Presented pursuant to the Government Resources and Accounts Act 2000 c.20, s.6 (4)

Department for Work and Pensions

Resource Accounts 2008-09

LONDON: The Stationery Office
HC 455

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(For the year ended 31 March 2009)

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Contents

Annual Report

for the year ended 31 March 2009

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 aim 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;
- Child Support Agency;
- The Child Maintenance & Enforcement Commission;
- Health and Safety Executive; and
- The Rent Service

On 1 April 2008, The Pension Service and the Disability and Carers Service merged to become the Pension, Disability and Carers Service, in order to provide a more cohesive service to our customers.

On 24 July 2008, the Child Maintenance and Enforcement Commission was formed. The functions of the Child Support Agency were transferred to the Child Maintenance and Enforcement Commission from 1 November 2008.

Although within the boundary, CMEC and HSE 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 DWP on their behalf and are included within DWP's Operating Cost Statement. These contributory benefit payments, together with the associated costs of administration, are recovered by DWP from the NIF and are not included within the Summary of Resource Outturn in the Statement of Parliamentary Supply (See also Note 1.2).

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. In addition, subsidies are paid by way of 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 (ILF);
- The Pensions Regulator (TPR);
- The Pensions Advisory Service (TPAS);
- The Pension Protection Fund (PPF);
- Personal Accounts Delivery Authority (PADA);
- Working Ventures UK (WVUK); and
- Remploy Limited

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 Balance Sheet Date

On 1 April 2009, the functions of the Rent Service transferred from the Department to the Valuation Office Agency, an executive agency of HM Revenue and Customs.

Working Ventures UK have been given notice to wind up the organisation with effect from 30 September 2009. The operational business will be transferred to local regional area partnerships.

On 10 July 2009 the Financial Assistance Scheme (Miscellaneous Provisions) Regulations 2009 came into force. A Financial Assistance Scheme (FAS) member's expected pension calculation will now recognise the different retirement ages that existed in the scheme rules whilst the pension was being accrued; and pension rights accrued after 1997 will now be indexed in line with inflation capped at 2.5%. Although the regulations came into force after the balance sheet date, they are treated as an adjusting post balance sheet event. As a result an additional £192 million (Net Present Value) has been added to the FAS provision.

The Department's financial statements are laid before the Houses of Parliament by HM Treasury. FRS 21 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 17 July 2009.

Corporate Governance

Overview

The Department's overarching governance arrangements are contained in the Departmental Framework. The Departmental Framework sets out how DWP is organised and managed to deliver Welfare Reform and its strategic objectives. The Departmental Framework can be accessed from the DWP web site.

http://www.dwp.gov.uk/publications/corporate-publications/departmental-framework.shtml

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 comprises 50% of 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 a Non-Executive member of the Departmental Board. 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.

DWP 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, 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 DWP.

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.

- Seek assurance and evidence that there are sound and robust governance and risk management arrangements in place.

See page 32 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 the aims of Ministers and draws on advice and challenge from the Departmental Board. The Executive Team is the Department's senior official 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 31 for details of Executive Team members.

The Executive Team is supported by seven sub-committees, each chaired by an Executive Team member, with the exception of the Investment Committee which is chaired by a Non-Executive member. The sub-committees take defined delegated decisions and provide scrutiny and direction to recommendations and initiatives prior to submission for an Executive Team decision.

The Executive Team Sub-Committees are:

Planning Performance and Risk Sub-Committee

The purpose of the sub-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 challenging of performance against agreed corporate objectives and managing strategic risks.

Investment Sub-Committee

The purpose of the sub-committee is to:

- Provide objective and corporate senior management challenge to proposed investments by reviewing value for money at inception and where tolerances are breached;

- Approve the initiation of projects and their outline business case and, at Critical Design Stage, approve their business case and progression to delivery; and

- Confirm or otherwise the continuation of projects and make recommendations to the Change Delivery Sub-Committee or the Planning, Performance and Risk Sub-Committee.

Change Delivery Sub-Committee

The purpose of the sub-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 sub-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 to:

- Support and enable the delivery of strategic business goals;
- Prioritise key areas for business and HR going forward; and
- Ensure compliance with the People strategy across DWP.

Information Security Sub-Committee

The purpose of the sub-committee is to:

- Provide leadership and decision-making covering all aspects of information security strategy and policy including: IT, Physical Security and 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 sub-committee is to:

- Own, develop and update the Department's IS/IT Strategy;
- Facilitate and manage mobilisation of the strategy;
- 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 sub-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 a wide range of Non-Departmental Public Bodies (NDPBs) 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/#ndpb

The Secretary of State appoints the chair and members, commissioners or trustees to the Board of each body. These appointments are made in line with the Commissioner for Public Appointments Code of Practice.

For each of the NDPBs the Secretary of State designates a lead official within the Department who has responsibility for the sponsorship 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 management statement and financial memorandum drafted by the sponsor in close consultation with the NDPB. The management statement sets 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, and membership information, can be found at, or accessed via, links from Annex A of the Department's Annual Appointments Plan, which can be found at the following internet address; http://research.dwp.gov.uk/ndpb/aap-may2008.pdf

Management Commentary

Departmental aim 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.

As part of the 2007 Comprehensive Spending Review, a new performance framework was put in place. The new framework emphasises cross-departmental working and, through a reduced set of Public Service Agreements, increases the focus on the Government's main priorities.

Public Service Agreements 2008-11

The Secretary of State for Work and Pensions leads on two Public Service Agreements: "Maximise Employment Opportunity for All" and "Tackle poverty and promote greater independence and wellbeing in later life".

The Department also contributes to delivering the Service Transformation Agreement published alongside the PSAs and contributes to nine other Public Service Agreements on which other departments lead, in particular on child poverty and equality.

In addition to our leadership of, or participation in, the Government's cross-cutting Public Service Agreements, in common with all departments the Department has also agreed with HM Treasury a set of Departmental Strategic Objectives which are intended to cover the totality of its business and express the key outcomes the Department is seeking to deliver.

DWP Departmental Strategic Objectives 2008-11

The strategic objectives of the Department are to:

DSO1: Reduce the number of children living in poverty

DSO2: Maximise employment opportunity for all

DSO3: Improve health and safety outcomes

DSO4: Promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform

DSO5: Promote equality of opportunity for disabled people

DSO6: Pay our customers the right benefits at the right time

DSO7: Make DWP an exemplar of effective service delivery to individuals and employers.

Value for money

The Department's 2007 Comprehensive Spending Review (CSR) settlement commits it to reducing its expenditure by an average of 5.6 percent in real terms over the next 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 "counter factual"), the 5.6 percent real annual reduction in resources will deliver net cash releasing efficiency savings of around £1.4bn by 2011.

Organisation

The Department is structured to discharge three key roles:

- **Client Directorates:** identify effective strategies, policies, resource allocation and approaches to service delivery that best meet the needs of particular client or customer groups which the Department serves.

- **Delivery Businesses:** deliver services to meet specified customer outcomes for particular clients and customers.

- **Corporate functions:** develop and lead corporate strategies for finance, human resources, IT, communications and governance; support the Department in delivery of objectives in a cost effective way and provide functional leadership and centres of expertise.

The **Departmental Board** has advisory and challenge functions. It is responsible for scrutinising, challenging and providing advice on delivery strategies, plans and programmes, performance and governance arrangements.

The Department's **Executive Team** supports the **Head of Department** providing corporate leadership and working collaboratively to manage the Department in delivering its key objectives, ensuring that risks and opportunities are identified and well managed.

Services to customers are mainly provided by, or through, the Department's executive agencies. In 2008-09 these were:

1. **Jobcentre Plus** – helps people to find work and receive the benefits they are entitled to, and offers a service to employers to fill their vacancies quickly and successfully.

2. **The Pension, Disability and Carers Service** – delivers frontline services to today's and future pensioners and delivers a range of benefits to disabled people and carers.

3. **Child Support Agency** – administered the statutory child maintenance scheme up to 31 October 2008. From 1 November 2008, the functions of the CSA were transferred to the Child Maintenance and Enforcement Commission (CMEC), a new Non-Departmental Public Body.

4. **The Rent Service** – provided valuations and a range of advice in connection with the private rented housing sector in England. Its functions transferred to the Valuation Office Agency on 1 April 2009.

The Department has ministerial responsibility for the **Health and Safety Executive**, whose mission is: the prevention of death, injury and ill-health to those at work and those affected by work activities.

The Department also houses the **Office for Disability Issues**, which works across government to promote equality for disabled people.

Many of the Department's services are delivered jointly with a wide range of partner organisations, for example Housing Benefit and Council Tax Benefit are administered by local authorities.

Principal activities for achieving the Department's objectives in 2008-09

During 2008-09 the Department saw the most significant change to both the financial and labour markets since its inception.

To rise to that challenge it:

- made substantial investments in front line services, giving Jobcentre Plus 4,000 more staff than under its original plan and halting the closure of 25 Jobcentres;
- maintained high levels of customer service, giving timely support to the higher number of people becoming unemployed;
- expanded the Rapid Response Service to give greater support to those facing redundancy; and
- met key targets for delivering benefits, processing Jobseeker's Allowance on average in just over 10 working days from claim and answering approximately 90% of calls for new claims.

It also continued Welfare Reform:

- The Welfare Reform Bill was introduced into Parliament, with proposals to increase conditionality for benefit claimants, to give disabled people the right to control provision of services to them, to extend sanctions against fraud and non-payment of child maintenance and other proposals to convert passive elements of the welfare state to active ones.
- Employment and Support Allowance was implemented, replacing two benefits for new claimants – Incapacity Benefit and Income Support for people who are ill or disabled – with one.
- The Pensions Act 2008, which received Royal Assent in November 2008, has the following key provisions:
  - a new duty on employers to automatically enrol all eligible workers into a workplace pension arrangement, and to contribute to that arrangement at least 3% of workers' qualifying earnings;
  - the introduction of a new simple pension scheme, currently referred to as the Personal Accounts Scheme, to ensure that all employers have access to a suitable pension arrangement in order to fulfil their new duties; and
  - the delivery of a proportionate compliance regime to support these measures.
- CMEC launched the Child Maintenance Options Service, to give parents information and support to decide the maintenance arrangement that is best for them and their children.

And continued to:

- promote the opportunities and rights of disabled people through the Office for Disability Issues;
- build on investment in the modernisation of the Department's office network and IT systems to become a more efficient, customer-focused organisation; and
- demonstrate the Department's active support of the objectives of the *UK Strategy for Sustainable Development – Securing the Future.*

Measuring achievement

Achievement is measured through monitoring the Department's progress against its Departmental Strategic Objectives and the two Public Service Agreements on which it leads, and through the more detailed performance targets set by the Secretary of State for individual agencies and businesses. Performance is formally reported in the spring Departmental Report, the Autumn Performance Report and in agency reports and accounts.

Overall performance in 2008-09

The Department made progress against 4 out of the 7 DSOs:

- DSO 3 – health and safety; the trends across all indicators are moving in a favourable direction.
- DSO 4 – later life; the Enabling Retirement Savings Programme is on track to deliver a new personal accounts system and automatic enrolment in 2012.
- DSO 6 – right benefits, right time; the overall proportion of fraud and error resulting in overpayments in the benefit system reduced to 2%, the lowest ever achieved in the Department's history, despite a £10bn increase in benefit expenditure. And despite increasing workloads, the time taken to process benefits has not increased; for many benefits it has improved.
- DSO 7 – effective service delivery to customers and employers; the Department's second Customer Satisfaction Survey showed that customer satisfaction stayed the same over the last year which is a significant achievement, given the challenge of delivering the services that our substantially increased number of customers need and expect during a major economic downturn.

Progress on the other 3 DSOs is not yet assessed, pending publication of official data for some indicators:

- DSO 1 – children in poverty; performance against the number of children benefiting from maintenance is broadly flat at 1.3 million.
- DSO 2 – employment, although as a result of the global downturn, the labour market has weakened and unemployment has risen.
- DSO 5 – equality for disabled people, although over recent years there has been a steady reduction in the gap between the overall employment rate and the employment rate of disabled people, and disabled people's difficulties in accessing goods and services have also reduced.

Similarly, progress on the two PSAs is not yet assessed pending publication of official data.

The Department's agencies met the majority of their targets.

Some significant aspects of performance were:

- Collected or arranged £1.132 billion in child maintenance payments through the Child Support Agency/CMEC.
- Doubled the child maintenance disregard in income-related benefits from £10 to £20 a week and introduced full child maintenance disregard in Housing Benefit and Council Tax Benefit to ensure that more maintenance is retained by low income families.
- Abolished the lower Income Support/Jobseeker's Allowance for 16-17 year-olds, increasing help for disadvantaged youngsters as well as simplifying the benefits system.
- Built on the success of the Local Employment Partnership programme, working successfully with over 20,000 employers and helping over 145,000 people into work.
- Dealt with an increase of over 1,000,000 new claims for Jobseeker's Allowance (around a 50% increase on last year) while improving time taken to process claims.
- Expanded the Rapid Response Service to support companies, including Nissan, BMW and Woolworths, once they announced potential redundancies.

- Introduced, on time and within budget, the Employment and Support Allowance; this is the first new working age benefit to be introduced since 1996.
- Supported a new National Employment Partnership, which is chaired by the Prime Minister. Twenty two major employers and representative groups have committed to advertising all their non-specialist vacancies through Jobcentre Plus.
- Trialled an Integrated Employment and Skills service in twelve Jobcentre Plus districts across England.
- Provided more help for home-owners at risk of repossession by improving the Support for Mortgage Interest scheme.
- Rolled out Local Housing Allowance, making payments in the private rented sector simpler and speedier to administer.
- Made almost 160,000 affordable loans with a value of over £63 million to people on low incomes through DWP Growth Fund-supported credit unions and community development finance institutions.
- Provided additional support for pensioners including a tripling of cold weather payments, an additional payment alongside the winter fuel payment and a one-off increase to the Christmas bonus.
- Completed Directgov's transition to the Department. The number of people who use the Directgov website rose steadily to about 17 million visits every month, and Directgov Jobs and Skill search receives over 4 million visits per month.
- Made more than £500 million of value for money savings.
- Reduced the overall proportion of fraud and error resulting in overpayments in the benefit system to 2 per cent, the lowest ever achieved in the Department's history.
- Exceeded the 25% Better Regulation administrative burdens reduction target, becoming the first major Whitehall department to achieve this.
- For the seventh year running, the Department made the biggest contribution, £681m, to the Office for Government Commerce targets to deliver value for money savings.
- The Department received the Partnership and Collaboration prize at the annual Race for Opportunity awards for a project helping ethnic minority customers to improve their incomes and to find work.

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 38. The Department also faces a number of operational risks, the management of these risks are considered as part of the Statement of Internal Control.

Contingent Liabilities

Details of contingent liabilities reported under FRS 12 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 FRS 12. Details are reported in Note 40 – Financial Guarantees, Indemnities and Letters of Comfort.

Sickness Data

During 2008-09, the number of working days lost to sickness for the Department amounted to 925,329 days. The average number of working days lost amounted to 8.9 days per employee (2007-08: 10.1 days per employee).

Personal data related incidents

Departments are required to report on personal data related incidents. The tables below cover the entire DWP family including Executive Agencies and Crown Non-Departmental Public Bodies. Incidents, the disclosure of which would in itself 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 2008-09

Statement on information risk	We have implemented a range of information security improvements based on internal audit and Cabinet Office recommendations, managed through a formal project which reports to the Information Security Committee. This has included the separation of the Senior Information Risk Owner (SIRO) and Chief Information Officer (CIO) roles, the creation of Information Asset Owners at senior level across DWP and the development of a comprehensive Information Asset Inventory. Increased senior focus has started to drive forward improved management of information risk. We have worked hard to improve our information assurance maturity, and we are confident that we meet, and in many areas exceed, the Data Handling Review requirements. Our information security training and awareness campaigns have been reflected by very positive results in the 2009 Staff Survey. We have identified a number of areas where we can further strengthen and improve the overall management of information risk across DWP.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
September 2008	Loss of paper documents from outside secured Government premises	Names, dates of birth, National Insurance numbers, bank account details	527	Individuals notified by post
September 2008	Loss of paper documents from outside secured Government premises	Names, dates of birth, addresses and copies of identity documents	459	Individuals notified by post
October 2008	Loss of inadequately protected electronic storage device	Names, addresses, National Insurance numbers	8	Individuals notified by post

November 2008	CSA issued letters to individual customers at their employer's address rather than their home address.	No personal details except name of addressee	Up to 32,000 but to date only a small number of customers have contacted the Department	–

Further action on information risk	The Department will continue to monitor and assess its information risks, in light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems. New procedures have already been implemented which place greater control on the movement of paper documents so as to further reduce the risk to individuals. Planned steps for the coming year include the completion of security awareness training for all employees.

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2008-09

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	1
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 by the Department 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, DWP 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 £143.0 billion (2007-08 £135.2 billion).
- Gross payments of social security benefits administered by the Department amounting to £137.8 billion (2007-08 £130.2 billion) (see note 13).
- Included within Gross payments are payments made by the Department of £0.2 billion (2007-08 £0.6 billion) on behalf of the European Social Fund.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	Estimate	Outturn	Variance
	£000	£000	£000
Net Resource Outturn (Estimates)	**73,202,270**	**71,650,618**	**1,551,652**
Adjustments to remove:			
Provision voted for earlier years	(349,091)	(346,901)	(2,190)
Adjustments to additionally include:			
Non-voted expenditure in the OCS	77,329,028	76,665,419	663,609
Consolidated Fund Extra Receipts in the OCS	(5,000)	(49,409)	44,409
Other adjustments *	(5,193,837)	(4,870,418)	(323,419)
Net Operating Cost (Accounts)	**144,983,370**	**143,049,309**	**1,934,061**
Adjustments to remove:			
Capital grants	(198)	(284)	86
Gains/Losses from sale of capital assets	–	16,801	(16,801)
European Union income and related adjustments	–	–	–
Voted expenditure outside the budget	–	–	–
Adjustments to additionally include:			
Other Consolidated Fund Extra Receipts	5,000	11,177	(6,177)
Resource consumption of non-departmental public bodies	10,021	15,610	(5,589)
Unallocated resource provision	–	–	–
Other adjustments	–	–	–
Resource Budget Outturn (Budget)	**144,998,193**	**143,092,613**	**1,905,580**
Of which			
Departmental Expenditure Limits (DEL)	8,046,365	7,912,461	133,904
Annually Managed Expenditure (AME)	136,951,828	135,180,152	1,771,676

* Other adjustments comprises Statutory benefits of £1,626,475k (line AA in RfR 2) and payments to the Social Fund of £3,243,943k (line E in RfR 3).

Financial Position – Balance Sheet

The Balance Sheet is dominated by debtors of £3.2 billion (see Note 25) and creditors of £4.7 billion (see Note 27) which consist mainly of amounts due to or from the Department in respect of benefit payments and European Social Fund claims. Provisions of £4.4 billion mainly comprise the Financial Assistance Scheme provision of £4.2 billion.

Also of significance are the tangible assets of £755.9 million which are comprised mainly of leasehold improvements of £439.0 million and IT related assets of £229.9 million. Leasehold improvements consist of expenditure in respect of major capital refurbishment and improvement of properties occupied but not owned by the Department. IT related assets consist of hardware with a net book value of £36.7 million and software, both under development and in use, amounting to £193.2 million (see note 21).

In addition, the Department has an on-balance sheet PFI contract in respect of accommodation for laboratory and support functions within HSE. The purchase of the building is represented on the balance sheet by a long-term liability to the value of £61.6 million (see note 27).

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 against which it is monitored. This information is supplemented by Note 2 which reports Outturn in the same format as the Supply Estimate.

In 2008-09 the Department met all of its control totals:

- Resource Departmental Expenditure Limit (DEL) – Outturn was £7.9 billion, within 1.7% of the Estimate.
- Capital DEL – Outturn was £0.1 billion which was 11.2% below the Estimate.
- Near Cash in Resource DEL – Outturn was £7.7 billion, within 1.9% of the Estimate.
- Administration Cost Limit – Outturn was £5.7 billion, within 2.4% of the Estimate.
- Net Cash Requirement – Outturn was £70.1 billion, within 3.0% of the Estimate.
- In addition the outturn on each Request for Resources (RfR) was within its control total as follows:

  RfR1 (Children) – Outturn within 3.56% of Estimate;

  RfR2 (Working Age) – Outturn within 2.47% of Estimate;

  RfR3 (Pensions) – Outturn within 2.37% of Estimate;

  RfR4 (Disability) – Outturn within 0.83% of Estimate;

  RfR5 (Corporate) – Outturn within 7.13% of Estimate.
- The total voted net resource outturn was £71.7 billion, within 2.1% of the Estimate (£1.55 billion underspend). The under spend of £1.55 billion is made up of £0.10 billion DEL, £1.1 billion AME and £0.35 billion non-budget. The full analysis of expenditure by Estimate line is provided in Note 2. Explanations of some of the more notable variances are as follows:

Estimate Line	Limit £000	Outturn £000	Variance (Over)/ Under £000	Explanation of variance
1A – Administration	329,420	348,019	(18,599)	Funding was apportioned between the Child Support Agency (1A) and CMEC (1B). The delayed start-up of CMEC meant that line A was required to incur additional expenditure. Overall there is not a significant variance between funding and outturn in RfR1.
1B – Child Maintenance and Enforcement Commission	280,915	239,443	41,472	
2B – Employment Programmes	791,600	1,028,363	(236,763)	The variance is primarily due to the increase in levels of unemployment and additional activity to help people into work. This led to increased expenditure on New Deal and Disability programmes, including the provision of additional funding for Remploy Ltd.

Estimate Line	Limit £000	Outturn £000	Variance (Over)/ Under £000	Explanation of variance
2H – Support for Local Authorities – Employment Programmes	37,047	66,020	(28,973)	The variance is due to greater than forecast grant payments to Local Authorities for the Deprived Areas programme as a result of the impact of the economic downturn.
2R – Job Grant	49,458	38,630	10,828	During the recession, fewer people moved into new employment and qualified for Job Grant. The number of claims was therefore lower than expected.
2T – Housing and Council Tax Benefit Capital Charge	3,277	(8,615)	11,892	The variance has arisen due to the level of year end Local Authority creditors being higher than forecast. This was as a result of the final Local Authority Housing Benefit / Council Tax Benefit claims being higher than anticipated.
2U – Employment and Support Allowance (ESA), Non-Contributory	310,375	62,867	247,508	The variance is due to the transition from Income Support (IS) for Disabled People and Incapacity Benefit (IB) to the new ESA benefit in October 2008. At the point of transition there was a backlog of claims for IS and IB and that, combined with the impact of the recession, resulted in lower than forecast ESA expenditure partially offset by increased spending on IS and IB (around £100m).
2AA – Statutory Benefits (SSP and SMP)	1,869,894	1,626,475	243,419	The variance relates to the net effect of pre-payments made in 2007/08 and 2008/09, which were omitted from the forecast, together with slightly lower than forecast expenditure on these benefits.
3A – Administration	295,189	257,732	37,457	The variance relates to The Pension Service (now part of the Pension, Disability and Carers Service). The underspend is due in part to replanning and slippage of investment in Pensions Transformation, and the remainder is as a consequence of the merger of The Pensions Service with the Disability and Carers Service, resulting in some economies of scale efficiencies.

Estimate Line	Limit £000	Outturn £000	Variance (Over)/ Under £000	Explanation of variance
3B – Pension Benefits	199,807	274,938	(75,131)	The variance is due to the Christmas bonus payments for pensioners, announced in the Pre Budget Report. The non-contributory element was higher than forecast however this is offset by lower spend on the contributory (non-voted) element.
3H – Financial Assistance Scheme	784,615	650,271	134,344	The main cause of the variance is a reduction in the assumed FAS member population by just over 4.5%, offset by an increase arising from additions relating to the requirement for pension schemes to equalise benefits between men and women.

Cash Flow Statement

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

The Cash Flow Statement shows a net cash outflow from operating activities of £141.4 billion compared to a cash outflow in 2007-08 of £133.0 billion. The change is mainly due to the increase in net operating costs of the Department from £135.2 billion to £143.0 billion.

The £104.4 million net cash outflow on investing activities consists mainly of expenditure on tangible fixed asset additions of £88.6 million, the major items being software development, classified as Assets under Construction, and Information Technology.

Consolidated Statement of Net 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 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:

- 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;
- Reclassification of 2007-08 account balances including capitalisation of HSE software licences; and
- Prior period adjustments relating to the adoption of Financial Instrument Standards FRS 25, 26 and 29.

Further details can be found in Note 46 – Transfer of Functions and Restatements.

Investment

Private Pension Reform – the Department has established the Personal Accounts Delivery Authority to set up a new, low cost, national pension scheme that will help millions of people on low and moderate incomes, who do not have access to a good quality workplace pension, to save for retirement.

Implementation of **State Pension Reform** from 2010 will ensure that about 75% of women reaching state pension age will have a full basic pension compared to only around 40% now and almost one million extra people (90% of them women) will build up State Second Pension entitlement from 2010. Between 2010 and 2020 male and female state pension ages will be equalised.

The Department is continuing to implement the fundamental Change Programme which was initiated two years ago, remaining committed to delivering significant service changes, improvements and efficiencies in the coming years. We are currently introducing the following as part of the Programme:

- a significant **self service capability** to give our customers a much wider choice of how they access our services. We are introducing the delivery of new benefit advice services supported by secure gateways, the facility to claim major benefits online, such as Jobseeker's Allowance and State Pension, and the ability to track progress and report changes of circumstances on existing claims. This will ensure that:
    - self service becomes more widely available as the first option for our customers so that ultimately it can become a comprehensive, integrated and rapid delivery channel; and
    - the energy and attention of staff are focused on the people who need their help the most;
- **the transformation of our telephony**, including:
    - a single virtual call centre network across all our businesses;
    - staff who are able to answer the majority of enquiries at the customers' first point of contact; and
    - rationalising our telephone numbers so that our customers can more easily reach the service they require – this will apply whether a customer needs our support with matters relating to employment, disability, caring or pensions;
- the integration of services across the Department by **collecting and verifying information only once** and then reusing it as our customers' needs change or in response to significant changes in their lives. This includes focusing on the move from working to pension age where we aim to automate payment of the state pension for people already on working age benefits; and
- a shift in the processes and culture of the Department through the introduction of continuous improvement using **Lean techniques.** This is already providing significant improvements to customer service through faster processing times, reduction in waste and duplication, building an organisation that is more customer focused with a more skilled workforce and a more flexible approach to change.

Departmental reporting cycle

The DWP Main Estimate for 2008-09 was published in April 2008 as part of the Central Government Supply Estimates 2008-09 Main Supply Estimates (HC 479). The Department also applied for Winter and Spring Supplementary Estimates, details of which are available in the Central Government Supply Estimates 2008-09 Winter Supplementary Estimates (HC 1163) and the Central Government Supply Estimates 2008-09 Spring Supplementary Estimates (HC 265).

The Department also produces an annual Autumn Performance Report, which provides an update on progress against PSA targets since the preceding Spring Departmental Report. The Department's Autumn Performance Report 2008 was published as an on-line document only.

The annual Spring Departmental Report covers expenditure, progress towards the Department's Public Service Agreement (PSA) targets and other activities in support of the Department's objectives, including information relating to the Department's Agencies and associate bodies. The latest Departmental Report (Cm 7594), which was published in June 2009, presented the Department's expenditure plans for 2009-10, outturn expenditure to 2007-08 and estimated outturn for 2008-09.

All of the above reports are in the public domain and can be accessed from the DWP web site, www.dwp.gov.uk.

Benefit Overpayment Debtors

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

The existence and valuation of debt was addressed with the introduction of the "Debt Manager" computer system, which provides a full audit trail of debts, and the disclosure of the Department's benefit debt accounting policy, which states 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, 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. As a result, in 2007-08, the NAO removed the remaining qualification in respect of the level of overpaid benefit debtors reported in the accounts.

During 2008-09, the Department has increased the number of overpayment referrals. The following table records the number of overpayments referred for action and the amount of debt recovered in 2008-09. For comparison purposes the figures from 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

* There is no direct correlation between referrals and recoveries in a particular year. Recoverable debts generated from overpayment referrals may not be recovered in the year the debt is established.

The Department has also identified and referred a significant proportion of the unreferred amounts from 2007-08.

The Department made an assessment of the value of unreferred benefit overpayments at 31 March 2009. The assessment of unreferred benefit overpayments for 2007-08 and 2008-09 has established that the unreferred amount of benefit overpayment debt remains at less than 0.1% of total benefit expenditure.

Public Interest Matters

Employment of disabled people

People with disabilities, as defined in the Disability Discrimination Act 1995, are employed across all grades within the Department. The Department aims to improve the level of knowledge and understanding 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.

Committed to Equality and Valuing Diversity

The Department is committed to building and maintaining an inclusive organisation that recognises and values the inherent worth and dignity of every person; that fosters mutual respect, sensitivity and understanding among its employees and that encourages each individual to strive to reach his or her own potential. We seek to develop and nurture our diversity because we believe this will strengthen the Department, stimulate creativity and promote the exchange of ideas that will enable us to reach our goal of promoting opportunity and independence for all through modern, customer-focused services. The Department will comply with all elements of diversity and equality legislation.

All employees have the right to perform their work, free from discrimination, harassment and bullying and any other form of unwanted behaviour that is based on race, colour, nationality, ethnic or national origin, disability, gender, transgender status, sexual orientation, age, marital status, religion or belief, HIV status and caring responsibilities.

Equality aims to create equality of opportunity for everyone whilst recognising that some people face barriers that others do not. Equality is about ensuring that all people are treated in a non-discriminatory way and challenging any behaviour that could be regarded as inappropriate or unfair.

Employee Involvement

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 procedures for consulting its Trade Unions and supports staff in the workforce by trade union representatives. The Department and Trade Unions want to work collaboratively to deliver the Government's agenda for welfare reform and modernisation.

The Department actively communicates with staff and is committed to ensuring that staff at all levels can contribute towards decisions affecting the day-to-day business of the Department.

Sustainable Development

The Department's sustainable development strategy and targets are set out in our *Sustainable Development Action Plan 2007-2010* [http://www.dwp.gov.uk/docs/502273-dwp-susdev-anrpt-aw2.pdf]. Progress against the plan was published in the 2008 *Sustainable Development Annual Report* [http://www.dwp.gov.uk/docs/annual-report-2008.pdf].

Working with our partners, Telereal Trillium (formerly Land Securities Trillium), a key priority has been to reduce carbon emissions from energy consumption. Energy-saving projects continue, such as installing under-sink water heaters and low energy lighting, bringing financial and carbon savings. Some micro-generation options have proved not to be financially viable but we are continuing feasibility studies into combined heat and power installations. In the first nine months of 2008-09, energy consumption fell by 14% in our 300 largest Telereal Trillium buildings (which consume 75% of total DWP energy) compared to 2005-06 and in the last year carbon emissions from offices have reduced by over 11%.

During the past year a series of communications to staff has resulted in a significant reduction in the number of staff using their own cars for business travel and an increase in the use of telephone conferencing by approximately 23%. Work continues with suppliers, seeking low emission vehicles and conversion of some air routes to rail only. Active staff participation in the management of waste and recycling has meant that the target to increase waste recycling to 40% of our waste by 2010 has already been exceeded. Over 2008-09, 66% of the measurable office waste has been recycled. In addition, furniture, fluorescent tubes and cooking oil have also been recycled.

Recognised as best practice across Government, the Departmental intranet-hosted Swap Shop is helping to redistribute surplus or unwanted goods across the Department, saving money and avoiding unnecessary waste being sent to landfill. The Sustainable Development Commission has highlighted the DWP Swap Shop as a case study in the 2008 report *Sustainable Development in Government*. http://www.sd-commission.org.uk/publications/downloads/SDiG_REPORT_08.pdf.

The Department's mandatory Sustainable Procurement Risk Assessment Methodology is applied to all new and existing contracts so that procurement of sustainable goods and services is becoming firmly embedded. This key commercial policy tool is vital to delivery of sustainable development, as completion ensures both Government and Departmental commercial policy and environmental targets in the Sustainable Operations on the Government Estate (SOGE) are adhered to. However, perhaps most important is the assurance that contracts are considering social issues.

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 30 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 95% (2007-08 96%) of bills were paid within this standard.

During 2008-09, the Department adopted a payment policy of paying all suppliers within 10 working days of receipt of invoices. This was phased in over the period October 2008 to March 2009 in response to economic conditions. The 10 day target will be reported in next year's Resource Account. However, 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 £5,204 arising and payable by the Department during the year (2007-08 £20,232). 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 £14.524 million (2007-08 £11.921 million), which are reported in Note 13.

Introduction of the Euro

The Department continues with some limited changeover planning and preparation activities such that, in the event of a positive decision to join the Single European Currency, the main changes required to the computer systems, business systems and products will have been identified and quantified to enable the Department to meet the timescales set out in HM Treasury's Third Outline National Changeover Plan.

Financial Reporting Standards

From 1 April 2008, the Department has implemented the following Reporting Standards in relation to Financial Instruments:

- FRS 25 Financial Instruments: Disclosure and presentation
- FRS 26 Financial Instruments: Measurement
- FRS 29 Financial Instruments: Disclosures

The implementation of these standards has resulted in a prior year adjustment, the effect of which is disclosed in Note 46.

International Financial Reporting Standards (IFRSs) will be introduced across Central Government in the 2009-10 financial year.

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 47 to 48.

The total cost of audit work was £2,903,000, which related to statutory audit services and the implementation of IFRS (non statutory audit work). This includes cash fees of £703,000 and notional fees of £2,200,000. Total fees for statutory audit work were £2,641,000 and for non statutory audit work £262,000.

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

- Handling Customer Complaints (published 23 July 2008)
- Supporting Carers to Care (published 26 February 2009)

As at 31 March 2009, the following Value for Money studies were ongoing:

- Debt Management
- Communicating with Customers

These studies were published on 1 May 2009 and 7 May 2009 respectively.

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 www.ome.uk.com.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Principles, which require appointments to be on merit on the basis of fair and open competition. They also set out the circumstances when appointments may be made outside the application of the principles, referred to as the 'exceptions'.

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 www.civilservicecommissioners.gov.uk.

Details of the service contract for each member of the Department's Executive Team are shown on page 30.

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.

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 and knowledge.

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.

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 bonus 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 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	typically receive awards
Group 3	25-30	only a small proportion 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 bonuses 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;
- ensuring 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 2 Pay Committees
Leigh Lewis (Chair)
Phil Wynn Owen
Adam Sharples
Richard Heaton
Joe Harley
Chris Last
John Codling
Terry Moran
Sue Garrard
Mel Groves
Sue Owen
Mike Sommers (Non-Executive Director)
John Cross (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.

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 awards.

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.

i) Consolidated base pay rewards value or contribution which is determined using three criteria:

- individual's overall growth in competence; Professional Skills for Government (PSG) provides the framework for assessing competence;
- challenge associated with their job; informed by job weight and departmental priorities; and
- confidence in the individual's future performance; based on sustained past performance or rigorous assessment of potential.

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.

ii) 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 70% of SCS staff.

Policy on notice periods and termination payments

Standard SCS Notice Period

<u>Notice</u>

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.

Other Compensation for Compulsory Early Termination of Contract

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

(b) The provisions of the Civil Service Compensation Scheme apply if the contract is terminated before the normal retirement date for reasons of redundancy or for reasons of structure or limited efficiency:

Structure: Structure denotes severe management problems e.g. serious promotion blockage or other situations creating managerial or organisational difficulties which impair the efficient working of the Department.

Limited Efficiency: if performance falls below the required standard an individual may be retired on grounds of limited efficiency.

(c) If performance is so unsatisfactory as to warrant the use of inefficiency procedures and an individual is dismissed for inefficiency, the Department has discretion, in certain circumstances, to award compensation under the Civil Service Compensation Scheme.

(d) **Medical Retirement:** If an individual is a member of the Principal Civil Service Pension Scheme (PCSPS) or the partnership pension account, they may be retired on medical grounds and eligible for payment of ill health retirement benefits. The Civil Service Pensions Division of the Cabinet Office sets the criteria for medical retirement. The present criteria for medical retirement are that the breakdown in someone's health is such that it prevents them from carrying out their duties and that the ill-health is likely to be permanent.

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
Lesley Strathie	13/10/2005	09/11/2008	N/A
Phil Wynn Owen	15/11/2004	N/A	N/A
Stephen Geraghty	01/01/2008	31/10/2008	N/A
Terry Moran	14/06/2004	N/A	N/A
Adam Sharples	06/09/2004	N/A	N/A
John Codling	01/12/2001	N/A	N/A
Chris Last	02/01/2008	N/A	N/A
Mel Groves	03/11/2008	N/A	N/A
Joe Harley	28/07/2004	N/A	N/A
Richard Heaton	02/01/2007	N/A	N/A
Sue Garrard	05/02/2007	N/A	N/A
Sue Owen	30/03/2009	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 *

Two members of the Executive Team received benefits in kind entitlements in respect of a chauffeur-driven car and a Private User Scheme car. The amounts involved are disclosed in the remuneration table on page 33.

* This information is audited by National Audit Office

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
Mr Mike O'Brien MP	Minister of State (Pensions Reform) to 5 October 2008
Rt Hon Rosie Winterton MP	Minister of State (Pensions and the Ageing Society) and Minister for Yorkshire and Humber from 5 October 2008
Rt Hon Stephen Timms MP	Minister of State (Employment and Welfare Reform) to 5 October 2008
Rt Hon Tony McNulty MP	Minister of State (Employment and Welfare Reform) and Minister for London from 4 October 2008
Lord McKenzie of Luton	Parliamentary Under-Secretary (Lords)
Mr James Plaskitt MP	Parliamentary Under-Secretary (Commons) to 5 October 2008
Kitty Ussher MP	Parliamentary Under-Secretary (Commons) from 5 October 2008
Mrs Anne McGuire MP	Parliamentary Under-Secretary (Disabled People) to 5 October 2008
Jonathan Shaw MP	Parliamentary Under-Secretary (Disabled People); Minister for the South East from 5 October 2008

Following the resignations of James Purnell and Tony McNulty, Yvette Cooper was appointed Secretary of State for Work and Pensions and Jim Knight was appointed Minister of State for Employment and Welfare Reform with effect from 6 June 2009. Additionally, on 8 June 2009 Angela Eagle replaced Rosie Winterton as Minister of State for Pensions and the Ageing Society and on 9 June 2009 Helen Goodman replaced Kitty Ussher as Parliamentary Under-Secretary (Commons).

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
Lesley Strathie[1]	Chief Executive, Jobcentre Plus to 9 November 2008
Mel Groves	Acting Chief Executive, Jobcentre Plus from 10 November 2008
Stephen Geraghty	Chief Executive, Child Support Agency to 31 October 2008
Terry Moran[2]	Chief Executive, The Pension, Disability and Carers Service
Adam Sharples	Director General, Work, Welfare and Equality Group to 29 March 2009; and Director General, Employment Group from 30 March 2009
Sue Owen	Director General, Welfare and Wellbeing Group from 30 March 2009
John Codling[1]	Finance Director General
Chris Last	Group Human Resources Director General
Joe Harley[1]	IT Director General and Chief Information Officer
Sue Garrard	Director of Communications
Richard Heaton	Director General, Legal Group

On 1 April 2009 the Work, Welfare and Equality Group was split into two separate areas. The new Welfare and Wellbeing Group led by Sue Owen and the Employment Group led by Adam Sharples. Both posts are at Director General level and both post holders will be members of the Executive Team.

[1] The above members of the Executive Team are or were also members of the Departmental Board.

* The asterisk against the heading denotes that this information is subject to audit.

[2] The above member of the Executive Team was appointed as an interim member of the Departmental Board on 23 January 2009.

Departmental Board

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

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

Directorships

Terry Moran was a National Board Trustee for Victim Support until December 2008.

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

Michael Sommers is a non-executive director of The Ordnance Survey.

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

Adrian Fawcett is the Chief Executive Officer and a company director of General Healthcare Group Limited.

Helen Stevenson is the Chief Marketing Officer at Yell Group.

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.

* The asterisk against the heading denotes that this information is subject to audit.

Remuneration *

	2008-09		2007-08
	Salary	Full Year Equivalent	Salary
Ministers	£	£	£
Rt Hon James Purnell MP *Secretary of State* (to 4 June 2009)	79,260	79,260	12,817 (FYE 76,904)
Mr Mike O'Brien MP *Minister of State* (to 5 October 2008)	31,084	41,245	29,813 (FYE 39,893)
Rt Hon Rosie Winterton MP *Minister of State* (from 5 October 2008 to 8 June 2009)	16,991	40,646	–
Rt Hon Stephen Timms MP *Minister of State* (to 5 October 2008)	24,294	41,230	7,507 (FYE 39,893)
Rt Hon Tony McNulty MP Minister of State (from 4 October 2008 to 5 June 2009)	16,936	40,646	–
Lord McKenzie of Luton[1] *Parliamentary Under-Secretary (Lords)*	73,236	73,236	53,717
Mr James Plaskitt MP *Parliamentary Under-Secretary of State (Commons)* (to 5 October 2008)	23,938	36,793	30,280
Kitty Ussher MP *Parliamentary Under-Secretary of State (Commons)* (from 5 October 2008 to 8 June 2009)	12,855	30,851	–
Mrs Anne McGuire MP *Parliamentary Under-Secretary of State* (to 5 October 2008)	23,938	36,793	30,280
Jonathan Shaw MP *Parliamentary Under-Secretary of State* (from 5 October 2008)	12,855	30,851	–

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

* This information is audited by National Audit Office

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 (£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.

Officials *	Salary (2008-09)	Benefits in Kind (2008-09)	Total (2008-09)	Full Year Equivalent (FYE) (2008-09)	Total (2007-08)
	£000	(to nearest £100)	£000	£000	£000
Leigh Lewis *Permanent Secretary*	215-220	1,000	220-225	220-225	200-205**
Phil Wynn Owen	140-145	–	140-145	140-145	140-145
Lesley Strathie (to 9 November 2008)	110-115	–	110-115	160-165	155-160
Mel Groves (from 10 November 2008)	55-60	1,000	55-60	140-145	–
Stephen Geraghty (to 31 October 2008)	165-170	–	165-170	255-260	220-225
Terry Moran	170-175	–	170-175	170-175	155-160
Adam Sharples	145-150	–	145-150	145-150	150-155
Sue Owen (from 30 March 2009)	–	–	–	125-130	–
John Codling	220-225	–	220-225	220-225	210-215
Chris Last	180-185	–	180-185	180-185	40-45 (FYE 175-180)
Joe Harley	265-270	–	265-270	265-270	260-265
Sue Garrard	135-140	–	135-140	135-140	125-130
Richard Heaton	135-140	–	135-140	135-140	125-130

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 2008 salaries (2008-09) relate to the period served during 2007-08. This ensures that payments made to Directors in relation to their period of service on the Board are disclosed in their totality.

* This information is audited by National Audit Office

** The total figure shown for 2007-08 included benefits in kind of £8,000 for the use of a chauffeur driven car by Sir Leigh Lewis. The value of this benefit in kind reduced to £1,000 in 2008-09 due to a decision taken by Sir Leigh Lewis during the year to dispense with this facility. The total shown for 2008-09 includes taxable expenses of £20,726 for the provision of services to him via the alternative Government 'Green Cars' scheme.

Salary

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

"Salary" includes gross salary; performance pay or bonuses; 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 taxable benefits in kind shown above relate to the use of a chauffeur-driven car by Leigh Lewis for part of the year and private use of allocated cars provided under the Department's Private User Scheme.

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 above 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.

Pension Benefits *

Ministers *	Total accrued pension at age 65 as at 31/03/09	Real increase in pension at age 65	CETV at 31/03/09[1]	CETV at 31/03/08[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	37	25	6
Mr Mike O'Brien MP *Minister of State* (to 5 October 2008)	5-10	0-2.5	149	133	8
Rt Hon Rosie Winterton MP *Minister of State* (from 5 October 2008 to 8 June 2009)	5-10	0-2.5	89	84	3
Rt Hon Stephen Timms MP *Minister of State* (to 5 October 2008)	10-15	0-2.5	143	130	4
Rt Hon Tony McNulty MP *Minister of State* (from 4 October 2008 to 5 June 2009)	5-10	0-2.5	99	91	3
Lord McKenzie of Luton *Parliamentary Under-Secretary (Lords)*	0-5	0-2.5	82	65	14
Mr James Plaskitt MP *Parliamentary Under-Secretary of State (Commons)* (to 5 October 2008)	0-5	0-2.5	31	25	3
Kitty Ussher MP *Parliamentary Under-Secretary (Commons)* (from 5 October 2008 to 8 June 2009)	0-5	0-2.5	11	8	1
Mrs Anne McGuire MP *Parliamentary Under-Secretary of State* (to 5 October 2008)	5-10	0-2.5	117	105	4
Jonathan Shaw MP *Parliamentary Under-Secretary of State* (from 5 October 2008)	0-5	0-2.5	20	17	2

* This information is audited by National Audit Office

[1]Where a minister has left the Department part way through the year, the 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 CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

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.

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 increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% 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 26.8% 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and is worked out using common market valuation factors for the start and end of the period.

Officials *	**Accrued pension at age 60 or pension age as at 31/03/09 and related lump sum**	**Real increase in pension and related lump sum at pension age**	**CETV at 31/03/09[3]**	**CETV at 31/03/08[4]**	**Real Increase in CETV**
	£000	**£000**	**£000**	**£000**	**£000**
Leigh Lewis *Permanent Secretary*	80-85 plus 250-255 lump sum	0-2.5 plus 0-2.5 lump sum	1,918	1,788	5
Phil Wynn Owen	45-50 plus 135-140 lump sum	0-2.5 plus 2.5-5 lump sum	758	682	24
Lesley Strathie (to 9 November 2008)	65-70 plus 200-205 lump sum	0-2.5 plus 0-2.5 lump sum	1,291	1,244	1
Mel Groves (from 10 November 2008)	60-65 plus 190-195 lump sum	0-2.5 plus 0-2.5 lump sum	1,442	1,403	2
Stephen Geraghty[1] (to 31 October 2008)	15-20	0-2.5	309	250	34
Terry Moran	50-55 plus 150-155 lump sum	5-7.5 plus 20-22.5 lump sum	856	690	114
Adam Sharples	50-55 plus 160-165 lump sum	2.5-5 plus 7.5-10 lump sum	1,130	1,001	46
Sue Owen (from 30 March 2009)[5]	40-45 plus 125-130 lump sum	0-(2.5) plus 0-(2.5) lump sum	810	810	(1)
John Codling	65-70 plus 200-205 lump sum	0-2.5 plus 2.5-5 lump sum	1,442	1,315	26
Chris Last[2]	5-10	2.5-5	59	12	41
Joe Harley[1]	5-10	0-2.5	165	122	29
Sue Garrard[1]	0-5	0-2.5	59	30	23
Richard Heaton	25-30 plus 75-80 lump sum	0-2.5 plus 2.5-5 lump sum	377	336	16

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]When 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.

[5]The fall in Sue Owen's pension is due to the RPI reduction during the day of employment this year whilst receiving no contribution during this period.

* This information is audited by National Audit Office

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 who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant 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' 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 his 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, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for 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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 2008-09.

Non-Executives *

Fees amounting to £113,000 (2007-08 £106,000) were payable to the Non-Executive Board Directors as follows:

	2008-09 Total Fees	2007-08 Total Fees
	£000	£000
Michael Sommers	30	30
John Cross	53	46
Adrian Fawcett	15	15
Helen Stevenson	15	15

Leigh Lewis
Accounting Officer

15 July 2009

* This information is audited by National Audit Office

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. 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.

3. 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, the Department's Public Service Agreements and our Departmental Strategic Objectives.

4. 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 also issued Letters of Designation to each of my Executive Team colleagues, which set out in more detail both their corporate and business-specific accountabilities. The Departmental Framework was reviewed and re-launched in November 2008. This reflected a number of changes in accountabilities particularly in respect of the Senior Information Risk Owner and information security.

5. The Department's Three Year Business Plan for 2009-12 sets out our high-level plan for achieving the Public Service Agreements on which we lead and our Departmental Strategic Objectives, agreed as part of our CSR07 settlement. The increased demand for our services caused by the recession is currently the most significant challenge we face.

6. 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

7. 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 2008-09 and up to the date of the approval of the Annual Report and Accounts. It is kept under review, both within the Department and by the Departmental and Agency Audit committees.

The risk and control framework

8. 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 language, to improve the reporting, sharing and communication of risk information. All areas of the Department are compliant with the mandatory elements of the framework.

9. Following a wide-reaching review of risk management across the Department, we are pursuing opportunities to further improve the efficiency and effectiveness of our processes for identifying, assessing and reporting risk. This demonstrates our commitment to continuous improvement and to learn from best practice in the public and private sectors.

10. A range of practical guidance, e-learning and formal risk management training courses are available to support management and staff. These products will be reviewed during 2009-10 along with those relating to compliance and control to better equip our staff to support the Department's efforts to maintain and improve its system of internal control.

11. Underpinned by further development of the DWP Balanced Scorecard, progress has also been made in aligning the reporting of risk and performance management. ET members are both individually and collectively accountable for managing risks to the achievement of PSA and Departmental Strategic Objective targets and support me in managing the strategic risks that the Department faces in delivering its key outcomes.

12. A DWP Scorecard Objective related to Internal Control has been developed, where performance is assessed on the basis of progress in delivering strategic internal control performance outcomes and the effectiveness of the arrangements we have in place to deliver them.

13. During the course of 2008-09 we have continued to review the Department's suite of financial and other frameworks and guidance to ensure that they are clear, understandable and promote compliance. Progress is being made in developing corporate principles, improving compliance reporting and examining the cultural and other barriers to achieving a stronger control environment.

14. During the course of 2008-09 a detailed review was undertaken of a single benefit payment process to assess the effectiveness of existing process controls and compliance with these at a local level. Although no instances of error or financial loss were discovered, the review identified a need to tighten controls in a number of areas and to improve the risk awareness of operational staff. Action has already been taken to resolve the specific weaknesses identified and work is in hand to consider how best to address the longer term recommendations made on improving our overall business control environment.

15. During the year we also reviewed our contracting arrangements for employment programmes provided by third parties and we will make further improvements in the oversight of performance and related payments, including reviewing again the effectiveness of the control regime against fraud and abuse.

16. Our Business Control System is being further enhanced to improve the user experience and significantly increase the levels of assurance obtained on the Department's checking regime. Effective links are being strengthened with the Audit Trail Analysis Service during its modernisation.

17. The Department's business continuity management arrangements are set out in the Departmental Business Continuity Framework and are championed 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 plans are robust. A total of 25 disruptions were managed effectively by the Business Continuity Team during 2008-09. The Department is also directly involved in wider cross-Government business continuity planning and rehearsals.

18. Our Information Security Committee is chaired by the Director General Legal Group in his capacity as the Senior Information Risk Owner. The Committee sets policy and oversees the major information security issues facing the Department. Comprehensive Information System Security Standards are in place and new information systems are subject to security accreditation in accordance with Cabinet Office standards. The accreditation process was subject to an independent review and its recommendations were taken forward during 2008-09. A full risk assessment has been completed on one of our unaccredited legacy systems to confirm that residual risks are being adequately mitigated. That learning is being applied to the other unaccredited legacy systems. We have fully supported the Cabinet Office Data Handling Review and I am a member of its steering group chaired by the Cabinet Secretary.

Capacity to handle risk

19. Each quarter, the Executive Team formally reviews the Department's strategic risks and associated mitigation plans recorded in the strategic risk register. Risk reporting has also been enhanced to enable the Executive Team to focus on and actively manage key emerging risks.

20. Management of performance and strategic risk is also subject to independent review and challenge by the Departmental Board. The Planning Performance and Risk Committee chaired by the Finance Director General supports me in identifying and managing cross-cutting strategic risks.

21. The DWP Change Programme is implementing the Department's business strategy which is transforming the way we deliver our services for customers in line with the Department's vision of "Work, welfare, well-being, well delivered". The current recession provides us with an additional set of challenges, in particular a rapidly rising demand for our services. Implementing and responding across a Department which already delivers a complex range of services requires effective change management and financial control, as we both secure benefits for our customers and deliver efficiency gains.

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 comments made by the Department's external auditors in their management letter and other reports. The Departmental Board and Departmental Audit Committee have independently advised me on the findings of these sources of assurance and I have initiated activities to address challenges and 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.

24. The Internal Audit work programme for 2008-09 provided for coverage of the areas of greatest risk, including a clear correlation with business unit and the Department's risk registers. 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 has improved during 2008-09 from Limited to Reasonable, whilst highlighting three matters on which he qualifies his assessment. These relate to challenges faced by the Department in:

- further strengthening information risk management;
- tackling the continuing need to improve Social Fund decision making and the quality of supporting evidence; and
- further improving oversight of performance and related payments under contract to third party providers in respect of employment programmes.

Where remedial action has been recommended to address significant control challenges, he is satisfied that the appropriate action has been taken or is planned to effect reasonable management of risks within an acceptable period of time.

26. 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 quarterly and to the Departmental Audit Committee every six months. Although recognising that very substantial progress towards eliminating weakness has been made in 2008-09, the Departmental Security Officer has assessed that the overall level of assurance around security controls remains limited.

27. 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.

28. The Executive Team met on 23 June 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.

Significant Control Challenges

29. The Executive Team identified seven significant control challenges which will be regularly monitored by the Executive Team during the forthcoming year 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.

(i) Fraud and error

30. In 2008-09, the proportion of total estimated overpayments due to fraud and error fell from 2.1% to 2.0% of benefit expenditure, compared to the previous set of estimates for 2007-08. Due to a substantial rise in total benefit expenditure, the monetary value of such overpayments remained unchanged at £2.7bn. The proportion of total estimated underpayments remained at 0.9% of benefit expenditure, with the monetary value increasing from £1.1bn in 2007-08 to £1.2bn in 2008-09.

31. The percentage of expenditure overpaid due to official error has fallen from the last set of estimates (from 0.87% to 0.6%) and the monetary value of overpayments has fallen from £1.0 billion to £0.9bn. The percentages of expenditure overpaid due to customer error and fraud have remained the same at 0.7% and 0.6% respectively but for fraud the monetary value has increased from £0.8bn to £0.9bn (totals may not sum due to rounding).

32. In delivering our future error reduction strategy, Ministers have agreed to an amendment to the Housing Benefit and Council Tax Benefit regulations which will allow Housing Benefit overpayments, caused when a change of address occurs, to be offset against entitlement at the new address in certain circumstances. Current rules treat this as an overpayment and they contribute around £40m of the £150m total of Housing Benefit customer error overpayments per annum. Learning and development, focused on those areas likely to have the biggest impact, is being provided to address official error. We continue to use and develop data-matching to identify and correct both official and customer error.

33. In tackling fraud, the Department is committed to a tightening of sanctions to provide a 'one strike' provision which is a four week loss of benefit sanction to cover those committing a first fraud offence which results in a conviction, administrative penalty or caution. We continue also to exploit increased opportunities for data sharing as a result of the wider work of the National Fraud Strategic Authority and working more closely with the banking sector. We are extending the benefit fraud hotline and publicity campaign in Spain to cover some 95% of British expatriates living in that country.

(ii) NIRS 2

34. The Department's Agencies have continued to report problems with the accurate recording of National Insurance Credits and the interfaces with the HM Revenue and Customs National Insurance Recording system (NIRS2), leading to incorrect payment of benefit in some cases. Progress has been made following an enhancement to the NIRS2 system in October 2008 and we have plans to assess the full impact of cases affected by this enhancement and manage the backlog of cases once they are generated. A new DWP/HMRC National Insurance Credits Steering Group has been established specifically to focus on National Insurance Credit and service delivery issues. The Group is seeking assurance that the current National Insurance Credit regime is working effectively and, where it is not, is ensuring that appropriate improvements are commissioned and implemented. The Group's membership includes senior managers in policy, operations and information technology from both Departments.

(iii) Debt

35. Debt recovery targets have been a continuing priority for the Department. In 2008-09 we exceeded our target of £279 million for the year and recovered a record amount of £281 million. We have agreed another challenging target for Debt Management of £282 million for 2009-10. This target will be particularly challenging in the light of a request from Jobcentre Plus to extend the loan to Jobcentre Plus of 150 debt recovery staff to the end of August 2009 in order to help Jobcentre Plus manage the increased workloads brought about by the recession.

36. As regards debt referrals to the Central Debt Management Operation, the Department's Agencies identified and processed record numbers of overpayments in 2008-09. Overall, 1.6m overpayments were dealt with by the Department's Agencies, against a target of 1.5m, representing an increase of almost 22% compared with the previous year.

37. The increase in new claims in Jobcentre Plus as a result of the economic downturn could, however, have an impact on overpayment referral volumes in 2009-10. In addition, the Pension, Disability and Carers Service, as well as Debt Management, have loaned staff to Jobcentre Plus which could impact on their referral volumes. We have nevertheless agreed stretching targets with both Agencies for 2009-10, which will challenge them to sustain the significant improvement in performance.

38. Whilst as noted above, the agencies exceeded their target of 1.5m overpayment referrals in 2008-09, there is still a significant volume of overpayments that are not being identified and brought to account. We have set up a programme of quarterly reviews to identify and address the reasons behind this and our first review, in the last quarter of 2008-09, identified that there are still control weaknesses across the end to end debt process. In the short term, we are implementing a number of actions to increase debt referral and referrals brought to account. Longer term, we are addressing the issues with the current process through the introduction of electronic referrals, which will provide faster automated transmission of the overpayments leading to quicker decision-taking and recovery. Electronic referrals will be implemented on a phased basis between October 2009 and October 2010.

(iv) Customer Files

39. In 2006, the Department identified an issue relating to the system of controls in place to manage the storage and retrieval of customer files. 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 or misplaced. These actions have included the introduction of a documented service for physical bulk transfers of data, reviewing the security arrangements for records storage and ongoing capacity management involving all DWP businesses.

(v) Social Fund

40. Jobcentre Plus has continued to implement a number of initiatives to further improve the standard of decision making in processing applications to the Social Fund. These include the introduction of a scripted conversation and questioning of the customer to ensure that full and accurate information is

gathered, and the introduction of a Quality Assessment Framework in conjunction with the Independent Review Service to improve the quality of decision making across the whole of the Social Fund.

(vi) Security of Information

41. During 2008-09 the Department continued to focus heavily on security of information. We have implemented a range of information security improvements based on internal audit and Cabinet Office recommendations, managed through a formal project which reports to the Department's Information Security Committee. This has included an individual Executive Team member taking on board the new role of Senior Information Risk Owner, the creation of Information Asset Owners at senior level across DWP and the development of a comprehensive Information Asset Inventory. As a result we are now confident that we meet, and in many areas exceed, the Data Handling Review requirements. Our information security training and awareness campaigns have been reflected in very positive results in the recent Staff Survey relating to the training provided and the overall level of understanding of our security policies. Although recognising that very substantial progress towards eliminating weakness has been made in 2008-09, the Departmental Security Officer has assessed that the overall level of assurance around security controls remains limited.

(vii) The Child Maintenance and Enforcement Commission

42. The Child Maintenance and Enforcement Commission, a Crown Non-Departmental Public Body, was formed in 2008 to take on responsibility for the delivery of child maintenance. The Commission assumed responsibility for the functions of the Child Support Agency on 1 November 2008. The Commission has established a new Audit Committee which supports the Commission's Board in its discharge of its overall accountabilities regarding finance, audit, standards and corporate governance. The Commission has continued to face some significant problems with its computer systems. These include weaknesses in management information, data security and Client Fund accounting. A programme upgrade to one of the Commission's key systems was introduced in September 2008. The Commission consider the upgrade to have addressed a majority of the workflow and security problems.

Leigh Lewis
Accounting Officer

15 July 2009

The Certificate and Report 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 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Management Commentary and Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Annual Report, Management Commentary and the unaudited part of the Remuneration Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Annual Report, Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and

- information which comprises the Annual Report, Management Commentary and the unaudited part of the Remuneration Report is consistent with the financial statements.

Qualified Opinion on Regularity

The Resource Accounts records benefit expenditure of £135.9 billion. Some £61.7 billion (45.4 per cent) of this expenditure relates to State Pension payments and £74.2 billion (54.6 percent) to other benefits administered by the Department. The Department estimates that in 2008-09 fraud and error within State Pension expenditure resulted in relatively minor overpayments of £0.1 billion (0.2 per cent of related expenditure) and underpayments of £0.2 billion (0.3 per cent of the relevant expenditure). For other benefits, however, the Department estimates that fraud and error resulted in overpayments of £2.6 billion (3.5 per cent of relevant expenditure) and underpayments of £1.0 billion (1.3 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.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

17 July 2009

Report by the Comptroller and Auditor General

Introduction

1 The resource accounts of the Department for Work and Pensions include net expenditure of £143.0 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 Department's resource accounts give a true and fair view of the state of the Department's affairs as at 31 March 2009 and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended; and

ii. 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 2008-09 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 44 to the Department's resource accounts discloses the Department's best estimate of all such activity. As shown in Note 44, overpayments due to fraud and error in 2008-09 are estimated at £2.7billion (2007-08 – £2.7billion), which equates to 2.0% of total benefit expenditure of £135.9billion (2007-08 – 2.1% on expenditure of £126.1billion), representing a decrease in the percentage of benefits being overpaid. Total underpayments in 2008-09 are estimated at £1.2billion (2007-08 – £1.1billion), which equates to 0.9% of total benefit expenditure (2007-08 – 0.9%). Within those figures, the Department estimates that in 2008-09 fraud and error within State Pension resulted in overpayments of £0.1 billion (0.2% of related expenditure) and underpayments of £0.2 billion (0.3% of related expenditure).

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 key causes of fraud and error in the benefit system, together with the challenges faced by the Department and their actions to reduce it.

7 In addition, in 2007-08 I reported on progress made by the Department with regard to recovering some of the financial loss resulting from benefit overpayments through improvements in Debt Management referrals and recovery performance. This was significant in that it contributed to the removal of a longstanding limitation in the scope of my opinion on debt balances. I have presented an update on this issue in paragraphs 62 to 65 of this report.

8 The report will demonstrate 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. The Department has invested a considerable amount of effort and resource into trying to prevent, detect and correct these errors.

9 Note 44 to the Department's accounts describes its intention to gain a more detailed understanding of the risks of fraud and error and the impact of additional controls from a value for money perspective. The review, which will be undertaken in consultation with my staff, will aim to forensically investigate which activities best address the key causes of inaccuracy. For each benefit, and for each type of inaccuracy, they intend to further understand the level and key causes of fraud and error and the cost and impact of current control activities. The Department's view is that it is possible there is a natural level of inaccuracy below which it is either impossible or not cost-effective to reach, particularly in situations where evidence of benefit entitlement is not something that can be easily verified by the Department.

Benefit expenditure

Overview

10 Total expenditure on benefits in 2008-09 was some £135.9 billion, of which £114.5 billion was in respect of benefits paid directly by the Department and £21.4 billion in respect of benefits paid on the Department's behalf by Local Authorities, mainly Housing Benefit and Council Tax Benefit. Note 44 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.

11 The Department estimates that overpayments relating to fraud and error have remained static at £2.7 billion over the past four years. The increase in overall expenditure on benefits over the four years means that overpayments as a percentage of benefit expenditure has reduced from 2.3% in 2005-06 to 2.0 % in 2008-09, which is the lowest rate achieved by the Department to date. The estimates separate the reported overpayments 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.

12 Figure 1 shows the value and percentage of overpayments over the past 4 years.

Figure 1: Overpayments of benefit expenditure in the last four years

Year	Total benefit expenditure £ million	Due to Official error £ million	Due to Customer error £ million	Due to fraud £ million	Total £ million	Percentage of total benefit expenditure
2008-09	135,900	900	900	900	2,700	2.0
2007-08	126,100	1,000	900	800	2,700	2.1
2006-07*	119,800	900	1,000	800	2,700	2.2
2005-06**	115,800	900	1,000	800	2,700	2.3

Source: Department for Work and Pensions Resource Accounts, rounded to nearest £100m

** 2006-07 figures were re-stated subsequent to publication of the 2006-07 Resource Accounts.*

***Previous estimates included c. £600million in relation to overpayments of Disability Living Allowance which were due to gradual improvements in the medical status of claimants, so that the level of benefit in payment would no longer have been considered to be appropriate to the claimants' current status had it been reviewed. Those overpayments have been omitted from the above estimated overpayments because, unless a fresh assessment of the claimant's health is carried out, the existing level of benefit remains consistent with legal requirements.*

13 Within total benefit expenditure of £135.9 billion in 2008-09, State Pension accounts for £61.7 billion (45.4% of benefit expenditure). The Department has consistently reported lower levels of error in State Pension with £100 million of overpayments estimated in 2008-09, or under 0.2% by value of relevant expenditure. State Pension has relatively low measured rates of fraud and error, with official error being measured on a continual basis, and therefore as noted in paragraphs 5 and 6 of this report, it has been excluded from my qualification of the accounts. Excluding State Pension, the level of overpayment error for the remaining benefits in 2008-09 is 3.5%.

14 The Department also estimates that underpayment of benefits currently represents some £1.2 billion or 0.9 % of expenditure, an increase on 2007-08 due to the increase in expenditure, when estimated underpayments were £1.1 billion (0.9 % of related expenditure). Figure 2 shows the annual estimates of underpayments dating back to 2005-06. As with reported overpayments, excluding the relatively low level of error on State Pension, estimated to be 0.3%, the percentage of estimated underpayments during 2008-09 is 1.2% of related benefit expenditure.

Figure 2: Underpayments of benefit expenditure in the last four years

Year	Total benefit expenditure £ million	Due to Official error £ million	Due to Customer error £ million	Total £ million	Percentage of total benefit expenditure
2008-09*	135,900	500	700	1,200	0.9
2007-08*	126,100	400	600	1,100	0.9
2006-07	119,800	500	600	1,000	0.9
2005-06	115,800	400	500	900	0.8

Source: Department for Work and Pensions Resource Accounts rounded to nearest £100m. Amounts may not sum due to roundings.

**State Pension has been included for comparative purposes, acknowledging that in 2007-08 and 2008-09 the audit opinion has not been qualified in respect of fraud and error relating to this benefit*

15 The benefits system is highly complex, encompassing over 27 benefits each with differing statutory requirements and administrative arrangements, and involving a total caseload of around 19 million people. Each of these usually involves multiple individual payments, which means hundreds of millions of actual transactions during 2008-09. Performance in administering benefits can vary significantly across benefits and the causes of error are often specific to the benefit and to the type of information and evidence which the Department is required to gather. Some benefits are more easy to administer correctly than others. For State Pension, for example, the principal requirements are that claimants should be of State Pension age and have made the requisite National Insurance contributions, and their relatively straightforward nature is reflected in lower error rates. Other benefits are more complex and more prone to fraud and error. Means tested benefits such as Jobseeker's Allowance or Income Support, for example, require the Department to consider a range of income and expenditure information for each claimant to establish eligibility to, and the value of, the benefit which may also be subject to numerous changes over time as the claimant's circumstances change.

16 As noted in paragraph 10, Housing Benefit and Council Tax Benefit are administered directly by Local Authorities rather than by the Department. These two benefits represent £21.4 billion of total expenditure in 2008-09 (£19.8 billion in 2007-08), with estimated overpayments of £940 million, or 4.4% of related expenditure in 2008-09 (£920 million, or 4.6% of related expenditure in 2007-08) and underpayments of £270 million, or 1.3% of related expenditure in 2008-09 (£270 million, or 1.4% of

related expenditure in 2007-08), which are included in the totals above. These benefits often have close links with benefits administered directly by the Department, as entitlement to a means tested benefit can qualify the claimant to make a Housing or Council Tax Benefit claim. Certain types of fraud and error will arise as a result of failures in the administration of Local Authorities rather than the Department directly, but there is the additional risk that fraud and error can arise due to communications between the Department and the Local Authorities not working effectively.

17 Some parts of the benefits system are, by design, targeted at those most in need of assistance in society, many of whom may not find it easy to supply the personal data required. The Department's staff often have to make complex judgements based on information provided by the claimant and often within tight timescales so as not to cause undue hardship, whilst at the same time claimants may struggle to provide information accurately due to complex personal circumstances, learning or literacy difficulties. These factors further contribute to the risk of fraud and error in the benefits system.

18 The following paragraphs of this report comment on the wide variety of fraud and error which commonly arise within the Department's three main error categories of customer error, official error and fraud. Reducing official error may depend on providing adequate staff training, enforcing adherence to internal procedures and correcting inadequate system interfaces. For customer error and fraud, 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.

19 To tackle these challenges the Department employs a mixture of local and centrally led initiatives, targeted at individual benefits and at Agency and Departmental level.

Benefit fraud and error by type

Official error

20 The Department's 2008-09 estimate of official error (defined in paragraph 11) is broken down in Figure 3 below.

Figure 3: Summary of official error by benefit 2008-09

Benefit	2008-09 Total expenditure* £ million (% of total)	2008-09 Official error overpayments** £ million (% of related expenditure)	2008-09 Official error underpayments** £ million (% of related expenditure)	2007-08 Official error overpayments** £ million (% of related expenditure)	2007-08 Official error underpayments** £ million (% of related expenditure)
State Retirement Pension	61,700 *(45.4)*	50 *(0.1)*	190 *(0.3)*	70 *(0.1)*	90 *(0.2)*
Housing Benefit	17,200 *(12.7)*	150 *(0.9)*	50 *(0.3)*	210 *(1.3)*	70 *(0.5)*
Disability Living Allowance	10,600 *(7.8)*	80 *(0.8)*	10 *(0.1)*	80 *(0.8)*	10 *(0.1)*
Income Support	8,900 *(6.5)*	120 *(1.4)*	60 *(0.6)*	140 *(1.5)*	70 *(0.8)*
State Pension Credit	7,800 *(5.7)*	170 *(2.1)*	80 *(1.0)*	180 *(2.5)*	100 *(1.4)*
Incapacity Benefit	6,600 *(4.9)*	90 *(1.3)*	40 *(0.6)*	90 *(1.3)*	40 *(0.5)*
Council Tax Benefit	4,200 *(3.1)*	30 *(0.8)*	10 *(0.3)*	50 *(1.1)*	30 *(0.7)*
Jobseeker's Allowance	2,900 *(2.1)*	60 *(1.9)*	10 *(0.2)*	40 *(1.7)*	10 *(0.3)*
Carer's Allowance	1,400 *(1.0)*	10 *(0.6)*	0 *(0)*	10 *(0.6)*	0 *(0)*
Other***	14,600 *(10.8)*	100 *(0.7)*	40 *(0.3)*	90 *(0.7)*	20 *(0.2)*
Instrument of payment / inter dependencies ****	0 *(0)*	20	0	20	0
Total*	**135,900**	**900**	**500**	**1000**	**400**

Source: Department for Work and Pensions Resource Accounts, Fraud and Error in the Benefit System October 2007 to September 2008(for the 2008-09 estimates), Fraud and Error in the Benefit System October 2006 to October 2007 (for the 2007-08 estimates).

** Rounded to the nearest £100 million*

***Rounded to the nearest £10 million*

**** Other benefits comprise Winter Fuel Payments, Statutory Maternity Pay, Attendance Allowance, Severe Disablement Allowance, Industrial Injuries Disablement Benefit, Bereavement Allowance, Over 75 TV Licence, Social Fund, Independent Living Fund, Maternity Allowance, Christmas Bonus, New Deal, Statutory Sick Pay, Job Grant, Employment and Support Allowance, in Work Credit, Vaccine Damage Payments.*

***** Instrument of payment errors can relate to all benefits. Interdependency errors arise as a result of the 'knock-on' effects of DLA overpayments on other income-related benefits.*

21 The highest levels of official error, when expressed as a percentage of related benefit expenditure, are State Pension Credit (2.1%), Jobseeker's Allowance (1.9%) and Income Support (1.4%). Housing Benefit has the second highest value of official error after State Pension Credit, at 0.9% of related expenditure. The combined benefit expenditure of these four benefits is £36.8 billion (27.1% of the total). Between them, these four benefits contributed £500m of the total official error overpayment estimate of £0.9 billion and £200 million, or approximately 40% of the total estimated official underpayment error of £0.5 billion. This outcome represents an improvement from 2007-08, when the four benefits

contributed £570 million of total overpayments of £1.0 billion and £250 million of the estimated £0.4 billion of underpayments.

22 All these benefits are to some extent means-tested, with the claimant's entitlement being dependent, among other things, upon their declared income, their personal capital, their household living arrangements, or a combination of these factors. The greater the data requirements to establish entitlement, the higher the inherent risk of an official error being made.

23 Additionally, for means tested benefits, calculations of earnings and capital and establishing living circumstances are not always straightforward, for example, establishing an income level can be complex when a claimant's earnings are variable, such as during periods of self employment, leading to some estimation by officials, which increases the risk of error. These circumstances are also liable to change over the course of a claim, requiring the claimant to update his / her details and officials to process the changes. The greater the volume of transactions, the higher the level of official input and the greater the inherent risk of official error.

24 Within State Pension Credit, Income Support and Jobseeker's Allowance, the top 5 overpayment errors amount to about £280 million (over 80%) of the total estimated official error of £350 million in those benefits. They are shown in Figure 4 and are described in paragraphs 25 to 29 below. Underpayments will generally arise as a result of similar errors, omissions and miscalculations as overpayments.

Figure 4: Summary of common official overpayment error types

Official Error	Total Overpayments £millions (% of related benefit error)	Income Support Overpayments £millions (% of IS error)	Jobseeker's Allowance Overpayments £millions (% of JSA error)	State Pension Credit Overpayments £millions (% of SPC error)
Income and other benefits	90 *(25.7)*	30 *(25.0)*	10 *(16.7)*	50 *(29.4)*
Premiums / additional amounts	80 *(23.9)*	30 *(25.0)*	0 *(0.0)*	50 *(29.4)*
Conditions of entitlement	50 *(14.3)*	40 *(33.3)*	0 *(0.0)*	10 *(5.9)*
Retirement income provision	30 *(8.6)*	n/a	n/a	30 *(17.6)*
Capital	30 *(8.6)*	10 *(8.3)*	0 *(0.0)*	20 *(11.8)*
Total	280 *(80.0)*	110 *(91.7)*	10 *(16.7)*	160 *(94.1)*

Source: Department for Work and Pensions Estimate: Fraud and Error in the Benefit System October 2007 to September 2008. Amounts rounded to the nearest £10 million and may not sum due to rounding.

25 **Income and other benefits:** errors by the Department in recording the correct amount of income when calculating a benefit claim by recording data incorrectly from an application form or from a telephone claim. This situation may arise because of inadequate, or no, interfaces between benefit systems where the claimant's income is affected by other benefit payments he or she receives, or mistakes by the official such as arithmetic or transcription errors.

26 **Premiums / additional amounts:** errors in calculating an additional element of the benefit payment, such as severe disability premiums on either State Pension Credit or Income Support. These are non-standard payments and additional criteria may apply which need to be satisfied before the benefit can be awarded. For severe disability premium, one of the entitlement conditions is that the claimant or their partner must qualify for another disability related benefit at the correct rate. Some of the

information necessary to correctly calculate the benefit relates to other benefit information already held by the Department (although held on different IT systems) so the quality of the Department's systems interfaces can contribute to the level of error.

27 **Conditions of entitlement**: errors arising from incorrect consideration by the relevant Departmental official of a fundamental entitlement to a benefit, for example, the claimant no longer being treated as a single parent or no longer being unfit for work.

28 **Retirement income provision:** errors arising on State Pension Credit only, where the official fails to correctly record the amount of retirement income held by the claimant, such as through a data entry error or failing to correctly transcribe data regarding occupational pensions. The error can also occur when setting the claimant's Assessed Income Period, which is the period of time that should elapse between an award being made and the claim being revisited to check facts such as the claimant's income.

29 **Capital:** errors arising on all means tested benefits where the claimant's entitlement is dependent on the amount of capital they hold and the related income from it (such as savings income or dividend income). The claimant may declare all relevant capital, including bank accounts, savings, stocks and property, but the official may either make a clerical error or treat capital elements wrongly for the purposes of calculating relevant income.

Housing Benefit

30 Housing Benefit is administered by the claimant's relevant Local Authority, and entitlement to the benefit can be established by the claimant being in receipt of an income related benefit, such as Jobseeker's Allowance or Income Support. Common official errors arise from poor or non-timely interfaces between the Department and the Local Authority with regard to whether the claimant is in receipt, or entitled to, a qualifying benefit. The Department estimates that approximately £30 million of Housing Benefit official error overpayments relate to "passported" errors of this type. 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.

31 Housing Benefit is paid to cover all or part of a claimant's housing costs. Errors in recording the correct qualifying housing costs are another common reason for official errors in Housing Benefit. As a means tested benefit requiring the establishment of income, capital and living circumstances, other error types are similar to those discussed in paragraphs 25 to 29 and the errors are made for similar reasons.

Addressing official error in the benefit system

32 In January 2006, the Department established an Official Error Task Force aimed at supporting a demonstrable reduction in benefit complexity and, by implication, official error rates. Building on this initiative, in January 2007 the Department published *"Getting Welfare Right: Tackling Error in the Benefit System"*, a strategy designed to achieve £1.0 billion of savings from overpayments by 2012, but also focussing on reducing errors resulting in underpayments. The current year reduction in official error as a percentage of benefit spend may reflect some successes of this strategy.

33 Central estimates of fraud and error give a broad indication of where the majority of errors are occurring, but they do not currently provide a root cause analysis of specific official mistakes or suggest how they might be addressed. Official error is therefore also addressed at a more local level by various Agency specific internal validation programmes which check samples of benefit payments to ensure the accuracy of benefit awards and to create action plans to address areas of weakness.

34 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 the Authority. 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.

35 In 2009-10, I plan to report on the Department's effectiveness in addressing official error in a Value for Money study. The report will focus on Income Support, Jobseeker's Allowance and State Pension Credit, the three income related benefits which currently have the highest rates of reported official error as a proportion of related benefit spend.

Customer error

36 The Department's estimate of customer error, as defined in paragraph 11, is shown in Figure 5 below, broken down by benefit.

Figure 5: Summary of customer error by benefit 2008-09

Benefit	2008-09 Total expenditure* £ million (% of total)	2008-09 Official error overpayments** £ million (% of related expenditure)	2008-09 Official error underpayments** £ million (% of related expenditure)	2007-08 Official error overpayments** £ million (% of related expenditure)	2007-08 Official error underpayments** £ million (% of related expenditure)
State Retirement Pension	61,700 *(45.4)*	50 *(0.1)*	0 *(0)*	50 *(0.1)*	0 *(0)*
Housing Benefit	17,200 *(12.7)*	410 *(2.4)*	180 *(1.0)*	400 *(2.6)*	140 *(0.9)*
Disability Living Allowance	10,600 *(7.8)*	70 *(0.6)*	250 *(2.4)*	60 *(0.6)*	240 *(2.4)*
Income Support	8,900 *(6.5)*	100 *(1.1)*	50 *(0.5)*	80 *(0.9)*	50 *(0.5)*
State Pension Credit	7,800 *(5.7)*	100 *(1.3)*	30 *(0.4)*	100 *(1.3)*	20 *(0.3)*
Incapacity Benefit	6,600 *(4.9)*	20 *(0.2)*	10 *(0.2)*	20 *(0.2)*	10 *(0.2)*
Council Tax Benefit	4,200 *(3.1)*	90 *(2.1)*	40 *(0.9)*	90 *(2.3)*	30 *(0.7)*
Jobseeker's Allowance	2,900 *(2.1)*	10 *(0.3)*	0 *(0.1)*	10 *(0.3)*	0 *(0.1)*
Carer's Allowance	1,400 *(1.0)*	10 *(1.0)*	0 *(0.1)*	10 *(1.0)*	0 *(0.1)*
Other ***	14,600 *(10.8)*	70 *(0.5)*	150 *(1.0)*	60 *(0.5)*	150 *(1.2)*
Instrument of payment / inter dependencies ****	0 *(0)*	10	0	10	0
Total *	**135,900**	**900**	**700**	**900**	**600**

Source: Department for Work and Pensions Resource Accounts, Fraud and Error in the Benefit System October 2007 to September 2008(for the 2008-09 estimates), Fraud and Error in the Benefit System October 2006 to October 2007 (for the 2007-08 estimates).

** Rounded to the nearest £100 million*

***Rounded to the nearest £10 million*

**** Other benefits comprise: Winter Fuel Payments, Statutory Maternity Pay, Attendance Allowance, Severe Disablement Allowance, Industrial Injuries Disablement Benefit, Bereavement Allowance, Over 75 TV Licence, Social Fund, Independent Living Fund, Maternity Allowance, Christmas Bonus, New Deal, Statutory Sick Pay, Job Grant, Employment and Support Allowance, in Work Credit, Vaccine Damage Payments.*

***** Instrument of payment errors can relate to all benefits. Interdependency errors arise as a result of the 'knock-on' effects of DLA overpayments on other income-related benefits.*

37 The highest levels of claimant overpayment error when expressed as a percentage of related benefit expenditure are Housing Benefit (2.4%), Council Tax Benefit (2.1%) State Pension Credit (1.3%) and Income Support (1.1%), with combined benefit expenditure of £38.1 billion (28.0% of the total). Between them, these four benefits contributed £700 million towards the total claimant overpayment error estimate of £0.9 billion and £300 million of the total estimated claimant underpayment error of £0.7 billion. This outcome is broadly consistent with 2007-08, when these four benefits contributed £670 million of total customer error overpayments of £0.9 billion and £240 million of the estimated £0.6 billion of customer error underpayments. The largest individual underpayment estimate is for Disability Living Allowance, with an estimate of £250 million (2.4% of benefit value) being underpaid as a result of claimant error.

38 As with official error, the benefits with the highest claimant error overpayment rates have entitlement conditions that relate to, among other things, the claimant's income, their personal capital, their household living arrangements, or a combination of those factors. Errors will arise as a result of the claimant failing to provide relevant details to the Department fully or accurately, but where there has been no suspected fraudulent intent on the part of the claimant leading to an overpayment. Typically, this will relate to third party information to which the Department does not already have access, such as occupational pension details or bank balances, and it is therefore reliant on receiving accurate claimant information, such that the same error types are also liable to give rise to underpayments as overpayments.

39 For benefits administered directly by the Department (State Pension Credit, Income Support), claimant overpayment error is estimated at £200 million. The five most commonly identified overpayment error types constitute approximately £170 million of that total as shown in Figure 6 below and are further explained in paragraphs 40 to 44.

Figure 6: Summary of common customer error types

Customer Error	Total Overpayments £millions (% of related benefit error)	Income Support Overpayments £millions (% of IS error)	State Pension Credit Overpayments £millions (% of SPC error)
Benefits	60 *(30.0)*	30 *(30.0)*	30 *(30.0)*
Income	40 *(20.0)*	10 *(10.0)*	30 *(30.0)*
Capital	40 *(20.0)*	10 *(10.0)*	30 *(30.0)*
Earnings	20 *(10.0)*	10 *(10.0)*	10 *(10.0)*
Dependants	10 *(5.0)*	10 *(10.0)*	0 *(0.0)*
Total	170 *(85.0)*	70 *(70.0)*	100 *(100.0)*

Source: Department for Work and Pensions Estimate: Fraud and Error in the Benefit System October 2007 to September 2008. Amounts rounded to the nearest £10 million and may not sum due to rounding.

40 **Benefits:** errors where the claimant is receiving other benefits or premiums on benefits, which they unintentionally fail to declare fully or accurately. As 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.

41 **Income**: errors where the claimant fails to accurately or fully disclose relevant non-earnings related income which they receive and which would affect their benefit entitlement. This can arise because the claimant may not realise that certain types of income are relevant to the assessment, or may not be able to provide an accurate figure due to frequently changing levels of income. For State Pension Credit, one common mistake is for the claimant to fail to declare the full value of an occupational pension which they receive, or fail to notify the Department in the correct timescale if that occupational pension payment has been up-rated, and therefore the relevant income may have increased since the initial assessment.

42 **Capital**: as with income, the claimant fails to fully or accurately declare all capital that they hold and which would be relevant to the benefit assessment. Current verification procedures require claimants to provide bank statements to verify capital over certain thresholds. Where a claimant does not realise that certain asset types count as capital, or where bank accounts may be overlooked and information not provided, errors in the benefit calculations will arise.

43 **Earnings**: the claimant fails to fully or accurately provide the Department with information on earnings from employment. This may be because earnings fluctuate over time, for example, and a reasonable estimate is not able to be provided when the benefit assessment is made. Claimants are required to notify the Department where their circumstances change, but this might not be done in a timely manner to enable benefit payments to be altered.

44 **Dependants**: the claimant incorrectly claims the wrong number or type of dependants, for example, the household might change with personal circumstances as the relevant adults and dependants change. As with earnings, the claimant may not notify the Department in a timely fashion.

45 Disability Living Allowance has a relatively high estimate of claimant underpayment error, with the most recent estimate for 2008-09 being £250 million (2.4%). This benefit is only periodically reviewed for fraud and error, with the last review dating from April 2004 – March 2005. These estimates may not reflect fully the Department's most recent actions to prevent fraud and error in this benefit, nor is there data available to break down the current estimate of underpayments further by error code. Disability Living Allowance is dependent on a claimant's ongoing medical condition, which can often be complicated and subject to changes over time, which can make it difficult for the claimant to provide all the required information to process a claim correctly.

Housing Benefit and Council Tax Benefit

46 Housing Benefit and Council Tax benefit are administered by Local Authorities and contribute a combined £500 million of the estimated £900 million of claimant overpayment errors. These benefit claims are often closely related. A Housing Benefit claim can have a linked Council Tax Benefit claim and therefore claimant error types are common to both. As discussed in paragraph 30, errors can be passported into these benefits as a result of communication failures between the Department and Local Authorities. Similarly, there is 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 increase the risk of error as it increases the number of contacts with the Department.

47 Failures to correctly disclose relevant details of earnings and income can have similar causes and impacts as for income related benefits. There are additional risks within 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. Changing addresses 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.

Addressing customer error in the benefit system

48 The Department is addressing customer error by simplifying benefits where possible and in 2005 the Benefit Simplification Unit was established as a result of a recommendation of our Value for Money Report *"Dealing with the complexity of the benefits system".* For Pension Credit, for example, to simplify the process and try to improve take-up rates, the Department has reduced the amount of evidence which a claimant needs to produce in support of a claim. The Department also aims to assist customers through establishing single points of contact covering several benefits. Jobcentre Plus acts as a gateway for applications for a wide range of benefits, many of which are administered by other Agencies within the Department. The Department has also rationalised the literature provided to claimants to assist them in understanding whether they are eligible for specific benefits and, if so, their entitlements and the evidence they will be required to provide. I reported on the Department's progress on communications in my recent Value for Money report *"DWP: Communicating with customers".*

49 There will be instances where the customer provides information to make a claim in good faith, but that information turns out subsequently to be incorrect. There are practical limits on the scope of the Department's preventative and detective controls which need to be cost effective, enable timely payments to be made where appropriate and minimise unnecessary intrusion into claimants' lives. The Department re-evaluates where the balance of cost and control rests and whether systems are designed to maximise the likelihood that a benefit payment will be correct whilst minimising the administrative costs. In doing so the Department needs to consider whether:

- the systems of control surrounding benefit delivery are designed to cost effectively optimise the accurate delivery of benefits to customers;
- systems are operating as intended and with appropriate evidence gathered and verified to minimise error; and
- an effective management information and measurement regime and feedback loop is in place to identify areas for further work, to demonstrate continuous improvement and to enable systems to adapt to changing circumstances.

Fraud

50 The Department's estimate of fraud, as defined in paragraph 11, is shown in Figure 7 below, broken down by benefit.

Figure 7: Summary of fraud by benefit 2008-09

Benefit	2008-09 Total expenditure £ million * (% of total)	2008-09 Fraud overpayments £ million ** (% of related expenditure)	2007-08 Fraud overpayments £ million ** (% of related expenditure)
State Retirement Pension	61,700 *(45.4)*	0 *(0.0)*	0 *(0.0)*
Housing Benefit	17,200 *(12.6)*	210 *(1.2)*	140 *(0.9)*
Disability Living Allowance	10,600 *(7.7)*	50 *(0.5)*	50 *(0.5)*
Income Support	8,900 *(6.6)*	220 *(2.5)*	260 *(2.9)*
State Pension Credit	7,800 *(5.8)*	90 *(1.1)*	110 *(1.5)*
Incapacity Benefit	6,600 *(4.9)*	10 *(0.1)*	10 *(0.1)*
Council Tax Benefit	4,200 *(3.1)*	40 *(1.0)*	30 *(0.8)*
Jobseeker's Allowance	2,900 *(2.1)*	80 *(2.9)*	70 *(3.0)*
Carer's Allowance	1,400 *(1.0)*	50 *(3.9)*	50 *(3.9)*
Other ***	14,600 *(10.8)*	90 *(0.6)*	80 *(0.6)*
Instrument of payment and interdependencies ****	0 *(0.0)*	20	20
Total *	**135,900**	**900**	**800**

Source: Department for Work and Pensions Resource Accounts, Fraud and Error in the Benefit System October 2007 to September 2008 (for the 2008-09 estimates), Fraud and Error in the Benefit System October 2006 to October 2007 (for the 2007-08 estimates).

** Rounded to the nearest £100m*

***Rounded to the nearest £10m*

**** Other benefits comprise: Winter Fuel Payments, Statutory Maternity Pay, Attendance Allowance, Severe Disablement Allowance, Industrial Injuries Disablement Benefit, Bereavement Allowance, Over 75 TV Licence, Social Fund, Independent Living Fund, Maternity Allowance, Christmas Bonus, New Deal, Statutory Sick Pay, Job Grant, Employment and Support Allowance, in Work Credit, Vaccine Damage Payments.*

***** Instrument of payment errors can relate to all benefits. Interdependency errors arise as a result of the 'knock-on' effects of DLA overpayments on other income-related benefits.*

51 The highest levels of fraudulent overpayments when expressed as a percentage of related benefit expenditure are Carer's Allowance (3.9%), Jobseeker's Allowance (2.9%), Income Support (2.5%), Housing Benefit (1.2%) and State Pension Credit (1.1%), with combined benefit expenditure of £38.2billion (28.1% of the total). Between them, these five benefits contributed £650 million towards the total claimant fraud estimate of £0.9 billion. This is broadly consistent with 2007-08 when these five benefits contributed £630 million of total overpayments of £0.8 billion.

52 Carer's Allowance experiences the largest amount of fraud when expressed as a percentage of related benefit expenditure at 3.9%. The ability to claim is linked to receipt of Disability Living Allowance by the cared for person. Fraudulent activity within Disability Living Allowance impacts the level of fraud in Carer's Allowance. For fraud and error measurement purposes, Carer's Allowance is a periodically reviewed benefit and the data upon which the current estimate of fraud and error is based was gathered in the period April 1996 to March 1997. Due to the relatively low value of benefit expenditure, the Department has not deemed it cost effective to update this estimate and the estimates made will not reflect any improvements in controls made since the exercise of 1996-97.

53 State Pension Credit, Jobseeker's Allowance and Income Support are all directly administered by the Department and, as means tested benefits, have similar fraud risks. There is a link to customer error, as both involve the claimant supplying inaccurate or incomplete information. Establishing whether the claimant has made the error with fraudulent intent or not is often difficult to establish. The five largest fraudulent error classifications consist of £290 million (74.4%) of the total reported fraud related overpayments of £390 million on these three benefits. They are shown in Figure 8 below and described in paragraphs 54 to 58.

Figure 8: Summary of common fraud types

Fraud	Total Overpayments £millions (% of related benefit error)	Income Support Overpayments £millions (% of IS error)	Jobseeker's Allowance Overpayments £millions (% of JSA error)	State Pension Credit Overpayments £millions (% of SPC error)
Earnings	70 *(17.9)*	30 *(13.6)*	40 *(50.0)*	0 *(0.0)*
Living together	90 *(23.0)*	70 *(31.8)*	10 *(12.5)*	10 *(1.1)*
Address	70 *(17.9)*	40 *(18.2)*	10 *(12.5)*	20 *(22.2)*
Abroad	50 *(12.8)*	20 *(9.1)*	0 *(0.0)*	30 *(33.3)*
Benefits	10 *(2.6)*	10 *(4.5)*	0 *(0.0)*	0 *(0.0)*
Total	290 *(74.4)*	170 *(77.3)*	60 *(75.0)*	60 *(66.6)*

Source: Department for Work and Pensions Estimate: Fraud and Error in the Benefit System October 2007 to September 2008. Amounts rounded to the nearest £10m and may not sum due to rounding.

54 **Living Together as Husband and Wife/Civil Partners:** the customer has a partner, but is claiming and therefore receiving benefit as a single person in the knowledge that this will increase the benefit award.

55 **Earnings:** the customer claims benefit but fraudulently fails to declare some or all of their earnings, either from paid employment or the grey economy. As with claimant error cases, in certain cases earnings can be difficult to estimate, but especially where grey earnings are in cash or would in any case bypass Her Majesty's Revenue and Customs.

56 **Address:** in these instances, the claimant cannot be contacted at their registered address or may have provided a false address in order to claim benefit.

57 **Abroad:** the customer continues to receive benefit to which they are no longer entitled whilst living abroad; monies will continue to be paid into the relevant bank account to be drawn on by the fraudster.

58 **Capital:** the customer conceals or understates the amount of capital that they hold in order to claim benefits or claim at a higher rate. As with claimant error cases, the Department does not hold independent corroborative data to verify capital or to challenge deliberate concealment.

Housing Benefit

59 For Housing Benefit, as with customer error, there is a risk that fraudulent benefit claims or false statements made in the course of applying for benefit, are passported into the Local Authority to form the basis for a linked fraudulent Housing Benefit claim. The risks are similar to other means tested benefits and include the claimant potentially falsely understating their income, earnings, capital, living together status and partner's earnings. Housing Benefit errors can arise from claimants falsely declaring their housing costs or falsely declaring or failing to declare any income from housing, for example, from sub-tenants.

Addressing fraud in the benefit system

60 The Department has a number of initiatives relating to fraud. In our recent report[1] on progress in tackling benefit fraud we drew attention to initiatives to combat fraud including advertising campaigns, fraud investigation procedures, customer compliance, data-matching and fraud prosecutions.

61 The Department attempts to reduce fraud levels by a range of initiatives, including raising awareness amongst the general public through initiatives and publicity such as:

- National Benefit Fraud Hotline and website www.targetingfraud.co.uk – these initiatives allow members of the public to report suspected cases of benefit fraud to DWP for investigation.

- Targeting Benefit Thieves Campaign – there is a national TV and radio advertising campaign to reinforce public attitudes and make benefit fraud more socially unacceptable. The campaign aims to raise awareness of benefit fraud as a crime, the routes for reporting benefit fraud and the consequences of committing benefit fraud which include prosecution and penalties. In the last year, the Department has also introduced a benefit fraud hotline in Spain to further reduce abroad fraud.

Referral of debts arising from benefit overpayments

62 From 1999-2000 to 2006-07 my predecessor's audit opinion was qualified because of material uncertainties over the completeness of debtors arising from overpayments of benefits. Debt arises where payments of benefits have been made to those not entitled to them. The Department cannot identify all benefit overpayments since it cannot know how many overpayments it has made arising from changes of customers' circumstances of which it has not been informed. Where the Department has been informed, in the normal course of business, of a change in circumstance that has led to an overpayment, the debt recorded in the Department's accounts will be incomplete unless this is referred by the relevant Agency to the Department for recording and recovery.

63 For 2007-08, the Department obtained agreement from Treasury to no longer actively pursue all customer debts predating 1 April 2007 other than those identified 'in the normal course of business' on the grounds that it would not represent value for money to review all cases where an overpayment might have been made. The Departmental accounting policy was also amended to recognise debt identified 'in the normal course of business' and this policy has received Treasury approval. At 31 March 2008, the debt omitted from the accounts which the Department should have identified and recorded in the normal course of business, related to one financial year only. The estimated value of this omission was not material and so the qualification was lifted.

[1] Department for Work and Pensions – Progress in tackling benefit fraud (HC 102 2007-08).

64 My estimate of the level of accumulated unrecorded debt at 31 March 2009 is not material and indicates that the recorded debtor balance in these financial statements remains true and fair. However, my work to estimate omitted debt arising since 1 April 2007 which should have been identified 'in the normal course of business' indicates a deteriorating position from the previous year. Significant weaknesses remain in the systems for identifying debts in the normal course of business and until these weaknesses are addressed the level of estimated unrecorded debt will continue to grow. The inherent uncertainty in the estimates of these unrecorded balances means that, unless the system is fixed, over time it will prove more difficult for the Department to demonstrate that there is no material omission in debtors.

65 The Department has informed me that it is replacing the current clerical method of referring overpayments with an electronic method of referral by 2010. This initiative will create an electronically enabled referral form, which interacts with Customer Information System and Heritage Benefit Systems, to be used between the DWP Businesses and Debt Management. When implemented, this should support the strategies for earliest notifications of overpayments, improve accuracy, value for money and data security. I welcome this development and my staff will continue to monitor progress in this area.

Conclusion on fraud and error

66 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 from customers, for example, the completeness of income and capital. The Department has developed a number of initiatives to tackle fraud and error and to bring such rates down. The estimated amount of fraud and error overpayments in the benefits system on 2008-09 was £2.7 billion, the same value as 2007-08 and 2005-06, but a decrease of 0.3% of overpayments as a percentage of total benefit expenditure over the past 3 years (2.0% in 2008-09; 2.3% in 2005-06).

67 The current economic downturn has increased the Department's workload on income related benefit claims in particular. In response, Jobcentre Plus, which administers such benefits, has increased front line staff by reassigning staff within the Agency and the Department from other responsibilities. Due to the increase in new staff in post and the increased workload, these pressures present a risk that fraud and error will increase and the Department remains alert to the need to manage payment accuracy as a priority.

68 The complexity of the benefits system means that it will always be prone to fraud and error, and customer error in particular is more difficult for the Department to control. It is required to decide on the balance of probabilities that a claimant is entitled to benefit but not to establish entitlement beyond reasonable doubt and therefore will sometimes make payments which subsequently turn out to be incorrect. Equally, it should not give the claimant the benefit of the doubt. My staff are currently working with the Department to determine if it is practical to distinguish the amount of customer error which is outside cost effective control from that which the Department could reasonably be expected to control. Such an approach should help the Department in focusing efforts to reduce customer error on areas where robust and cost effective solutions may exist.

69 Where overpayments do occur, the Department has a responsibility to identify those instances and initiate effective actions to recover them. As described in paragraphs 62 to 65, these actions need to be further embedded into the normal course of the Department's business in order to prevent any further deterioration in the unrecorded debt position. To the extent that debt is identified and referred for recovery, the rate of recovery has continued to improve in 2008-09 despite the increased challenges on staff resources brought about by the effects of the economic downturn.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
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17 July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

		Estimate			Outturn				Restated 2007-08 Outturn
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	2008-09 Net Total Outturn compared with Estimate: saving/ (excess)	Net Total
Request for Resources	**Note**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
1: Children	2	612,663	(2,626)	**610,037**	590,940	(2,626)	**588,314**	21,723	**552,804**
2: Working Age	2	43,078,890	(1,743,653)	**41,335,237**	42,016,903	(1,701,423)	**40,315,480**	1,019,757	**37,979,029**
3: Pensioners	2	13,518,982	(390,230)	**13,128,752**	13,206,710	(389,072)	**12,817,638**	311,114	**13,322,103**
4: Disabled	2	17,396,965	(30,598)	**17,366,367**	17,239,986	(18,341)	**17,221,645**	144,722	**16,130,956**
5: Corporate Services	2	1,097,019	(335,142)	761,877	1,042,683	(335,142)	**707,541**	54,336	**739,087**
Total Resources	**3**	**75,704,519**	**(2,502,249)**	**73,202,270**	**74,097,222**	**(2,446,604)**	**71,650,618**	**1,551,652**	**68,723,979**
Non-Operating Cost A in A		**–**	**(22,421)**	**(22,421)**	**–**	**(21,697)**	**(21,697)**	**(724)**	**(11,505)**

Net Cash Requirement 2008-09

				2008-09 Net Total Outturn compared with Estimate: saving/ (excess)	Restated 2007-08
		Estimate	Outturn		Outturn
	Note	£000	£000	£000	£000
Voted Net Cash Requirement	**4**	**72,319,695**	**70,114,424**	**2,205,271**	**66,338,910**

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 2008-09		Outturn 2008-09	
		Income	***Receipts***	**Income**	***Receipts***
	Note	**£000**	***£000***	**£000**	***£000***
Total	5	5,000	*5,000*	49,409	*122,793*

Explanations of variances between Estimate and Outturn are given in the Management Commentary (see page 17).

The Statement of Parliamentary Supply is not directly comparable to the Operating Cost Statement 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.
- Financing received from the National Insurance Fund in respect of administration costs for the delivery of contributory benefits 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 in the Operating Cost Statement reflects the full cost of those RfRs, whereas in the Statement of Parliamentary Supply each RfR reflects the direct costs borne by that RfR.
- Note 3a provides a reconciliation between Net Resource Outturn and Net Operating Cost.

Request for Resources:

Request for Resources 1:	Ensuring the best start for all children, ending child poverty in 20 years.
Request for Resources 2:	Promote work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.
Request for Resources 3:	Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.
Request for Resources 4:	Improve the rights and opportunities for disabled people in a fair and inclusive society.
Request for Resources 5:	Corporate contracts and support services.

The notes on pages 72 to 140 form part of these accounts.

Operating Cost Statement
for the year ended 31 March 2009

	Note	Staff Costs £000	Other Costs £000	Income £000	2008-09 Sub-total by RfR £000	Restated 2007-08 £000
Administration Costs						
RfR 1 (Children)						
Staff Costs	8	258,186				271,751
Other administration costs	9		275,658			294,789
Operating income	14			(4,694)		(3,339)
RfR 1 Sub-total					529,150	563,201
RfR 2 (Working Age)						
Staff Costs	8	2,044,165				2,052,130
Other administration costs	9		1,782,717			1,820,620
Operating income	14			(156,684)		(133,581)
RfR 2 Sub-total					3,670,198	3,739,169
RfR 3 (Pensioners)						
Staff Costs	8	305,506				374,501
Other administration costs	9		450,680			496,038
Operating income	14			(9,965)		(11,521)
RfR 3 Sub-total					746,221	859,018
RfR 4 (Disabled)						
Staff Costs	8	135,668				153,699
Other administration costs	9		129,530			144,360
Operating income	14			(129)		(187)
RfR 4 Sub-total					265,069	297,872
RfR 5 (Corporate Services)						
Staff Costs	8	378,211				311,635
Other administration costs	9		264,614			267,359
Operating income	14			(145,329)		(78,360)
RfR 5 Sub-total					497,496	500,634
Net Administration Costs					**5,708,134**	**5,959,894**
Programme Costs						
RfR 2 (Working Age)						
Programme costs	13		37,622,984			35,599,847
Income	14			(416,163)		(841,609)
RfR 2 Sub-total					37,206,821	34,758,238
RfR 3 (Pensioners)						
Programme costs	13		12,583,014			13,075,123
Income	14			(49,586)		(52,201)
RfR 3 Sub-total					12,533,428	13,022,922
RfR 4 (Disabled)						
Programme costs	13		16,966,598			15,873,623
Income	14			(935)		(699)
RfR 4 Sub-total					16,965,663	15,872,924
National Insurance Benefits and Non-Voted Expenditure						
Expenditure	13		70,636,520			65,637,252
Income	14			(1,257)		(3,185)

	Note	Staff Costs	Other Costs	Income	2008-09 Sub-total by RfR	Restated 2007-08
		£000	£000	£000	£000	£000
NIF Sub-total	16b				70,635,263	65,634,067
Net Programme Costs	13				**137,341,175**	**129,288,151**
Totals		3,121,736	140,712,315	(784,742)		
Net Operating Cost					**143,049,309**	**135,248,045**

All income and expenditure is derived from continuing operations.
There have been no material acquisitions or disposals during the year.

Statement of Recognised Gains and Losses
for the year ended 31 March 2009

	Note	2008-09	2007-08
		£000	£000
Net (loss)/gain on revaluation of tangible fixed assets	21b	(2,394)	4,016
Net gain on revaluation of investments	23	365	18
Movement in Government Grant Reserve	31b	(1)	(1)
Decrease/(Increase) to provision arising on actuarial valuation of pensions by analogy		147	(97)
Pension fund actuarial (losses)/gains	29	(16,456)	3,112
Recognised gains and losses for the financial year		**(18,339)**	**7,048**

The notes on pages 72 to 140 form part of these accounts.

Balance Sheet
as at 31 March 2009

	Note	31 March 2009 £000	31 March 2009 £000	Restated 31 March 2008 £000	Restated 31 March 2008 £000
Fixed Assets					
Tangible assets	21	755,946		833,136	
Intangible assets	22	58,801		51,585	
Financial Assets	23	7,439		1,451	
			822,186		886,172
Debtors falling due after more than one year	25		984,505		950,275
Current Assets					
Stocks and Work in progress	24	1,456		1,346	
Debtors	25	2,186,717		2,795,220	
Cash with paying agents		–		35,132	
Cash at bank and in hand	26	314,598		193,294	
		2,502,771		3,024,992	
Current Liabilities					
Creditors (amounts falling due within one year)	27	(4,498,813)		(3,851,853)	
Net Current Liabilities			(1,996,042)		(826,861)
Total Assets less Current Liabilities			(189,351)		1,009,586
Creditors (amounts falling due after more than one year)	27	(180,879)		(430,653)	
Pension Liabilities	29	(17,622)		(2,618)	
Provisions for Liabilities and Charges	28	(4,370,652)		(3,641,578)	
			(4,569,153)		(4,074,849)
			(4,758,504)		(3,065,263)
Taxpayers' Equity					
General Fund	30		(4,770,952)		(3,080,486)
Revaluation Reserve	31a		12,446		15,220
Government Grant Reserve	31b		2		3
			(4,758,504)		**(3,065,263)**

Leigh Lewis
Accounting Officer

15 July 2009

The notes on pages 72 to 140 form part of these accounts.

Consolidated Cash Flow Statement
for the year ended 31 March 2009

	Note	2008-09 £000	Restated 2007-08 £000
Net cash outflow from operating activities	32a	(141,359,087)	(132,971,331)
Capital expenditure and financial investment	32b	(104,372)	(100,273)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		–	–
Payments of amounts due to the Consolidated Fund		(104,930)	(95,648)
Net financing from the Consolidated Fund	32d	70,346,325	66,258,919
Net financing from the Contingencies Fund	32d	(1,312)	1,312
Financing from the National Insurance Fund	32d	71,454,551	66,746,623
Increase/(Decrease) in cash in the period	**26**	**231,175**	**(160,398)**

The notes on pages 72 to 140 form part of these accounts.

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

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

	2008-09				
		Programme		Administration	Total
	Gross	Income	Net	Net	Net
	£000	£000	£000	£000	£000
DSO 1 To reduce the number of children living in poverty.	2,301,696	(2,089)	2,299,607	781,205	3,080,812
DSO 2 To maximise employment opportunity for all.	34,129,785	(78,235)	34,051,550	3,632,577	37,684,127
DSO 3 To improve health and safety outcomes.	36,110	(6,847)	29,263	189,971	219,234
DSO 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	807,383	83,949,376
DSO 5 To promote equality of opportunity for disabled people.	17,853,219	(15,913)	17,837,306	296,998	18,134,304
DSO 6 To pay our customers the right benefits at the right time.	–	–	–	–	–
DSO 7 To make the Department an exemplar of effective service delivery to individuals and employers.	–	–	–	–	–
Net Operating Costs	**137,579,914**	**(220,195)**	**137,359,719**	**5,708,134**	**143,067,853**

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

The FReM requires Departments to apportion costs over all DSOs. The Department's DSO's were changed in 2008-09, increasing from five to seven. The Department is not able to apportion costs accurately to DSO 6 and DSO 7 for 2008-09; a costing system is not yet fully developed. Resources are therefore attributed across the Department's first five objectives which 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 DWP an exemplar of effective service delivery to individuals and employers). The operating costs of the Department have been apportioned on a consistent basis with that used for the DWP Business Plan and the Departmental Report 2009. For 2008-09 the Department is unable to comply with FReM requirements. We expect to be able to allocate costs across all objectives from 2009-10.

Note 33b explains how the social security programme costs have been allocated to DSOs.

The notes on pages 72 to 140 form part of these accounts.

If expenditure were to be allocated to DSOs 6 and 7 it would cover:

- DSO6: developing and maintaining benefits policy and legislation; designing and implementing efficient benefit processing systems; identifying, reducing and preventing fraud and error; and debt management.
- DSO7: developing and implementing the Department's customer-focused business strategy.

	Restated 2007-08				
		Programme		Administration	Total
	Gross	Income	Net	Net	Net
	£000	£000	£000	£000	£000
DSO 1 To reduce the number of children living in poverty.	2,262,836	(2,566)	2,260,270	755,834	3,016,104
DSO 2 To maximise employment opportunity for all.	32,135,110	(185,315)	31,949,795	3,759,261	35,709,056
DSO 3 To improve health and safety outcomes.	33,078	(10,243)	22,835	191,886	214,721
DSO 4 To promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform.	78,711,326	(130,672)	78,580,654	911,939	79,492,593
DSO 5 To promote equality of opportunity for disabled people.	16,493,298	(18,701)	16,474,597	340,974	16,815,571
DSO 6 To pay our customers the right benefits at the right time.	–	–	–	–	–
DSO 7 To make the Department an exemplar of effective service delivery to individuals and employers.	–	–	–	–	–
Net Operating Costs	**129,635,648**	**(347,497)**	**129,288,151**	**5,959,894**	**135,248,045**

The 2007-08 comparatives have been restated due to the change from the five Departmental Objectives to the new seven Departmental Strategic Objectives with effect from 2008-09 onwards of which resource has been allocated over the first five DSO's. The above figures are exclusive of any European Social Fund income and expenditure, where the Department acts only as paying agent, as these do not contribute to the overall Objectives.

See Note 33 for further information on this statement.

The notes on pages 72 to 140 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the Public Sector.

In addition to the primary statements prepared under UK GAAP, 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 net resource requirement and the net cash requirement. The Consolidated Statement of Net 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.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been 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 Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

From 2009-10, the financial statements will be prepared using International Financial Reporting Standards (IFRS), as adapted for the public sector.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and stocks where material, at their value to the business, by reference to their current cost.

1.2 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, with the exception of the Independent Statutory Bodies, produces its own annual report and accounts. Similarly, separate accounts are also produced for the Social Fund and National Insurance Fund.

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

A list of entities within the Departmental boundary is given at Note 45. Transactions between these entities are eliminated on consolidation.

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 Balance Sheet, which are summarised in Note 27e.

The Child Maintenance & Enforcement Commission 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 Client Funds Account which is published separately. Where maintenance is collected in respect of parents with care who are receiving gross amounts of Income Support, the receipts are accounted for as A in A within the DWP Resource Account. The income is recognised when the 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 Procedure.

1.3 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 in accordance with Financial Reporting Standard 6. This requires the restatement of the opening Balance Sheet and prior year's Operating Cost Statement, Cash Flow Statement, Statement of Net Operating Cost by Departmental Strategic Objective and associated notes to the accounts. The impact on the Operating Cost Statement and Balance Sheet is shown in Note 46.

1.4 Benefit Overpayment Debt

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 debt recovery procedures appropriate to the debt. The current sums and guidelines on overpayment referral and debt recovery are set out in the DWP's procedures for dealing with Overpayments and Debt Recoveries.

Debts are recognised in the accounts when a decision has been taken that an overpayment is identified, and there is considered to be a reasonable prospect of recovery. In such circumstances a debt notification letter is issued which sets out the legal decision that the debt is recoverable. The Department regards this letter as sufficient and appropriate evidence to support the existence and valuation of a debt. Benefit debt recognised in the balance sheet is valued at the difference between what the customer has been paid and what they should have been paid.

The actual value of benefit payments made is accounted for as Programme expenditure in the year in which they are made. The debt recognised is accounted for as a reduction to Programme expenditure in the year in which it is recognised.

Debt is assessed at the end of each accounting period and reduced to its estimated recoverable amount through making a provision based on forecast cash and benefit deduction recoveries. In addition, the Department includes a provision in respect of an element of benefit debt that could be subject to challenge and consequently written-off.

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

- Those due to official error where there is no statutory right of recovery, the debtor declines to repay voluntarily and it is not appropriate or cost effective to take civil proceedings;
- Cases satisfying Secretary of State waiver policies; and/or
- The customer is deceased and there is insufficient estate to recover the debt.

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 debts arising that may not have been recognised at the time that they occurred.

The Department's debt 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. Any performance issues resulting from this assurance process are addressed through revised guidance and training.

1.5 Estimation Techniques

(i) Impairment of Debtors

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 benefit.

The percentage for Social Fund impairments is calculated by reference to the previous two years' write-offs compared to the debt outstanding for these years. This percentage is then applied to the total Social Fund debt outstanding for the current year.

The impairment for the payments made by the Compensation Recovery Unit (CRU) is based on likely future write-offs and is calculated on a case-by-case basis.

For contributory and non-contributory benefits the impairment is calculated as detailed in Note 1.4 above.

(ii) 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.

(iii) 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 DWP and a claimant, SSP and SMP are recovered by the employer. The employer is able to make this recovery after the end of the financial year to which the SSP or SMP payment related; thus DWP 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. This is taken from systems administered by HM Revenue & Customs.

The most recent year for which full data is available is 2006-07. The estimates are generated by projecting the total from that year forward, to arrive at a value for 2008-09. In doing so, allowances are made for the changes which will 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 benefits' rates).

(iv) Calculation of Fair Value

Fair value is calculated by discounting expected future cash flows using the real discount rate of 3.5% set by HM Treasury.

1.6 Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount.

All computer hardware and software, where out of the scope of the Transformation of Electronic Data Systems Services (TREDSS) and Integrated Communications Network Services (ICONS) contracts and over the capitalisation threshold of £100, is treated as capital assets. For other tangible assets the prescribed capitalisation level is £5,000, except for assets of HSE and TRS where it is £2,000. 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. On initial recognition assets are measured at cost, including any costs, such as installation, directly attributable to bringing them into working condition.

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

Internally developed software is capitalised if it meets the criteria specified in the FReM which are adapted from SSAP 13 to take account of the not-for-profit context. Costs are classified as assets under construction until the asset is brought into service when the asset is transferred to the relevant asset class and depreciation commences. Assets under Construction are reported in Note 21. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

All fixed assets, other than land and buildings, leasehold improvements and assets under construction are not revalued but use depreciated historical cost as a proxy for current value.

Land and buildings are restated to current value using professional valuations in accordance with FRS 15 at least every five years and in the intervening years by use of published indices appropriate to the type of land or building. For HSE, all land and buildings are assessed each year for the likelihood of a material change in value as at 31 March. Where the directors consider that it is likely that there has been a material change in value, assets are revalued using a professional valuation or appropriate indices.

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.

1.7 Land and Buildings

Land and buildings are valued on an existing use basis except for the specialist laboratory site which has been included at depreciated replacement cost. The respective values of all freehold properties and those leasehold properties that qualify as finance leases are included in the Balance Sheet.

The Department does not include in its Balance Sheet capital values for the freehold and leasehold land and buildings which it occupies under the Private sector Resource Initiative for Management of the Estate (PRIME) and Newcastle Estates Development (NED) contracts. In accordance with FRS 5 the contracts have been treated as an operating sale and leaseback, as the risks and rewards of ownership have been substantially transferred to the Contractor. In the original agreement the DSS estate was transferred for a value of £315 million, of which £250 million was received in cash and £65 million taken as a reduction in the unitary charge and treated as a prepayment.

The Department has accounted for the deferred benefit which will result from reduced accommodation charges from the NED contract by establishing a prepayment which is released annually, over the 30 year period of the contract, to the Operating Cost Statement on a straight-line basis (see Note 25).

The Integration of Estates Services (TIES) contract was undertaken in December 2003 as an extension to the existing PRIME PFI contract with Telereal Trillium in order to incorporate the ex-Employment Service estate. Under the terms of the contract, the Department received total consideration of £140 million, £100 million of which was in cash with the remainder being established as a prepayment to be released annually over the remainder of the contract term, which expires on 31 March 2018 (see Note 25).

In October 2004 the Health and Safety Laboratory and ICB Ltd entered into a contract for laboratory and support services. This is accounted for as an on-balance sheet contract. Under the terms of the contract, the Department received total consideration of £5.7 million, £1.2 million of which was in cash with the remainder being established as a prepayment to be released annually over the remainder of the contract term (see Note 25).

Expenditure in respect of major capital refurbishment and improvement of properties that are occupied but not owned by the Department is capitalised and reported under Leasehold Improvements (see Note 21). This is appropriate because the expenditure provides a long-term continuing benefit for the Department.

1.8 Depreciation

Freehold land is not depreciated.

Depreciation is provided on freehold buildings and all other tangible fixed assets, using the straight-line method, at rates calculated to write them down to estimated residual value over their expected useful lives. Fixed assets are depreciated from the month following acquisition, except for those of HSE which are depreciated from the date of acquisition. No depreciation is charged in the month of disposal, the exception being for assets held by TRS. Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Department.

Asset lives are normally in 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
PFI Leasehold Buildings	60 years designed life
Leasehold Improvements	period remaining on lease (up to 20 years)
Information Technology	3 to 7 years
Software Development	5 years (or the life of the software if less)
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, 60% of the original cost is depreciated over the three-year life of the contract.

1.9 Intangible Fixed Assets

Purchased computer software licences covering a period of more than one year are capitalised at cost as intangible fixed assets and reported at amortised cost. Licences purchased by HSE are capitalised if cost exceeds £500. Should the Department purchase licences in advance they are only subject to amortisation once they are brought into use. Expenditure on annual software licences is charged to the Operating Cost Statement.

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/pools amounting to over £100,000 identified individually. The licences are amortised, on a straight-line basis, over the shorter of the licence period or 5 years.

Costs associated with the maintenance of software are recognised as an expense when incurred.

1.10 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 FRS 26 as appropriate. They 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. It is, and has been, the Department's policy that no trading in financial instruments is undertaken.

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. The fair value of trade receivables is usually the original invoiced amount.

Cash at bank and in hand comprises cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. For the purpose of the consolidated cash flow statement, cash at bank and in hand is as defined above net of outstanding bank overdrafts. Bank overdrafts are included within current liabilities on the balance sheet.

Available for sale financial assets

Available for sale assets are non-derivative financial assets that are designated as available for sale or are not categorised elsewhere. They are recognised at fair value. Unrealised gains and losses arising from changes in fair value are recognised initially in the Statement of Recognised Gains and Losses until sale when the cumulative gain or loss is transferred to the Operating Cost Statement.

Financial liabilities measured at amortised cost

Trade creditors and accruals are non interest bearing and are stated at amortised cost.

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 knowledgeable willing parties. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

Impairment of financial assets

The Department assesses at each balance sheet date 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 balance sheet date. If such events have had an impact on the estimated future cash flows of the financial instrument they are impaired. For the purposes of a collective evaluation of impairment, financial assets are grouped 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. 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. Additional information is provided in Notes 1.4 and 1.5.

1.11 Stocks and Work in Progress

Stocks and work in progress are valued as follows:

- goods for resale are valued at cost or, where materially different, current replacement cost and at net realisable value only where there is no expectation of sale in the ordinary course of business; and
- work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

The Department also holds stocks 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 Balance Sheet. Accordingly, the Department charges all expenditure on consumable items to the Operating Cost Statement.

1.12 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.

1.13 Operating Income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work; but 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 (See Note 14).

1.14 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 which is within the Supply Process.

Programme overheads consist of provisions, bad debts 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 which 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.

1.15 Capital Charge

A charge reflecting the cost of capital utilised by the Department is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5% – 2007-08 3.5%) on the average carrying amount of all assets less liabilities, except for:

(a) intra-departmental balances;

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

(c) 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 17) in accordance with the relative proportions of net assets.

1.16 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 8. 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 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.

A small number of the Department's staff are members of the Local Government Pension Scheme (LGPS). The LGPS is a funded multi-employer contributory defined benefit scheme. The London Pensions Fund Authority (LPFA) administers the LGPS on behalf of the Department. Every four years independent actuaries carry out a valuation of the pension fund and set the rate at which the Department must contribute to fully fund the payment of Scheme benefits for the Fund's membership. The latest formal valuation of the LPFA was carried out as at 31 March 2007. For the purposes of Financial Reporting Standard 17, the Department commissioned a qualified independent actuary to carry out an assessment of the LGPS as at 31 March 2009. The results of the actuarial assessment are shown in Note 29.

1.17 Early Departure Costs

The Department meets the additional costs of benefits beyond the normal 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 2.2% (2007-08 2.2%) in real terms. In past years the Department paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The remaining balance is treated as a prepayment which is disclosed within administration debtors (see Note 25).

Within TRS, the Agency bears the full cost of LGPS benefits for employees who retire early until the employee reaches the normal retirement age. This is a one-off cost which is paid upfront and charged to the Operating Cost Statement.

1.18 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. Exchange differences are taken directly to the Operating Cost Statement.

1.19 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date 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% – 2007-08 2.2%).

1.20 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, 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 which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.21 Leases

Leases of assets where substantially all risks and rewards of ownership of a leased asset are borne by the Department are classified as finance leases. The asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. Payments are apportioned between reductions in the capital obligation included in creditors and the interest element of the finance lease payment which is charged to the Operating Cost Statement over the period of the lease.

Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.22 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No. 1 (Revised) entitled *How to account for PFI transactions* as required by the *FReM*.

Where the balance of the risks and rewards of ownership of the PFI asset are borne by the PFI operator, the PFI payments are recorded as an operating cost. 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.

Where the substance of the transaction is such that the balance of risks and rewards of ownership of the PFI asset is borne by the Department, the asset is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between a reduction in the capital obligation, an imputed finance lease charge and a service charge.

1.23 Value Added Tax

For VAT purposes, DWP is treated as a single entity excluding HSE and CMEC. These bodies both 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 fixed assets. Where output tax is charged or input VAT is recoverable, amounts are stated net of VAT.

1.24 Third-Party Assets

The Child Maintenance and Enforcement Commission holds, as custodian, certain monies belonging to third parties (see Note 43). These are not recognised in the accounts since 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.

1.25 Housing Benefit and Council Tax Benefit Subsidy Overpayments

Debt arises when the subsidy paid to a local authority by the Department is in excess of entitlement and results in an overpayment. Debt is valued in the balance sheet 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 debt and the point at which it is recognised.

2. Analysis of Net Resource Outturn by Function

		2008-09								Restated 2007-08
		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	Administration	348,288	10	–	348,298	(279)	348,019	329,420	(18,599)	552,804
B	Child Maintenance and Enforcement Commission	241,790	–	–	241,790	(2,347)	239,443	280,915	41,472	–
Non-Budget										
C	Prior period adjustment	–	–	–	–	–	–	(298)	(298)	–
	Impairments	–	852	–	852	–	852	–	(852)	–
		590,078	**862**	**–**	**590,940**	**(2,626)**	**588,314**	**610,037**	**21,723**	**552,804**
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	3,153,828	19,476	83,763	3,257,067	(492,469)	2,764,598	3,027,443	262,845	2,780,055
B	Employment programmes	–	976,958	51,590	1,028,548	(185)	1,028,363	791,600	(236,763)	971,844
C	Health and Safety Executive	239,838	64,762	–	304,600	(85,360)	219,240	219,643	403	215,133
D	Health and Safety Laboratory	33,223	5,260	–	38,483	(38,489)	(6)	1	7	(97)
E	The Rent Service Executive Agency	38,664	795	–	39,459	–	39,459	42,120	2,661	39,023
F	European Social Fund and European Globalisation Fund	–	–	170,292	170,292	(171,033)	(741)	1	742	–
G	European Social Fund payments in advance of receipts	–	(26,820)	82,992	56,172	(45,790)	10,382	3,801	(6,581)	18,922
	Capital Grants							–		4,210
Support for Local Authorities										
H	Employment Programmes	–	–	66,020	66,020	–	66,020	37,047	(28,973)	66,204
I	Housing benefit and council tax benefit administration grants	–	–	548,010	548,010	–	548,010	541,489	(6,521)	648,269
J	European Social Fund	–	–	7,292	7,292	(7,292)	–	1	1	–
K	European Social Fund payments in advance of receipts	–	–	5,827	5,827	(5,827)	–	1	1	–
L	Area Based Grants	–	–	32,884	32,884	–	32,884	30,243	(2,641)	–

		2008-09								Restated 2007-08
		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	–	346	887,486	887,832	(38)	887,794	892,241	4,447	897,481
N	Industrial injury benefits	–	222	845,633	845,855	(26,289)	819,566	820,202	636	797,677
O	Income support (under 60 years of age)	–	15,492	8,682,372	8,697,864	(98,585)	8,599,279	8,588,582	(10,697)	8,709,071
P	Jobseeker's allowance (income based)	–	1,023	2,128,627	2,129,650	(1,095)	2,128,555	2,216,079	87,524	1,790,365
Q	Jobseeker's allowance (contribution based)	–	–	728,971	728,971	(728,971)	–	1	1	–
R	Job Grant	–	–	38,630	38,630	–	38,630	49,458	10,828	47,197
S	Employment Allowances	–	–	115,643	115,643	–	115,643	119,091	3,448	109,973
T	Housing benefit and Council tax benefit capital charge	–	(8,615)	–	(8,615)	–	(8,615)	3,277	11,892	(6,787)
U	Employment and Support Allowance non contributory	–	19	62,848	62,867	–	62,867	310,375	247,508	–
V	In Work Credit	–	–	91,762	91,762	–	91,762	95,540	3,778	–
W	Return to Work Credit	–	–	62,838	62,838	–	62,838	72,020	9,182	–
	Impairments							–		170
Support for Local Authorities										
X	Housing benefit and council tax benefit subsidies	–	–	15,634,419	15,634,419	–	15,634,419	15,863,592	229,173	13,994,471
Y	Rent rebates	–	–	5,204,982	5,204,982	–	5,204,982	5,409,521	204,539	5,288,657
Z	Discretionary housing payments	–	–	18,746	18,746	–	18,746	20,000	1,254	18,555
Non-Budget										
AA	Statutory benefits (Statutory Sick Pay and Statutory Maternity Pay)	–	–	1,626,475	1,626,475	–	1,626,475	1,869,894	243,419	1,584,829
AB	Working Age (Grants in Aid)	–	–	4,000	4,000	–	4,000	5,000	1,000	3,807
AC	Prior period adjustment	–	–	320,299	320,299	–	320,299	306,974	(13,325)	
	Impairments	–	31	–	31	–	31	–	(31)	
		3,465,553	**1,048,949**	**37,502,401**	**42,016,903**	**(1,701,423)**	**40,315,480**	**41,335,237**	**1,019,757**	**37,979,029**

		2008-09									Restated 2007-08
		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	603,574	40,704	2,526	646,804	(389,072)	257,732	295,189	37,457	307,723
Spending in Annually Managed Expenditure (AME)											
Central Government spending											
B	Pension benefits	–	85	274,853	274,938	–	274,938	199,807	(75,131)	61,363
C	Income support for the elderly and Pension Credit	–	1,940	7,793,295	7,795,235	–	7,795,235	7,921,374	126,139	7,451,764
D	TV licences for the over 75s	–	–	533,192	533,192	–	533,192	538,086	4,894	509,737
Non-Budget											
E	Payments to the Social Fund	–	–	3,243,943	3,243,943	–	3,243,943	3,323,943	80,000	2,482,825
F	Payments to Executive Non-Departmental Public Bodies	–	–	57,808	57,808	–	57,808	59,655	1,847	38,836
G	Prior period adjustment	–	–	4,519	4,519	–	4,519	6,083	1,564	–
Spending in Annually Managed Expenditure (AME)											
Central Government spending											
H	Financial Assistance Scheme	–	650,271	–	650,271	–	650,271	784,615	134,344	2,469,855
		603,574	**693,000**	**11,910,136**	**13,206,710**	**(389,072)**	**12,817,638**	**13,128,752**	**311,114**	**13,322,103**
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	229,521	115	–	229,636	(123)	229,513	236,664	7,151	251,683
B	Motability administration	–	–	3,814	3,814	(163)	3,651	2,018	(1,633)	2,798
Spending in Annually Managed Expenditure (AME)											
Central Government spending											
C	Attendance Allowance	–	1,360	4,738,526	4,739,886	(3,205)	4,736,681	4,789,414	52,733	4,443,418
D	Disability Living Allowance	–	2,424	10,538,518	10,540,942	(13,916)	10,527,026	10,574,269	47,243	9,861,118
E	Carer's Allowance	–	706	1,362,573	1,363,279	–	1,363,279	1,377,257	13,978	1,269,175
F	Vaccine Damage Payments	–	–	–	–	–	–	600	600	200
G	Grants to independent bodies	–	–	17,735	17,735	(934)	16,801	16,750	(51)	14,486
Non-Budget											
H	Disability (Grants in Aid)	–	–	322,610	322,610	–	322,610	343,000	20,390	288,078
I	Prior period adjustment	–	–	22,084	22,084	–	22,084	26,395	4,311	–
		229,521	**4,605**	**17,005,860**	**17,239,986**	**(18,341)**	**17,221,645**	**17,366,367**	**144,722**	**16,130,956**

		2008-09								Restated 2007-08
		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	1,016,257	(16,639)	11,773	1,011,391	(334,113)	677,278	720,440	43,162	739,087
B	Directgov	31,217	–	–	31,217	(1,029)	30,188	30,000	(188)	–
Support for Local Authorities										
C	Local Authority Grants	–	–	75	75	–	75	1,500	1,425	–
Non-Budget										
D	Prior period adjustment	–	–	–	–	–	–	9,937	9,937	–
		1,047,474	**(16,639)**	**11,848**	**1,042,683**	**(335,142)**	**707,541**	**761,877**	**54,336**	**739,087**
Resource Outturn		**5,936,200**	**1,730,777**	**66,430,245**	**74,097,222**	**(2,446,604)**	**71,650,618**	**73,202,270**	**1,551,652**	**68,723,979**

Explanation of the variation between Estimate and Outturn:

Detailed explanations of the variances are given in the Management Commentary on page 17.

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

a) Reconciliation of net resource outturn to net operating cost

				2008-09	Restated 2007-08
		Outturn	Supply Estimate	Outturn compared with Estimate Saving/ (Excess)	Outturn
	Note	£000	£000	£000	£000
Net Resource Outturn	2	71,650,618	73,202,270	1,551,652	68,723,979
Non-supply Expenditure	16b	70,635,263	71,185,096	549,833	65,634,067
Non A in A operating income		1,001,351	1,001,351	–	1,096,322
Excess of Social Fund Operating cost expenditure over Social Fund grant and excess SMP/SSP		157,202	(51,256)	(208,458)	(190,882)
Income payable to the Consolidated Fund (excess A in A)	5	(36,712)	–	36,712	(3,696)
Income payable to the Consolidated Fund (non A in A)	5	(12,697)	(5,000)	7,697	(12,561)
Other non-voted expenditure		1,185	–	(1,185)	816
Prior period adjustment		(346,901)	(349,091)	(2,190)	–
Net operating cost		**143,049,309**	**144,983,370**	**1,934,061**	**135,248,045**

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

(b) Outturn against final Administration Budget

	Budget	2008-09 Outturn	Restated 2007-08 Outturn
	£000	£000	£000
Gross Administration Budget	6,044,851	5,936,200	5,846,997
Income allowable against the Administration Budget	(211,144)	(242,542)	(149,121)
Non-Voted expenditure within the Administration Budget	–	–	–
Net outturn against final Administration Budget	**5,833,707**	**5,693,658**	**5,697,876**

4. Reconciliation of resources to cash requirement

		2008-09			Restated 2007-08
		Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)	Prior Year Outturn
	Note	£000	£000	£000	£000
Resource Outturn	2	73,202,270	71,650,618	1,551,652	68,723,979
Capital:					
Acquisition of fixed assets		113,503	99,315	14,188	76,651
Investments		–	–	–	–
Non-Operating A in A					
Proceeds of fixed asset disposals	7	–	(1,345)	1,345	(11,514)
Other development gains		(22,421)	(20,352)	(2,069)	–
Accruals adjustments					
Non-cash items	10b	(1,009,639)	(826,245)	(183,394)	(3,018,864)
Changes in working capital other than cash		315,000	(520,353)	835,353	507,419
Use of provisions		70,073	79,687	(9,614)	61,239
Excess cash receipts surrenderable to the Consolidated Fund		–	–	–	–
Prior period adjustment		(349,091)	(346,901)	(2,190)	–
Voted Net Cash Requirement		**72,319,695**	**70,114,424**	**2,205,271**	**66,338,910**

5. 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 2008-09		Outturn 2008-09	
		Income	*Receipts*	Income	*Receipts*
	Note	£000	*£000*	£000	*£000*
Operating income and receipts – excess A in A	32e	–	–	36,712	*23,312*
Other operating income and receipts not classified as A in A		5,000	5,000	12,697	*12,661*
		5,000	*5,000*	49,409	*35,973*
Non-operating income and receipts – excess A in A		–	–	–	–
Other non-operating income and receipts not classified as A in A		–	–	–	*86,820*
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***	**49,409**	***122,793***

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

	Note	2008-09 £000	Restated 2007-08 £000
Operating income	14	784,742	1,124,682
Adjustments for transactions between RfRs		–	–
Gross income		784,742	1,124,682
NIF and other administration adjustments		1,000,094	1,093,137
Netted off gross expenditure		711,177	351,756
Income authorised to be appropriated-in-aid		(2,446,604)	(2,553,318)
Operating income payable to the Consolidated Fund	5	**49,409**	**16,257**

7. Non-Operating A in A income

	Note	2008-09 Income £000	2008-09 *Receipts* *£000*	2007-08 Income £000	2007-08 *Receipts* *£000*
Proceeds from disposal of fixed assets*	32b	**1,345**	***1,345***	**11,514**	***11,514***

In 2008-09 the Department received £0.4 million in respect of the sale of vehicles and £0.9 million from the sale of IT equipment. In 2007-08 the Department received £0.4 million in respect of the sale of IT equipment and £11.1 million from the sale of vehicles.

*Proceeds from disposal of fixed assets comprised voted proceeds of £11,505k and non voted proceeds of £9k in 2007-08.

8. Staff Numbers and Related Costs

a. Staff costs

Staff costs comprise:	2008-09 Staff with Permanent (UK) employment contract £000	Others £000	Ministers £000	Special Advisers £000	Total £000	Restated 2007-08 Total £000
Wages and salaries	2,419,175	94,863	315	166	2,514,519	2,458,843
Employer's National Insurance	162,913	1,733	27	16	164,689	162,391
Superannuation and Pension costs	442,649	486	–	–	443,135	541,736
	3,024,737	**97,082**	**342**	**182**	**3,122,343**	**3,162,970**
Non-cash Staff costs	(607)	–	–	–	(607)	746
	3,024,130	**97,082**	**342**	**182**	**3,121,736**	**3,163,716**
Less recoveries in respect of outward secondments	(12,899)	–	–	–	(12,899)	(8,399)
Total Net Costs	**3,011,231**	**97,082**	**342**	**182**	**3,108,837**	**3,155,317**

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 can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employers' contributions of £425.9 million were payable to the PCSPS (2007-08 £421.9 million) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009-10, 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 2008-09 to be paid when the member retires and not the benefits paid during this period to existing pensioners. In addition, an amount of £7.4 million (2007-08 £3.3 million) was payable in respect of the Local Government Pension Scheme (LGPS) contributions for staff employed by The Rent Service.

Outstanding contributions amounting to £46.4 million (2007-08 £39.2 million) were payable to the Civil Superannuation Vote at 31 March 2009 and are included in creditors (See Note 27).

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £878,094 (2007-08 £692,675) 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 £27,490 (2007-08 £26,108), 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 and ill-health retirement of these employees. Contributions due to the **partnership** pension providers at the balance sheet date were £94,433. Contributions prepaid at that date were £nil.

In 2008-09 198 persons (2007-08 123 persons) retired on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £242,293 (2007-08 £203,007). These liabilities are not the responsibility of the Department but are to be paid by the Civil Superannuation Vote.

b. 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.

			2008-09 Number			Restated 2007-08 Number
DSO	**Staff with Permanent (UK) employment contract**	**Others**	**Ministers**	**Special Advisers**	**Total**	**Total**
1 (Children)	12,719.0	419.0	0.75	0.5	13,139.25	**13,727.0**
2 (Work)	70,964.0	1,972.0	1.75	0.5	72,938.25	**72,162.0**
3 (Health & Safety)	3,518.0	64.0	0.50	–	3,582.50	**3,670.0**
4 (Pensions)	12,040.0	452.0	1.75	0.5	12,494.25	**13,687.0**
5 (Disabled)	5,837.0	65.0	1.25	0.5	5,903.75	**6,422.0**
6 (Payment Accuracy)	–	–	–	–	–	**–**
7 (Service Delivery)	–	–	–	–	–	**–**
Total	**105,078.0**	**2,972.0**	**6.0**	**2.0**	**108,058.0**	**109,668.0**

As at 31 March 2009, 109,361.0 whole-time equivalent persons were employed by the Department.

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

DSO 2:
To maximise employment opportunity for all.

DSO 3:
To improve health and safety outcomes.

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

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

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

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

9. Other Administration Costs

	Note		2008-09		Restated 2007-08
			£000		£000
Goods and Services	9a		928,922		955,092
Accommodation costs			185,168		223,894
Rentals under operating leases:					
Hire of plant and machinery		5,445		3,146	
Other operating leases		17,273		14,336	
			22,718		17,482
Interest charges			5		342
PFI service charges:					
Off-balance sheet contracts		483,762		507,764	
Service element of on-balance sheet contracts		3,437		3,303	
			487,199		511,067
Audit fee for HSE	9b		129		98
Audit fee for CMEC	9b		574		–
Compensation payments to customers			12,599		9,361
Non-cash items	10		325,447		384,528
IT Services			881,295		846,410
Other			59,143		74,892
			2,903,199		**3,023,166**

a. Goods and Services expenditure of £0.9 billion (2007-08 Restated £1.0 billion) includes the cost of services provided by Post Office Ltd and Alliance and Leicester Commercial Bank. This consists of encashment costs of £31.9 million (2007-08 £31.9 million) and Post Office Card Account costs amounting to £144.1 million (2007-08 £147.7 million). Other elements included are postage, printing and stationery, minor capital items, medical evidence, external consultancy costs, utilities and staff training.

b. Of the £129,000 fee for HSE, £116,000 relates to the statutory audit and £13,000 to non statutory audit work (IFRS transition work). For CMEC £555,000 relates to the statutory audit of the administration account and the Client Funds account. £19,000 relates to non statutory audit work (IFRS transition work).

10. Other Administration Costs: Non-cash items

a.

	Note	2008-09 £000	Restated 2007-08 £000
Notional costs	11	13,070	31,733
Depreciation and amortisation of fixed assets	21c/22c	150,395	151,340
(Profit)/Loss on disposal of fixed assets	21c	4,010	17,524
Impairment of fixed assets	21b/22b	910	3,348
Amortisation of prepayments		123,843	113,460
Provisions:			
Movement in year		23,179	62,936
Unwinding of discount		1,241	1,205
Other		8,799	2,982
		325,447	**384,528**

b. The non-cash items included in the Reconciliation of resources to cash requirement in Note 4 comprise:

	Note	2008-09 £000	2008-09 £000	Restated 2007-08 £000	Restated 2007-08 £000
Administration non-cash transactions	10a		325,447		384,528
Staff non-cash transactions	8a		(607)		746
Programme non-cash transactions	17	553,260		2,630,031	
Less: Social Fund capital charge	20	(13,621)		(19,343)	
NIF capital charge	16b	30,335		22,903	
			569,974		2,633,591
Non-cash income:					
Government Grant Reserve	31b		(1)		(1)
Non voted non-cash items			(68,568)		–
			826,245		**3,018,864**

11. Notional administration costs

Certain services are provided and received by the Department without the transfer of cash. An amount of £13.1 million (2007-08 £31.7 million) has been included in the net cost of operations to reflect these costs and is comprised as follows:

	Note	2008-09 £000	Restated 2007-08 £000
Cost of capital charge		10,870	29,308
Auditors remuneration and expenses – Statutory Audit	11a	1,970	2,425
Auditors remuneration and expenses – IFRS (Non-Statutory Audit)	11b	230	–
		13,070	**31,733**

a. The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General.

b. Additional audit fees of £230,000 were charged in 2008-09 in respect of the transition to IFRS.

12. Non-cash items

	Note	2008-09 £000	Restated 2007-08 £000
Administration Costs	10a	325,447	384,528
Staff non-cash costs	8a	(607)	746
Programme Costs	17	553,260	2,630,031
Interest income	14	(17,803)	–
Income: Government Grant Reserve	31b	(1)	(1)
		860,296	**3,015,304**

13. Net Programme Costs

	Note	2008-09 £000	Restated 2007-08 £000
Current grants and other current expenditure	13a	65,992,424	61,136,116
Research and Development		14,524	11,921
Programme overheads	17	958,446	2,869,469
Non-Supply expenditure: contributory benefits	16a	70,614,520	65,618,142
Agency payments on behalf of EU to third parties	13b	229,202	550,197
Gross programme spend		**137,809,116**	**130,185,845**
Other programme income		(169,269)	(185,795)
EU income		(298,672)	(711,899)
Net programme costs		**137,341,175**	**129,288,151**

a. Current grants and other current expenditure and contributory benefits expenditure is the amount of expenditure incurred in year (net of overpayments) and excludes programme overheads. The expenditure analysed in Note 2 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 on behalf of the EU.

14. Income

	RfR1	RfR2	RfR3	RfR4	RfR5	2008-09 Total	Restated 2007-08 Total
	£000	£000	£000	£000	£000	£000	£000
Administration							
Fees and charges to other government departments	2,561	4,891	3,123	1	63,194	73,770	66,987
Income from mortgage lenders	–	481	427	–	272	1,180	1,257
Amortisation of Government Grants	–	–	–	–	1	1	1
Income from outside bodies	688	4,592	313	8	29,858	35,459	12,033
Development Gains	–	–	–	–	20,716	20,716	–
Income from accommodation	143	–	–	–	6,745	6,888	14,679
Law costs from defendants	8	65	–	–	4,977	5,050	1,988
International labour organisation	–	13,106	–	–	–	13,106	7,250
Single International Programme	–	29,866	–	–	–	29,866	34,747
European Union division	–	8,722	–	–	–	8,722	3,677
Secondments	11	6,341	5,998	114	435	12,899	7,639
HSE Administrative income	–	84,348	–	–	–	84,348	67,029
Other miscellaneous income	1,283	4,272	104	6	19,131	24,796	9,701
						316,801	**226,988**
Programme							
Benefit income							
– New Deal	–	185	–	–	–	185	1,266
– Help for unemployed people	–	684	–	–	–	684	973
– Income Support	–	98,584	–	–	–	98,584	112,729
– Jobseeker's Allowance	–	1,095	–	–	–	1,095	1,522
– Motability receipts	–	163	–	935	–	1,098	699
Pension levy receipts	–	–	49,586	–	–	49,586	52,201
Other programme income	–	8,190	–	–	–	8,190	4,823
ESF income	–	51,667	–	–	–	51,667	158,305
EU income where DWP acts as agent for payments to third parties	–	229,202	–	–	–	229,202	550,197
Interest income	–	17,803	–	–	–	17,803	–
Exchange rate gains	–	1,743	–	–	–	1,743	1,551
HSE Programme income	–	6,847	–	–	–	6,847	10,243
						466,684	**894,509**
NIF income						**1,257**	**3,185**
						784,742	**1,124,682**

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

Other miscellaneous income and other programme income mainly comprises CFER Income repayable to the Consolidated Fund in respect of reduced rental charges for the Newcastle Estate of £5.4 million

The following analysis of income from services provided to external and public sector customers is provided for fees and charges purposes, not for SSAP25 purposes (with comparatives).

	Income	2008-09 Full Cost	Surplus
	£000	£000	£000
Income from External Customers	337,039	304,654	32,385
Income from Other Government Departments	447,703	429,900	17,803
	784,742	**734,554**	**50,188**

	Income	2007-08 Restated Full Cost	Surplus
	£000	£000	£000
Income from External Customers	423,929	416,804	7,125
Income from Other Government Departments	700,753	694,348	6,405
	1,124,682	**1,111,152**	**13,530**

15. Analysis of Net Operating Cost by Spending Body

	2008-09	Restated 2007-08
	£000	£000
DWP Head Office and Corporate and Shared Services	137,972,531	129,984,325
Child Maintenance & Enforcement Commission	529,150	563,201
Jobcentre Plus	3,314,891	3,363,045
The Pension, Disability & Carers Service	974,023	1,083,268
Health and Safety Executive	219,234	215,121
The Rent Service	39,480	39,085
Net Operating Cost	**143,049,309**	**135,248,045**

16. Non-Supply Expenditure

(a) Contributory Benefits

	2008-09	2007-08
	£000	£000
Pensions Benefit		
Retirement Benefit		
Basic element	49,683,953	46,705,890
Earnings-related component	11,830,278	10,815,273
Christmas Bonus	822,779	127,261
Widows' Benefit		
Basic element	411,887	449,175
Earnings-related component	86,665	107,222
Bereavement Benefits	174,923	172,108
Unemployment Benefits		
Jobseeker's Allowance – Contribution Based	726,515	422,488
Employment Support Allowance	64,340	–
Sickness Benefit	(103)	(173)
Incapacity Benefit		
Short-term and Long-term	6,271,086	6,318,213
Earnings-related component	214,941	247,879
Invalidity Benefit	6,285	6,238
Family Benefits		
Maternity Allowance	320,971	246,568
	70,614,520	**65,618,142**

(b) Total Non-Supply expenditure

	Note	2008-09	2007-08
		£000	£000
Contributory Benefits	16a	70,614,520	65,618,142
NIF income	14	(1,257)	(3,185)
NIF write-offs and movement on bad debt provision		52,865	42,591
NIF Movement on CRU Provision		(530)	(578)
NIF capital charge	20	(30,335)	(22,903)
	3a	**70,635,263**	**65,634,067**

17. Programme Overheads

		2008-09		2007-08	
	Note	£000	£000	£000	£000
Programme balances written off	19		405,186		239,438
Non-Cash Items:					
Movement in debt impairments	18	(82,707)		156,195	
Movement in other provisions		665,696		2,486,283	
Unwinding of discount	28	121,753		47,414	
Notional Costs:					
Cost of Capital charge	20	(151,482)		(59,861)	
	10b		553,260		2,630,031
			958,446		**2,869,469**

18. Impairments: Programme

The movement in the debt impairments relates to the following benefits:

	2008-09	2007-08
	£000	£000
Contributory Benefits	(3,508)	1,478
Non-Contributory Benefits	11,746	51,531
Social Fund Payments	(90,945)	103,186
	(82,707)	**156,195**

19. Programme balances written off

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

	2008-09	2007-08
	£000	£000
Contributory Benefits		
Pensions Benefit	26,753	21,066
Incapacity Benefit	26,751	18,743
Other	2,869	1,304
Non-Contributory Benefits		
Disability Benefits	37,280	33,503
Income Support (including Pension Credit)	190,237	118,619
Family Benefits	21	30
Other	2,891	10,620
Social Fund Payments		
Funeral Payments	116,491	34,085
Other	1,893	1,468
	405,186	**239,438**

Small overpayments valued at £65 or less, which were formerly disclosed as losses within the losses statement, are now subject to formal write off action and disclosed above.

20. Cost of Capital: Programme

The capital charge on programme assets and liabilities consists of:

	Note	2008-09 £000	2007-08 £000
Cost of Capital charged on:			
Cash with Paying Agents		924	1,154
Social Fund Payments		13,621	19,343
NIF	16b	(30,335)	(22,903)
Other Programme net liabilities (excluding amounts due to HM Treasury and Paymaster balances)		(135,692)	(57,455)
		(151,482)	**(59,861)**

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

21. Tangible Fixed Assets

	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	Internally Developed Software £000	Total £000
Cost or valuation										
At 1 April 2008		68,417	796,886	125,457	25,785	26,517	3,334	105,336	183,546	1,335,278
Additions	21a	197	2,049	7,708	904	856	862	59,419	1,733	73,728
Disposals		–	(15,570)	(9,528)	(213)	(4,346)	(968)	(97)	–	(30,722)
Impairments	21b	(6)	–	(87)	–	–	–	–	–	(93)
Reclassifications		9,339	9,764	13,890	8	4	–	(92,276)	59,271	–
Revaluations	21b	(2,960)	–	(21)	102	280	209	–	–	(2,390)
At 31 March 2009		74,987	793,129	137,419	26,586	23,311	3,437	72,382	244,550	1,375,801
Depreciation										
At 1 April 2008		4,075	284,520	96,305	20,778	14,612	1,250	–	80,602	502,142
Charged in year	21c	1,238	81,203	12,252	1,031	2,303	516	–	43,716	142,259
Disposals		–	(11,585)	(9,204)	(200)	(3,822)	(556)	–	–	(25,367)
Impairments	21b	–	–	817	–	–	–	–	–	817
Reclassifications		–	–	595	(4)	5	–	–	(596)	–
Revaluations	21b	(248)	–	(20)	74	128	70	–	–	4
At 31 March 2009		5,065	354,138	100,745	21,679	13,226	1,280	–	123,722	619,855
Net Book Value at 31 March 2009		**69,922**	**438,991**	**36,674**	**4,907**	**10,085**	**2,157**	**72,382**	**120,828**	**755,946**
Net Book Value at 31 March 2008 restated		**64,342**	**512,366**	**29,152**	**5,007**	**11,905**	**2,084**	**105,336**	**102,944**	**833,136**
Asset financing:										
Owned		14,219	438,991	36,674	4,907	7,568	2,157	71,667	120,828	697,011
Finance leased		–	–	–	–	–	–	–	–	–
On-balance sheet PFI Contracts		55,703	–	–	–	2,517	–	–	–	58,220
PFI residual interests		–	–	–	–	–	–	715	–	715
Net Book Value at 31 March 2009		**69,922**	**438,991**	**36,674**	**4,907**	**10,085**	**2,157**	**72,382**	**120,828**	**755,946**

a. Total additions in the year were £73.7 million (2007-08 £63.9 million). This consisted of £77.6 million (2007-08 £66.9 million) of capital expenditure and £(3.9) million (2007-08 £(3.0) million) of assets which had been purchased prior to 2008-09 but which had previously been charged as expenditure.

b. The net decrease in asset values arising from the revaluation of fixed assets of £2.4 million (2007-08 Increase £4.0 million) has been transferred to the Revaluation Reserve. The impairment in fixed assets arising from the permanent decrease in value of £0.9 million (2007-08 £0.2 million) in excess of previous revaluation has been charged to the Operating Cost Statement.

c. Total depreciation in the year was £142.3 million (2007-08 £149.0 million). This consisted of £139.7 million (2007-08 £142.9 million) charged to the Operating Cost Statement and £2.6 million (2007-08 £6.1 million) relating to assets purchased prior to 2008-09 charged to the General Fund. The in year depreciation charge for On-balance Sheet PFI Contracts is £1.0 million (2007-08 £1.0 million). The loss on sale of fixed assets charged to the Operating Cost Statement in the year is £4.0 million (2007-08 loss of £17.5 million).

Land and Buildings comprise the following:

	Freeholds	Short Leaseholds	Total
	£000	**£000**	**£000**
Cost or Valuation			
At 1 April 2008	5,567	62,850	68,417
Additions	197	–	197
Disposals	–	–	–
Impairments	–	(6)	(6)
Reclassifications	9,339	–	9,339
Revaluations	(236)	(2,724)	(2,960)
At 31 March 2009	**14,867**	**60,120**	**74,987**
Depreciation			
At 1 April 2008	505	3,570	4,075
Charged in year	190	1,048	1,238
Disposals	–	–	–
Reclassifications	–	–	–
Revaluations	(47)	(201)	(248)
At 31 March 2009	**648**	**4,417**	**5,065**
Net Book Value at 31 March 2009	**14,219**	**55,703**	**69,922**
Net Book Value at 31 March 2008	**5,062**	**59,280**	**64,342**

d. The Department, with the exception of HSE, does not include in its Balance Sheet capital values of the land and buildings that it occupies. All properties are leased, the majority under a Private Finance Initiative contract with Telereal Trillium. Costs incurred during the year in respect of major refurbishment and improvement of these properties has been capitalised as Leasehold Improvements.

e. Health and Safety Executive

Jones Lang LaSalle professionally revalued all land and building assets on the Buxton site as at 31 March 2005. 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).

f. Cash Flow Reconciliation

	Note	2008-09	Restated 2007-08
		£000	£000
Capital Creditors and Accruals at 1 April		80,024	106,422
Capital Prepayments at 1 April	25	–	–
Movement on long-term creditors		712	815
Restatement		–	10,931
Capital additions		77,559	68,509
Capital Prepayments at 31 March	25	–	–
Capital Creditors and Accruals at 31 March		(69,673)	(80,024)
Purchases of Tangible Fixed Assets as per Note 32b		**88,622**	**106,653**

22. Intangible Fixed Assets

The Department's intangible fixed assets comprise purchased software licences.

	Purchased software licences
	£000
Cost or valuation	
At 1 April 2008	69,761
Additions	17,901
Disposals	(159)
Impairments	–
Reclassifications	–
Revaluations	–
At 31 March 2009	**87,503**
Amortisation	
At 1 April 2008	18,176
Charged in year	10,685
Disposals	(159)
Impairments	–
Reclassifications	–
Revaluations	–
At 31 March 2009	**28,702**
Net book value at 31 March 2009	**58,801**
Net book value at 31 March 2008 Restated	**51,585**

a. Total additions in the year were £17.9 million (2007-08 £7.9 million). This consisted of £17.8 million (2007-08 £7.9 million) of capital expenditure and £0.1 million (2007-08 £nil million) of assets which had been purchased prior to 2008-09 but which had previously been charged as expenditure.

b. The impairment in fixed assets arising from the permanent decrease in value of £nil million (2007-08 £3.1 million) in excess of previous revaluation has been charged to the Operating Cost Statement.

c. Total amortisation in the year was £10.7 million (2007-08 £8.5 million). This consisted of £10.7 million (2007-08 £8.4 million) charged to the Operating Cost Statement and £nil million (2007-08 £0.1 million) relating to assets purchased prior to 2008-09 charged to the General Fund.

d. Cash Flow Reconciliation

	Note	2008-09	Restated 2007-08
		£000	£000
Capital Creditors and Accruals at 1 April		3,010	–
Capital additions		17,826	8,144
Capital Prepayments at 31 March		–	–
Capital Creditors and Accruals at 31 March		(9,364)	(3,010)
Purchases of Intangible Fixed Assets as per Note 32b		**11,472**	**5,134**

23. Financial Assets

(a) Working Links (Employment) Limited

	2008-09	2007-08
	£000	£000
Balance at 1 April	1,451	1,433
Additions	–	–
Disposals	–	–
Revaluations	365	18
Balance at 31 March	**1,816**	**1,451**

The only investment held by the Department for Work and Pensions at the balance sheet date 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 2009. 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.

	2008-09	2007-08
	£000	£000
Net assets at 31 March	5,447	4,352
Turnover	85,737	77,247
Surplus/profit for the year (before financing)	744	846

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

	2008-09	2007-08
	£000	£000
Balance at 1 April	–	–
Additions	5,623	–
Disposals	–	–
Loan Repayments	–	–
Revaluations	–	–
Loans repayable within 12 months transferred to Debtors	–	–
Balance at 31 March	**5,623**	**–**

Since 1 December 2008, following the extension of PADA's role through the Pensions Act 2008, PADA has 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 £60 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 changes are made and reported in the financial statements of that period.

24. Stocks and Work in Progress

	2008-09	2007-08
	£000	£000
Consumables	–	–
Work in Progress	664	595
Finished Stock for sale	792	751
	1,456	**1,346**

Stock and Work in Progress consists of publications, stationery and protective clothing in relation to the Health and Safety Executive.

25. Debtors

25(a) Analysis by type

Administration Debtors	Note	31 March 2009	Restated 31 March 2008
	Note	£000	£000
Amounts falling due within one year			
Trade debtors		14,842	21,339
Deposits and Advances	25a	7,125	4,810
Amounts due from Other Government Departments		61,209	125,119
VAT		57,887	40,685
Other debtors		159,848	108,543
Prepayments and accrued income	25h	71,697	45,391
Early departure prepayment	28a	6	20
Accommodation prepayment		948	948
TIES prepayment		2,791	2,791
TREDSS prepayment		115,100	114,151
HSE prepayment		154	154
Provision for impairment		(38,727)	(32,873)
Amounts due from the Consolidated Fund	30	–	45,910
		452,880	**476,988**
Amounts falling due after more than one year			
Deposits and advances	25a	744	820
Prepayments & accrued income		75	30
Early departure prepayment	28a	–	6
Accommodation prepayment		17,074	18,022
TIES prepayment		22,326	25,116
TREDSS prepayment		45,418	161,714
HSE prepayment		3,770	3,923
		89,407	**209,631**

Programme Debtors

	Note	Gross Debtors £000	Fair Value Adjustment (Note 25g) £000	31 March 2009 Net Debtors £000	Restated 31 March 2008 Net Debtors £000
Amounts falling due within one year					
Benefit Overpayments					
Contributory Benefits	25b	19,112	(2,708)	16,404	28,009
Non-Contributory Benefits	25b	136,373	(22,851)	113,522	44,229
Housing Benefit and Council Tax	25c	105,967	–	105,967	259,536
Social Fund		609	–	609	696
Prepayments					
Contributory Benefits		369,838	–	369,838	361,617
Non-Contributory Benefits		147,735	–	147,735	152,837
Local Authorities		48,558	–	48,558	47,670
SSP/SMP	25f	–	–	–	203,520
Social Fund					
Funeral Payments		41,859	(41,375)	484	–
Other Loans		412,997	(1,895)	411,102	461,892
European Social Fund & Other EU Debtors	25e/27c	569,350	(49,732)	519,618	758,226
		1,852,398	**(118,561)**	**1,733,837**	**2,318,232**
Amounts falling due after more than one year					
Benefit Overpayments					
Contributory Benefits	25b	182,139	(122,909)	59,230	43,604
Non-Contributory Benefits	25b	1,516,859	(990,816)	526,043	544,855
Social Fund		–	–	–	–
Social Fund					
Funeral Payments		–	–	–	218
Other Loans	25g	583,138	(274,023)	309,115	149,827
Other Programme Debtors	25d	710	–	710	2,140
		2,282,846	**(1,387,748)**	**895,098**	**740,644**
Total Debtors				**3,171,222**	**3,745,495**
Of which					
Due within one year				2,186,717	2,795,220
Due after one year				984,505	950,275

a. Deposits and advances due within one year includes £0.1 million (2007-08 £0.2 million) of house purchase advances due from 132 (2007-08 154) members of staff. Those due after more than one year include £0.7 million (2007-08 £0.8 million) due from 117 (2007-08 133) members of staff.

b. Included in Contributory Benefits overpayments is an amount of £3.3 million (2007-08 £3.3 million) in respect of Compensation Recovery Unit debtors. The amount included within Non-Contributory Benefit overpayments is £12.7 million (2007-08 £7.2 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 27).

d. Other programme debtors consist of balances due from other government departments and external bodies.

e. Within the total balance is an amount of £nil million (2007-08 £74.6 million) which relates to amounts due which, once received, will be payable to the Consolidated Fund (see also Note 27).

f. £203.5 million was paid in advance to HMRC as partial settlement of the 2008-09 SSP/SMP liability. This prepayment has arisen 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.

g. Other Social Fund Loans, Administration Debtors and Benefit Overpayments have been included at fair value, by review for impairment and discounting of future cash flows, where the time value of money is significant, using the real discount rate of 3.5% set by HM Treasury.

h. Accrued interest on the loan made to the Personal Accounts Delivery Authority (see note 23) has been included in prepayments and accrued income.

25(b) Intra-Government Balances

The following table analyses total debtor balances across the categories shown:

		Amounts falling due within one year		Amounts falling due after more than one year	
		2008-09	Restated 2007-08	2008-09	Restated 2007-08
	Note	£000	£000	£000	£000
Balances with other central government bodies		147,077	480,047	–	–
Balances with local authorities		163,439	279,176	710	1,429
Balances with NHS Trusts		240	322	–	–
Balances with public corporations and trading funds		5,733	26,137	–	–
Intra-government balances		316,489	785,682	710	1,429
Balances with bodies external to government		1,870,228	2,009,538	983,795	948,846
Total debtors at 31 March	25(a)	**2,186,717**	**2,795,220**	**984,505**	**950,275**

26. Cash at Bank and In Hand

	Note	2008-09 Total	Restated 2007-08 Total
		£000	£000
Balance at 1 April		55,225	215,623
Net change in cash balances		231,175	(160,398)
Balance at 31 March		**286,400**	**55,225**
Represented by:			
Cash at bank and in hand		314,598	193,294
Bank Overdraft reported in Creditors	27	(28,198)	(138,069)
		286,400	**55,225**
The following balances at 31 March were held at:			
Office of HM Paymaster General	26a	276,265	48,273
Commercial banks and Cash in Hand		10,135	6,952
		286,400	**55,225**

a. The Office of HM Paymaster General (OPG) provides a current account banking service.

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

27. Creditors

27(a) Analysis by type

	Note	31 March 2009 £000	Restated 31 March 2008 £000
Administration Creditors			
Amounts falling due within one year			
Taxation and social security		57,833	56,145
Superannuation		46,399	39,157
Trade creditors – non capital		96,848	69,121
– capital	21f/22d	369	622
Amounts due to other Government Departments		27,116	22,875
Other creditors		6,901	43,779
Accruals and deferred income		494,133	542,980
Capital Accruals	21f/22d	17,086	21,542
Bank Overdrafts	26	28,198	138,069
Amounts issued from the Consolidated Fund for Supply but not spent at year end	30	185,993	–
Amounts issued from the Contingencies Fund	30	–	1,312
CFERs due to be paid to the Consolidated Fund – received		2,815	3,994
CFERs due to be paid to the Consolidated Fund – receivable	25e	36	31,346
Excess A in A due to the Consolidated Fund	30	36,712	3,696
		1,000,439	**974,638**
Amounts falling due after more than one year			
Imputed finance lease element for on-balance sheet PFI contract	21f	61,582	60,870
Other creditors		2,313	2,974
		63,895	**63,844**
Programme Creditors			
Amounts falling due within one year			
Accruals			
Contributory Benefits		1,369,495	1,220,904
Non-Contributory Benefits		625,425	639,070
Social Fund Benefits		4,961	3,174
Local Authorities		678,283	52,686
European Social Fund		240,914	287,490
Cash with paying agents		18,973	–
Encashment Control	27a	7,658	37,400
Housing Benefit and Council Tax Benefit underpayments	25c	–	369,120
CFERs due to be paid to the Consolidated Fund – received		259	824
CFERs due to be paid to the Consolidated Fund – receivable	25e	–	43,255
Excess A in A due to the Consolidated Fund		–	–
Third Party Payments	27b	47,886	45,418
Other Programme Creditors		47,903	33,651
European Social Fund & Other EU Creditors	27c	456,617	144,223
		3,498,374	**2,877,215**
Amounts falling due after more than one year			
European Social Fund	27d	116,984	366,809
		116,984	**366,809**
Total Creditors		**4,679,692**	**4,282,506**
Of which			
Due within one year		4,498,813	3,851,853
Due after one year		180,879	430,653

a. Encashment control represents outstanding liabilities for instruments of payment due to be encashed against amounts held by the Department's paying agents.

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

c. 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.

d. Balances due over one year of £117.0 million (31 March 2008 £366.8 million) consist of monies paid to DWP by the EU relating to European Social Fund. These advances are due to be paid back on finalisation of the 2000-2006 programmes, which is likely to be in 2011-2012.

e. Included within the Balance Sheet is a credit balance of £1,005.6 million (31 March 2008 £640.4 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.

(b) Intra-government balances

The following table analyses total creditor balances across the categories shown:

		Amounts falling due within one year		Amounts falling due after more than one year	
		2008-09	Restated 2007-08	2008-09	Restated 2007-08
	Note	£000	£000	£000	£000
Balances with other central government bodies		382,153	103,464	–	–
Balances with local authorities		701,889	466,379	–	–
Balances with NHS Trusts		10,539	7,928	–	–
Balances with public corporations and trading funds		4,019	15,766	–	–
Intra-government balances		1,098,600	593,537	–	–
Balances with bodies external to government		3,400,213	3,258,316	180,879	430,653
Total creditors at 31 March	27(a)	**4,498,813**	**3,851,853**	**180,879**	**430,653**

28. Provisions for Liabilities and Charges

	31 March 2009	31 March 2008
	£000	£000
Early Departure provision (gross)	102,148	128,082
Other Administration provisions	23,800	15,722
Programme provisions	4,244,704	3,497,774
	4,370,652	**3,641,578**
Payable within one year	81,162	130,742
Payable after more than one year	4,289,490	3,510,836

Early departure and pension commitments

	Gross Provision		Prepayment (Note 28a)		Net Provision	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008		128,082		(26)		128,056
Provided in year						
New Early retirees	11,718		–		11,718	
Uplift	981		–		981	
		12,699		–		12,699
Provisions not required written back		(669)		–		(669)
Provisions utilised in year		(39,139)		20		(39,119)
Unwinding of Discount		1,175		–		1,175
Interest received on pre-funding		–		–		–
Balance at 31 March 2009		**102,148**		**(6)**		**102,142**

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 debtors (see Note 25). The discount rate used is 2.2%.

Other Administration provisions

	Total (Note 28b)
	£000
Balance at 1 April 2008	15,722
Provided in year	11,971
Provisions not required written back	(362)
Utilised in year	(3,597)
Unwinding of discount	66
Balance at 31 March 2009	**23,800**

Programme provisions

	Other Provisions (Note 28c)	Compensation Recovery Unit (Note 28d)	FAS (Note 28e)	Total
	£000	£000	£000	£000
Balance at 1 April 2008	6,187	3,803	3,487,784	3,497,774
Provided in year	–	–	666,121	666,121
Provisions not required written back	–	–	–	–
Utilised in year	(2,176)	(1,162)	(37,606)	(40,944)
Unwinding of discount	–	–	121,753	121,753
Balance at 31 March 2009	**4,011**	**2,641**	**4,238,052**	**4,244,704**

b. Other administration provisions have been made in respect of the following: dilapidations, industrial injuries, and onerous leases.

c. Other programme provisions include a Debt Management provision of £1.694 million where overpayment of debts which are due back to the customer may either be paid as a refund or offset against other benefit debts relating to the same customer. A provision is recognised in these accounts until such time as the treatment of the overpaid debt has been agreed. In addition to this, a provision of £2.316 million has been made in respect of the transfer of State Pensions (see Note 39).

d. 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.

e. 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.

The increased provision represents the recognition of additional liabilities in respect of a number of extensions announced to FAS* and for which legislation has been passed:

- The extensions announced in budget 2007; and
- Some elements of the extensions announced on 17 December 2007 following the publication of the FAS Assets Review

*Further information regarding the extensions can be found at
http://www.dwp.gov.uk/lifeevent/penret/penreform/fas/news.asp

A discount rate of 2.2% has been used.

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

29. Pension Liabilities

For the purpose of Financial Reporting Standard (FRS) 17, The Rent Service commissioned a qualified independent actuary to carry out an assessment of the Local Government Pension Scheme (LGPS) as at 31 March 2009. The results of the actuarial assessment are shown below, and relate to the proportion of the LGPS Fund attributable to The Rent Service.

Assumptions as at	31 March 2009 % per annum	31 March 2008 % per annum
Inflation	3.1%	3.6%
Salary increases	4.6%	5.1%
Pension increase	6.4%	3.6%
Discount rate	6.9%	6.9%

Assets	Long Term Return % per Annum	Fund value at 31 March 2009 £000	Fund value at 31 March 2008 £000
Equities	7.0%	40,407	50,093
Bonds	5.5%	7,089	16,186
Property	6.0%	17,723	15,071
Cash	4.0%	5,671	2,515
Total	**6.4%**	**70,890**	**83,865**

Net pensions deficit as at	31 March 2009		31 March 2008	
	£000	£000	£000	£000
Estimated Employer Assets		70,890		83,865
Present Value of Scheme Liabilities	(87,014)		(84,681)	
Present Value of Unfunded Liabilities	(358)		(385)	
Total value of Liabilities		(87,372)		(85,066)
Net Pension Deficit		**(16,482)**		**(1,201)**

In accordance with the requirements of the FReM, the fund deficit has been included on the balance sheet.

Amounts charged to Staff Costs	31 March 2009	31 March 2008
	£000	£000
Current Service Costs	1,114	1,915
Past Service Costs	1,028	28
Curtailments and Settlements	4,172	2,118
Total Operating Charge	**6,314**	**4,061**

Amounts charged to Other Administration Costs	31 March 2009	31 March 2008
	£000	£000
Expected Return on Employer Assets	(6,059)	(3,733)
Interest on Pension Scheme Liabilities	6,017	3,053
Net Administration Costs	**(42)**	**(680)**

Analysis of Amount Recognised in Statement of Recognised Gains and Losses (SRGL)	31 March 2009	31 March 2008	31 March 2007	31 March 2006	31 March 2005
	£000	£000	£000	£000	£000
Actuarial Gains/(Losses)	(16,456)	3,112	3,714	(569)	(6,705)
Increase/(Decrease) in Irrecoverable Surplus from Membership	–	–	–	–	–
Actuarial Gains/(Losses) recognised in SRGL	(16,456)	3,112	3,714	(569)	(6,705)
Cumulative Actuarial Gains and Losses	**(16,904)**	**(448)**	**(3,560)**	**(7,274)**	**(6,705)**

Movement in Deficit During the Year	**31 March 2009**	**31 March 2008**
	£000	**£000**
Deficit at beginning of the year	(1,201)	(4,247)
Current Service Costs	(1,114)	(1,915)
Employer Contributions	7,427	3,295
Contributions in respect of Unfunded Benefits	20	20
Past Service Costs	(1,028)	(28)
Impact of settlement and curtailments	(4,172)	(2,118)
Other Finance Costs	42	680
Actuarial Gains / (Losses)	(16,456)	3,112
Deficit at 31 March	**(16,482)**	**(1,201)**

Amounts for the Current and Previous Accounting Periods	**31 March 2009**	**31 March 2008**	**31 March 2007**	**31 March 2006**	**31 March 2005**
	£000	**£000**	**£000**	**£000**	**£000**
Fair Value of Employer Assets	70,890	83,865	51,424	45,929	34,953
Present Value of Defined Benefit Obligation	(87,372)	(85,066)	(55,671)	(54,823)	(44,705)
Surplus/(Deficit)	(16,482)	(1,201)	(4,247)	(8,894)	(9,752)
Experience Gains/(Losses) on Assets	(24,515)	27,687	449	5,812	941
Experience Gains/(Losses) on Liabilities	10	(35,949)	(105)	(46)	(261)

Provision for retired chairs of HSC

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 2009. The results of the actuarial assessment are shown below:

	31 March 2009		31 March 2008	
	£000	**%**	£000	%
Financial assumptions				
The inflation rate assumptions		**2.75**		2.75
The rate of increase in salaries		**4.29**		4.30
The rate of increase for pensions in payment and deferred pensions		**2.75**		2.75
The rate used to discount scheme liabilities		**6.04**		5.30
The effect of accrual during year:				
The current service cost (net of employee contributions)	**0**		17	
Any past service costs	**0**		0	
Gains and losses on any settlements and curtailments	**0**		0	
The interest cost	**70**		58	
Actuarial gains and losses during year:				
Experience losses (gains)	**(42)**	**(3.7)**	143	10.1
Effect of changes in discount rate	**0**	**0**	(116)	(8.2)
Effect of changes in mortality assumption	**0**	**0**	70	4.9
Effect of changes in other demographic and financial assumptions	**(105)**	**0**	0	0.0
Total actuarial losses (gains)	**(147)**		97	
Liability				
Actives	**0**		0	
Deferreds	**0**		1,148	
Pensioners and dependant pensioners	**1,140**		269	
Total present value of the scheme liabilities	**1,140**		1,417	

The current service and interest cost elements are a charge to HSE's operating costs.

30. General Fund

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.

	Note	2008-09 £000	2008-09 £000	Restated 2007-08 £000	Restated 2007-08 £000
Balance at 1 April		(3,080,486)		(221,199)	
Restatement		–		5,714	
Adjusted opening balance			(3,080,486)		(215,485)
Prior period adjustment	46		–		(635,592)
Net Parliamentary Funding					
Financing – Current year	32d	70,300,415		66,258,919	
Financing – Prior year	32d	45,910		–	
Amounts drawn not spent – deemed Supply		–		29,952	
			70,346,325		66,288,871
Financing in respect of transfer of functions			–		(13,180)
Net financing from the Contingencies Fund			–		1,312
National Insurance Fund	32d		71,454,551		66,746,623
Year end adjustment					
Supply Creditor – current year	27	(185,993)		–	
Supply Debtor – current year	25	–		45,910	
Supply Debtor – previous year clearance		(45,910)		–	
Contingencies Fund Creditor – current year		–		(1,312)	
Excess A in A	27	(36,712)		(3,696)	
			(268,615)		40,902
Net Transfer from Operating Activities					
Net Operating Cost		(143,049,309)		(135,248,045)	
CFERs repayable to Consolidated Fund		(12,697)		(12,561)	
			(143,062,006)		(135,260,606)
Non Cash Charges					
Cost of Capital		(140,612)		(30,553)	
Auditors' remuneration	11	2,200		2,397	
Non-cash capital additions		(6,308)		(8,175)	
			(144,720)		(36,331)
Transfer from Revaluation Reserve	31a		745		767
Actuarial gain (loss) on pension	29		(16,456)		3,112
Other			(290)		(879)
Balance at 31 March			**(4,770,952)**		**(3,080,486)**

31. Reserves

(a) Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

	Note	2008-09 £000	Restated 2007-08 £000
Balance at 1 April		15,220	11,962
Prior Year restatement		–	(9)
Arising on revaluation during the year (net)		(2,029)	4,034
Transferred to General Fund in respect of realised element of Revaluation Reserve	30	(745)	(767)
Balance at 31 March		**12,446**	**15,220**

(b) Government Grant Reserve

	Note	2008-09 £000	2007-08 £000
Balance at 1 April		3	4
Amortisation of Reserve	10b	(1)	(1)
Balance at 31 March		**2**	**3**

All of the assets purchased by the use of government grants have been financed by UK grants.

32. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of net operating cost to operating cash flows

	Note	2008-09 £000	Restated 2007-08 £000
Net operating cost		(143,049,309)	(135,248,045)
Adjustments for non-cash transactions	12	860,296	3,015,304
Interest element of Finance Lease payments		712	815
(Increase)/Decrease in Stock		(110)	179
(Increase)/Decrease in Paying Agents		35,132	24,826
(Increase)/Decrease in Debtors		574,273	(13,852)
Less movements in debtors relating to items not passing through the OCS		(10,885)	(877,300)
Increase/(Decrease) in Creditors		507,057	41,878
Less movements in creditors relating to items not passing through the OCS		(192,373)	146,103
Use of provisions		(83,880)	(61,239)
Net cash outflow from operating activities		**(141,359,087)**	**(132,971,331)**

(b) Analysis of capital expenditure and financial investment

	Note	2008-09 £000	Restated 2007-08 £000
Tangible fixed asset additions	21f	(88,622)	(106,653)
Intangible fixed asset additions	22d	(11,472)	(5,134)
Loan to Personal Accounts Delivery Authority	23	(5,623)	–
Proceeds of disposal of fixed assets	7	1,345	11,514
Net cash outflow from investing activities		**(104,372)**	**(100,273)**

(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital Expenditure	Loans	A in A	Net Total
	£000	£000	£000	£000
Request for resources 1	13,142	–	–	13,142
Request for resources 2	22,027	–	–	22,027
Request for resources 3	21,645	5,623	–	27,268
Request for resources 4	1	–	–	1
Request for resources 5	36,877	–	(21,697)	15,180
Net movement in debtors/creditors	6,402	–	20,352	26,754
Total 2008-09	**100,094**	**5,623**	**(1,345)**	**104,372**
Total 2007-08 Restated	**111,787**	**–**	**(11,514)**	**100,273**

(d) Analysis of financing

	Note	2008-09	Restated 2007-08
		£000	£000
From the Consolidated Fund (Supply) – current year	30	70,300,415	66,258,919
From the Consolidated Fund (Supply) – prior year	30	45,910	–
From the National Insurance Fund	30	71,454,551	66,746,623
Advances from the Contingencies Fund		2,400	1,312
Repayments to the Contingencies Fund		(3,712)	–
Net financing		**141,799,564**	**133,006,854**

(e) Reconciliation of Net Cash Requirement to Increase/(Decrease) in cash

	Note	2008-09	Restated 2007-08
		£000	£000
Net cash requirement	4	(70,114,424)	(66,338,910)
From the Consolidated Fund (Supply) – current year	30	70,300,415	66,258,919
From the Consolidated Fund (Supply) – prior year	30	45,910	–
Amounts due to the Consolidated Fund received and not paid		3,074	4,818
Amounts due to the Consolidated Fund received in prior year and paid over		(29,360)	(85,225)
Amounts due to Consolidated Fund – excess A in A	5	23,312	–
Non Voted Cash Movements		2,248	–
Increase/(decrease) in cash		**231,175**	**(160,398)**

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

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

(a) Administration Expenditure

Administration expenditure in the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives has been assigned to DSOs on a direct basis wherever possible. The Corporate Centre has been apportioned across objectives based on support to the departmental bodies within the accounting boundary. Resource is attributed across the Department's first five objectives which cover what the Department is here to deliver. DSOs 6 and 7 are enabling objectives which support this delivery.

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

	2008-09	Restated 2007-08
	£000	£000
DSO 1 (Children)	2,299,607	2,260,270
DSO 2 (Work)	34,051,550	31,949,795
DSO 3 (Health & Safety)	29,263	22,835
DSO 4 (Pensions)	83,141,993	78,580,654
DSO 5 (Disabled)	17,837,306	16,474,597
DSO 6 (Payment Accuracy)	–	–
DSO 7 (Service Delivery)	–	–
	137,359,719	**129,288,151**

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 the actual expenditure during the year.

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

DSO 1: Income Support (Child Element)

DSO 2: Income Support, JSA, Incapacity Benefit, Housing/Council Tax Benefit, Statutory Benefits

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

DSO 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 £720.7 million (2007-08 £611.9 million) can be allocated to the Department's objectives as follows:

	2008-09	Restated 2007-08
	£000	£000
DSO 2	720,701	611,937
Total	**720,701**	**611,937**

(c) Capital Employed by Departmental Strategic Objectives

	31 March 2009	Restated 31 March 2008
	£000	£000
DSO 1	(677,483)	(506,255)
DSO 2	(3,199,069)	(1,937,665)
DSO 3	24,065	35,093
DSO 4	(628,243)	(426,212)
DSO 5	(277,774)	(230,224)
DSO 6	–	–
DSO 7	–	–
	(4,758,504)	**(3,065,263)**

34. Capital Commitments

	31 March 2009	31 March 2008
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made	**35,219**	**7,100**

35. Commitments under Non-PFI Leases

Operating Leases

	31 March 2009 Land & Buildings	31 March 2009 Other	Restated 31 March 2008 Land & Buildings	Restated 31 March 2008 Other
	£000	£000	£000	£000
At 31 March the Department was committed to making the following payments during the next year, analysed according to the period in which the lease expires:				
Expiry within 1 year	493	5,116	412	4,041
Expiry after 1 year but not more than 5 years	4,767	1,652	2,206	2,851
Expiry thereafter	8,059	–	10,579	–
	13,319	**6,768**	**13,197**	**6,892**

Finance Leases

The Department did not have any commitments in respect of Finance Leases.

36. Commitments under PFI contracts

Off-Balance Sheet

In the period prior to 2008-09, the Department had entered into various contracts let under the Private Finance Initiative (PFI) which had been assessed under FRS 5 as being off the Department's balance sheet, the majority of risks having been transferred to the supplier. The Department undertook a major exercise in 2005-06 to consolidate existing contracts to deliver greater flexibility and improve both quality and the value for money delivered.

The resulting restructuring of contracts has impacted on the disclosure of some of these contracts. Where the contracts are still classed as PFI contracts, details of in year expenditure, capital values and future commitments are given below. Where assets are classified as off balance sheet PFI, the properties are not treated as assets of the Department. Where the PFI contract has been subsumed into a consolidated contract which is not classified as a PFI contract, the expenditure detailed relates to the period in 2005-06 prior to the consolidated contract coming into effect. Any future commitments resulting from the consolidated contracts are detailed under Note 37 "Other financial commitments".

The Department has entered into 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 capital value of the contract is £455 million.

The Department has also entered into a contract with Northgate Rebus HR Ltd for the provision of payroll and HR managed services. The contract ran from 1 April 1999 to 31 August 2008 (originally 30 June 2007). The estimated capital value is £5.8 million and was calculated based on the level of assets transferred at contract commencement.

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. The estimated capital value of the contract is £60 million.

HSE have streamlined the management of its IT service by placing all of its IT services with a single strategic partner who will have 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 (IS) service across all HSE sites and to all HSE users. The estimated capital value of the contract is £26.5 million.

On-Balance Sheet

With effect from 28 October 2004, Health and Safety Laboratories (HSL) took occupation of serviced accommodation for laboratory and support functions provided under a 30 year contract with Investors in the Community (Buxton)(ICB) Ltd.

The transactions arising out of this contract have been accounted for in accordance with Technical note No.1 (Revised), entitled *How to Account for PFI Transactions* as required by the *FReM*. Under FRS 5, assets are treated as assets of the Department. As the balance of the 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 included in HSL's balance sheet as fixed assets. The liability to pay for these assets is in substance a finance lease obligation. Contractual payments comprise an imputed finance lease charge and a service charge.

As part of the PFI contract, HSL handed over all of the land and buildings at the Sheffield site to ICB Ltd, and a prepayment for their fair value of £4.6 million, as determined by the contract, is recognised in the accounts and amortised evenly over the life of the PFI contract.

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 2009 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.

Imputed finance lease obligations under on-balance sheet PFI contracts

	2009-10
	£000
Rentals due within 1 year	5,085
Rentals due after one year but within 5 years	21,984
Rentals due after 5 years but within 10 years	31,576
Rentals due after 10 years but within 15 years	36,133
Rentals due after 15 years but within 20 years	41,096
Rentals due after 20 years but within 25 years	46,686
Rentals due after 25 years but within 30 years	5,712
	188,272
Less interest element	(126,690)
	61,582

Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions and the service elements of on-balance sheet PFI transactions was £487.2 million (2007-08 £511.1 million) (see also Note 9), and the payments to which the Department is committed for the following year, analysed by the period during which the commitment expires, are as follows:

	2009-10	2008-09
	£000	£000
Expiry within 1 year	–	3
Expiry after 1 year but not more than 5 years	15,526	15,802
Expiry after 5 years but not more than 10 years	603,470	583,509
Expiry after 10 years but not more than 15 years	–	–
Expiry after 15 years but not more than 20 years	–	–
Expiry after 20 years but not more than 25 years	–	–
Expiry after 25 years but not more than 30 years	–	–
	618,996	**599,314**

37. Other financial commitments

The Department has entered into the following non-cancellable contracts (which are not leases or PFI contracts).

TREDSS

TREDSS stands for the Transformation of EDS Services and is a renegotiation, via a Standard Services Business Allocation (SSBA), of the ACCORD, ITPA and SOBA contracts which the Department previously had with EDS. The Department is of the opinion that TREDSS does not meet the criteria to be disclosed as a PFI contract. Total expenditure on this contract in 2008-09 was £524.8 million (2007-08 £617.5 million).

ICONS

On 1 October 2005, the Department consolidated two existing contracts (Advanced Telephony Business Allocation and Wide Area Network Services) with BT Syntegra into ICONS. The Department is of the opinion that the contract does not constitute a PFI arrangement. Total expenditure on this contract in 2008-09 was £218.3 million (2007-08 £204.8 million).

Central Payments System (CPS)

In addition the Department has signed a contract with EDS, covering a period of 25 months from June 2009, in respect of data storage costs for the CPS Performance Test Environment.

Future Commitments

At 31 March 2009, the payments to which the Department is committed, analysed by the period during which the contract expires, are as follows:

	2009-10	2008-09
	£000	£000
Expiry within 1 year	279,199	297,840
Expiry after 1 year but not more than 5 years	308,901	932,402
Expiry thereafter	–	–
	588,100	**1,230,242**

38. Financial Instruments

(a) Financial Instruments by Category

	2008-09			2007-08		
	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 PADA	5,623	–	5,623	–	–	–
Trade debtors	14,842	–	14,842	21,339	–	21,339
Amounts due from Other Government Departments	61,209	–	61,209	125,119	–	125,119
Other debtors	159,848	–	159,848	108,543	–	108,543
Development Gains	–	13,400	13,400	–	–	–
Cash and cash equivalents	286,400	–	286,400	55,225	–	55,225
Benefit Overpayments	821,775	–	821,775	920,929	–	920,929
Social Fund	720,701	–	720,701	611,937	–	611,937
Total	**2,070,398**	**15,216**	**2,085,614**	**1,843,092**	**1,451**	**1,844,543**

	2008-09		2007-08	
	Financial liabilities at amortised cost	Total	Financial liabilities at amortised cost	Total
	£000	£000	£000	£000
Financial liabilities				
Trade creditors	97,217	97,217	69,743	69,743
Accruals	494,133	494,133	542,980	542,980
Total	**591,350**	**591,350**	**612,723**	**612,723**

(b) Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The book values of the Department's financial assets and liabilities at 31 March 2009 are not materially different from their fair values (see notes 25 and 27). They have accordingly not been shown separately.

(c) Exposure to Risk

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a commercial organisation of a similar size. Financial instruments that relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements expose the Department to little credit, liquidity or market risk.

i. 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 debt being with other government departments. There is also the risk of non payment in relation to benefit overpayment and social fund debt. This risk is limited to the extent that the debt can be recovered from benefit payments (ultimately the universal State Pension) and even from the debtor's 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 debt.

ii. 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.

iii. 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.

iv. 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.

v. 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.

(d) Aged Analysis of Financial Assets

An analysis of the ageing of the non impaired Financial Assets is shown below:

	0-30 days	30-60 days	60-90 days	90-180 days	180-360 days	Total
	£000	£000	£000	£000	£000	£000
Trade debtors	1,918	343	91	624	1,872	4,848
Amounts due from Other Government Departments	48,288	3,633	1,809	3,951	2,770	60,451
Other Debtors	3,282	746	778	1,429	1,191	7,426
As at 31 March 2009	**53,488**	**4,722**	**2,678**	**6,004**	**5,833**	**72,725**

39. Contingent Liabilities disclosed under FRS 12

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 debts 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 2008, the net current liabilities of Remploy were £2.0 million with the retirement benefits obligation amounting to £113.8 million.

Better Government for Older People (BGOP)

This is 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 provides, we have also agreed to indemnify CPA, the host organisation, against any losses arising from BGOP activity to the sum of £1m in any one year and, as the 'Consortium Agreement' year runs from October to September, £2 million in totality. In addition, the Department is indemnifying CPA who took over the hosting from Help the Aged. CPA are seeking to bring a claim of £180,000 against the Department under the agreement.

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. A provision for impairment of £38 million is also included in the accounts against additional liabilities which could arise as a direct result of closing the 2000-06 ESF programme. The ESF Audit Authority is required to produce a closure statement for each ESF programme. There is a risk that adverse opinions could result in the European Commission imposing financial corrections. There is also a likelihood of the European Commission imposing financial corrections where ESF has been paid in excess of agreed intervention rates.

Because of the complexity of EU regulations governing ESF and the right of the European Commission and European Court of Auditors to carry out audits on the 2000-06 ESF programme in future years there is a possibility that unforeseen ineligible ESF expenditure could be detected which cannot be recovered by DWP. The risk and likely amount of any unforeseen future liabilities cannot be assessed with any degree of certainty.

DWP is responsible for managing the entirety of the European Social Fund in England. However DWP also has Co-Financing Status which enables Jobcentre Plus to add value or fund additional places to domestically funded projects. Grant claims are submitted through a local Government Office who have delegated authority to manage the ESF programme at regional level. The grant is based on payments to contracted providers which cannot always be fully recovered. Shortfalls arise if a grant cannot be claimed on expenditure incurred. If this expenditure cannot be recovered from the provider, the shortfall is met by the Department. 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

In December 2007, the Government announced its intention for the Financial Assistance Scheme (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, completed in December 2007, estimated the value of these assets to be £1.7 billion). Regulations to give effect to this are planned for Winter 2009. As a result, the liabilities associated with the Financial Assistance Scheme will increase.

The assets referred to in this note (i.e. the £1.7 billion) are not noted as contingent assets since the assets when received will not be included in our resource accounts. Rather they will be accounted for in a separate trust statement as we are managing the assets on behalf of wider government (when they are in cash form the Department will be surrendering these to the HMT Consolidated Fund).

Health and Safety Executive

HSE is currently defending two equal pay cases (Cadman and Wilson). In October 2003, HSE successfully appealed to the Employment Appeal Tribunal against an Employment Tribunal decision in the case of Cadman handed down in July 2002. That appeal was subject to cross appeal and in October 2004 the Court of Appeal referred a point of law to the European Court of Justice (ECJ). The ECJ judgement was handed down in October 2006, following which the Court of Appeal remitted the case back to the Employment Tribunal for a rehearing. No date has yet been fixed for Cadman to be reheard.

Meanwhile, the 'sister' case of Wilson which had been stayed before the Employment Appeal Tribunal (EAT) pending the outcome of the Cadman case in the ECJ was remitted to the Employment Tribunal sitting at Shrewsbury. The Employment Tribunal applying the ECJ decision in the Cadman case found in HSE's favour. Mrs Wilson appealed to the Employment Appeal Tribunal and the EAT found in favour of the appellant. As this has implications for other departments and agencies, HSE lodged a 'protective' appeal to allow for cross-Whitehall consideration. Mrs Wilson has subsequently filed a cross appeal. The Court of Appeal considered the case on 17-19 June 2009 and the Court's decision is awaited.

Vaccine Damage Payments

Important changes to the Vaccine Damage Payments Scheme have been introduced. The level of disablement that is defined as severe has been 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. All of the 389 claims received by this deadline were rejected. As they carry appeal rights there is no time limit for requesting a Vaccine Damage Appeal and it can be 10 years or more before they decide to go ahead. It is 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 April 2007 and March 2009, The Pension 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 2009, State Pension arrears of £87.8 million had been paid out in relation to the pensioner exercise, plus interest of £7.6 million.

Employee Assistance Programme

The Department has a potential liability in respect of tax on 'legal advice' provided by the Employee Assistance Programme (EAP). This potential liability has arisen as a result of a Statutory Instrument introduced in August 2000. Although 'legal advice' forms a small part of the EAP services the rules state that where any part of an EAP service provides 'legal advice' the whole of that service is liable for tax. The Employee Assistance Professional Association are challenging the HMRC policy and interpretation of 'legal advice' on the basis that it provides clear employer benefit as it is an essential part of the employer's resources for maintaining the well being of its employees. The Department has entered into discussions with HMRC. It is currently not possible to estimate the value of this liability so no provision has been made in these accounts.

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.

Compensation payments due under the Pneumoconiosis etc. (Workers' Compensation) Act 1979 are made through the Workers' Pneumoconiosis Compensation Payments Scheme. This scheme compensates 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 the 1 October 2008 and compensates sufferers from mesothelioma who are not eligible for help from the Workers' Pneumoconiosis Compensation Payments Scheme. 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.

European Court Exportability Judgement – Disability Benefits

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.

These cases are currently being assessed but at present a reliable estimate cannot be made of the potential cost, so a contingent liability has been noted.

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.

There are a number of cases in progress where transfer values have been issued but for which a payment has yet to be made. Consequently, a provision of £2.316 million has been recognised in the accounts (see Note 28c).

Employment Programmes

Judicial review of geographic boundary issues may result in DWP 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.

40. 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 FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote. They are therefore measured following the requirements of FRS 26.

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 2008	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Guarantees	–	–	–	–	–	–
Indemnities	–	–	–	–	–	–
Letters of Comfort	11,890	19,336	–	(11,890)	19,336	–
	11,890	**19,336**	**–**	**(11,890)**	**19,336**	**–**

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. Although quantifiable, 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 2008-09, 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 2009, there were a number of letters of comfort in place, notably relating to the Pension Transformation Programme IT related projects (£13,713k). A further letter of comfort has been put in place relating to the Personal Accounts Delivery Authority (PADA) (£5,623k). This has been given because the Department is 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 has 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.

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.

41. Losses and Special payments

Non-Contributory & Jobseekers Allowance (Contributory) Benefits

Losses Statement	2008-09	2007-08
	£000	£000
Total 994,452 cases, to the value of £255.093 million		
Details		
General Losses	232,097	167,400

General Losses are cash losses mainly due to non-recoverable overpayments of benefit which are written off during the year.

The General Losses value for 2008-09 has increased since 2007-08 partly due to a one-off exercise in May 2008 that identified an additional £19 million of write-offs. To add to this, a number of official error debt write offs have been captured as a loss to the Department following changes to recovery procedures. These procedures were introduced as a consequence of the Child Poverty Action Group's legal challenge to the Department's policy on the recovery of official error overpayments. In addition, changes made to the Debt Manager system regarding insolvency, resulted in a further £1.6 million being written off.

Organised and Serious Fraud	2,309	6,544

A national team of specialised officers within the Fraud Investigation Service conducts investigations into organised and systematic abuse of the benefit system. During the period 1 April 2008 to 31 March 2009, 1,796 cases were authorised for investigation. The total amount of proven losses amounted to £2,309,284. Actual instrument of payment (IOP) recoveries totalling £178,681 were made. 2 operations were completed which, individually, involved an amount of fraud before recoveries of over £250,000.

Operation Teeny

This case centres on allegations of an organised and widespread fraud involving false applications for National Insurance numbers between February 2005 and March 2007. The fraud involved twenty six individuals that can be linked to two defendants and who made at least 28 fraudulent applications. Fraudulent benefit applications were also made by 6 suspects. The combined value of these fraudulent claims for benefit was in excess of £250,000. The court case resulted in successful convictions being secured.

Operation Negator

This operation involved a complex and long running multiple identity fraud. Each identity had a number of benefit claims including Income Support, Jobseekers Allowance, Disability Living Allowance, Pension Credit, Housing Benefit and Council Tax Benefit. 8 properties were purchased outright as a result of this fraud and used as claimant addresses. Bank accounts were also set up in false names in order to receive the payments. The total overpayment is in excess of £609,000. All persons pleaded guilty and were sentenced on 5 June 2008.

	2008-09	2007-08
	£000	£000
Financial Investigations Unit		
Cases referred to our Financial Investigation Unit have resulted in confiscation orders totalling £5,796,623 and compensation orders to the value of £525,051, with voluntary repayments for the sum of £1,428,992 being obtained.		
Overpayments of Income Support and Jobseekers Allowance Child Premium arising from Child Tax Credit	11,600	1,652

If a customer is receiving IS or Income Based JSA (JSA(IB)) Child Premium, and either the customer or known partner is transferred to Child Tax Credit, any Child Premiums should be removed, thereby reducing the amount of IS or JSA(IB) paid.

An interface was introduced to alert the IS/JSA Computer Systems when the customer or known partner started to claim Child Tax Credit. Scans were conducted of the IS and JSA systems to identify cases where the removal of the Child Support Premiums had not been carried out, resulting in overpayments of IS and JSA.

15,817 cases were identified in 2008-09. The Department estimates the value of these cases at £11.6 million.

	2008-09 £000	2007-08 £000
Overpayment of Pension Credit due to delay in conducting full case reviews.	4,573	–

The majority of Pension Credit customers are set an Assessed Income Period (AIP) during which changes to Non-State Pensions, savings and investments are not required to be reported unless any change could result in an increase to the Pension Credit award. The typical period of an AIP is 5 years. Due to the volume of AIPs scheduled to come to an end during 2009 not all Pension Credit cases had a full case review undertaken and a new AIP set. Because the customer had been advised that certain changes did not need to be disclosed during their AIP, any overpayments arising due to such changes occurring after the AIP end date are not recoverable in the absence of a review having been undertaken and a new AIP being set. 6,331 cases were overpaid as a result, totalling £4,572,692.

	2008-09 £000	2007-08 £000
Internal Fraud	1,034	394

Investigations into suspected frauds or abuse by staff are conducted by a dedicated national team within the Department's Risk Assurance Division. In the period 1 April 2008 to 31 March 2009, a total of 385 investigations were completed that involved a loss to public funds. Recovery action in respect of losses is taken and detailed at a local level.

The total loss identified in all cases was £1,033,646. There has been a large increase in the number of cases reported compared to the previous year as, since April 2008, the Department has recorded a monetary loss for those cases involving abuse of official time, for example staff making unauthorised accesses to Departmental records. Previously these cases were omitted as no loss was recorded. As a result, 190 of the 385 cases involved a loss of less than £5 and 80 cases involved a loss between £5 - £199. Despite this increase in the number of cases the overall amount of loss has decreased.

	2008-09	2007-08
	£000	£000

351 of the completed investigations involved losses relating to salary, expenses and other non-benefit payments amounting to £739,176. The largest single case involved a recorded loss estimated at £320,000. This involved a member of staff who was subsequently investigated by the police for a serious criminal offence. As part of the investigation it came to light that the member of staff had a criminal conviction prior to employment, which was not declared on recruitment. If the conviction had been known the individual would not have been employed so the loss of £320,000 is the estimate of the salary paid from 1984 to date of dismissal.

34 of the completed investigations involved losses related to benefits. The total loss to the Department from these cases was £294,470. 5 of these cases involved losses of greater than £20,000. The largest single case involved a member of staff who knowingly allowed and colluded with their partner to claim benefits (Income Support, Housing Benefit and Council Tax Benefit) as a single parent whilst they were living together. The total loss was £73,726.

None of these cases were identified as being attributable to the National Insurance Fund.

	2008-09	2007-08
Fraud by Third parties (excluding fraud against the benefit system)	735	550

Investigations into allegations of fraud by contractors and recipients of Access to Work (a non contracted programme to assist people with disabilities back into work) are conducted by a dedicated national team within the Department's Risk Assurance Division. A total of 37 investigations were conducted between 1 April 2008 and 31 March 2009. The total loss involved was £735,125 of which approximately £522,000 related to contracts with third parties. A significant proportion of third party cases (approximately £478,000) related to investigations initiated in prior periods. Abuses identified ranged from non-delivery against contractual requirements to falsification of records in order to inflate or support payments.

	2008-09	2007-08
Payments to incorrect Post Office card accounts	400	5,200

Benefit expenditure has, on occasions, been paid into incorrect Post Office Card Accounts (POCA). This is due to incorrect information being stored on the Heritage Benefit Systems and occurs when bank account details are incorrectly entered onto Departmental payment systems.

During the period 1 April 2008 to 31 March 2009 £739,633 has been paid into incorrect accounts. Of this, £331,319 has been recovered and an additional £7,815 has been recovered that related to payments made prior to 1 April 2008 giving a net overpayment of £400,499.

These payments are classed as official error and are therefore to be written off, although repayment will be requested where the account holder receiving the incorrect payment can be identified.

The basis for calculating this loss has changed from that in 2007-08, which reported the cumulative loss since the introduction of POCA in 2003. The calculation applied for 2008-09 takes account of the loss arising in year only and therefore excludes losses incurred over prior years, which have been previously reported.

	2008-09	2007-08
	£000	£000
Duplicate Christmas Bonus	1,306	151

Although a customer only qualifies for one Christmas Bonus payment each year, duplicate £10 Christmas Bonus payments arose because more than one benefit system may generate that payment. During the period 1 April 2008 to 31 March 2009 overpayments arising from the £10 bonus payments were approximately £0.2 million to 17,720 customers.

Additionally, in November, the Chancellor announced that extra Christmas Bonus payments of £60 would go to 15 million qualifying people, most of whom are pensioners, to provide extra help in the light of the economic downturn. This was paid automatically in addition to the £10 Christmas bonus already paid in December, making a total Christmas bonus payment of £70 for 2008.

Customers were due to be paid the £60 payment on the basis of their eligibility for one of the qualifying benefits in the week commencing 28 December 2008. However, in some cases, 12 January 2009 was used as the qualifying date. This meant that some customers who became entitled to the State Pension between these dates also received the payment in error.

18,748 cases were identified in 2008-09, amounting to approximately £1.1 million in unrecoverable overpayments.

Missing Dispatches	1,039	–

There have been instances of cheques claimed by Post Offices as being cashed, which were not received at Alliance and Leicester Commercial Bank (ALCB). The value 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.

Special Payments

Total cases 12,176, to the value of £3.313 million.

Details

Special Payments General	3,313	7,811

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. Between 1 April 2008 and 31 March 2009 £3.313 million of Special Payments were made.

Housing and Related Benefits	2008-09	2007-08
	£000	£000
Losses Statement		
Total value of £5.603 million		
The Secretary of State, in accordance with provisions of 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 (HB/CTB) overpaid subsidies to recover from local authorities. In the exercise of his discretion the Secretary of State has, in relation to 91 local authorities, decided to waive recovery of overpaid HB/CTB subsidy, estimated at £5,603,326 in respect of 2004-05, 2005-06 and 2006-07 subsidy claims.	5,603	19,526
National Insurance Fund		
General Losses (373,179 cases)	56,960	43,331
Special Payments (13,652 cases)	9,135	1,370
Missing Dispatches	346	–
Social Fund		
Losses Statement		
Total 118,690 cases, to the value of £119.587 million		
Recoverable loans impracticable to pursue (15,468 cases)	1,852	1,136
Claims for recoverable Funeral expenses abandoned due to insufficient estate (76,687 cases)	88,546	28,864
Claims for recoverable Funeral expenses abandoned because they are impossible/unreasonable to pursue (25,042 cases)	28,914	4,942
Losses due to irrecoverable overpayments (non loans) recorded during the year (1,493 cases)	275	905
European Social Fund		
Losses Statement		
Total value of £4.748 million.		
A provision of £25,885,403 was included in the 2007-08 accounts in respect of European Social Fund. In the 2008-09 accounts it has been necessary to increase this provision by a further £23,846,660. Of this revised figure, a reduction of £10,037,652 has been made against debts where recovery of overpayments to providers is proving problematic and £33,884,312 is a provision against EC debts. Losses of £4,748,531 were written off during the year. This figure represents overpayment debts where recovery action had proved fruitless.	3,901	9,283
Administration		
Losses Statement		
Total 47,057 cases, to the value of £47.479 million.		
Cash Losses		
Non-salary related losses reported by the Department totalled 18,420 cases to the value of £3,277,789.	3,278	945

	2008-09 £000	2007-08 £000
Cash losses of pay, allowances and superannuation reported by the Department totalled 883 cases to the value of £652,282.	652	489
Cash losses of overpayments of benefits, grants and subsidies reported by the Department totalled 26,345 cases to the value of £39,596,776. This figure includes £35,471,654 which relates to the change to the European Social Fund provision. It also includes £1,730,111 that relates to European Social Fund write offs which are treated as Administration Losses.		
An amount of £424,015 has been incurred due to a project being declared ineligible by the European Commission.		
An amount of £423,370 has also been incurred as the company in line to receive the funding has gone into liquidation.	39,597	17,952
Claims Waived or Abandoned		
Claims Waived or abandoned by the Health and Safety Executive totalled 175 cases to the value of £173,459.	173	92
Stores Losses		
Vehicle related losses reported by the Department totalled 1,148 cases to the value of £510,184. This comprised 961 cases totalling £349,889 where DWP drivers of official vehicles were at fault and did not involve any third parties, with the remaining 187 cases totalling £160,295 where DWP drivers were at fault and a third party was involved.	510	265
Losses of accountable stores by the Health and Safety Executive and the Rent Service totalled 13 cases to the value of £33,675.	34	–
A review of the Jobcentre Plus Asset Register during 2008-09 revealed that £3.235m of recorded Leasehold Improvements Assets Under Construction could not be supported. The error relates to assets recorded prior to the 2007-08 financial year. The value of these assets has therefore been recorded as a bookkeeping loss.	3,235	–
Special Payments		
Total 47,597 cases, to the value of £17.030 million.		
Special Payments to staff and members of the public made by the Department totalled 4,976 cases to the value of £3,322,234. Jobcentre Plus have made a payment of £320,000 to a former member of staff in settlement of a bullying and harassment case.	3,322	2,169
Special Payments to members of the public (Customer cases) made by the Department totalled 42,621 cases to the value of £13,708,050.	13,708	10,822

	2008-09	2007-08
	£000	£000

Other Accountability Issues

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.

We estimate that 28,800 increases were affected in 2006-07 and 24,500 in 2007-08, with the level of overpayment amounting to approximately £15.1 million in 2006-07 and £12.6 million in 2007-08.

To enable payments of child dependency increases to continue as normal, DWP will reverse the unintentional effects of the Child Benefit Act 2005, by including a measure in the forthcoming Welfare Reform Bill. The Welfare Reform Bill is now expected to receive Royal Assent in October 2009.

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.

This statement has been approved by the Chief Secretary to the Treasury.

Overpayment of Carer's Allowance Following Changes to 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 NIRS2, which updates the customer's NI account. NIRS2 then identifies any accounts where there are overlapping credits and contributions from employment and notifies the Carer's Allowance Unit in DWP. It was identified in 2007-08 that DWP were 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 was made in October 2008 to cover the tax years from 1997-98 onwards, but the Department will not be in a position to assess the full impact of the number of cases affected until we have received the backlog of referrals from HMRC.

It is estimated that 90,000 – 100,000 notifications could be generated for each of these tax years and approximately 5% would generate an overpayment, at an average of £2,000 per overpayment. This equates to approx £9 million per year. Where the 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.

	2008-09	2007-08
	£000	£000

Overpayment of Pension Credit when Retirement Pension in payment but not taken into account correctly

It was identified that the amount of State Pension being taken into account in the Pension Credit award did not reflect deductions being made from State Pension to recover an overpayment or to repay a Social Fund Loan. A system fix was put in place in October 2007 to prevent the wrong rate of State Pension from being imported into the Income Support Computer System (ISCS), the system which calculates Pension Credit entitlement. Up to 4,500 cases may have been affected by the error but some will have already been corrected during the course of normal business. All the remaining affected Pension Credit cases have been corrected but the original recoverable debt is still to be reviewed and, where applicable, deductions re-instated, taking account of the maximum level of deduction permitted in Pension Credit. The estimated overpayment of Pension Credit due to the system error, and not recoverable under Social Security Legislation by deductions from ongoing benefit, is £5 million.

Incapacity Benefit Credit Entitlement Records on NIRS2 and PSCS

Individuals in receipt of Incapacity Benefit payments also receive National Insurance Credits for periods when they are unable to work. These credits accrue towards an individual's entitlement to State Pension and other contributory benefits, and are used to calculate whether a particular tax year is a qualifying year for benefit purposes. The DWP's Pension Strategy Computer System (PSCS) records periods of incapacity for those claiming Incapacity Benefit and provides the HMRC National Insurance Recording System (NIRS2) with this information to allow the relevant credits to be recorded on the individual's National Insurance account. During 2004-05 it became clear that information on periods of incapacity recorded on PSCS and NIRS2 did not match in all cases. Further extensive investigation was undertaken to correct the source of the error and since November 2005 the link between PSCS and NIRS2 has worked effectively. However, this left a legacy of incorrect contributory benefit awards based on erroneous National Insurance records.

On 23 July 2007 the Under Secretary of State for Work and Pensions announced the steps the Government intended to take for the past cases where errors have occurred. Work started in August 2007 to correct the NI records and any underpaid contributory benefit. DWP analysts originally estimated that errors in the payment of State Pension were likely to involve estimated annual underpayments of state pension of between £2.7 million and £5 million to up to 15,000 individuals. For Incapacity Benefit it is estimated that up to £60 per week may have been underpaid in up to 15,000 cases. However in many cases the error did not mean that people have been receiving less money through benefits as Pension Credit or Income Support will have been paid in lieu. It was estimated that in 60% of the State Pension cases underpaid, the individual is also in receipt of PC, so no arrears would be due to the customer and in up to 45% of the IB cases underpaid IS may have been in payment. The actual exercise has shown the level of underpaid contributory benefit is lower than estimated. Nearly all the potentially underpaid State Pensions cases have been reviewed and arrears of £2 million paid to 3,545 customers. Incapacity Benefit cases continue to be reviewed and by the end of the exercise we estimate that arrears will have been paid to 2,500 customers amounting to approximately £7.8 million per year.

42. Related Party Transactions

The Department for Work and Pensions is the parent of The Pension, Disability and Carers Service, Jobcentre Plus, The Rent Service, the Child Maintenance and Enforcement Commission, The Pensions Regulator, the Health and Safety Executive, Remploy Ltd, the Independent Review Service for the Social Fund, the Office of the Pensions Ombudsman, Personal Accounts Delivery Authority, The Pensions Advisory Service and the Pension Protection Fund. 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 Paymaster General, 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 Children, Schools and Families and the Department for Innovation, Universities and Skills.

No Minister, Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

43. 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 funds are accounted for in the CMEC Client Funds Account. The cash balances held at 31 March are:

Statement of Balances at 31 March	31 March 2009	31 March 2008
	£000	£000
CMEC Client Funds	17,431	18,528

44. Incorrect Payments

Background

The Department has a responsibility to pay our customers the right benefits at the right time. Social Security legislation lays out the basis on which the Department calculates and pays benefits. The purpose of 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 customer needs and circumstances to ensure an efficient use of overall resources. This does, however, introduce complexity and inherent risk of fraud and error associated with the calculation of awards and, 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 some 97% of its benefit expenditure.

Overall performance

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 the total fraud and error for 2008-09, resulting in overpayment of benefit, stands at 2.0% (£2.7 billion) of benefit expenditure compared with

[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.

3.2% (£3.3bn) in 2000-01 when the DWP was formed. Over the same period there has been a reduction in fraud from 2.1% to 0.6%, whilst customer error has remained constant at 0.7%, but official error has increased and currently stands at 0.6%. There have been some changes to the measurement of fraud and error over this period and so it is likely that some of the reduction is due to definitional change. The recent trend in official error is showing a 15% reduction compared with 2007-08 figures.[2] The level of underpayments currently stands at 0.9% (£1.2 billion). In percentage terms this level remains unchanged since 2007-08 but the monetary value of underpayments has increased, due to an increase in expenditure.

The Department remains committed to reducing fraud and error in benefits and has extended its challenge in the last spending review round (CSR07). Its current target, the Departmental Strategic Objective 6 (DSO6), commits the Department to reduce both overpayments and underpayments across all benefits.[3] The focus of earlier Public Service Agreements was to reduce overpayments from fraud and error in Income Support, Jobseeker's Allowance and Housing Benefit only. The latest figures confirm that the Department remains on course to meet its overpayment reduction target, but accepts more needs to be done to meet the underpayment target.

Figure 1: Estimated levels of overall fraud and error

	2008-09*		2007-08*		2000-01*** (global estimates first produced)	
Fraud	0.6%	£0.9bn	0.6%	£0.8bn	2.1%	£2.2bn
Customer error	0.7%	£0.9bn	0.7%	£0.9bn	0.7%	£0.7bn
Official error	0.6%	£0.9bn	0.8%	£1.0bn	0.4%	£0.4bn
Total overpayments	2.0%	£2.7bn	2.1%	£2.7bn	3.2%	£3.3bn
Total underpayments	0.9%	£1.2bn	0.9%	£1.1bn	0.7%**	£0.8bn**
Total expenditure	**£135.9bn**		**£126.1bn**		**£101.4bn**	

Note: Component estimates and percentages 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 and Housing Benefit) for periods covering Oct 07-Sept 08, and Oct 06-Sept 07, but using benefit expenditure covering the financial year in question. The expenditure in this note covers solely benefit expenditure and therefore differs from that in note 13 which covers expenditure wider than just that on benefits.
**Earliest figures available for underpayments is 2004-05
***The 2004-05 Disability Living Allowance (DLA) National Benefit Review identified cases where the change in customer's 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 customer to inform us that their needs have changed, cases in this subcategory were legally correct. The difference between what customers 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) of overpayments 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 in the estimates should be treated with caution as some of the reduction is likely to be due to the definitional change.

[2]The reduction has been calculated using unrounded estimates.

[3]DSO6: 'To pay our customers the right benefits at the right time'. The aim is to continue to drive down levels of fraud and error to deliver a reduction in benefit expenditure overpaid to 1.8% and underpaid to 0.7% by 2011.

Figure 2: Progress towards DSO6

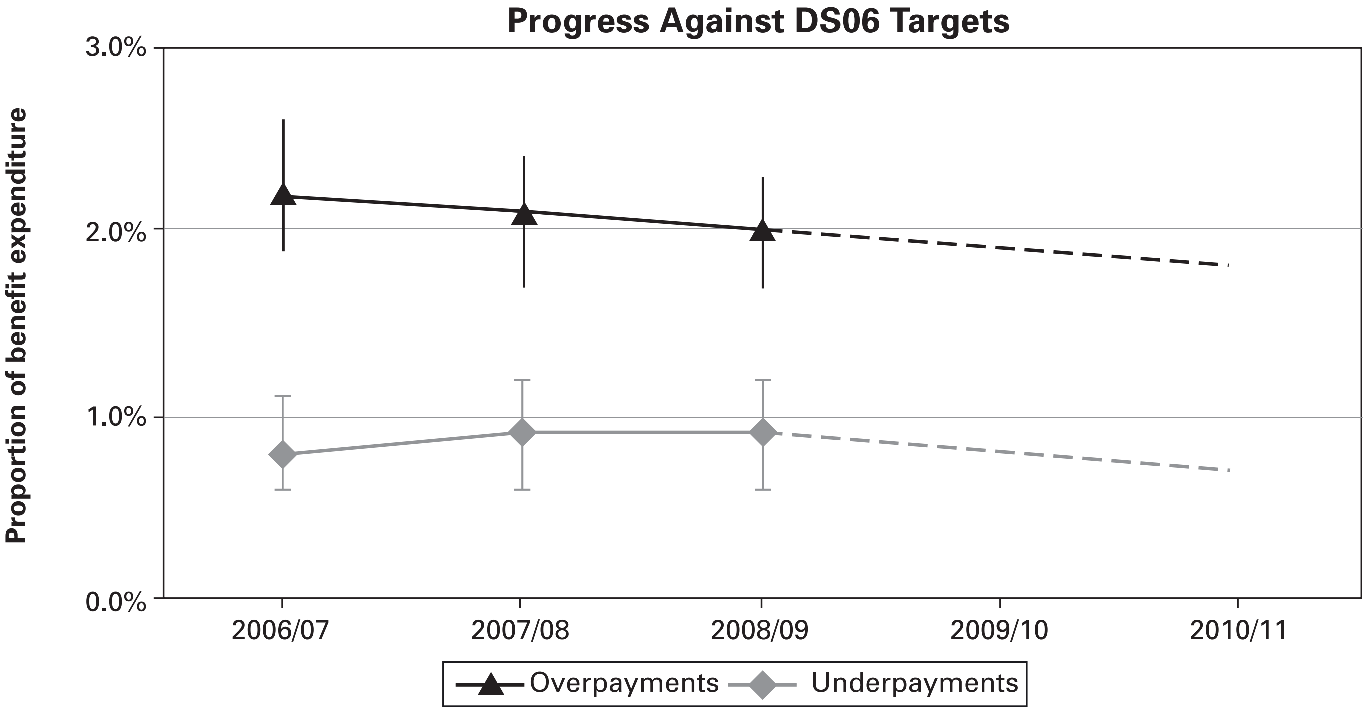

Figure 2 shows the progress to date against the global DSO6 targets, which were baselined against 2006-07 figures. The solid line shows the progress confirmed by the published national statistics for 2007-08 and 2008-09, and the dotted line reflects the required future flight-path to ensure the achievement of DSO6 by March 2011. The Department is currently on trajectory with respect to overpayments, although underpayments, which increased slightly during 07-08 to 0.9% from 0.8%, have remained static.

Measurement of fraud and error

The Department continues to improve its process of measuring its performance in fraud and error and for the second consecutive year has included data drawn from samples that reflect six months of "in-year" figures for the continuously measured benefits (Income Support, Jobseekers Allowance, Pension Credit and Housing Benefit) for the Resource Account.[4] Continuous measurement of Incapacity Benefit began in April 2008 and the first estimates will be available in October 2009. The Department plans to measure fraud and error in Disability Living Allowance in 2010-11. The Department has also developed a method for indicating substantial change in fraud and error in the currently continuously measured benefits, called Early Indicators. The indicators based on sample cases that have been categorised before the end of March 2009 include over 75% of cases sampled from across 2008-09. These indicate that there has been no substantial change in the level of fraud and error in the second half of 2008-09.

CONTEXT

The benefits the Department pays can be grouped into three main categories:

- Income-related benefits
- Contributory benefits
- Disability benefits

[4]In earlier Resource Accounts the data used to estimate levels of fraud and error in the continuously measured benefits were drawn from the previous financial year.

Income-related benefits

In seeking to ensure people on low incomes are supported, legislation requires that a claimant'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 assesses 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 had prioritised its efforts to tackle fraud and error principally on these benefits. Income Support and Jobseeker's Allowance have been the main focus of our efforts to tackle fraud and error since 1997-98, extending to Pension Credit and Housing Benefit since 2002-03, underpinned by stretching performance targets including Public Service Agreement (PSA) targets.

The 2004 PSA target to "reduce the level of fraud and error in Income Support and Jobseeker's Allowance by 15% by March 2010 from a baseline period of April 2005 to March 2006", was subsumed into Departmental Strategic Objective 6 which now covers all benefits.

^All National Statistics reports on fraud and error are available at www.dwp.gov.uk/asd/asd2/fraud_error.asp

Figure 3: Comparison between income-related benefits (continuously measured)

Income-related benefits		Income Support		Jobseekers Allowance		Pension Credit		Housing Benefit	
Expenditure	2008-09	£8.9bn		£2.9bn		£7.8bn		£17.2bn	
	2007-08	£9.1bn		£2.2bn		£7.4bn		£15.7bn	
within which are estimated:									
Total overpayments	2008-09	4.9%	£440m	5.1%	£140m	4.6%	£360m	4.5%	£770m
	2007-08	5.3%	£480m	5.0%	£110m	5.3%	£390m	4.8%	£750m
Total underpayments	2008-09	1.3%	£110m	0.3%	£10m	1.5%	£120m	1.3%	£220m
	2007-08	1.3%	£120m	0.5%	£10m	1.7%	£120m	1.4%	£220m
analysed between:									
Fraud overpayment	2008-09	2.5%	£220m	2.9%	£80m	1.1%	£90m	1.2%	£210m
	2007-08	2.9%	£260m	3.0%	£70m	1.5%	£110m	0.9%	£140m
Customer error overpayment	2008-09	1.1%	£100m	0.3%	£10m	1.3%	£100m	2.4%	£410m
	2007-08	0.9%	£80m	0.3%	£10m	1.3%	£100m	2.6%	£400m
Official error overpayment	2008-09	1.4%	£120m	1.9%	£60m	2.1%	£170m	0.9%	£150m
	2007-08	1.5%	£140m	1.7%	£40m	2.5%	£180m	1.3%	£210m
Number of claimants		2.0m Nov 2008[1]		1.5m March 2009[2]		2.7m Nov 2008[1]		4.1m 2008/09[3]	
Number of new claims	2008-09	0.8m		3.3m		0.3m		–[4]	
Number of changes processed	2008-09	6.5m		4.3m		3.2m		–[4]	

Note: Component estimates may not sum to totals due to rounding.
[1]November 2008 is the latest period for which National Statistics are published for caseload.
[2]Claimant count for JSA is available to March 2009.
[3]Housing Benefit caseload is not published as a National Statistic. Source: IFD Fraud and Error Measurement
[4]Data on new claims and changes for Housing Benefit was previously provided via the Housing Benefit Management Information System (HBMIS). HBMIS no longer exists, and its replacement is still in development.

Income Support

Income Support is a complex benefit to process and maintain for several reasons. Potentially, the customer must provide a large amount of evidence. Any change in a customer's circumstance, ranging from income and earnings to number, age and income (if applicable) of people in the household, has to be reported and can affect the benefit they receive.

The latest estimates suggest that the percentage of Income Support expenditure overpaid due to fraud and error has reduced from 5.3% in 2007-08 to 4.9%. The continuing progress on fraud has enabled a further reduction from 2.9% to 2.5%, and official error has fallen from 1.5% to 1.4%, whilst customer error has increased from 0.9% to 1.1%.

The Department first measured Income Support fraud and error in 1997-98, and the estimates suggest that compared to the 2008-09 figures overall there has been a reduction from 9.2% to 4.9%. There has been a reduction in fraud from 6.7% to 2.5%, customer error has increased from 0.9% to 1.1% and official error has fallen from 1.6% to 1.4%. There have been some definitional changes to the measurement of fraud and error over this period, not all of which can be quantified therefore direct comparisons will need to be treated with some caution.

Jobseeker's Allowance

The two elements of Jobseeker's Allowance (income-related and contributory) add to its complexity, along with the additional requirement to be available for work and provide evidence of job search activity.

The percentage of Jobseekers Allowance expenditure overpaid due to fraud and error has increased slightly from 5.0% in 2007-08 to 5.1% in 2008-09. This overall increase is due to increased levels of official error from 1.7% to 1.9%, but fraud is down from 3.0% to 2.9%, and customer error remains constant at 0.3%.

Since 1997-98, when it was first measured, the percentage of expenditure overpaid due to fraud and error has decreased from 13.2% to 5.1%. Fraud is down from 8.4% to 2.9%, customer error from 0.7% to 0.3% and official error from 4.2% to 1.9%. There have been some definitional changes to the measurement of fraud and error over this period, not all of which can be quantified therefore direct comparisons need to be treated with some caution.

Pension Credit

Pension Credit, introduced in October 2003, is a more recent benefit and has been a key element in the Government's strategy to tackle pensioner poverty. It is a benefit fairly similar in characteristic to Income Support, and therefore can also be quite complex to process a claim, particularly the level of information and verification required can result in relatively high official error.

The most recent estimates for 2008-09 show that the percentage of Pension Credit expenditure overpaid due to fraud and error has reduced from 5.3% in 2007-08 to 4.6% in 2008-09. Fraud has fallen from 1.5% to 1.1%, official error from 2.5% to 2.1% and customer error has remained at 1.3%.

Since 2004-05, the first full financial year when Pension Credit was measured, the percentage of expenditure overpaid due to fraud and error has reduced back to its original level of 4.6% in 2008-09, having increased to 5.3% in 2007-08. Overall fraud has increased slightly from 1.0% to 1.1%, although customer error has reduced from 1.5% to 1.3% and official error has also reduced back to the 2004-05 level of 2.1%. There have been some definitional changes to the measurement of fraud and error over this period, not all of which can be quantified therefore direct comparisons need to be treated with some caution.

Housing and Council Tax Benefit

Housing and Council Tax Benefits are payable to both working age and pension age customers and in around 70% of cases are linked to DWP benefits. In these cases the benefit is relatively simple as the rent is paid in full subject to eligibility and residency, and any deductions for non-dependents. However, the remaining 30% is particularly complex, especially when paid to working age customers who are likely to be in receipt of earnings and tax credits. The Department has responsibility for the administrative rules for Housing and Council Tax Benefits, whilst the Social Security Administration Act 1992 determined that it is for local authorities to administer and decide on claims.

Overpayments resulting from fraud and error in Housing Benefit and Council Tax Benefit amount to around £0.9bn in total, which is around one third of overall fraud and error. Compared with 2007-08 levels, this represents an improvement in both customer error, from 2.6% to 2.4%, and official error from 1.3% to 0.9%, whilst there has been an increase in fraud from 0.9% to 1.2%.

Since fraud and error measurement was introduced for Housing Benefit in 2002-03, fraud levels are now significantly lower at 1.2% in 2008-09 compared to 1.9%, customer error has increased from 1.9% to 2.4% but official error has also decreased from 1.1% to 0.9% in the same period.

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, 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. 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 Incapacity Benefit (April 2000-March 2001), Disability Living Allowance (April 2004-March 2005) and State Pension (April 2005-March 2006). Official error in Incapacity Benefit and State Pension is subject to continuous measurement.

Figure 4: Comparison between contributory and disability benefits

		Contributory				Disability	
Contributory & Disability benefits		**Incapacity Benefit**		**State Pension**		**Disability Living Allowance**	
Expenditure	2008-09	£6.6bn		£61.7bn		£10.6bn	
	2007-08	£6.7bn		£57.5bn		£9.9bn	
within which are estimated:							
Total overpayment	2008-09	1.7%	£110m	0.2%	£100m	1.9%	£200m
	2007-08	1.7%	£110m	0.2%	£110m	1.9%	£180m
Total underpayment	2008-09	0.8%	£50m	0.3%	£190m	2.5%	£260m
	2007-08	0.8%	£50m	0.2%	£90m	2.5%	£250m
analysed between:							
Fraud overpayment	2008-09	0.1%	£10m	0.0%	£0m	0.5%	£50m
	2007-08	0.1%	£10m	0.0%	£0m	0.5%	£50m
Customer error overpayment	2008-09	0.2%	£20m	0.1%	£50m	0.6%	£70m
	2007-08	0.2%	£20m	0.1%	£50m	0.6%	£60m
Official error overpayment	2008-09	1.3%	£90m	0.1%	£50m	0.8%	£80m
	2007-08	1.3%	£90m	0.1%	£70m	0.8%	£80m
Number of claimants	2008-09	2.3m		12.2m		3.0m	
Number of new claims	2008-09	0.5m		0.7m		0.5m	
Number of changes processed	2008-09	0.2m		2.4m		0.8m	

Note: Component estimates and percentages may not sum to totals due to rounding.
November 2008 is the latest period for which National Statistics are published for caseload.

Incapacity Benefit

Incapacity Benefit is payable to individuals who cannot work because of illness or disability. There are two key conditions for entitlement, medical evidence and having made sufficient National Insurance Contributions.

Official Error in Incapacity Benefit was first measured as part of the Incapacity Benefit National Benefit Review in 2000-01. It was then measured again in 2002-03 and has been reviewed continuously since then. The level of estimated overpayments due to official error doubled in 2004-05 to 1.5% compared with the previous year. This was partially due to a change in measurement methodology that had resulted in a new type of error being included. This reduced in 2007-08 to 1.3%, and has remained the same for 2008-09.

The percentages of benefit expenditure overpaid due to customer error and fraud are low compared with the continuously measured benefits at 0.2% and 0.1% of benefit expenditure respectively.

State Pension

Basic State Pension is considered easy to claim and relatively straightforward to determine and this is reflected in the low levels of overpayments due to fraud and error at 0.2% of benefit expenditure. The low levels of fraud and error in State Pension resulted in the C&AG removing this benefit from the fraud and error qualification in 2007-08.

Disability Living Allowance

Entitlement to Disability Living Allowance depends on assessment of care and mobility needs which can change over time, and decisions require a judgement to be made by the Department's Decision Makers as to the rate of benefit. This decision process is susceptible to error.

The subjectivity of the decision process contributes to the significant levels of both overpayments at 1.9% and underpayments at 2.5% during 2007-08. These percentages have remained static from 2007-08 figures, as DLA was last measured in 2004-05.

Summary of current performance

Compared with performance in 2007-08, the main changes in the estimates for overpayments for continuously measured benefits are noted below.

Improvements:

- Fraud and error in Income Support down from 5.3% to 4.9% with a reduction in fraud and official error but slight increase in customer error.
- Fraud and error in Pension Credit down from 5.3% to 4.6% with reductions in fraud and official error. Customer error stayed the same.
- Fraud and error in Housing Benefit down from 4.8% to 4.5% with reduction in customer error and official error but an increase in fraud.

Area for concern:

- A slight increase in fraud and error in Jobseeker's Allowance from 5.0% to 5.1% mainly due to an increase in official error.

Underpayments

Underpayments, although measured, have not been the focus of Departmental targets until 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 by £0.1bn, from £1.1bn to £1.2bn.

Progress has been seen in the level of underpayments during 2008-09 within the income related benefits with Jobseekers Allowance (0.5% to 0.3%), Pension Credit (1.7% to 1.5%) and Housing Benefit (1.4% to 1.3%) all showing improvements from 2007-08 figures, and Pension Credit is at its lowest ever level. There was a slight increase within the contributory and disability benefits with State Pension underpayments increasing from 0.2% to 0.3% during this period.

Although the monetary value of underpayments involving the more vulnerable customer groups is high, it represents a small proportion of the overall benefit expenditure. The Department does though recognise that such underpayments can impact significantly on their lives and is taking steps to tackle these areas. In Pension Credit cases, efforts are being made to ensure that those customers who are entitled to additional premiums receive them, and in Disability Living Allowance cases, customers are reminded to report any changes in their care and mobility needs.

The underpayment figures give an overall indication of the amount of benefit not being received by customers, but in some of these cases (usually due to official error) the customer will not actually be missing out on money they are entitled to. They will be receiving the correct amount of entitlement, but paid via a different benefit. An example would be where one benefit would be offset against another, such as Incapacity Benefit and Income Support. If the customer does not receive the correct amount of Incapacity Benefit they are eligible for it will be reported as an underpayment, although they may be receiving the overall correct amount due to being paid higher levels of Income Support.

The underpayment estimates only cover customers who are getting less than they are entitled to, and 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.

Strategies to reduce fraud and error

Although both fraud and error give rise to incorrect payments, they are fundamentally different. Recognising this, the Department has developed discrete strategies to address them. The Department will ensure that these strategies, and any future measures, are considered in the light of value for money, having regard to the cost of control, the impact on customers in terms of accessibility to and timeliness of payment and the incremental reduction in fraud and error.

Fraud Strategy

The Department's fraud strategy focuses on positive action to:

- prevent fraud before it happens;
- put off those who are thinking of committing fraud;
- detect fraud where it does happen; and
- punish the fraudsters.

Activities continue to be undertaken at the beginning of and throughout the duration of the claim, to help ensure the benefit gateway remains as secure as possible.

We are tightening benefit sanctions by introducing a "one strike" provision through the Welfare Reform Bill, which 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. We continue to exploit increased opportunities for data sharing as a result of the wider work of the National Fraud Authority and working more closely with the banking sector. We have refreshed our targeting fraud publicity campaign and extended the benefit fraud hotline and publicity campaign into Spain to cover 95-97% of British expatriates living there. We are also continuing to trial Voice Risk Analysis in Housing Benefit to help identify potentially fraudulent claims.

The Department's strategies have resulted in the lowest ever level of fraud, at 0.6% of benefit expenditure. It will become exceedingly difficult to secure significant year on year reductions in fraud given our achievements to date and the environment in which we operate. In their report published in January 2008,[5] the NAO noted that *"having reduced estimated levels of fraud to 0.6% of benefit expenditure, it is likely that the Department will find it increasingly difficult to secure significant further year on year reductions"*.

Error Reduction Strategy

DWP published its first comprehensive error reduction strategy "Getting Welfare Right: Tackling Error in the Benefit System" in January 2007, covering both customer and official error. This strategy, which focuses on prevention, correction and compliance, is projected to deliver a £1bn reduction in expenditure attributable to error by 2012.

The strategy tackles both overpayments and underpayments resulting from error, which address incorrectness as a whole.

Official Error

Specific initiatives to tackle official error in the recent period include enhancements to computer systems to stop common types of error; introduction of enhanced checking regimes; cleansing of error in the caseload by dedicated 'Action Teams'; reviewing and improving training; clarity of information on Departmental websites and improved customer communications. We continue to explore the potential for improving information technology to stop error from occurring, including improving our data matching capability. Within Housing Benefit and Council Tax Benefit, local authorities have increased the speed by which they process changes in circumstance which has contributed to a 35% reduction in Housing Benefit official error since 2005-06, when levels were at 1.4% of benefit expenditure.

Customer Error

Our customer group includes many who are elderly, vulnerable, sick and disabled and some who also have low literacy, a chaotic lifestyle and language and learning difficulties. Cases which would in other circumstances be straightforward can, therefore, become complex due to any combination of these personal characteristics. This can result in the customer making mistakes in providing us with accurate and timely information.

The greater proportion of underpayments are due to customer error, and the error strategy included initiatives aimed at supporting our customers to ensure they provide us with the information necessary to get the claims correct from the outset and for the duration of the claim.

We have developed an external communications strategy maximising, strengthening and building on existing customer contact. It uses opportunities such as telephone scripts, work focussed interviews, fortnightly signing and notifications to remind customers of changes that they need to report. Communications via leaflets to customers have also been reviewed to make the messages easier to understand and thus contribute to a reduction in customer error. Applying these and other initiatives within local authorities has helped reduce customer error in Housing Benefit and Council Tax Benefit by 23% since 2005-06.

Fraud and Error Value for Money Review

To gain a more detailed understanding of the risks of fraud and error and the impact of controls, the Department intends to commission a value for money review. The review will aim to forensically investigate which activities best address the key causes of inaccuracy.

For each benefit, and for each type of inaccuracy, we want to further understand the present situation. Specifically, the level and key causes of fraud and error, the cost and impact of current control activities, and a forecast based on these activities. In order to decide whether the current mix of activities will improve performance appropriately, we will need a clear definition of success. It is possible there is a natural level of inaccuracy below which it is either impossible or not cost-effective to reach. Once a

[5] NAO report, "Department for Work and Pensions: Progress in tackling benefit fraud" Report by the Comptroller and Auditor General, HC102 Session 2007-08, 23 January 2008.

feasible best possible position has been defined, we can then compare that to the current position, and ensure our activities will move us towards that point. The review, and associated activities, will seek to determine a definition of uncontrollable customer error. The methodology and approach will be tested on one benefit before being rolled out further.

Welfare Reform and Department's Change Programme

Over the past few years benefit simplification has played a crucial part in our ambitious programme of welfare reform. Our primary aim is to introduce a **simpler system** of working age benefits that will ensure that everyone can access the right support and skills training at the right time. The December 2008 White Paper *"Raising expectations and increasing support: reforming welfare for the future"*, set out the Government's intention to legislate to abolish Income Support and move to a dual benefit system with Jobseeker's Allowance and the Employment and Support Allowance as the two primary benefits. In the long-term, the Government is still attracted by the idea of a single benefit for people of working age, as suggested by the Institute for Public Policy Research, David Freud and others.

The Department's Change Programme focuses on changes around issues that are important to our customers, and aims to provide them with a more 'user friendly' service, in line with the Department's vision of "Work, Welfare and Well-being; Well delivered". This programme will also support delivery businesses by reducing duplication of effort and unnecessary actions, as well as making better use of information that we already hold. The Department will maximise on opportunities that the Change Programme offers to design processes and technology that will help reduce fraud and error further.

Fraud & Error estimates

The Department is particularly 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 protocol ensures their production is independent of Departmental and Ministerial influence. DWP 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.[6] 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 95% confidence interval. These give the range in which we can be 95% sure that 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 2008-09	Amount 2008-09	Percentage 2007-08	Amount 2007-08
Overpayments				
Fraud	0.6% (0.5-0.9)	£0.9bn (0.7-1.3)	0.6% (0.5-0.9)	£0.8bn (0.6-1.1)
Customer Error	0.7% (0.6-0.9)	£0.9bn (0.8-1.2)	0.7% (0.6-0.9)	£0.9bn (0.7-1.2)
Official Error	0.6% (0.5-0.9)	£0.9bn (0.7-1.2)	0.8% (0.6-1.0)	£1.0bn (0.7-1.3)
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% (0.3-0.8)	£0.7bn (0.4-1.1)	0.5% (0.3-0.8)	£0.6bn (0.4-1.0)
Official Error	0.3% (0.2-0.6)	£0.5bn (0.3-0.8)	0.3% (0.2-0.5)	£0.4bn (0.3-0.6)
Total Overpayments	2.0% (1.7-2.3)	£2.7bn (2.3-3.2)	2.1% (1.8-2.5)	£2.7bn (2.3-3.1)
Total Underpayments	0.9% (0.6-1.2)	£1.2bn (0.9-1.7)	0.9% (0.6-1.2)	£1.1bn (0.8-1.5)

Note: Component estimates may not sum to totals due to rounding.

[6] NAO report "International benchmark of fraud and error in social security systems" Report by the Comptroller and Auditor General, HC1387 Session 2005-06; July 2006.

Other Benefits

Figure 6: Level of fraud and error in other benefits is as follows:

Benefit	Expenditure 2008-09	Fraud & Error 2008-09		Fraud & Error 2007-08	
	£bn	£m	%	£m	%
Carer Allowance	1.4	70	5.5	70	5.5
Instrument of Payment fraud	–	10	–	10	–
Interdependencies*	–	40	–	40	–
Council Tax Benefit	4.2	170	3.9	170	4.2
Other unreviewed	14.6	260	1.8	220	1.8

*These are overpayments due to knock-on effects between DLA overpayments and premiums for caring and disability on income-related benefits.

45. Entities within the Departmental boundary

The entities within the boundary during 2008-09 were as follows:

Supply-financed:	The Pension, Disability & Carers Service Jobcentre Plus Child Support Agency (to 31 October 2008) The Rent Service DWP Head Office and Corporate and Shared Services
Non-executive NDPBs:	None
Crown NDPBs:	Health and Safety Executive Child Maintenance & Enforcement Commission (from 24 July 2008)
Other entities:	None

The annual reports and accounts of the Supply-financed Agencies and Crown NDPBs are published separately.

46. Transfer of Functions and Restatements

Restatement of Balance Sheet at 31 March 2008 and Operating Cost Statement 2007-08.

Balance Sheet	Published accounts at 31 March 2008	HSE MOG Transfer	Corporate MOG Transfers	Reclassif-ications	Prior period adjustment	Restated at 31 March 2008
	£000	£000	£000	£000	£000	£000
Fixed Assets						
Tangible fixed assets	826,939	287	5,899	11		833,136
Intangible assets	50,415	62		1,108		51,585
Financial Assets	1,451					1,451
Debtors falling due after more than one year	1,595,879				(645,604)	950,275
Current assets						
Stocks and Work in progress	1,346					1,346
Debtors	2,785,523	2,237	6,464		996	2,795,220
Cash with paying agents	35,132					35,132
Cash at bank and in hand	193,294					193,294
Creditors falling due within one year	(3,843,326)	(3,525)	(5,002)			(3,851,853)
Creditors falling due after more than one year	(439,669)				9,016	(430,653)
Pensions Liability	(2,618)					(2,618)
Provisions for liabilities and charges	(3,641,578)					(3,641,578)
Net Liabilities	**(2,437,212)**	**(939)**	**7,361**	**1,119**	**(635,592)**	**(3,065,263)**
Taxpayers Equity						
General Fund	(2,452,744)	(939)	7,361	1,428	(635,592)	(3,080,486)
Revaluation Reserve	15,529			(309)		15,220
Government Grant Reserve	3					3
	(2,437,212)	**(939)**	**7,361**	**1,119**	**(635,592)**	**(3,065,263)**
Operating Cost Statement						
Administration costs						
Staff costs	3,149,021	7,063	7,632			3,163,716
Other administration costs	2,991,538	2,573	28,608	447		3,023,166
Gross Administration costs	**6,140,559**	**9,636**	**36,240**	**447**		**6,186,882**
Operating income	(178,202)	(12,965)	(35,821)			(226,988)
Net Administration costs	**5,962,357**	**(3,329)**	**419**	**447**		**5,959,894**
Programme costs						
Expenditure	130,182,563	3,282				130,185,845
Income	(897,694)					(897,694)
Net Programme costs	**129,284,869**	**3,282**				**129,288,151**
Net Operating cost	**135,247,226**	**(47)**	**419**	**447**	**–**	**135,248,045**

Reported figures at 31 March 2008 have been restated as a result of the following:

- 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;
- Reclassification of 2007/08 account balances including capitalisation of HSE software licences;
- Prior period adjustment relating to the adoption of Financial Instrument Standards FRS 25, 26 and 29 and the Department's review of the basis for impairment. As a result adjustments have been made to reflect fair value changes as a consequence of the new standards and the impairment calculation review.

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% (2007-08 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 Balance Sheet.

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 people with disabilities, and their carers and representatives, about Social Security benefits and how to claim them, ring:

Telephone – 0800 882200
Textphone – 0800 243355

Child Support Agency National Enquiry Line

For general information and advice about Child Support matters ring:

Telephone – 0845 7133133
Textphone – 0845 7138924

Jobseeker Direct

For the latest job vacancies and help finding the job that is right for you ring:

Telephone – 0845 6060234
Textphone – 0845 6055255

National Benefit Fraud Hotline

For reporting suspected benefit fraud, ring:

Telephone – 0800 854 440
Textphone – 0800 3280512

Pension Credit Application line

To apply for Pension Credit ring:

Telephone – 0800 991234
Textphone – 0800 3280512

Pension Direct

For general advice if your State Pension, widow's or bereavement benefits are already paid direct into a bank or building society account ring:

Telephone – 0845 3013011
Textphone – 0845 3013012

Further details of how to contact the Department can be found on the following website:
http://www.dwp.gov.uk/contact/

Call Charges

0800 numbers

Calls to 0800 numbers are free from BT landlines but you may have to pay if you use 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 August 2008, calls to 0845 numbers from BT landlines should cost no more than 4p a minute with a 6p 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 August 2008 calls to 0870 numbers from BT landlines should cost no more than 8p per minute with a 6p 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.

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