,628	-	167,884	-
Total gross liabilities	**191,762**	**91,162**	**200,909**	**103,141**	**209,165**	**132,242**
Less: interest element	(112,727)	(7,215)	(119,534)	(7,690)	(125,986)	(14,923)
Net liabilities	**79,035**	**83,947**	**81,375**	**95,451**	**83,179**	**117,319**

	31 March 2010		Restated 31 March 2009		Restated 1 April 2008	
	Buildings	Other	Buildings	Other	Buildings	Other
	£000	£000	£000	£000	£000	£000
Net liabilities						
Not later than 1 year	2,079	37,801	1,936	41,853	1,804	46,044
Later than 1 year and not later than 5 years	22,732	46,146	23,581	53,598	24,271	71,275
Later than 5 years	54,224	-	55,858	-	57,104	-
	79,035	**83,947**	**81,375**	**95,451**	**83,179**	**117,319**

The transactions arising out of the following significant arrangements have been assessed under IFRIC 4 *Determining whether an Arrangement contains a Lease* and IAS 17 *Leases* and have been accounted for in accordance with the *FReM*. Related assets are recognised as non-current assets in the Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

Newcastle Estates Accommodation

The Department entered into an arrangement for the provision of accommodation on the Newcastle Estate from 1 April 1999. The arrangement has been effected via a Memorandum of Terms of Occupation (MOTO) between HM Revenue and Customs and the Department which governs the shared occupation of the Estate until expiry in 2029. The agreement has been assessed against IFRIC 12 and IAS 17 and determined as a finance lease and, as such, the share of the buildings occupied by the Department is therefore recognised as non-current assets in the Statement of Financial Position in accordance with IFRIC 12 which, according to the guidance, takes priority. IFRIC 12 is met essentially because DWP and HMRC are treated as one for the purposes of assessment and, in reality, the Department has control over its continued occupation of the properties.

TREDSS

The Department has a contract with Hewlett Packard Enterprise Services (HPES – formerly EDS) for the provision of a wide range of IT hardware, software and associated maintenance services. The contract commenced in August 2005 to run initially for 5 years. The contract consists of the following 5 towers; desktop services, hosting services, application development, application maintenance and support and systems integration and management. The hosting tower provision has been extended to run to 2015.

The contract was assessed against IFRIC 12 but was found not to meet the definition of infrastructure assets as per the *FReM*. Although integral parts of a system, the assets within the Hosting and Desktop towers are generally not of a specialised nature and are moveable with the result that IFRIC 12 does not apply to the desktop and hosting towers.

Following further assessment against IAS 17, the Department is of the opinion that certain assets used to deliver services within the desktop and hosting towers should be recognised in the Statement of Financial Position and the related liability accounted for as a finance lease. The Department also paid for a proportion of historic investments in advance as it was able to secure significant savings by doing so. This prepayment is included within receivables in the Statement of Financial Position.

Desktop Services

Following a competitive exercise in 2009-10 the Department awarded the Desktop services contract to Fujitsu and currently work is ongoing to transition services from the existing supplier.

Integrated Communications Network Services (ICONS)

The Department has a contract with BT Syntegra for its fully serviced IT and telephony network. The contract commenced on 1 October 2005 and continues until 31 March 2011. This was extended in February 2010 to run until March 2014. The contract was assessed against IFRIC 12 and the Department is of the opinion that the assets meet the key characteristics of infrastructure assets with the focus of control exercised at Departmental level. The ICONS assets are therefore included within the non-current assets recognised in the Statement of Financial Position.

Sustainable Print Project

The Department has entered into a contract with Xerox for the supply of multi-function devices that will replace the current photocopiers and printers in place across the Department on a rolling basis by June 2011. The contract runs from January 2010 until the end of June 2014. The Department has determined that the multi-function devices are to be recognised as non-current assets in the Statement of Financial Position.

36. Commitments under PFI contracts

(i) On-Statement of Financial Position

Private sector Resource Management of the Estate (PRIME)

The Department has a PFI Partnership Agreement under which the former Department of Social Security transferred ownership and management of its estate to a private sector partner, in exchange for the provision of fully serviced accommodation. The contract runs from 1 April 1998 to 31 March 2018. The arrangement was expanded in December 2003 when the former Employment Services Estate was also transferred to the private sector partner.

The transactions arising out of this contract have been assessed under IFRIC 12 *Service Concession Arrangements* and have been accounted for in accordance with the *FReM*. As the balance of control of the PFI property is borne by the Department, rather than the PFI provider, Telereal Trillium, the buildings provided under the contract are recognised as non-current assets in the Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

HSE Merseyside Headquarters – Redgrave Court

Health & Safety Executive (HSE) has signed a 30 year contract with Kajima Development (Bootle Accommodation Partnerships) Ltd for the provision of fully serviced accommodation in Bootle, Merseyside. The contract runs from May 2005 to May 2035.

HSL Accommodation

With effect from 28 October 2004, Health and Safety Laboratories (HSL) took occupation of serviced accommodation for laboratory and support functions provided under a 32 years and 29 weeks term, 'design, build, finance and operate' contract with Investors in the Community (Buxton)(ICB) Ltd, 2 years and 29 weeks being the design and build period prior to occupation.

The transactions arising out of this contract have been accounted for in accordance with the *FReM*. As the balance of risks and rewards of ownership of the PFI property is borne by HSL, rather than the PFI provider, ICB Ltd, the buildings and furniture provided under the contract are recognised as non-current assets on HSL's Statement of Financial Position and the liability to pay for these assets is accounted for as a finance lease. Contract payments are attributable to either the service charge element or the capital repayment and interest element of the contract.

As part of the PFI contract, HSL disposed of all the land and buildings at the Sheffield site to ICB Ltd, and their fair value of £4.6 million, as determined by the contract, has been accounted for as a contribution towards the capital repayment element of the contract at the commencement of the PFI contract occupation period.

The Accounts are prepared on the basis that the economic effect of granting a lease at Buxton to ICB Ltd is not material because the difference between the existing use value of the freehold land at Buxton as at 31 March 2010 and the value of the reversionary interest in the freehold land as at October 2034, is not significant, given the location of, and potential uses for, the Buxton site.

HSE IT Services

HSE has streamlined the management of its IT service by placing all of its IT services with a single strategic partner who has responsibility for delivery and end to end service. In June 2001, HSE signed a 10 year contract with a partner (Logica CMG with Computacenter as the key sub-contractor) for the provision of information and communications technology and information strategy service across all HSE sites and to all HSE users.

Imputed finance lease obligations under on-Statement of Financial Position PFI contracts

Total obligations for on-Statement of Financial Position PFI contracts for the following periods comprise:

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£000	£000	£000
Gross liabilities			
Not later than 1 year	149,359	147,340	153,494
Later than 1 year and not later than 5 years	597,505	589,641	614,470
Later than 5 years	631,904	773,538	952,077
Total gross liabilities	**1,378,768**	**1,510,519**	**1,720,041**
Less interest element	(358,412)	(413,214)	(498,071)
Net liabilities	**1,020,356**	**1,097,305**	**1,221,970**

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£000	£000	£000
Net liabilities			
Not later than 1 year	96,297	89,659	87,667
Later than 1 year and not later than 5 years	459,114	430,422	427,109
Later than 5 years	464,945	577,224	707,194
	1,020,356	**1,097,305**	**1,221,970**

(ii) Off-Statement of Financial Position

The Department does not have any off-Statement of Financial Position PFI arrangements in place.

(iii) Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of the service element of on-Statement of Financial Position PFI transactions was £55.6 million (2008-09 £58.5 million) (see also Note 9). Contingent rent is included of £34.6 million (2008-09 £39.7 million). The contingent rent figures as at 31 March 2010 are based on a 0.78% per annum reduction of the 31 March 2009 figure as the rental payments within the PRIME lease contract are linked to RPI.

37. Other financial commitments

The Department has entered into the following non-cancellable contracts (which are not leases or PFI contracts).

TREDSS

The Department has a contract with Hewlett Packard Enterprise Services for the provision of a wide range of IT hardware, software and associated maintenance services. The contract consists of 5 towers; desktop services, hosting services, application development, application maintenance and support and systems integration and management (SIAM). The contract commenced in August 2005 to run for a period of 5 years. The following extensions to the contract have been agreed:

- Hosting services to February 2015
- SIAM to August 2014
- Application Maintenance and Support Application Development to February 2014.

The contract includes minimum income commitments. These commitments are disclosed below and are net of the implicit finance lease liabilities.

Future Commitments

The payments to which the Department is committed are as follows:

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£000	£000	£000
Not later than 1 year	233,332	231,323	244,563
Later than 1 year and not later than 5 years	661,556	250,638	849,955
	894,888	**481,961**	**1,094,518**

38. Financial Guarantees, Indemnities and Letters of Comfort

Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament. These costs are reproduced in the table below.

	1 April 2009	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2010	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Guarantees	-	-	-	-	-	-
Indemnities	-	-	-	-	-	-
Intentions to proceed	-	-	-	-	-	-
Letters of comfort and Letters of intent	19,336	36,587	-	(13,713)	42,210	-
	19,336	**36,587**	**-**	**(13,713)**	**42,210**	**-**

Explanation of movements

The items comprising these figures are reported as Contingent Liabilities for internal reporting purposes only and refer to instances where commercial cover has been provided to a supplier prior to contract signature. They have arisen within the normal course of business.

Prior to contract signature, a common instrument used by the Department to provide commercial cover to a supplier for work to proceed is a Letter of Comfort (LOC). When the contract is subsequently signed, the LOC is superseded by the contract and the LOC lapses. This was the case with all such LOCs that ended during 2009-10, which have been categorised above as Obligations expired in year. Had contracts not been signed, the Department would have been required to pay the supplier concerned under the appropriate LOC, in which case the liability would be said to have crystallised. This did not occur in any instance.

As at 31 March 2010, there were a number of LOCs in place, notably relating to the Change Programme IT related projects (£0.970 million). A further LOC was put in place relating to the Personal Accounts Delivery Authority (£5.623 million) in 2008-09, along with £0.181 million relating to letters of intent issued in 2009-10 and a further loan advanced of £35.436 million (see note 25(ii)). This has been given because the Department was lending to PADA with the intention that the loan liability is transferred and repaid by a different body, currently known as the Trustee Corporation. However as PADA has no revenue raising powers a letter of comfort was been provided to give them assurances that if such a transfer is not executed, the Department will ensure that PADA is in a position to meet its liabilities. As of 5 July 2010, all of the assets and liabilities of PADA transferred to the National Employment Savings Trust (NEST) Corporation.

There were no liabilities reported to Parliament during the course of the year as all contingent liabilities arose during the normal course of business and hence there was no requirement for these to be reported.

39. Contingent Liabilities disclosed under IAS 37

Remploy Limited

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 liabilities i.e. 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. As at 31 March 2009, the net current liabilities of Remploy were £6.3 million with the retirement benefits obligation amounting to £155.9 million.

Better Government for Older People (BGOP)

This was an agreement between the Department and the Centre for Policy on Ageing (CPA) to support BGOP in carrying out the functions in their business plan. In addition to the funding the Department provided, it had also agreed to indemnify CPA, the host organisation, against any losses arising from BGOP activity to the sum of £1million in any one year and, as the 'Consortium Agreement' year runs from October to September, £2 million in totality. The hosting and indemnity agreements ended on 3 May 2009, but the Department is aware that CPA is currently pursuing a claim via litigation, the outcome of which is still to be decided.

European Social Fund (ESF) Repayments

As Managing Authority of the European Social Fund in England the Department has a potential liability in respect of ineligible claims for ESF programmes which operated during 2000-06. The ESF Audit Authority has produced a closure statement for each ESF programme which assesses the standard of financial management and control and the underlying level of error. An impairment provision of £52.7 million is included in these accounts, and is believed to be sufficient in respect of the 2000-06 programme. However, it is possible that unforeseen financial corrections could be applied over and above existing amounts provided.

Because of the complexity of EU regulations governing ESF and the right of the European Commission and the European Court of Auditors to carry out audits on the 2000-06 ESF programme in future years so there is a possibility that unforeseen ineligible expenditure could be detected which cannot be recovered by the Department. The risk and the likely amount of any unforeseen future liabilities cannot be assessed with any degree of certainty at this stage.

European Social Fund

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, Employment Group incurs the cost. Because of the timescales involved for deriving any such shortfalls, at the time of producing these accounts, specific amounts cannot be ascertained.

Financial Assistance Scheme (FAS)

In December 2007, the Government announced its intention for FAS 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 enable the transfer of assets remaining in FAS qualifying schemes to the Government. As a result, the liabilities associated with FAS will increase as the assets transfer from individual schemes to Government. However, we have not increased the provision in 2009-10 for liabilities associated with asset transfers as no assets have been transferred to Government in 2009-10.

Vaccine Damage Payments

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 has been 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. 395 claims were received by this deadline. Of these, 320 still have the right to request an appeal any time in the future should they wish to do so. There is no time limit for requesting Vaccine Damage Payment Appeals.

Currently there are approximately 2,800 Vaccine Damage Payment claims (including those detailed above) which have existing appeal rights. 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.

Deficiency Notices

Each tax year, an exercise is performed to identify customers who have not paid, or been credited with, enough National Insurance contributions to provide entitlement towards State pension for that year. Those customers of working age who are affected are issued with an invitation (Deficiency Notice), by Her Majesty's Revenue and Customs, to pay contributions on a voluntary basis in order to make up any deficiency. Deficiency Notices were not sent out for the tax years 1996-97 to 2001-02. Between September 2004 and March 2010, The Pension, Disability and Carers Service contacted pensioner customers affected by the suspension of Deficiency Notices. Customers who reached State Pension age between 6 April 1998 and 24 October 2004 (inclusive) were invited to consider paying voluntary contributions to provide them with the opportunity to improve their basic State Pension or qualify for one for the first time.

As at 31 March 2010, State Pension arrears of £117.3 million had been paid out in relation to the pensioner exercise together with compensation of £11.9 million. Although the amounts are uncertain and the liability does not crystallise until customers make contact, current estimates of the possible future expected payments of State Pension arrears are £21.1m (with possible compensation of £4.5 million).

Underpayment of Extra Amount of Severe Disability

Extra Amount for Severe Disability (EASD), is payable if a customer receives Attendance Allowance or the middle or higher rate of the care component of Disability Living Allowance (DLA). The criteria also require that they live 'alone'. Underpayments have been identified for some customers, where DLA/AA and Pension Credit are in payment but no record of the DLA/AA claim exists on the Income Support Computer System, therefore EASD has not been awarded. From a possible caseload of approximately 17,000 cases, a pilot of 1,000 cases has calculated by extrapolation possible further underpayments of £19 million with possible compensation payments of £1.2 million which will be dealt with during the period from May 2010 to March 2011.

Home Responsibilities Protection Error

Home Responsibilities Protection (HRP) reduces the number of qualifying years required for a full basic State Pension if the person was receiving child benefit for a child under the age of 16. HRP should be recorded automatically on the child benefit payee's account on the National Insurance Recording system (NIRS) by means of a data feed from the Child Benefit Computer system. It emerged that there had been a significant weakness in the system in that many cases will have had to have been matched onto NIRS clerically because neither the individual's National Insurance number nor date of birth were included in the Child Benefit details. The errors mainly affected women. As a result the correct number of HRP years will not have been included in NIRS records for some customers and this will have an impact on State Pension entitlement. This weakness has now been removed for new claims to child benefit from 2000 where the person is required to provide their national insurance number.

A special exercise commenced in July 2009 to correct existing State Pension awards for women and this is due to be completed by June 2011. As at 31 March 2010, State Pension arrears of £18.1 million had been paid out in relation to this exercise, plus compensation of £0.4 million. The remaining future expected payments cannot be reliably measured because the exercise to date has focused on certain customer age cohorts that are not necessarily representative of the total qualifying population. For those customers in the age cohort (65-80) who were most likely to have entitlement to Child Benefit for the qualifying period, the figures are still to be assessed by the HRP Project. Possible estimated payments on this exercise prior to its completion in June 2011 are £64.1 million State Pension arrears with associated compensation in the order of £5.4 million, although there remains a significant degree of uncertainly in respect of this estimate.

Additional Pension errors

Her Majesty's Revenue & Customs (HMRC) have identified a small number of cases with errors in the calculation of Additional Pension resulting in an incorrect payment of State Pension. Pension Disability and Carers Service are planning to correct these cases and customers who are underpaid due to an incorrect calculation of their Additional Pension will have their award corrected and arrears/compensation paid where appropriate. Investigations are currently ongoing and therefore it is not possible to estimate the value of any liability at this stage.

DLA Exportability

A decision made on 18 October 2007 by the European Court of Justice means that certain UK disability benefits are to be 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 has been created for those individuals who have met the eligibility criteria and have submitted a claim. This equates to 1,200 cases received to date. However, PDCS have no way of knowing at this stage how many potential customers will become eligible. The Agency has indicated that it cannot be certain of volumes until they have received a sample of actual cases (names and NINOs) and undertaken further analysis. Initial estimates suggest that the possible liability could be in the order of £33 million but there remains a significant element of uncertainly in respect of the number of invitees who may respond.

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

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.

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.

Transfer of State Pensions and Benefits

The Transfer of State Pensions and Benefits Regulations 2007 allow 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 has been calculated, a contingent liability arises.

Employment Programmes

Judicial review of geographic boundary issues may result in the Department needing to contribute an additional amount to Communities and Local Government to support the Working Neighbourhood Fund. The additional amount will not be known until the process is complete.

Planned site exit

The Child Maintenance and Enforcement Commission had one contingent liability at 31 March 2010. It had no contingent liabilities at 31 March 2009. The contingent item at 31 March 2010 relates to costs associated with the Commission's planned exit from one of its sites; consultation with trade unions had commenced at the reporting date. The value of the contingent liability is estimated at £1.6 million and more than £1.0 million of the liability is expected to crystallise during 2010-11.

40. Losses and Special Payments

(i) Summary of Losses and Special Payments

Losses	2009-10		2008-09	
	£000	Cases	£000	Cases
Benefit Related Losses				
Fraud	943	1,142	3,894	1,864
Specific benefit losses	5,003	83,016	12,906	52,285
General losses	224,484	1,060,287	232,051	931,042
Missing payments	1,731	-	1,439	-
National Insurance Fund				
Fraud	64	47	39	308
Missing payments	489	-	346	-
Other general losses	54,967	330,590	56,892	306,888
Social Fund				
Funeral payments	85,344	69,316	117,460	101,729
Irrecoverable overpayments/loans	2,079	20,902	2,127	16,961
Other general losses	27	131	47	174
Housing Benefit				
Fraud	75	78	145	46
Total benefit related losses	**375,206**	**1,565,509**	**427,346**	**1,411,297**
Administration Losses				
Cash losses	33,875	105,191	49,385	61,127
Claims waived or abandoned	541	160	173	175
Stores losses	1,727	1,645	544	1,161
Fruitless payments	5	24	6	26
Other losses	5,386	28	1,730	58
Total administration losses	**41,534**	**107,048**	**51,838**	**62,547**
Total Losses	**451,208**	**1,680,347**	**482,279**	**1,482,624**

Special Payments	2009-10		2008-09	
	£000	Cases	£000	Cases
Benefit Related Special Payments				
Vote	4,078	11,530	3,313	12,176
National Insurance Fund	5,517	11,031	9,135	13,652
Extra-statutory payments	264	1	-	-
Administration Special Payments				
Payments to staff & members of the public	18,648	54,202	17,030	47,597
Total Special Payments	**28,507**	**76,764**	**29,478**	**73,425**

(ii) Benefit Related Losses Statement

Details of cases over £250,000	2009-10 £000	2008-09 £000
General Losses		
General losses are cash losses mainly due to non recoverable overpayments of benefit which are written off during the year as well as other losses to the Department where monies cannot be recovered and are therefore written off. The overall general losses for 2009-10 are lower than those in 2008-09 by £9 million. However the Department made a bulk write off totalling £20.6 million in 2008-09. Taking this into consideration, actual benefit write-offs have increased in 2009-10 by £11.6 million. This is partly due to the initiative to process new debt referrals to shorter timescales during the last 2 months of the financial year which increased the value of new debts, with a consequent increase in write offs.	279,478	289,135
Organised & Serious Fraud Under £250,000		
A national team of specialised officers within the Fraud Investigation Service conducts investigations into organised & systematic abuse of the benefit system. For 2009-10 Jobcentre Plus Fraud Investigation Services have collated data onto the Fraud Referral and Information Management System (FRAIMS), which has replaced manual returns. This system does not hold complete losses data for disclosure purposes and therefore the only data captured this year originates from the manual returns for under £250k completed in the first quarter of 2009-10.	407	786
Overpayments of IS & JSA arising from Child Tax Credits		
IS & JSA previously included an allowance for any dependant children within the family unit of a claimant. This was removed from April 2004 with support for dependant children being met by Child Tax Credit (CTC) administered by HMRC. Existing claims to IS and JSA retained the allowances for dependents until such time as they claimed CTC. Investigation within the department and legal advice have concluded that there has been an overpayment of IS/JSA. However there is no basis under social security legislation to recover such overpayments as they have not arisen as a consequence of any failure to disclose or misrepresentation on behalf of the customer. From April 2010 this issue has been rectified as HMRC IT and procedures have been changed (funded by the Department) to allow payment from a future date and removing the double provision period.	3,414	11,600
DLA/AA payments with no live claim		
The Pension, Disability & Carers Service identified that 260 customers are being paid Disability Living Allowance (DLA) or Attendance Allowance (AA) with their State Pension by pension centres, although there is no live claim to DLA/AA held on the DLA system. Reliable clerical records are held that detail why entitlement should have ended and from what date. The total value of overpayments made during 2009-10 is £910,563. The remaining future overpayments made on this exercise before its completion on 30 April 2010 are £942,070.	910	-

Internal and Contractor Fraud		
Investigations into suspected frauds or abuse by staff and contractors are conducted by a dedicated national team within the Department's Risk Assurance Division. During 2009-10 a total of 475 investigations were completed that involved a loss to public funds of £674,603.	675	1,034
Duplicate Christmas Bonus		
Duplicate Christmas Bonus payments arise because, although a customer can qualify for only one Christmas Bonus payment each year, more than one benefit system may generate that payment There has been a decrease in the value of duplicate Christmas Bonus payments for 2009-10 as the additional £60, paid in 2008-09 as a one-off payment, has not been paid this year.	679	1,306
Missing Dispatches		
There are instances of cheques claimed by Post Offices as being cashed, which are not received at Alliance and Leicester Commercial Bank (ALCB). The values of these "missing dispatches" are allowed pending investigations by both the Post Office and ALCB. Following these investigations, those cheques treated as encashments are reported as "Post Office Losses." Any cheques that were previously settled as "Post Office Losses" but are subsequently received at ALCB are offset against the existing "Post Office Losses" balance. Case numbers have not been provided as the department does not hold that level of information. ALCB can provide case numbers along with values of the missing payments, but this was requested too late this year for reliable information to be published in the 2009-10 Resource Account.	1,957	1,385
Housing and Related Benefits		
The Secretary of State, in accordance with provision in section 140C(3) of the Social Security Administration Act 1992, may exercise his discretion in deciding as to whether, and if so, how much of Housing Benefit and Council Tax Benefit (HB/CTB) overpaid subsidies to recover from local authorities. In the exercise of his discretion the Secretary of State has, in relation to 120 local authorities, decided to waive recovery of overpaid HB/CTB subsidy estimated at £2,744,237 in respect of 2006-07 and 2007-08 subsidy claims.	2,744	5,603
Social Fund		
Recoverable loans impracticable to pursue (volume 11,946)	1,630	1,852
Claims for recoverable funeral expenses abandoned due to insufficient estate (volume 43,733)	53,845	88,546
Claims for recoverable funeral expenses abandoned because they are impossible/ unreasonable to pursue (volume 25,583)	31,500	28,914
Losses due to irrecoverable overpayments (non loans) recorded during the year (volume 8,956)	450	275

(iii) Benefit Related Special Payments Statement

Details of cases over £250,000	2009-10 £000	2008-09 £000
Special Payments General		
Special Payments are payments made to customers for loss of statutory entitlement or where customers have suffered an actual financial loss. Loss of statutory entitlement is where official error has led to a customer losing entitlement to a benefit that would have been received had the error not occurred or had the case been actioned timeously. Actual financial loss applies to cases where maladministration has directly caused the customer to incur additional expenditure that would not have been incurred otherwise. During 2009-10, 22,561 cases equating to £9,595,391 of special payments were made.	9,595	12,448
Extra-Statutory Payments		
Extra -statutory payments have been made to ex-employees of Turner and Newall who are suffering the effects of asbestos exposure. The payments being made under the extra-statutory arrangement cover the period from 1 October 2008 to the point at which payments became regularised under Statutory Instrument 2009 / 1494. The payments were authorised by HM Treasury following the failure of Turner and Newall's parent company to meet obligations to ex-employees over this period. The total extra-statutory payments amounted to £264,364.	264	-

(iv) Administration Related Losses Statement

Details of cases over £250,000	2009-10 £000	2008-09 £000
Cash Losses		
Administration Debt Losses		
During 2009-10 the Administration Debt Process Owner initiated a thorough review of the policy, processes, controls and recoverability status of the debt stock as a result of increasing levels of Administration Debt within the Department. The objective was to establish a framework to define how Shared Services and the Department should operate in the Administration Debt area, developing an environment where the business is pro-active in seeking recovery. Extensive activity has taken place in respect of the aged debt stock, seeking recovery wherever possible. Where debt more than one year old has been deemed irrecoverable, the Department has written balances off. This amounts to £10.5 million. A key element of the work has been to identify the root causes of the build up of debt stock and develop appropriate remedial action to prevent recurrence, providing the tools and clear accountabilities to ensure debt is managed effectively. This activity has been undertaken in full consultation with the Department's Risk and Assurance Division and incorporates implementation of all their audit recommendations in this area. Shared Services have provided their full support and co-operation to ensure best practice is embedded in every aspect of the management of Administration Debt. Policy Groups, the Agencies and Commercial Directorate are also contributing to addressing the audit recommendations.	10,455	-

Reimbursement of Child Maintenance overpayments		
The Child Maintenance and Enforcement Commission have made a £9.7 million loss due to reimbursements of overpayments of maintenance made to clients.	9,700	7,594
Other cash losses		
The loss of £482k relates to a payment due from the UK Border Agency which is unlikely to be received.	482	847
Claims Abandoned		
Claims abandoned included a loss of £264k in respect of a bad debt written off due to a company going into liquidation. This debt related to prosecution costs awarded to HSE by the courts.	264	0
Other Losses		
The loss of £5.4 million relates to European Social Fund write-offs which are treated as administration losses. Included within this figure is a write off in respect of £3.9 million for Young Builders Trust and one for £0.5 million which is related to Regan School.	5,386	1,730

(v) Administration Related Special Payments Statement

Details of cases over £250,000	**2009-10**	**2008-09**
	£000	**£000**
Payments to staff & members of the public		
The compensation payment of £333k relates to an out of court settlement to a former employee in respect of a claim against Jobcentre Plus.	333	320

(vi) Other Accountability Issues

Details

Continuation of Payment of Child Dependency Increase

The Child Benefit Act 2005 introduced a new definition of "qualifying young person" used to decide whether or not child benefit is payable for people aged 16 to 19. However, the Act did not make corresponding amendments to provisions for child dependency increases made under the Tax Credits Act 2002.

As a result, payments of child dependency increases, where the child is aged 16 years or over are not covered by primary legislation from 10 April 2006. This omission in primary legislation was an oversight and did not reflect Parliament's intentions. Consequently these payments are considered irregular.

A written statement was issued by the Parliamentary Under-Secretary of State for Work and Pensions (Jonathan Shaw) on the 17 December 2008, announcing measures to ensure that people who have dependent children will continue to receive the benefit they are entitled to through child dependency increases, payable with incapacity benefit, state pension, widows benefit, bereavement benefit, and carer's allowance.

In order to regularise the payments of child dependency increases, the unintentional effects of the Child Benefit Act 2005 have been reversed in Section 37 of the Welfare Reform Act 2009 with effect from 12 November 2009.

This statement was approved by the Chief Secretary to the Treasury.

Overpayment of Carer's Allowance Following Changes to the National Insurance Recording System (NIRS2)

Carer's Allowance customers under State Pension age are entitled to class 1 National Insurance (NI) credits. At the end of the tax year the Carer's Allowance Computer System sends details of the credits to the National Insurance Pay as you earn and Self assessment system (NPS), which updates the customers NI account. NPS then identifies any accounts where there are overlapping credits and contributions from employment and notifies the Carer's Allowance Unit in the Department.

It was identified in 2007-08 that the Department was not being notified of all cases with overlapping credits. Overlapping contributions could indicate that the customer has undeclared earnings over the level permitted when claiming Carer's Allowance. A change to NIRS2 (the predecessor of NPS) was made in October 2008 to cover the tax years from 1997-98 onwards. The Department has now received the backlog of referrals, which was lower than anticipated. As a consequence the full impact will not be known until the cases are cleared, which is anticipated to be by March 2011.

Where an overpayment has arisen due to failure, by the customer, to report a change in circumstances it will be recoverable under Social Security Legislation, subject to recovery being cost effective to pursue.

Payroll Reconciliations

During 2009-10 the Department established a project tasked with clearing a large number of outstanding items on the Payroll to General Ledger reconciliations. This was in response to an NAO recommendation to review and clear historic reconciling balances. All items less than one year old were considered on an individual basis. For balances over one year old (originating prior to 1st April 2009) where the differences had arisen due to accounting entries, these were cleared using consolidated entries. The net effect of all the accounting corrections was an adjustment of £85,335 to the Operating Cost Statement comprising a £10.068 million debit and a £9.983 million credit posting. The balances over one year old that relate to real debt are still under investigation on an individual basis with recovery being pursued as appropriate.

As part of the project remit, extensive root cause analysis has been undertaken to identify, develop and implement system and process improvements. These will prevent recurrence of the anomalous accounting entries and establish more robust controls to support the overarching payroll environment.

Overpayments for Part-time Staff

HR Policy states that part-time individuals should claim payment up to conditioned hours i.e. a standard full-time working week at a flat rate before they can claim overtime. However, the Department has identified that a number of part-time staff have been overpaid as a result of underlying system and process flaws compounded by compliance issues. Initial estimates suggest the value of overpayments is in the order of £1 million. Action has been taken to strengthen the existing process ensuring no further incorrect claims have been made since April 2010. Enhanced controls are now in place to address any ongoing compliance issues. The Department is now considering the most appropriate course of action to take in respect of the historic overpayment cases.

41. Related Party Transactions

The Department for Work and Pensions is the parent of The Pension, Disability and Carers Service, Jobcentre Plus, the Child Maintenance and Enforcement Commission and the Health and Safety Executive. It also sponsors the Pensions Regulator, the Office of the Pensions Ombudsman, the Personal Accounts Delivery Authority, the Pensions Advisory Service, the Pension Protection Fund and Remploy Limited. The Department is also responsible for the Social Fund and the European Social Fund. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a number of transactions with other Government Departments, other Central Government Bodies, Local Authorities and some charitable organisations. Most of these transactions have been with the Office of the Paymaster General (OPG), Post Office Limited, the British Broadcasting Corporation, the Department of Health, the Northern Ireland Social Security Agency, the Ministry of Defence, HM Revenue and Customs, the Treasury Solicitor, the Department for Education

and the Valuations Office Agency.

No Minister, Board member, key management personnel or other related party has undertaken any material transactions with the Department during the year.

42. Third-Party Assets

Some monies are held on behalf of third parties and relate to maintenance collected from non-resident parents and due to be paid to parents with care or the Secretary of State. These are not departmental assets and are not included in these accounts but are accounted for in the Client Funds Account of the Child Maintenance and Enforcement Commission. The cash balance held at the reporting date is set out in the table below:

Statement of Balances at 31 March and 1 April	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
CMEC Client Funds	16,255	17,431	18,528
	16,255	**17,431**	**18,528**

43. Incorrect Payments

Background

The Department has a responsibility to pay customers the right benefits at the right time. Social Security legislation sets out the basis on which the Department calculates and pays benefits. The purpose of this legislation is to provide a regulatory framework within which we have to operate to provide support for those in need, within society.

In many instances Parliament has targeted benefits to customers' needs and circumstances to ensure an efficient use of overall resources. This does, however, introduce complexity and an inherent risk of fraud and error which as a consequence, results in incorrect payments being made in a minority of cases.

This complexity has resulted in the Department administering over 27 benefits, at more than 300 different rates, at any one time. Despite these challenges, the Department correctly pays approximately 97% of benefit expenditure.

Overall performance

The Department remains committed to reducing fraud and error in benefits. The latest figures show that the Department has experienced a slight increase in both the proportion and the amount of benefit overpaid. This increase has to be viewed in the light of the recent economic downturn and consequential increase in benefit expenditure. The pressure associated with the significant increase in caseload, specifically in the working age benefits, has resulted in a slight increase in the incidence of fraud and error rates. The Department recognises that more needs to be done to achieve the reduction required to meet the Department's overpayment and underpayment targets. The Department has set out the strategies to reduce fraud and error to achieve these targets later in this note.

The Department uses statistically valid, random sampling to estimate the overall level of fraud and error[1] with an acceptable precision. According to these estimates, fraud and error for 2009-10, resulting in overpayment of benefit, stands at 2.1% (£3.1 billion) of benefit expenditure. Compared with 2000-01, when the Department was formed, this is down by over one third in percentage terms from 3.2%. This overall net improvement has been achieved through a reduction in fraud from 2.1% to 0.7%, whilst customer error remains at 0.7%, and official error has increased from 0.4% and currently stands at 0.7%. The level of underpayments for 2009-10 is 0.9% (£1.3 billion). By comparison underpayments were estimated at 0.7% (£0.8 billion) in 2004-05, the first year of measurement. In percentage terms, the level remains unchanged from last year but the monetary value of underpayments has increased due to an increase in overall benefit expenditure from £135.9 billion to £148.0 billion.

Figure 1: Estimated levels of overall fraud and error

	2009-10*		2008-09*		2000-01*** (global estimates first produced)	
Fraud	0.7%	£1.0bn	0.6%	£0.9bn	2.1%	£2.2bn
Customer error	0.7%	£1.1bn	0.7%	£0.9bn	0.7%	£0.7bn
Official error	0.7%	£1.1bn	0.6%	£0.9bn	0.4%	£0.4bn
Total overpayments	2.1%	£3.1bn	2.0%	£2.7bn	3.2%	£3.3bn
Total underpayments	0.9%	£1.3bn	0.9%	£1.2bn	0.7%**	£0.8bn**
Total expenditure	**£148.0bn**		**£135.9bn**			**£101.4bn**

Note: Component estimates may not sum to totals due to rounding.

* For Resource Account purposes these figures are based on fraud and error National Statistics for continuously measured benefits (Income Support, Jobseeker's Allowance, Pension Credit, Incapacity Benefit and Housing Benefit) for periods covering Oct 08-Sept 09 and Oct 07-Sept 08, but using benefit expenditure for the financial year in question.
** Earliest figures available for underpayments are from 2004-05.
*** The 2004/05 Disability Living Allowance (DLA) National Benefit Review identified cases where the change in customers' needs had been so gradual that it would be unreasonable to expect them to know at which point their entitlement to DLA might have changed. These cases did not result in a recoverable overpayment as we could not identify when the change occurred. Because legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the claimant to inform us that their needs have changed, cases in this subcategory were legally correct. The difference between what claimants in these cases were receiving in DLA and related premiums in other benefits and what they would receive if their benefit was reassessed was estimated to be around £0.6 billion (+/- £0.2 billion) in 2004-05. The estimate for 2000/01 contains this expenditure as it is not possible to identify what the impact was in this year. Therefore, a direct comparison between the estimates should be treated with caution as some of the reduction is likely to be due to the definitional change.

Measurement of fraud and error

For the third consecutive year the Department continues to report using data drawn from samples that reflect six months of "in year" figures for the continuously reviewed benefits (Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit). For 2009-10 the Department has improved its process for measuring performance on fraud and error by including updated estimates for Incapacity Benefit. Continuous measurement of Incapacity Benefit began in April 2008 and the first estimates were available in October 2009. This year the Department plans to undertake a review of its measurement system to ensure that it remains aligned to the range and delivery of benefits.

Context

The benefits the Department pays can be grouped into three main categories:

- Income-related benefits
- Contributory benefits

[1] The Department defines **fraud** as those cases where customers deliberately claim money to which they are not entitled. It splits error into two categories: **customer error**, which occurs when customers provide inaccurate information and **official error** which occurs when officials process information incorrectly or fail to apply specific rules.

- Disability benefits

Income-related benefits

In seeking to ensure people on low incomes are supported, legislation requires that a customer's financial status is taken into account. Clear thresholds to entitlement are set in legislation and these are sensitive to even the smallest of changes in an individual's circumstances. Customers are legally obliged to notify the Department of these changes and the Department then reassesses entitlement based on information provided.

These income-related benefits are therefore most likely to be subject to fraud and error. For this reason the Department prioritises its efforts to tackle fraud and error principally on these benefits. Details relating to these benefits are set out in Figure 2 below.

^All National Statistics reports on fraud and error are available at www.dwp.gov.uk/asd/asd2/fraud_error.asp

Figure 2: Comparison between income-related benefits (continuously measured)

Income-related benefits		Income Support		Jobseeker's Allowance		Pension Credit		Housing Benefit	
Expenditure	2009-10	£8.5bn		£4.7bn		£8.2bn		£19.9bn	
	2008-09	£8.9bn		£2.9bn		£7.8bn		£17.2bn	
Within which are estimated:									
Total overpayments	2009-10	5.7%	£480m	5.2%	£240m	4.4%	£360m	4.4%	£880m
	2008-09	4.9%	£440m	5.1%	£140m	4.6%	£360m	4.5%	£770m
Total underpayments	2009-10	1.2%	£100m	0.5%	£30m	1.9%	£150m	1.4%	£280m
	2008-09	1.3%	£110m	0.3%	£10m	1.5%	£120m	1.3%	£220m
Analysed between:									
Fraud overpayment	2009-10	2.8%	£240m	2.5%	£120m	1.0%	£90m	1.3%	£260m
	2008-09	2.5%	£220m	2.9%	£80m	1.1%	£90m	1.2%	£210m
Customer error overpayment	2009-10	1.5%	£120m	0.3%	£10m	1.6%	£130m	2.1%	£420m
	2008-09	1.1%	£100m	0.3%	£10m	1.3%	£100m	2.4%	£410m
Official error overpayment	2009-10	1.4%	£120m	2.3%	£110m	1.8%	£150m	1.0%	£200m
	2008-09	1.4%	£120m	1.9%	£60m	2.1%	£170m	0.9%	£150m

Contributory and Disability Benefits

Contributory benefits are based on National Insurance contributions paid by the customer and other entitlement conditions such as unemployment, sickness, age and bereavement. Usually the claim extends over a longer period of time than non-contributory benefits with fewer conditions affecting entitlement, making them less susceptible to fraud and error.

Disability benefits can be contributory or non-contributory and are paid in mitigation of extra costs associated with disability or severe health conditions. They are less susceptible to fraud but are susceptible to error, as the entitlement depends on assessment of care and mobility needs which can change over time.

The estimated performance of all these benefits relies on a mixture of continuous measurement, periodic reviews and modelling; the details are set out in Figure 3 below. Periodic reviews are "snapshot" exercises that estimate levels of fraud and error in a benefit in a particular year. Estimates from these exercises are for Disability Living Allowance (April 2004-March 2005) and State Pension (April 2005-March 2006). Estimates in Incapacity Benefit and official error in State Pension is subject to continuous measurement.

Figure 3: Comparison between contributory and disability benefits

Contributory & Disability benefits		Contributory				Disability	
		Incapacity Benefit		State Pension		Disability Living Allowance	
Expenditure	2009-10	£6.2bn		£66.9bn		£11.5bn	
	2008-09	£6.6bn		£61.7bn		£10.6bn	
Within which are estimated:							
Total overpayment	2009-10	3.3%	£200m	0.1%	£90m	1.9%	£220m
	2008-09	1.7%	£110m	0.2%	£100m	1.9%	£200m
Total underpayment	2009-10	0.9%	£60m	0.2%	£110m	2.5%	£290m
	2008-09	0.8%	£50m	0.3%	£190m	2.5%	£260m
Analysed between:							
Fraud overpayment	2009-10	0.5%	£30m	0.0%	£0m	0.5%	£60m
	2008-09	0.1%	£10m	0.0%	£0m	0.5%	£50m
Customer error overpayment	2009-10	0.7%	£40m	0.1%	£60m	0.6%	£70m
	2008-09	0.2%	£20m	0.1%	£50m	0.6%	£70m
Official error overpayment	2009-10	2.1%	£130m	0.1%	£30m	0.8%	£90m
	2008-09	1.3%	£90m	0.1%	£50m	0.8%	£80m

Note: Component estimates may not sum to totals due to rounding.

Other Benefits

The level of fraud and error in other benefits is set out in Figure 4 below.

Figure 4: Level of fraud and error in other benefits:

Benefit	Expenditure 2009-10	Fraud & Error 2009-10		Fraud & Error 2008-09	
Carer's Allowance	£1.5bn	£80m	5.5%	£70m	5.5%
Instrument of Payment fraud	-	£10m	-	£10m	-
Interdependencies*	-	£40m	-	£40m	-
Council Tax Benefit	£4.8bn	£180m	3.8%	£170m	3.9%
Other unreviewed	£15.8bn	£350m	2.1%	£260m	1.8%

*These are overpayments due to "knock-on" effects between DLA overpayments and premiums for caring and disability on income-related benefits.

Summary of current performance

Overpayments

Compared with performance in 2008-09, the main changes in the estimates for continuously measured benefits are noted below.

Improvements:

- Pension Credit experienced an overall decrease in overpayments to 4.4% of benefit expenditure, the lowest ever level. There were decreases in fraud and official error, but an increase in customer error.
- Housing Benefit experienced an overall decrease in overpayments to 4.4% of benefit expenditure, the lowest ever level. There was a decrease in customer error but fraud and official error increased.

Areas for concern:

- Overall, overpayments increased from 2.0% to 2.1% of benefit expenditure. However, these are the first results to fully reflect the impact of the economic downturn and a higher workload created an environment that increased the risk of fraud and error. The Department believes that the small increase in the proportion of overpayments reflects the efforts the Department has made to ensure that the focus on fraud and error remained a high priority.
- Fraud increased from 0.6% to 0.7%. Monetary value of fraud increased from £0.9 billion to £1.0 billion.
- Customer error remained at 0.7%. Monetary value of customer error increased from £0.9 billion to £1.1 billion.
- Official error increased from 0.6% to 0.7%, and the monetary value of official error increased from £0.9 billion to £1.1 billion.
- Jobseekers' Allowance saw an overall increase in overpayments, from 5.1% to 5.2% of benefit expenditure. Fraud decreased as a percentage of total expenditure, although in cash terms it increased by £40 million to £120 million. Official error experienced a slight increase of 0.4% associated with the economic downturn whilst customer error remained unchanged.
- Incapacity Benefit experienced an overall increase in reported overpayments from 1.7% to 3.3%. This is due to updated measurement being undertaken for Incapacity Benefit, where fraud increased from 0.1% to 0.5%, customer error increased from 0.2% to 0.7% and official error increased from 1.3% to 2.1%. Previous estimates were based on a 2000-01 review and due to improvements in the measurement regime over time results are not easily comparable between periods.
- Income Support experienced an overall increase in overpayments, from 4.9% to 5.7% of benefit expenditure. This is due to increases in customer error and fraud.

Underpayments

Underpayments have been the focus of Departmental targets since the commencement of DSO6 in April 2008. Current overall performance shows that, in percentage of benefit expenditure terms, the level of underpayments has remained stable at 0.9%, although the monetary value has increased from £1.2 billion to £1.3 billion.

The levels of underpayments during 2009-10 have increased within the income related benefits, including Jobseeker's Allowance (0.3% to 0.5%), Pension Credit (1.5% to 1.9%) and Housing Benefit (1.3% to 1.4%). State Pension underpayments have reduced to 0.2%, although the level of expenditure on State Pension had increased by over £5 billion, during this period.

The underpayment estimates do not include those who are entitled to benefits but who do not apply, or whose applications to benefit are incorrectly rejected. The Department's policy is to make good all cases of underpayment where and when they are identified.

Fraud & Error estimates

The Department is rigorous in its approach to estimating levels of fraud and error. The estimates are produced to the exacting standards of the Office of National Statistics (ONS). National Statistics protocols ensure their production is independent of Departmental and Ministerial influence. The Department has been acknowledged as being in the forefront of social security organisations world wide in its attempts to estimate a monetary value of fraud and error.[1] Our strategy for estimating the level of incorrect payments takes into account the value of the benefit, its risk profile and previous experience.

Statistical Uncertainty

The Department reviews a sample of claims and this sampling approach introduces statistical uncertainty into the figures. This uncertainty is quantified with a 95% confidence interval. These give the range in which the Department can be 95% sure of where the true value lies for each of the estimates presented. Further uncertainties arise from imperfections in the design and operation of the review process. Where possible these have been quantified and incorporated into the 95% confidence intervals.

Figure 5: Confidence intervals

Estimated overpayments	Percentage 2009-10		Amount 2009-10		Percentage 2008-09		Amount 2008-09	
Overpayments								
Fraud	0.7%	(0.6,1.0)	£1bn	(0.8,1.4)	0.6%	(0.5,0.9)	£0.9bn	(0.7,1.2)
Customer Error	0.7%	(0.6,0.9)	£1.1bn	(0.8,1.4)	0.7%	(0.6,0.9)	£0.9bn	(0.8,1.2)
Official Error	0.7%	(0.6,1.0)	£1.1bn	(0.9,1.5)	0.6%	(0.5,0.9)	£0.9bn	(0.7,1.2)
Underpayment								
Fraud	0.0%	(0.0,0.0)	£0.0bn	(0.0,0.0)	0.0%	(0.0,0.0)	£0.0bn	(0.0,0.0)
Customer Error	0.5%	(0.3,0.9)	£0.8bn	(0.5,1.3)	0.5%	(0.3,0.8)	£0.7bn	(0.4,1.1)
Official Error	0.3%	(0.2,0.4)	£0.5bn	(0.4,0.6)	0.3%	(0.2,0.6)	£0.5bn	(0.3,0.8)
Total Overpayments	2.1%	(1.8,2.5)	£3.1bn	(2.7,3.8)	2.0%	(1.7,2.3)	£2.7bn	(2.3,3.2)
Total Underpayments	0.9%	(0.6,1.2)	£1.3bn	(0.9,1.8)	0.9%	(0.6,1.2)	£1.2bn	(0.9,1.7)

Note: Component estimates may not sum to totals due to rounding.

Strategies to reduce fraud and error

The latest figures show that the Department has experienced an increase in the proportion and monetary amount of benefit overpaid. This has to be considered in the context of the recent economic downturn which resulted in an increase in benefit expenditure, particularly in those benefits most susceptible to fraud and error. In recognition of this, and the continuing need to reduce fraud and error, the Department has developed an action plan for 2010: to implement a programme of work designed to tackle fraud and error by cleansing official and claimant error out of existing cases; further securing the claims process at the initial gateway, and taking new measures to encourage customers to report changes in their circumstances.

Alongside this work, the Department has brought together all the initiatives designed to tackle fraud and error and is conducting a systematic review of each of these to ensure that they are focussed on the causes of fraud and error and will continue to have a significant impact. This work will ensure that the Department has an efficient and effective work programme to reduce fraud and error, identifying any gaps which the Department needs to address.

The Department has recently concluded the initial phase of work, focussing on Pension Credit systems, to design and test a framework for measuring and evaluating the robustness and cost effectiveness of its control of fraud and error. This initial design phase will now be followed by further work on "root cause" analysis. The Department's aim is to construct a common analytical framework for all benefits

[1] NAO report "International benchmark of fraud and error in social security systems." Report by the Comptroller and Auditor General, HC 1387 Session 2005-06, July 2006.

which will allow an assessment of the extent to which the Department's approach to tackling fraud and error is robust and delivers value for money, whilst also meeting policy and legislative objectives for delivering benefits to claimants.

In 2008-09 the Department introduced new formal governance arrangements through the establishment of the Fraud and Error Council, which meets regularly to oversee and ensure collective ownership and governance of the work in this area. It has broad, cross-departmental, membership and reports directly to the Department's Permanent Secretary.

From 1 April 2010 the Department has tightened sanctions on those committing fraud by introducing a "One Strike" provision through the Welfare Reform Act 2009. This provides for a four week loss of benefit to cover those committing a first fraud offence which results in a conviction, an administrative penalty or a caution. The Department continues to exploit opportunities for data sharing with other countries and as part of the wider work of the National Fraud Authority and working more closely with HMRC, Local Authorities and the private sector as recommended in the report from the Smarter Government Fraud Task Force.

The Department has continued to refresh its UK 'Targeting Fraud' publicity campaign and maintained the benefit fraud hotline. It has also run a publicity campaign in Spain, covering the majority of British expatriates living there, and has extended campaigns to airports and carriers to cover those going abroad for temporary periods. An evaluation is being undertaken of "Voice Risk Analysis" in Housing Benefit to help identify potentially fraudulent claims. A pilot exercise was undertaken during 2008-2009 in a number of local authorities using information held by a credit reference agency to identify the risk of potential fraud in Housing Benefit only cases committed by those who are living together but claiming to be single for benefit purposes. Following a full evaluation of the pilot and consultation with local authority representatives it was decided to extend the facility to all local authorities to help in their work to combat fraud.

Other recent initiatives include trialling risk profiling and better targeting of the Department's interventions by using predictive technology and data comparison tools, as employed in the private sector. These will be subject to evaluation to determine whether they should be taken forward.

The Department is modernising the delivery of its services to provide an efficient and accessible service for customers. As part of this, it is introducing State Pension Online, which is currently being tested with customers who are about to retire. This will allow individuals to enter their details via a secure website, as an alternative to making their claim over the phone; a similar online service for Jobseeker's Allowance is already operating. These changes to how the Department conducts business with its customers will provide both new opportunities and risks for the future management of fraud and error.

44. Entities within the Departmental boundary

The entities within the boundary during 2009-10 were as follows:

Supply – financed:	The Pension, Disability and Carers Service Jobcentre Plus
Non-executive NDPBs:	None
Crown NDPBs:	Health and Safety Executive Child Maintenance and Enforcement Commission
Other entities:	None

In addition, the functions of the Department's Head Office and Corporate and Shared Services are Supply-financed.

The annual reports and accounts of the Supply-financed Agencies and Crown NDPBs are published separately.

Annexes

Annex A: Expenditure Tables

The Government's expenditure plans 2004-05 to 2010-11

Table 1 – Department for Work and Pensions public spending

Table 2 – Department for Work and Pensions resource budget detail

Table 3 – Department for Work and Pensions capital budget detail

Table 4 – Department for Work and Pensions capital employed

Table 5 – Department for Work and Pensions administration costs

Table 6 – Staff numbers 2003-04 to 2010-11

Table 7 – Total Department for Work and Pensions identifiable expenditure on services, by country and region

Table 8 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head

Table 9 – Department for Work and Pensions spending by objective by country and region in 2008-09

Annex B: Performance Data Tables

Public Service Agreement/Departmental Strategic Objective Indicators

CSR07 Efficiency Programme

Annex C: Complaints to the Parliamentary Ombudsman

Annex D: Public Accounts Committee Recommendations

Annex A: Expenditure Tables

The Government's expenditure plans 2004-05 to 2010-11

These explain what the Department spends money on. The tables analyse Departmental expenditure in resource terms, showing resource consumption and capital investment. The information includes voted and non-voted expenditure and also shows the extent to which funds are provided to support local authority activities.

The tables include a breakdown of expenditure by major budget category: Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL). AME is primarily demand-led expenditure incurred on making benefit payments and is agreed as part of the Budget and Pre-Budget Report process. DEL is spending within the Department's direct control and which can therefore be planned over an extended period, such as the costs of its own administration, payments to third parties, e.g. within Employment Programmes, Housing Benefit administration subsidies to local authorities, and the European Social Fund. DEL provision is settled with HM Treasury during the Spending Review process. Additionally, the tables identify near-cash expenditure within resource budgets; near-cash being a control used to assess expenditure which impacts HM Treasury's fiscal objectives.

The tables in this annex are prepared in accordance with guidance from HM Treasury PES 2010(09). Consequently, tables 1-5 and 7-9 are based on the Departmental position at the time of the submission of the Main Estimate to Parliament. This submission takes place before the expenditure outturn in the Resource Account has been finalised and therefore these tables can only include a projected outturn position for 2009-10.

Table 1 – Department for Work and Pensions public spending

This table sets out a summary of the expenditure on functions which are currently administered by the Department, covering the period from 2004-05 to 2010-11. Future year figures reflect the budgeted figures agreed with HM Treasury.

The table presents the expenditure plans by way of the groups of clients who will be served through the consumption of the resources. The 'Corporate and shared services' grouping represents expenditure on corporate contracts, for example with the Post Office, and corporate administration. The line relating to the National Insurance Fund (NIF) represents the Department's costs in administering contributory benefits on behalf of the NIF. These costs are met by the NIF.

The consumption of resources includes both administration and programme expenditure (including social security benefits). The capital expenditure plans are shown separately in respect of each area of administration within the Department. Expenditure by local authorities in respect of the Department's welfare programmes is also shown in this table, and the extent to which it is supported by grants from the Department.

Table 2 – Department for Work and Pensions resource budget detail

This table provides similar information to Table 1, but in greater detail. It shows the expenditure for each of the client groups, indicating the activities the Department spends its money on. The expenditure plans differentiate between the costs of administration and expenditure incurred on the various welfare programmes. The entry concerning the NIF relates only to the Department's costs in administering claims to contributory social security benefits paid from the NIF.

Table 3 – Department for Work and Pensions capital budget detail

This table provides details of the capital expenditure plans in the same format as Table 2. Figures in respect of the Social Fund represent the level of net lending of the fund which, under HM Treasury Consolidated Budgeting Guidance, is regarded as a capital expenditure item.

Table 4 – Department for Work and Pensions capital employed

This table shows the capital employed by the Department, in a balance sheet format. It provides a high-level analysis of the value of the various categories of fixed assets, debtor and creditor values, and also the extent of provisions made. The net assets of Non-Departmental Public Bodies (NDPBs) and Public Corporations (Remploy Ltd and Pension Protection Fund) are shown separately.

Table 5 – Department for Work and Pensions administration costs

This table presents in more detail information concerning the administration costs of running the Department. These costs form part of the Department's DEL budget. For the current year and past years there is an analysis of administration expenditure showing paybill and other costs.

Table 6 – Staff numbers 2003-04 to 2010-11

This table shows actual and projected staffing in the Department and the split between permanent staff, temporary staff and overtime. Figures for all years to 2004-05 are based on full-time equivalents and are consistent with Cabinet Office definitions at the time. Actual figures from 2005-06 are based on the Office of National Statistics specification which includes all paid staff and has the effect of increasing staff numbers by around 2%. Planned figures for 2010-11 use the Office for National Statistics specification and are based on agreed headcount plans as at April 2010. These plans are based on a series of business assumptions and therefore are subject to review and will change. The 2010-11 overtime figure is estimated.

Table 7 – Total Department for Work and Pensions identifiable expenditure on services, by country and region

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions. The expenditure represents the Department's total expenditure, excluding Housing Benefit and Council Tax Benefit, for each region, with country and United Kingdom totals.

The majority of the expenditure is identifiable which means that it can be recognised as having been paid to, and for the advantage of, individuals within particular regions. Some non-identifiable expenditure is shown from 2007-08; this is planned spending which is deemed to be on behalf of the United Kingdom as a whole.

The expenditure shown in respect of Northern Ireland and outside the United Kingdom is explained in the notes to Table 7. More information about the non-identifiable expenditure is also shown in the Table 7 notes. Expenditure plans are mostly allocated to regions on the basis of the most recent outturn information.

Table 8 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions per head of population. This is more informative than the total expenditure information presented in Table 7, as the size of the population varies significantly between regions. For example, while expenditure per head is highest in the North East, because it has a relatively small population, its total expenditure is the smallest of all the regions (ignoring Northern Ireland, as only a small proportion of benefit spending in Northern Ireland falls to the Department's budget).

The figures also demonstrate that expenditure per head in Wales and Scotland is consistently higher than in England, and that spending is lowest in London and the South East. The reasons for the variation in the figures are many and complex, and will depend on variations in the structure of the population and the socio-economic environment. For example, areas such as the South West with a higher proportion of pensioners will tend to show higher spending, other things being equal.

Table 9 – Department for Work and Pensions spending by objective by country and region in 2008-09

This table provides a breakdown of expenditure based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter 9 of Public Expenditure Statistical Analyses 2008 (PESA).

Table 1: Total Departmental Spending for the Department for Work and Pensions £ million ([1,2])

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Resource budget							
Resource DEL ([3])							
Children ([4,5])	256	392	491	550	579	439	436
Working Age ([5,6])	3,908	3,666	4,448	4,512	4,512	4,846	4,170
Pensioners ([5])	419	183	323	342	361	265	175
Disability ([5])	379	438	515	550	557	525	509
Corporate and shared services ([5,7])	1,779	1,994	718	699	685	1,816	1,506
National Insurance Fund ([8])	1,137	1,083	1,112	1,096	1,001	1,056	1,056
Public corporations ([9])	109	117	129	192	174	120	120
Unallocated provision ([6])	-	-	-	-	-	-	794
Total resource budget DEL	**7,986**	**7,873**	**7,737**	**7,941**	**7,868**	**9,067**	**8,766**
Resource AME ([10])							
Children ([11])	1	6	2	4	10	-	-
Working Age	38,353	38,475	39,519	40,303	43,109	49,014	51,052
Pensioners	59,341	62,887	65,095	71,425	75,603	79,973	82,153
Disability	12,856	13,706	14,506	15,579	16,639	18,057	19,068
Corporate and shared services ([11])	4	72	17	13	-17	-53	-17
Total resource budget AME	**110,555**	**115,146**	**119,139**	**127,325**	**135,344**	**146,991**	**152,256**
Total resource budget	**118,542**	**123,018**	**126,876**	**135,267**	**143,212**	**156,058**	**161,022**
of which: Depreciation ([5])	153	167	189	155	157	257	276
Capital Budget							
Capital DEL ([3])							
Children ([5])	#	#	-	3	13	15	-
Working Age ([5,12])	153	287	125	20	18	67	54
Pensioners ([5, 13])	7	32	58	45	23	6	88
Disability ([5])	#	1	#	1	#	2	-
Corporate and shared services ([5])	137	34	23	8	37	185	101
Total capital budget DEL	**298**	**353**	**206**	**77**	**90**	**274**	**243**
Capital AME							

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Pensioners ([14])	80	101	185	140	136	171	225
Total capital budget AME	**80**	**101**	**185**	**140**	**136**	**171**	**225**
Total capital budget	**379**	**454**	**391**	**217**	**227**	**445**	**468**
Total Departmental spending ([15])							
Children	250	392	488	557	600	447	430
Working Age	42,329	42,324	43,967	44,738	47,553	53,790	55,156
Pensioners	59,837	63,178	65,625	71,917	76,066	80,382	82,593
Disability	13,234	14,144	15,020	16,130	17,196	18,569	19,580
Corporate and shared services	1,871	2,068	737	699	691	1,883	1,487
National Insurance Fund	1,137	1,083	1,112	1,096	1,001	1,056	1,056
Public Corporations	109	117	129	192	174	120	120
Unallocated Provision	-	-	-	-	-	-	794
Total Departmental spending	**118,767**	**123,305**	**127,078**	**135,328**	**143,281**	**156,246**	**161,215**
Of which:							
Total DEL	8,141	8,087	7,758	7,863	7,807	9,085	8,753
Total AME	110,626	115,218	119,320	127,465	135,474	147,161	152,462
Spending by local authorities on functions relevant to the Department ([16])							
Current Spending	14,080	14,874	15,801	16,666	18,023	20,768	
Of which:							
financed by grants from budgets, above	16,910	17,928	19,092	20,055	21,518	24,963	
Capital Spending	#	#	#	1	3	10	
Of which:							
financed by grants from budgets, above	1	#	#	#	-	-	

Notes for Table 1

1 Totals may not sum due to rounding.
2 Amounts below £0.5 million are indicated by #.
3 Departmental Expenditure Limit (DEL) for Resource and Capital set as part of the Spending Review process and amended to incorporate transfers of functions to other government departments.
4 From the 01 November 2008, the functions of the Child Support Agency were taken on by the Child Maintenance and Enforcement Commission.
5 From 2009-10 the financial accounts of central government departments and entities in the wider public sector are produced under the framework of International Financial Reporting Standards (IFRS). The main impact for the Department relates to the accounting treatment of Private Finance Initiative (PFI) contracts and intangible assets. In general terms the changes mean that some items of expenditure which were previously recorded as DEL Resource will now be reclassified as DEL Capital. The Department has centralised the funding for the classification changes related to PFI contracts in the corporate Request for Resources (RfR 5). This is consistent with how they will be treated in the financial accounts. The Estimate therefore includes a number of DEL neutral changes to redistribute funding from RfRs 1 to 4 and into RfR 5. This does not reflect a reprioritisation of real resources between the Department's objectives – simply the movement of certain contract costs to be scored against the corporate centre. The increase in capitalisation of intangibles does give rise to an increase in depreciation charges – a ring fenced non cash item from 2010-11 onwards.
6 The Department was allocated additional funding to manage the challenges of the economic downturn in the CSR 2007 period. The funding is used to provide additional support to the unemployed and pay the costs associated with the increased benefit claimant count. Some of this additional funding for 2010-11 is held in the Department's Unallocated Provision and is subject to dual key arrangements with HM Treasury. A further £404 million will be drawn down in future Supplementary Estimates, subject to HM Treasury approval.
7 In addition to information provided in notes 5 variations in this run of figures have been caused by fluctuations in modernisation expenditure, re-structuring of the Department and costs relating to the Efficiency Challenge.
8 National Insurance Fund (NIF) administration relates to the administration costs of processing NIF benefits, directly related to volumes of activity.
9 Includes Remploy Ltd and Pension Protection Fund (2005-06 onwards).
10 Annually Managed Expenditure (AME) is set as part of the Budget and Pre Budget Report process.
11 Elements of asset depreciation were reclassified from DEL to AME in HM Treasury Consolidated Budgeting Guidance, with changes impacted across all years.
12 Levels of expenditure from 2004-05 to 2006-07 reflect capital costs associated with the Jobcentre Plus roll out programme.
13 Increase in expenditure between 2005-06 and 2008-09 is as a result of spending on the Pensions Transformation Programme.
14 Figures relate to net lending on the Social Fund (working age and pensioners), and include additional funding for 2009-10 and 2010-11 announced in Budget 2009.
15 Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and the capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.
16 Local Authority spending is not forecast for future years.

Table 2: Resource Budget DEL and AME for the Department for Work and Pensions £ million ([1,2])

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Resource DEL							
Children	**256**	**392**	**491**	**550**	**579**	**439**	**436**
of which:							
Children administration ([3,5])	256	392	491	550	579	439	436
Working age	**3,908**	**3,666**	**4,448**	**4,512**	**4,512**	**4,846**	**4,170**
of which:							
Working Age Benefits	-	#	#	#	#	-	-
Working Age administration ([4,5,6])	2,356	2,080	3,095	2,974	3,006	2,851	2,145
Employment Programmes ([7])	978	899	717	844	920	1,343	1,425
Grants to Local Authorities	573	687	637	694	586	652	600
Pensioners	**419**	**183**	**323**	**342**	**361**	**265**	**175**
of which:							
Pensioners benefits ([8])	-	#	4	14	38	37	43
Pensioners administration ([5,9,12])	419	183	319	328	323	229	132
Disability	**379**	**438**	**515**	**550**	**557**	**525**	**509**
of which:							
Disability administration ([5])	379	438	515	254	233	180	161
Disability benefits and grants to independent bodies	-	-	-	295	324	345	348
Corporate and shared services	**1,779**	**1,994**	**718**	**699**	**685**	**1,816**	**1,506**
of which:							
Corporate and shared services administration ([5,10])	1,779	1,994	718	699	685	1,816	1,506

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
National Insurance Fund	**1,137**	**1,083**	**1,112**	**1,096**	**1,001**	**1,056**	**1,056**
of which:							
National Insurance Fund: administration ([11])	1,137	1,083	1,112	1,096	1,001	1,056	1,056
Public Corporations	**109**	**117**	**129**	**192**	**174**	**120**	**120**
of which:							
Remploy Ltd.	109	117	129	192	174	120	120
Unallocated Provision	**-**	**-**	**-**	**-**	**-**	**-**	**794**
Total resource budget DEL	**7,986**	**7,873**	**7,737**	**7,941**	**7,868**	**9,067**	**8,766**
of which:							
Pay	3,081	3,263	3,140	3,198	3,106	3,268	2,984
Procurement	3,614	3,342	3,116	3,172	3,292	4,080	
Current grants and subsidies to the private sector and abroad	441	342	433	454	518	578	1,096
Current grants to local authorities	653	745	729	753	660	745	667
Depreciation ([5])	144	139	185	155	151	256	256
Resource AME							
Children	**1**	**6**	**2**	**4**	**10**	**-**	**-**
of which:							
Children benefits ([13])	-	#	-	-	-	-	-
Children administration ([14])	1	6	2	4	10	-	-
Working age	**38,353**	**38,475**	**39,519**	**40,303**	**43,109**	**49,014**	**51,052**
of which:							
Working Age benefits ([6,15])	22,052	21,221	21,027	20,877	22,116	24,693	25,177
Working Age administration ([14])	-44	-20	33	14	19	-10	-4
Employment Programmes	87	91	95	110	116	113	56
Grants to Local Authorities	16,258	17,183	18,364	19,302	20,858	24,217	25,823

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Pensioners	**59,341**	**62,887**	**65,095**	**71,425**	**75,603**	**79,973**	**82,153**
of which:							
Pensioners benefits ([16])	56,898	60,524	62,042	66,405	71,600	76,443	78,892
Social Fund ([17])	2,224	2,328	2,327	2,476	3,214	3,325	3,047
Pensioners administration ([18])	218	36	726	2,545	789	206	213
Disability	**12,856**	**13,706**	**14,506**	**15,579**	**16,639**	**18,057**	**19,068**
of which:							
Disability: Administration	-	1	#	1	1	-	-
Disability Benefits and Grants to Independent Bodies ([19])	12,856	13,705	14,506	15,579	16,639	18,057	19,068
Corporate and Shared Services	**4**	**72**	**17**	**13**	**-17**	**-53**	**-17**
of which:							
Corporate and shared services administration ([14])	4	72	17	13	-17	-53	-17
Total resource budget AME	**110,555**	**115,146**	**119,139**	**127,325**	**135,344**	**146,991**	**152,256**
of which:							
Pay	#	-21	-	-	-	-	-
Procurement	#	-82	-189	-206	-144	-138	
Current grants and subsidies to the private sector and abroad	93,561	97,300	99,515	104,768	113,011	122,005	125,555
Current grants to local authorities	16,258	17,183	18,364	19,302	20,858	24,217	25,823
Depreciation	9	28	4	#	6	1	20
Total resource budget	**118,542**	**123,018**	**126,876**	**135,267**	**143,212**	**156,058**	**161,022**

Notes for Table 2

1 Totals may not sum due to rounding.
2 Amounts below £0.5 million are indicated by #.
3 See note 4 in Table 1.
4 Includes Working Ventures (UK) Ltd (formerly National Employment Panel (NEP) Ltd) and Health & Safety Executive/Laboratory (HSE/HSL).
5 See note 5 in Table 1.
6 See note 6 in Table 1.
7 The total planned spend on Employment Programmes during CSR07 is around £1.3 billion per year, although elements of this expenditure appear in different lines of the financial tables. For example, Area Based Grants are within Grants to Local Authorities and Remploy is shown as a Public Corporation.
8 Relates to payments made by the Financial Assistance Scheme (FAS).
9 Includes Office of the Pensions Regulatory Authority (to 2004-05) and The Pensions Regulator (from 2005-06).
10 See note 7 in Table 1.
11 See note 8 in Table 1.
12 Grants payable to the Pensions Protection Fund are offset by income from levy funding imposed by the Pensions industry.
13 Relates to Guardian's Allowance and Child's Special Allowance.
14 See note 11 in Table 1.
15 Working age benefits include: Severe Disablement Allowance, Industrial Injuries Benefits, Income Support (under 60 years of age), Jobseekers Allowance, Job Grant, Earnings Top Up, Statutory Sick Pay, Statutory Maternity Pay, Incapacity Benefit. In addition, Employment and Support Allowance, In Work Credit and Return to Work Credit are also included from 2008-09 onwards.
16 Pensioner benefits include: State Pension, non-contributory Retirement Pension, Christmas Bonus, Pension Credit, TV Licences for the over 75s and Widows Benefits.
17 Relates to all Social Fund resource expenditure, including Winter Fuel payments. Figures include Social Fund resource expenditure for working age as well as pensioners. The increases in 2008-09, 2009-10 and 2010-11 reflect the one off payment to the elderly announced in the Budget 2008 and 2009, and unprecedented levels of cold weather payments in 2008-09 and 2009-10.
18. The increase in Financial Assistance Scheme provision between 2006-07 and 2008-09 reflect previously announced extensions to the scheme.
19 Disability benefits include: Attendance Allowance, Disability Living Allowance, Disability Working Allowance, Invalid Care Allowance, Vaccine Damage. Grants to Independent Bodies refers to grants to Motability.

Table 3: Capital Budget DEL and AME for the Department for Work and Pensions £ million ([1,2])

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Capital DEL							
Children	**#**	**#**	**-**	**3**	**13**	**15**	**-**
of which:							
Children: Administration ([9])	#	#	-	3	13	15	-
Working age	**153**	**287**	**125**	**20**	**18**	**67**	**54**
of which:							
Working Age: Administration ([3,4,9])	152	286	125	20	18	67	54
Employment Programmes	2	#	#	#	-	-	-
Pensioners	**7**	**32**	**58**	**45**	**23**	**6**	**88**
of which:							
Pensioner: Administration ([5,9])	7	32	58	45	23	6	88
Disability	**#**	**1**	**#**	**1**	**#**	**2**	**-**
of which:							
Disability: Administration ([9])	#	1	#	-	#	2	-
Disability Benefits and Grants to Independent Bodies	-	-	-	1	-	-	-
Corporate and shared services	**137**	**34**	**23**	**8**	**37**	**185**	**101**
of which:							
Corporate services: Administration ([9])	137	34	23	8	37	185	101
Total capital budget DEL	**298**	**353**	**206**	**77**	**90**	**274**	**243**
of which:							
Capital expenditure on fixed assets net of sales ([6,9])	289	350	188	49	90	248	227
Capital grants to the private sector and abroad ([7])	#	-	13	23	#	18	10

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Capital support to public corporations	7	3	5	4	-	9	6
Capital support to local authorities	1	#	#	#	-	-	-
Capital AME							
Pensioners	**80**	**101**	**185**	**140**	**136**	**171**	**225**
of which:							
Social Fund ([8])	80	101	185	140	136	171	225
Total capital budget AME	**80**	**101**	**185**	**140**	**136**	**171**	**225**
Total capital budget	**379**	**454**	**391**	**217**	**227**	**445**	**468**
of which:							
Capital expenditure on fixed assets net of sales ([6,9])	289	350	188	49	90	248	227
Less Depreciation	153	167	189	155	157	257	276
Net capital expenditure on tangible fixed assets	137	183	-1	-106	-66	-9	-49

Notes for Table 3

1 Totals may not sum due to rounding.
2 Amounts below £0.5 million are indicated by #.
3 See note 12 in Table 1.
4 See note 4 in Table 2.
5 See note 13 in Table 1.
6 Expenditure by the Department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets, grants and public corporations' capital expenditure.
7 Grants to support expenditure on Financial Inclusion, Invest to Save Programmes and Working Age Employment Programmes.
8 See note 14 in Table 1.
9 See note 5 in Table 1.

Table 4: Capital Employed for the Department for Work and Pensions

£ million

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Assets and liabilities on the balance sheet at end of year:							
Assets							
Fixed assets ([1])	767	1,005	991	886	822	2,980	2,733
Intangible ([2])	26	40	52	52	59	509	539
Tangible, *of which:*							
Land and buildings ([1])	65	62	62	64	70	1,922	1,714
Leasehold Improvements	378	580	524	512	439	362	283
Plant and Machinery	6	5	5	5	5	7	6
Furniture and Fittings	16	14	13	12	10	17	15
Transport Equipment	19	17	15	2	2	2	1
Information Technology	162	191	177	132	158	112	82
Payments on Account & Assets under construction	95	95	142	105	72	2	2
Investments ([3])	-	1	1	1	7	47	90
Current assets	4,228	4,129	4,011	3,975	3,487	3,645	3,445
Liabilities							
Creditors (<1 year)	-4,603	-3,579	-3,766	-3,852	-4,499	-4,257	-4,689
Creditors (>1 year)	-340	-349	-342	-431	-181	-1,232	-1,052
Provisions ([4])	-338	-399	-1,107	-3,644	-4,388	-4,368	-4,348
Capital employed within main department	**-286**	**807**	**-213**	**-3,065**	**-4,759**	**-3,232**	**-3,912**
NDPB net assets ([5])	2	1	3	-2	-2	-2	-2
Public corporation net assets	-140	-166	-158	-74	-119	-119	-119
Total capital employed in departmental group	**-424**	**642**	**-368**	**-2,451**	**-4,880**	**-3,353**	**-4,033**

Notes for Table 4

1 In 2009-10 the Department adopted International Financial Reporting Standards (IFRS). This resulted in a number of previously off-balance sheet contracts for IT and accommodation moving onto the Department's balance sheet as assets owned under finance leases. This is a classification change and has no impact on the overall resources available to the Department.

2 IFRS required software licences and internally developed software to be accounted for as intangible rather than tangible assets. In addition, software development that had been expensed under previous accounting standards had to be retrospectively capitalised to comply with IFRS.

3 Previously investments were not separately disclosed but were included in Fixed Assets. The increase in investments relates primarily to loans made to establish the Personal Accounts Delivery Authority which will be repaid when the body moves to the private sector.

4 An increase in budgetary provision between 2006-07 and 2008-09 relate to extensions to the Financial Assistance Scheme (see note 18 in Table 2).

5 From 2004-05 the Department's Non-Departmental Public Bodies and Public Corporations implemented FRS 17 'Retirement Benefits' and recognised a liability for funding existing and future pensions increases on their Balance Sheet.

Table 5: Administration Costs for the Department for Work and Pensions £ million ([1,2])

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
Administration expenditure ([3])							
Paybill	3,050	3,200	3,070	3,029	3,022	3,187	
Other	3,059	2,798	2,906	2,798	2,870	3,196	
Total administration expenditure	**6,109**	**5,998**	**5,977**	**5,827**	**5,892**	**6,383**	**6,323**
Administration income	-137	-173	-144	-162	-243	-200	-215
Total administration budget	**5,972**	**5,825**	**5,833**	**5,664**	**5,650**	**6,184**	**6,108**
Analysis by activity							
Children ([4,5])	255	389	489	542	579	439	436
Working Age ([5,6])	2,464	2,670	3,454	3,329	3,325	3,091	2,554
Pensioners ([5])	570	615	661	638	594	483	458
Disability ([5])	167	196	258	245	229	175	158
Corporate and Shared Services ([5,7])	2,517	1,955	971	911	923	1,996	1,708
Unallocated Provision	-	-	-	-	-	-	794
Total administration budget	**5,972**	**5,825**	**5,833**	**5,664**	**5,650**	**6,184**	**6,108**

Notes for Table 5

1 Totals may not sum due to rounding
2 Amounts below £0.5 million are indicated by #
3 Administration costs detailed here will not match the administration costs in Table 2 as the latter included additional items outside the definition of the administration budget.
4 See note 4 in Table 1.
5 See note 5 in Table 1.
6 See note 6 in Table 1.
7 See note 9 in Table 1.

Table 6: Full time equivalent staff resources 2003-04 to 2010-11 averaged over each year

	2003-04 actual	2004-05 actual	2005-06 actual	2006-07 actual	2007-08 actual	2008-09 actual	2009-10 actual	2010-11 Plans
Permanent Staff								
Children	11,149	10,004	10,125	11,205	10,286	5,463	27	25
Working Age	76,213	75,651	73,980	70,803	67,774	66,673	77,802	77,350
Pensions	18,820	17,250	15,284	13,691	11,958	10,738		
Disability	7,031	6,658	6,394	6,243	5,784	5,248		
Pensions and Disability							14,822	13,575
Corporate	10,259	11,260	9,994	8,681	3,986	5,146	6,208	6,270
Shared Services					4,185	3,962	3,942	3,750
Total Permanent Staff	**123,472**	**120,823**	**115,777**	**110,622**	**103,973**	**97,231**	**102,801**	**100,970**
Overtime	2,652	2,491	1,927	2,111	2,534	2,687	2,314	2,250
Temporary staff	4,662	3,674	2,268	1,767	1,491	2,456	3,744	3,550
Total	**130,786**	**126,988**	**119,972**	**114,500**	**107,998**	**102,374**	**108,859**	**106,770**

Notes for Table 6

1 Figures may not sum due to rounding.
2 Child Benefit Centre staff (around 2,000) transferred to HM Revenue and Customs from April 2003.
3 All figures are shown on a full-time equivalent basis. Figures for years up to 2004-05 are based on the Cabinet Office definition used at the time. Figures for 2005-06 and subsequent years reflect the current Office for National Statistics definition for civil service staff which includes staff on paid leave.
4 Appeals Service staff (around 750) transferred to the Department for Constitutional Affairs from April 2006.
5 Child Support Agency staff (around 9,300) transferred to the Child Maintenance and Enforcement Commission from 1 November 2008. The Department retains a small team with responsibility for child maintenance sponsorship and strategic policy who work closely with the Commission.
6 A separate Shared Services Directorate became operational from April 2007.
7 In 2008-09 the Department restructured its IT function. This restructure resulted in the transfer of around 1,500 FTE staff from delivery businesses to the Corporate IT function.
8 The Rent Service Staff (around 400), part of Working Age, transferred to the Valuation Office Agency from 1 April 2009.
9 Planned figures for 2010-11 are based on latest available agreed headcount plans. These are subject to review and will change.
10 The Pensions Service and the Disability and Carers Service merged to form the Pensions, Disability and Carers Service on 1 May 2008. 2009-10 is the first complete year of statistics for the new Agency and staff in the Pensions Client Directorate.
11 The Health and Safety Executive and the Child Maintenance Enforcement Commission as Crown Non-Departmental Public Bodies are not included in table 6, but are included in Note 9 of the Resource Account as they are within the resource accounting boundary.

Table 7: Department for Work and Pensions' identifiable expenditure on services, by country and region

£ million

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
North East	5,473	5,482	5,462	5,674	6,046	6,678	6,801
North West	13,094	13,391	13,594	14,228	15,219	16,570	16,902
Yorkshire and the Humber	8,959	9,140	9,294	9,707	10,405	11,380	11,624
East Midlands	7,122	7,457	7,617	8,038	8,693	9,528	9,733
West Midlands	9,502	9,896	10,117	10,602	11,354	12,417	12,689
East	8,596	9,049	9,263	9,795	10,566	11,552	11,796
London	10,956	11,085	11,134	11,484	11,928	12,970	13,178
South East	11,837	12,493	12,742	13,488	14,562	15,958	16,286
South West	8,493	8,964	9,184	9,700	10,462	11,387	11,613
Total England	**84,032**	**86,957**	**88,408**	**92,716**	**99,234**	**108,440**	**110,622**
Scotland	9,628	9,913	10,029	10,472	11,227	12,175	12,425
Wales	6,257	6,481	6,626	6,913	7,402	7,985	8,148
Northern Ireland	10	11	12	12	13	13	13
Total UK identifiable expenditure	**99,927**	**103,362**	**105,074**	**110,113**	**117,876**	**128,613**	**131,209**
Outside UK	2,170	2,338	2,423	2,614	2,879	3,081	3,169
Total identifiable expenditure	**102,097**	**105,700**	**107,497**	**112,727**	**120,755**	**131,694**	**134,377**
Non-identifiable expenditure	0	0	0	2	31	760	1,280
Total expenditure on services	**102,097**	**105,700**	**107,497**	**112,729**	**120,786**	**132,455**	**135,658**

Notes for Tables 7, 8 and 9

1. **Tables 7, 8 and 9** show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2009. The figures were taken from the HM Treasury public spending database in December 2008 and the regional distributions were completed in January and February 2009. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.
2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government elements of TES. They include current and capital spending by the Department and its NDPBs. They do not include payments to local authorities or local authorities own expenditure.
3. TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2009.
4. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.
5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. The distribution of expenditure on employment programmes is also determined by the eligibility of individuals. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
6. The functional analyses of spending in **Table 9** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2009. These are not the same as the strategic priorities shown elsewhere in the report.

Table 8: Department for Work and Pensions' identifiable expenditure on services, by country and region per head

£ per head

	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 projected outturn	2010-11 Plans
North East	2,153	2,150	2,137	2,213	2,348	2,596	2,636
North West	1,920	1,958	1,984	2,073	2,213	2,389	2,427
Yorkshire and the Humber	1,769	1,789	1,807	1,875	1,996	2,159	2,186
East Midlands	1,660	1,723	1,745	1,827	1,961	2,121	2,146
West Midlands	1,784	1,850	1,885	1,970	2,098	2,283	2,322
East	1,560	1,627	1,652	1,730	1,844	2,004	2,027
London	1,483	1,487	1,482	1,520	1,565	1,690	1,703
South East	1,457	1,526	1,547	1,623	1,738	1,898	1,923
South West	1,684	1,762	1,792	1,873	2,008	2,165	2,188
Total England	**1,677**	**1,723**	**1,742**	**1,815**	**1,929**	**2,093**	**2,119**
Scotland	1,896	1,946	1,960	2,038	2,172	2,346	2,384
Wales	2,123	2,194	2,234	2,320	2,473	2,663	2,706
Northern Ireland	6	6	7	7	7	7	7
Total UK identifiable expenditure	**1,670**	**1,716**	**1,734**	**1,806**	**1,920**	**2,081**	**2,109**

Notes for Table 8

See notes to Table 7.

Table 9: Department for Work and Pensions' identifiable expenditure on services by function, country and region, for 2008-09 £ million

	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East
Work and Pensions						
General public services						
Executive and legislative organisations	0	0	0	0	0	0
General public services n.e.c	1	4	3	2	3	3
Total general public services	**1**	**4**	**3**	**2**	**3**	**3**
Economic affairs						
General economic, commercial and labour affairs	161	391	264	197	293	207
Research & Development economic affairs	0	0	0	0	0	0
Economic affairs n.e.c.						
Total economic affairs	**161**	**391**	**264**	**197**	**293**	**207**
Housing and community amenities						
Community development						
Total housing and community amenities						
Social Protection						
Sickness and disability	1,548	3,960	2,367	1,901	2,482	1,892
of which: incapacity, disability and injury benefits	*1,530*	*3,909*	*2,336*	*1,876*	*2,449*	*1,868*
of which: personal social services (sickness and disability)	*19*	*51*	*32*	*25*	*32*	*25*
Old age	3,247	8,529	6,167	5,407	6,772	7,131
of which: pensions	*3,247*	*8,529*	*6,167*	*5,407*	*6,772*	*7,131*
of which: personal social services (old age)	*0*	*0*	*0*	*0*	*0*	*0*
Survivors	34	88	61	52	67	63
Family and children	485	1,372	813	592	867	657
of which: family benefits, income support and tax credits (family and children)	*457*	*1,293*	*751*	*546*	*811*	*610*
of which: personal social services (family and children)	*28*	*79*	*63*	*47*	*56*	*47*
Unemployment	339	524	479	341	600	389
of which: other unemployment	*180*	*405*	*308*	*219*	*363*	*228*
of which: personal social services (unemployment)	*158*	*119*	*171*	*122*	*237*	*160*
Housing						
Social exclusion n.e.c.	97	244	161	128	181	132
of which: family benefits, income support and tax credits (social exclusion n.e.c.)	*19*	*54*	*28*	*26*	*39*	*25*
of which: personal social services (social exclusion n.e.c.)	*78*	*190*	*133*	*102*	*142*	*106*
R&D social protection						
Social protection n.e.c.	134	108	89	72	89	92
Total Social Protection	**5,884**	**14,825**	**10,138**	**8,494**	**11,059**	**10,356**
EU Transactions						
GNI-based contribution (net of abatement and collection costs)						
Total EU transactions						
Total Work and Pensions	**6,046**	**15,220**	**10,405**	**8,693**	**11,354**	**10,566**

London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside UK	Total identifiable expenditure	Not identifiable	Total expenditure on services
0	0	0	0	0	0	0	0	0	0	31	31
4	4	3	26	3	2	0	30	0	30	0	30
4	**4**	**4**	**26**	**3**	**2**	**0**	**30**	**0**	**30**	**31**	**61**
385	270	187	2,356	250	170	0	2,775	4	2,780	0	2,780
0	0	0	(1)	0	0	0	(2)	0	(2)	0	(2)
385	**270**	**187**	**2,354**	**249**	**170**	**0**	**2,774**	**4**	**2,778**	**0**	**2,778**
2,263	2,448	1,990	20,852	2,878	2,120	0	25,851	72	25,923	0	25,923
2,226	*2,414*	*1,964*	*20,571*	*2,840*	*2,095*	*0*	*25,506*	*72*	*25,578*	*0*	*25,578*
37	*34*	*27*	*282*	*39*	*25*	*0*	*345*	*0*	*345*	*0*	*345*
6,689	10,150	7,018	61,110	6,480	3,949	13	71,552	2,696	74,247	0	74,247
6,689	*10,150*	*7,017*	*61,108*	*6,480*	*3,949*	*13*	*71,550*	*2,696*	*74,246*	*0*	*74,246*
0	*0*	*0*	*1*	*0*	*0*	*0*	*2*	*0*	*2*	*0*	*2*
64	94	58	581	72	39	0	692	18	710	0	710
1,665	918	644	8,014	930	550	0	9,494	1	9,496	0	9,496
1,609	*844*	*602*	*7,521*	*872*	*511*	*0*	*8,904*	*0*	*8,904*	*0*	*8,904*
56	*74*	*43*	*493*	*58*	*39*	*0*	*590*	*1*	*591*	*0*	*591*
564	396	357	3,988	370	414	0	4,771	6	4,777	0	4,777
445	*281*	*175*	*2,604*	*268*	*160*	*0*	*3,031*	*1*	*3,032*	*0*	*3,032*
119	*115*	*182*	*1,384*	*102*	*254*	*0*	*1,740*	*5*	*1,745*	*0*	*1,745*
191	154	115	1,401	163	107	0	1,672	(2)	1,670	0	1,670
35	*17*	*17*	*261*	*39*	*18*	*0*	*317*	*(2)*	*315*	*0*	*315*
156	*137*	*97*	*1,141*	*125*	*90*	*0*	*1,355*	*0*	*1,355*	*0*	*1,355*
102	129	92	907	82	52	0	1,041	84	1,124	0	1,124
11,539	**14,288**	**10,272**	**96,853**	**10,975**	**7,231**	**13**	**115,072**	**2,875**	**117,947**	**0**	**117,947**
11,928	**14,562**	**10,462**	**99,234**	**11,227**	**7,402**	**13**	**117,876**	**2,879**	**120,755**	**31**	**120,786**

Annex B: Performance data

Public Service Agreement/Departmental Strategic Objective Indicators

<table>
<tr><th>Indicator</th><th>Indicator belongs to</th><th>Data statement</th></tr>
<tr><td>The overall employment rate taking account of the economic cycle</td><td>PSA8 and DSO2: Maximise employment opportunity for all</td><td>• The employment rate at Quarter 2 (April – June) 2008 was 74.9%.
• The employment rate at February – April 2010 was 72.2%.</td></tr>
<tr><td>The gap between employment rates of the following disadvantaged groups and the overall rate: disabled people; lone parents; ethnic minorities; people aged 50 to 69; the 15 per cent lowest qualified; and those living in the most deprived local authority wards</td><td>PSA8 and DSO2: Maximise employment opportunity for all</td><td>• The employment rate gaps for each of the six disadvantaged groups at Quarter 2 2008 are listed in the table, alongside the latest comparable data (Quarter 2 2009).
<table>
<tr><th>Employment rate gaps (percentage points)</th><th>Q2 2008 (baseline)</th><th>Q2 2009</th></tr>
<tr><td>Lone Parents</td><td>18.4</td><td>15.8</td></tr>
<tr><td>Ethnic minorities</td><td>14.1</td><td>13.6</td></tr>
<tr><td>Older Workers 50-69</td><td>18.4</td><td>16.9</td></tr>
<tr><td>Lowest Qualified</td><td>24.7</td><td>24.0</td></tr>
<tr><td>Deprived Areas</td><td>9.8</td><td>10.1</td></tr>
<tr><td>Disabled People</td><td>26.3</td><td>25.3</td></tr>
</table></td></tr>
<tr><td>The number of people on Jobseeker's Allowance and other working age out-of-work benefits, and the proportion of people leaving Jobseeker's Allowance within 3, 6 and 12 months</td><td>PSA8 and DSO2: Maximise employment opportunity for all</td><td>
<table>
<tr><th></th><th>Data at time of 2009 Departmental Report</th><th>Latest Data</th></tr>
<tr><td>Number claiming Jobseeker's Allowance</td><td>1,539,300 (May 2009)[1]</td><td>1,481,100 (May 2010)</td></tr>
<tr><td>Number of people claiming other working age out-of-work benefits</td><td>3,525,100 (May 2009)</td><td>3,478,000 (March 2010)</td></tr>
<tr><td>Jobseeker's Allowance off-flow rates at 3, 6 and 12 months</td><td>47.5% (3 months)
73.3% (6 months)
92.8% (12 months)</td><td>52.9% (3 months)
74% (6 months)
91% (12 months)</td></tr>
</table>
[1] This figure is different from the 1,544,800 published in 2009 Departmental Report due to subsequent ONS revisions to the data</td></tr>
<tr><td>The proportion of people who leave benefit who stay off for a sustained period</td><td>PSA8 and DSO2: Maximise employment opportunity for all</td><td>• In November 2008, 53.7% of people coming off benefits stayed off for six months or more.
• In November 2009 the figure was 50%.</td></tr>
<tr><td>The employment rate of those aged 50-69 and the difference between this and the overall employment rate</td><td>PSA 17 and DSO4: Tackle poverty and promote greater independence and well-being in later life</td><td>• The employment rate of those aged 50-69 at Quarter 2 2008 was 56.3%. The gap between the employment rate and the overall employment rate was 18.4 percentage points.
• At Quarter 2 2009 the employment rate for those aged 50-69 was 55.8%, and the gap was 16.9 percentage points.</td></tr>
</table>

The percentage of pensioners in low income	PSA 17 and DSO4: Tackle poverty and promote greater independence and well-being in later life	

Pensioners	2007-08 %	2007-08 Number	2008-09 %	2008-09 Number
Below 60% current median income	18	2 million	16	1.8 million
Below 50% current median income	10	1.1 million	9	1.1 million
Below 60% median income in 1998-99 uprated prices	9	1 million	9	1 million

Healthy life expectancy (HLE) at age 65	PSA 17: Tackle poverty and promote greater independence and well-being in later life	Data are published annually with a time lag of approximately 18 months. Three calendar years are aggregated. • The latest data (2005-07) form the baseline. They show that: – HLE at age 65 for men is 9.9 years in England; and – HLE at age 65 for women is 11 years in England.
The proportion of people over 65 who are satisfied with their home and their neighbourhood	PSA 17: Tackle poverty and promote greater independence and well-being in later life	• The Survey of English Housing 2007-08 showed 87% of people over 65 expressing satisfaction with their home and their area. • The English Housing Survey data for 2008-09 show that the proportion of people aged over 65 who are satisfied with their home and neighbourhood is 88%.
The extent to which people over 65 receive the support they need to live independently at home	PSA 17: Tackle poverty and promote greater independence and well-being in later life	• The baseline of 64% is an average of the April and July 2009 data points. It is assessed through public perceptions of whether older people are able to get the services and support they need to live at home for as long as they want. It uses only the perceptions of those who have personal experience of services. • The latest (April 2010) data show 64%.
The number of children living in workless households	DSO 1: Reduce the number of children living in poverty	• The baseline from Quarter 2 2008 showed that 1.72 million children (15.4%) were living in workless households in Great Britain. • The data for Quarter 2 2009 showed 1.87 million children (16.8%)
The number of children benefiting from maintenance particularly those living in low income households	DSO 1: Reduce the number of children living in poverty	• The baseline figure for 2006-07 showed 1.2 million children benefiting from maintenance. • The data for 2008-09 showed 1.3 million.
The incidence rate of fatal and major injuries in workplaces	DSO3: Improve health and safety outcomes	• The final rate of reported fatal and major injuries for 2007-08 was 107.4 per 100,000 employees. • The provisional rate for 2008-09 is 105.6 per 100,000 employees.

The incidence rate of work-related ill health	DSO3: Improve health and safety outcomes	• The 2007-08 rate was 1,860 self-reports of work-related ill health per 100,000 workers. • The latest data for 2008-09 show an incidence rate of 1,810 per 100,000 workers.
The number of dangerous events in the nuclear industry and in the offshore and onshore oil and gas sectors	DSO3: Improve health and safety outcomes	• The data for 2008-09 were: nuclear 94; offshore 61; and onshore 115. • The published provisional data as at 31 March 2010 for 2009-10 were: nuclear 98; offshore 77; and onshore 76.
Setting up of a personal account system and implementing automatic enrolment and mandatory employer contributions into qualifying workplace pension schemes	DSO4: Promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform	• Milestones to date include: – Royal Assent to the Pensions Act 2008; – commencement of the competitive dialogue phase of procurement (April 2009); – Regulations passed (July 2009 and March 2010); – recruited the NEST Chair designate (Jan 2010) and Deputy Chair and Members (March 2010) – NEST Stage 1 contract awarded (March 2010).
The gap between the overall employment rate and the employment rate of disabled people	DSO5: Promote equality of opportunity for disabled people	• The baseline data were for Quarter 2 2008 when the gap was 26.3 percentage points. • The latest comparable data for Quarter 2 2009 showed a gap of 25.3 percentage points.
Disabled people's perception of the choice and control they have over their lives	DSO5: Promote equality of opportunity for disabled people.	• The 2008 baseline data showed that 23% of disabled people suggest they do not frequently have choice and control over their lives. • Latest data from 2009 are also 22% of disabled people suggest they do not frequently have choice and control over their lives.
Access to goods and services for disabled people	DSO5: Promote equality of opportunity for disabled people.	• The baseline data for 2008 showed that 32% of disabled people experienced difficulty in accessing goods and services. • Latest figures from 2009 are also 32% of disabled people experienced difficulty in accessing goods and services.
The proportion of benefit expenditure overpaid or underpaid due to fraud and error	DSO6: Pay our customers the right benefits at the right time.	• The 2007-08 National Statistics estimates, covering the year ending September 2008, were 2% for overpayments and 0.9% for underpayments. • The 2008-09 National Statistics estimates, covering the year ending September 2009, were 2.1% for overpayments and 0.9% for underpayments.

Time taken to process new claims to benefits and changes in circumstances, including Housing Benefit and Council Tax Benefit Notes: Jobseeker's Allowance (JSA); Income Support (IS); Incapacity Benefit (IB); Pension Credit (PC); Attendance Allowance (AA); Carers Allowance (CA); Disability Living Allowance (DLA); State Pension (SP), and Housing Benefit/Council Tax Benefit (HB/CTB)	DSO6: Pay our customers the right benefits at the right time.	

Benefit	Outturn figure (in working days) for year ended March 2009	Outturn figure (in working days) for year ended March 2010
JSA new claims	10.1	9.7
JSA changes	3.7	4.1
IS new claims	8.3	7.7
IS changes	2.1	2.2
IB new claims	13.3	18.1
PC new claims	15.0	14.3
PC Changes	5.1	4.8
AA new claims	12.3	14.3
CA new claims	12.4	12.8
DLA new claims	29.8	33.8
SP new claims within 60 days	95.3%	98.3%
SP Changes within 15 days	93.2%	95.6%
HB/CTB (calendar days) (March 08 data*)	15.7	14

*No HB/CTB data was available in March 2009

Ease of access: The level of customer satisfaction with the ease of access to DWP services	DSO7: Make DWP an exemplar of effective service delivery	• The baseline for this indicator, based on data provided from the Department's March 2008 Customer Satisfaction Survey, is 7.05 (on a scale of 1-10, where 10 is very satisfied and 1 is very dissatisfied). • The Customer Satisfaction Survey (completed in November – December 2009) has provided a score of 7.02.
Treatment: The level of customer satisfaction with feeling respected and valued	DSO7: Make DWP an exemplar of effective service delivery	• The baseline is 7.77. • The 2009 score is 7.67.
Timely response: The level of customer satisfaction with the timeliness and responsiveness of service	DSO7: Make DWP an exemplar of effective service delivery	• The baseline is 7.24. • The 2009 score is 7.12.
Right outcome: The level of customer satisfaction with the outcome	DSO7: Make DWP an exemplar of effective service delivery	• The baseline is 7.78. • The 2009 score is 7.56.
Effective Contact: The proportion of customer contact that is necessary to enable customer needs to be met	DSO7: Make DWP an exemplar of effective service delivery	• The baseline for this indicator, based on customer contact management information gathered in February and March 2008, is 64%. • The customer contact management information gathered in February and March 2009 is also 64%.

Employer satisfaction: The level of employers' satisfaction with the services we provide them	DSO7: Make DWP an exemplar of effective service delivery	• The 2009 Employers Survey provided a baseline score of 7.65 (on a scale of 1-10). This is still the latest figure available.

CSR07 Efficiency Programme

The Comprehensive Spending Review 2007 efficiency programme was a commitment to an overall target across Government of £35 billion efficiency savings for that spending review period. The Department's settlement commits it to reducing its expenditure by an average of 5.6 percent in real terms over the three years. Set against the resources the Department would have consumed if it achieved no further value for money savings over the period (known as a "counterfactual"), the 5.6 percent real annual reduction in resources will deliver net cash releasing efficiency savings of around £1.4 billion by 2011.

Efficiency Savings Target		Savings Achieved[1]	
Original CSR 07 Target	£1.2 billion	2008-09	£0.6 billion
Additional savings announced PBR 09	£0.2 billion	2009-10	£1.0 billion
Revised CSR 07 Target	£1.4 billion		

1 Efficiency savings achieved to date are cash releasing, sustainable and reported net of costs and do not include any over-delivery against 2004 Spending Review targets. They also fulfil the National Audit Office's criteria for recognising efficiencies.

Annex C: Complaints to the Parliamentary Ombudsman

Not all complaints referred to the Parliamentary and Health Service Ombudsman are investigated: for example because they are referred prematurely, are outside the Ombudsman's jurisdiction, show no evidence of injustice resulting from maladministration or were resolved without recourse to full investigation. In 2008-09, the Ombudsman investigated and reported on 80 complaints about the Department.

The Ombudsman's full report can be found at www.ombudsman.org.uk/about-us/publications/annual-reports

Department or Agency	Complaints accepted by the Ombudsman	Complaints reported on by the Ombudsman	Complaints fully upheld	Complaints partly upheld	Complaints not upheld	No's of recommendations complied with*	No's of recommendations not complied with
Jobcentre Plus	12	35	46%	43%	11%	71	0
Child Support Agency	21	20	50%	45%	5%	44	0
Independent Case Examiner	32	10	0%	0%	100%	N/A	N/A
Debt Management	4	8	50%	13%	38%	11	0
The Pension, Disability and Carers Service	4	7	43%	29%	29%	15	0
Department for Work and Pensions	1	0	N/A	N/A	N/A	NA	N/A
Medical Service ATOS Healthcare	1	0	N/A	N/A	N/A	N/A	N/A
Rent Service	1	0	N/A	N/A	N/A	N/A	N/A
Total	**76**	**80**	**41%**	**34%**	**25%**	**141**	**0**

*some complaints result in more than one recommendation.

The Department's agencies have well-developed processes for dealing with complaints, but continue to work towards improving awareness and accessibility of the complaints process. Details of how to complain and arrangements for redress are included on agency websites and in leaflets which are available from Jobcentre Plus, the Pension, Disability and Carers Service and local Citizens Advice Bureaux. Customers can also access this information via the Directgov website. Agency websites explain how customer feedback is being used to improve service delivery.

The Department encourages staff to record as much information as possible about customer dissatisfaction, including capturing minor issues, to help identify areas where improvements to service delivery can be made. In 2009-10, the Department recorded 105,726 complaints. Most were quickly resolved at a local level, but where this does not prove possible, they can be escalated. The most common categories of complaints were:

For the Pension, Disability and Carers Service:

1. You take too long (24,114)

2. You've got it wrong (7,257)

3. You haven't given me the information that suits my needs (3,794)

For Jobcentre Plus

1. You've got it wrong (33,184)

2. You haven't given me the information that suits my needs (10,847)

3. The Department's staff don't treat me with respect (5,149)

A customer who remains dissatisfied after receiving a final response from the Agency can ask the Department's independent complaints reviewer, the Independent Case Examiner, to investigate. The Independent Case Examiner examines complaints about the Departmental agencies and businesses: Jobcentre Plus, the Pension, Disability and Carers Service and Debt Management as well as the Child Support Agency and (from April 2010) the Independent Living Fund.

In 2009-10 the Independent Case Examiner dealt with 1,392 complaints including 1,009 about the Child Support Agency. Of those, 79 were eventually withdrawn by the complainant. In 764 cases, the Case Examiner brokered an agreement between the parties, removing the need to carry out a full investigation. Of the remaining 549, the Case Examiner upheld, fully or partially, 333 (60 per cent).

Each Agency compensates customers for additional costs, losses or other effects of maladministration. In 2009-10, 18,820 ex gratia compensation awards totalling £5.3 million were made under these arrangements.

Annex D: Public Accounts Committee recommendations

Between July 2008 and October 2009 the Public Accounts Committee published seven reports which involved the Department for Work and Pensions. In total the Committee made 30 recommendations, all of which required the Department to take action.

To date, the Department has successfully implemented 20 recommendations. One recommendation was rejected as the Department considered that appropriate systems were already in place. Details of progress on the remaining nine are shown in the following table:

Progress with Tackling Benefit Fraud Published 8 July 2008	
The cost-effectiveness of counter-fraud activity needs to be more routinely measured. The Department reported that it spent some £154 million combating fraud in 2006-07. It needs to understand the relative cost effectiveness of its different counter fraud actions in order to determine where best to target its resources. The Department should develop a robust methodology for measuring the cost effectiveness of its work, drawing on its new management information system and the approach used in the Comptroller and Auditor General's Report.	The Department has recently concluded the initial phase of work, based on Pension Credit systems, to design and test a framework for measuring and evaluating the robustness and cost effectiveness of its fraud and error controls. This initial design phase will now be followed by further work on root cause analysis to diagnose the true, underlying cause of incorrectness in Pension Credit, to ensure anti-fraud and error initiatives are targeting these causes. The aim is construct a common robust analytical framework for all benefits which will allow us to assess the extent to which the Department's approach to tackling fraud and error is robust, appropriate and delivers value for money, whilst also meeting policy and legislative objectives for delivering benefits to customers. The National Audit Office has confirmed its support for this approach. Target implementation date 31 March 2011
Skills for Life: Progress in Improving Adult Literacy and Numeracy Published 29 January 2009	
Although potential learners come into contact with different public services, very few take up skills learning. This should improve in 2010 when all new benefit claimants will receive a skills assessment and those who have the need will be referred to skills coaching and training. The Department (DIUS), the Learning Skills Council and Jobcentre Plus will need to put in place clear and easily understood routes by which those eligible can access training. The Department should encourage other public services, such as health and housing, to promote training opportunities to improve basic skills for those adults with poor literacy, language or numeracy with whom they come into contact.	Work to integrate publicly-funded employment and skills services continues. The aim is that a new, integrated service will be implemented across England for Jobseekers' Allowance (JSA) customers in February 2011. Some elements of the integrated service are however already available nationally to JSA customers, including skills screening and referral to appropriate training provision. Effective joint working by all the partners engaged in the development of the integrated service has also enabled the design and implementation of a range of new measures to support people through the recession, all of which offer work-focused training. The December 2009 White Paper *'Building Britain's Recovery, achieving full employment'* announced the joining-up of funding to create a single skills purse to deliver a simpler and more flexible system for people out of work. Target implementation date 28 February 2011

Handling Customer Complaints Published 26 March 2009	
The Department does not have systems for monitoring the cost of complaint handling and hence for identifying how savings could be made. The National Audit Office estimated that complaints handling costs the Department between £4.7 million and £6.2 million a year. The Department should analyse the approximate costs of each stage of its complaints handling processes and use this data to inform targets to reduce costs by resolving more complaints at an earlier stage of the process.	The Department is undertaking analysis across its businesses to provide a better estimate of the current costs of handling complaints. This will provide a baseline for further improvement work. Target implementation date 31 October 2010
Supporting Carers to Care Published 8 September 2009	
Carers provide a very valuable service to society but the Department's approach to providing carers' benefits is complex, making it difficult for carers to access financial and other support. Currently, for example, carers in receipt of other benefits such as the State Pension, have to apply for Carer's Allowance even though they are not eligible for it, in order to receive top up allowances on existing benefits. The Department should make it possible for those carers only eligible for top up payments such as Carer's Premium or the Additional Amount to apply directly for those benefits.	New letters have been produced for both pension age and working age customers to help explain the concept of underlying entitlement to Carer's Allowance. These were implemented on 1st February 2010 and are being issued clerically at present. From October 2010 these will be issued automatically by the Carers Allowance Computer System. The need to streamline the Pension Credit application process for carers, where receipt of State Pension excludes them from receiving payment of Carer's Allowance, is agreed. The Department is exploring how best this can be achieved alongside existing priorities. Target implementation date 31 October 2010
Despite past recommendations from the Committee, the Department's communications can be lengthy, incomprehensible and confusing for carers. The Department should assess the effectiveness of its communications with carers by monitoring common enquiries and contact made by customers in order to identify letters and guidance which may need revision, and should act quickly to simplify them, using its customer groups, such as the Pensions, Disability and Carers Service Advisory Forum, to test simplified communications.	The Department agrees that in the past there were some issues with its communications with carers. However, it has taken action to resolve this, for example by introducing a shortened claim form for pension age customers. In April 2009, the Carer's Allowance Unit was awarded the Clear English Standard (CES) accreditation from the Plain Language Commission for the main clerical claim pack (DS700). Claims can also be made by phone and on line, and can be accepted by organisations such as Age UK and Citizens Advice, as well as the Department's offices. In addition, information is available online via Directgov, which includes a section with information tailored for carers. There was a significant advertising campaign throughout 2009, raising awareness of Directgov as a portal for all information for citizens. The Pension, Disability and Carers Service has already consulted its Advisory Forum on the new Carer's Allowance leaflet, which was published in May 2009. The Pension, Disability and Carers Service will also be seeking the Forum's views on what more is needed to improve communications with customers and their carer networks. Target implementation date 31 August 2010

The Department has no reliable estimate of the take up rate for Carer's Allowance and so cannot be confident it is reaching the eligible population. In taking forward its planned research into the take up rate, the Department should assess how well its publicity for the benefit reaches particular groups such as ethnic minorities, different age groups or people in different regions of the country so that communications strategies can be revised as appropriate.	The Department accepts that it does not have a reliable estimate of the take up rate for Carer's Allowance. Currently there is no reliable or cost effective way of calculating the eligible population who, if they made a claim, would be entitled to Carer's Allowance. Therefore the Department has asked the Institute of Social and Economic Research at the University of Essex to investigate the feasibility of calculating the take-up of Carer's Allowance. The research has been completed and the final report is expected in September. Target implementation date 30 November 2010
The Department's employment support is not well suited to helping carers find work because of insufficient understanding of carers' needs amongst Jobcentre Plus staff and no means to identify vacancies most suited to carers' circumstances. The Department should assess the effectiveness of its actions to enhance Personal Advisers' skills and understanding, and to improve information about flexible job vacancies by seeking early feedback from Advisers and carers on job outcomes and staff and customer satisfaction.	Care Partnership Managers were introduced in all Jobcentre Plus districts in September 2009 to support advisers and ensure that local support for carers is effective and consistent and that best practice is identified and adopted. Bespoke training was delivered to all Care Partnership Managers during Autumn 2009. Jobcentre Plus is extending specialist training to key advisers; some 3,000 advisers received training between October 2009 and June 2010. Evaluation of the training will be completed by September 2010. To supplement personal adviser learning, Jobcentre Plus has produced a video featuring carers talking about their experiences and the challenges of combining care with paid employment. *'Flexibility for the future: The Government's response to the recommendations of the Family Friendly Working Hours Taskforce'* (March 2010) announced that Jobcentre Plus will be introducing a new, national online vacancy and customer matching system by April 2011 that will routinely ask employers if vacancies can be filled on a job share or other flexible working basis. The Carer Portal was introduced on the Departmental Intranet in July 2008 to provide Jobcentre Plus advisers with a wide range of information about carers and their needs. It was developed in consultation with key stakeholders. Jobcentre Plus intends to evaluate the impact of the measures it has taken to improve advice and support for carers as part of its customer satisfaction surveys. Field work for the next survey is provisionally scheduled for July 2010 with reporting in September 2010. Target implementation date 30 April 2011
Carers' needs can be reduced if the needs of the person being cared for are met, which requires effective co-ordination of services provided by the Department and by other central and local government bodies and third sector organisations. The Department should share good practice across its new Care Partnership Managers, whose role is to strengthen links with other organisations and assist Personal Advisers in referring carers to appropriate support.	The Department has just completed a joint campaign with Carers UK to promote Carers Rights day and the introduction of the new Carers Credit. The partnership drew together the best expertise in both organisations to develop communications and toolkits targeted at carers and their representatives. Feedback on these products has been very positive and the amount of activity and publicity generated has surpassed expectations. A full evaluation of the partnership initiative is currently being completed with a view to learning lessons for future campaigning. A further initiative with Carers UK is testing a new approach to reaching and supporting carers – helping Carers UK to train specialist local carer organisations in two locations, initially with the aim of improving their understanding of carers' rights and entitlements to help them to reach and support carers better. Target implementation date 31 August 2010

Supporting People with Autism through Adulthood Published 15 October 2009	
Employment rates for people with autism are low, and existing supported employment provision does not always meet their needs. The Department for Work and Pensions should: • examine the feasibility of collecting routine data on whether applicants for Jobseeker's Allowance and Employment and Support Allowance have a diagnosis of autism; • work with employer organisations to raise awareness of the benefits of employing people with autism, and the adjustments needed to support them, and • in developing contractual and funding arrangements for future supported employment programmes, acknowledge the specialist knowledge, relatively long-preparation times and ongoing support required to produce successful job outcomes for people with autism.	The Department agrees with the Committee's recommendation and will keep all information under review. Department records the primary medical condition as part of an individual's benefit claim to Incapacity Benefits/Employment and Support Allowance. The Department is working with employers about the recruitment and retention of all disabled people, including those with autism. These employers are keen to move away from judging people on the basis of their disability. The new Work Choice programme, a pan-disability programme has been planned to begin in October 2010; it is designed to help customers whose disability may result in them facing serious and often complex barriers to finding and keeping a paid job or progressing whilst in work. The new programme will provide specialist support where mainstream provision may not be appropriate, or does not meet the particular needs of the individual. The National Autistic Society provided information about Autistic Spectrum Conditions for the tender documentation. The Access to Work programme provides personalised support to disabled people, including those with autism, to take up and retain work. The Department contributed to the Department of Health-led Adult Autism Strategy (March 2010) and the First Year Delivery Plan (April 2010), committing to continuing the development of improvements in services that support the needs of people with autism. Target implementation date 31 March 2011

Glossary

Administration Cost Limit

An overall limit applied to administration costs within the Department which should not be exceeded by the administration expenditure for the year.

Appropriations in Aid (A in A)

Expected income that arises during the normal course of business that the Department is authorised to retain. The income is voted by Parliament in the Estimate and is available to offset against expenditure in the current financial year. Any Excess A-in-A over the authorised limit must be surrendered to the Consolidated Fund. These are included within the Operating Cost Statement and disclosed separately in the Summary of Resource Outturn.

Consolidated Fund

This is operated by HM Treasury at the Bank of England and is used to finance central government spending. Revenue is obtained from taxes and other sources and is collected daily into the Fund.

Consolidated Fund Extra Receipts

Receipts realised or recovered by departments in the process of conducting services charged on public funds which are not authorised to be used to offset expenditure.

Contingencies Fund

This enables HM Treasury to make repayable cash advances to departments for urgent services, in anticipation of provision for those services by Parliament.

Cost of Capital Charge

A charge to reflect the opportunity cost of Government funding invested in assets of the Department and included to ensure that the full cost of services is reflected in departmental accounts. It is calculated at a rate of 3.5% (2008-09 3.5%) on the average net assets (capital employed) held by the Department over the year. The charge is included in the Operating Cost Statement and apportioned between administration and programme costs.

Estimate

A summary of the resources and cash voted by Parliament to the Department for a particular year and against which expenditure is monitored. It is analysed by Requests for Resources, each being monitored separately.

General Fund

The General Fund represents the historic cost of the total assets less liabilities of the Department, to the extent that it is not represented by other reserves and financing items. It is included in Taxpayer's Equity on the Statement of Financial Position.

Net Cash Requirement

The amount of cash required and authorised from the Consolidated Fund for the Department to carry out the functions specified in the Estimate. Actual cash used during the year is described as the outturn of the net cash requirement.

Net Resource Outturn

This is the net total of income and expenditure consumed by the Department during the financial year.

Non-operating Cost A in A

Comprises proceeds from sales of assets and repayment of voted loans which can be retained by the Department. These are included in the Summary of Resource Outturn.

Request for Resources (RfR)

The basic unit of Parliamentary control for which resources to the Department are granted. Each RfR within the Estimate represents an accruals based measure of expected expenditure within the Department for items which fall within that RfR. The Summary of Resource Outturn, the Operating Cost Statement and Note 2 analyse net resource outturn by RfR.

Contact details

Benefit Enquiry Line

For confidential advice and information for disabled people and their carers and representatives, about Social Security benefits and how to claim them, ring:
Telephone – 0800 88 22 00
Textphone – 0800 24 33 55

Child Support Agency National Enquiry Line

For general information and advice on child maintenance ring:
Telephone – 0845 7 133 133
Textphone – 0845 7 138 924

Jobsearch Helpline

For the latest job vacancies and help finding the job that is right for you ring:
Telephone – 0845 60 60 234
Textphone – 0845 60 50 255

National Benefit Fraud Hotline

For reporting suspected benefit fraud, ring:
Telephone – 0800 854 440
Textphone – 0800 328 0512

Pension Credit Application line

To apply for Pension Credit ring:
Telephone – 0800 99 1234
Textphone – 0800 169 0133

Further information and details of how to contact the Department can be found on the following websites:
http://www.dwp.gov.uk/contact/
http://www.direct.gov.uk

Call Charges

0800 numbers

Calls to 0800 numbers are free from BT landlines but you may have to pay if you user another phone company, a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider.

0845 numbers*

From June 2009, calls to 0845 numbers from BT landlines should cost no more than 4p a minute with a 3p call set up charge. You may have to pay more if you use another phone company or a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider.

0870 numbers*

From June 2009 calls to 0870 numbers from BT land lines should cost no more than 8p per minute with a 3p call set up charge. You may have to pay more if you use another phone company or a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p per minute, so check the cost of calls with your service provider.

* Call charges were correct at the time of publication (July 2010) but may be subject to change by BT or other phone companies.

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