



Department  
for Work &  
Pensions

# Accountability System Statement for Work and Pensions

Accounting officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to the department. Details of the requirements to ensure regularity, propriety and value for money are set out in HM Treasury's guidance *Managing Public Money*.

Sir Bob Kerslake, the Permanent Secretary of the Department for Communities and Local Government proposed in his report *Accountability: Adapting to decentralisation*, published in September 2011, that in future departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the funds they distribute to local bodies. This allows accounting officers to demonstrate that, as the government moves to decentralise power to local communities, the appropriate accountability mechanisms are in place.

This document sets out the present accountability system for Work and Pensions, signed by Robert Devereux as accounting officer and Permanent Secretary of the Department for Work and Pensions.

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# Accountability System Statement – Department for Work and Pensions

## 1 Introduction

1.1 As Accounting Officer for the Department for Work and Pensions, I am accountable to Parliament for the proper stewardship of the resources allocated to the Department and am required to ensure regularity, propriety and value for money as set out in the HM Treasury Guidance 'Managing Public Money'.

1.2 This statement explains how I meet my responsibilities in relation to the resources the Department allocates to local authorities and other local bodies outside the Department's direct management chain. This statement only applies to allocations that are not governed by contractual arrangements because they are grants, are a benefit or benefit subsidy, or fund transactions undertaken by local organisations (including local authorities) on behalf of the Department.

1.3 The statement covers seven separate funding streams in place for the financial year 2014-15. It has been signed by me as Principal Accounting Officer for the Department.

1.4 Two of the funding streams to local authorities are explicitly not ring-fenced: local welfare provision and the Working Well pilot. In both cases, therefore, I am relying significantly on the core system of local authority accountability for which the accounting officer at the Department for Communities and Local Government is responsible. This is the framework within which local authorities spend all of their resources, including those raised locally and centrally, and ensures resources are spent with regularity, propriety and value for money. I have though, recorded in this statement relevant information about the Department's involvement in these funding schemes.

1.5 For the remaining six funding streams, the arrangements in place are guided by five principles, whose application is proportionate to the funds involved. The principles are that it is clear:

### **Principle i**

- what the funding can be spent on and what, if any, discretion the recipient has;

### **Principle ii**

- what information has to be provided to the Department on what the funding was spent on and, where appropriate, the benefits which it has provided;

### **Principle iii**

- what the requirements are for auditing of the expenditure;

### **Principle iv**

- what remedies are available in the event that local spending is found to be outside the purposes for which it was provided; and

### **Principle v**

- that any disbursement of funding by recipients to third parties will be lawful, in particular that any applicable EU directives for public procurement will be followed.

1.6 For each funding stream, where applicable, the Department specifies in writing how these principles are to be applied in practice.

## **2 On-going regular funding arrangements**

### **2.1 Housing Benefit and Discretionary Housing Payments**

2.1.1 The Department provides £24 billion to local authorities in support of Housing Benefit (HB), plus £180 million in Discretionary Housing Payments (DHPs), and an administration subsidy contributing towards the costs incurred by them in administration.

#### **Principle i**

2.1.2 HB is an income related benefit paid to help those that are entitled to meet costs of their rent. Provisions in the Social Security Administration Act 1992 and other enactments set out the framework for entitlement within which local authorities deliver HB. This legislation also provides the arrangements for the Department to pay subsidies to local authorities for the benefit they pay out and to contribute towards their administration costs. DHPs is a discretionary scheme that allows local authorities to make awards to people experiencing financial difficulties with housing costs and who qualify for HB or the Housing Costs Element of Universal Credit.

#### **Principle ii**

2.1.3 The Department manages its relationship with local authorities in respect of the administration of HB through the subsidy returns they are required to make and by collecting other data from them. This enables the Department to publish data at the local level on HB caseload, speed of processing claims, overpayments and fraud. This information also helps the Department provide support, where appropriate.

2.1.4 To make payments towards local authorities' administration of HB the Department takes caseloads into account, with different weightings for different case types, such as private or local authority housing, and with adjustments to compensate for variations in accommodation and labour costs between regions.

2.1.5 To help reduce fraud and error in HB, the Department has improved the way it provides information to local authorities on changes linked to qualifying benefits. The Automated Transfer to Local Authority Systems project has improved the flow of the notification of changes and how data is supplied to local authorities.

#### **Principle iii**

2.1.6 The Department's accounts include estimates of amounts due from and to 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.

2.1.7 To help ensure propriety, regularity and accuracy with regard to the expenditure incurred by local authorities, the District Auditor certifies the final claim from each local authority. More generally, the District Auditor can give an opinion on the accuracy of the local authorities' financial statements and on wider matters of efficiency, effectiveness and economy.

#### **Principle iv**

2.1.8 The Department reimburses local authorities in full for benefit accurately paid. Where benefit is not paid accurately, or in relation to specific types of cases, the subsidy paid can be at a lower rate or not paid at all. The Department recovers any benefit subsidy that has been overpaid. At the end of each financial year the Department requests that local authorities provide details of their DHP expenditure for financial accounting purposes and any underspend on a local authority's annual allocation is recovered. Work

is underway to address the rising levels of loss associated with HB fraud and error and the Department is working across central and local government to ensure plans are robust and in line with other changes currently facing local authorities.

### **Principle v**

2.1.9 Benefits paid by local authorities are made in accordance with the relevant legislation and the appropriate assurance is obtained primarily from the grant certification arrangements that are in place. The assurance arrangements for DHP are based on self certification by local authorities. Further assurance is provided through the Accountability System Statement from the Accounting Officer from the DCLG, who is accountable for the core system.

## **2.2 Flexible Support Fund**

2.2.1 The Department provided £92 million in 2013-14 to support jobseekers through the Flexible Support Fund. The Fund enables DWP operational Districts to support locally identified claimant needs, and to reflect the requirements of local labour markets. The Jobcentre Plus District Managers make local decisions on how best to improve the prospects of future employment outcomes for individuals in communities facing the most complex and intractable barriers to work. Some of the spending by the fund is through conventional contractual arrangements, but some is spent in partnership with the local bodies. It is the latter which falls within the scope of this statement.

### **Principle i**

2.2.2 Subject to the rules governing the use of the fund, District Managers are free to use their budget in any way that contributes to effective local solutions. They are supported by Finance and Commercial Business Partners, who give appropriate advice regarding financial and commercial probity, and operate an internal system of control to ensure compliance with best practice, which has been developed following review of delivery in live-running. Monies from the Fund are used to support partnerships. These can include charities, not for profit voluntary and community sector organisations. The required support may be targeted training, job search skills, travel or childcare costs, or the Rapid Response support for redundancy situations.

2.2.3 Grants are made to a recognised Lead Accountable Body (LAB) within each partnership, which manages and is accountable for the use of the funds on behalf of the partnership. The LAB is responsible for working with other identified partners to distribute the funding, and ensuring that sound internal financial controls are in place with any partner that will be involved in the delivery of the specified minimum requirements agreed for the grant. This ensures that the Department's funds are used solely to pay for the delivery of agreed objectives.

### **Principle ii**

2.2.4 The grant letter from the Department specifies the assurances required by the Department. This includes the LAB providing information and evidence of delivery of the partnership's aims and objectives, and assurance that it is meeting the required minimum requirements for outcomes, targets and indicators. A further statement is required setting out how the grant has been spent so that the Department can monitor and report expenditure.

2.2.5 The LAB is required to keep accurate financial records for audit purposes. Unless the District Manager approves otherwise, any allocated grant funding which remains unspent at the end of the Grant Period is repaid to the Department.

### **Principle iii**

2.2.6 A LAB must be a legal entity with auditable accounts, and must be determined as eligible for the Fund based on the Department's Financial Viability and Risk assessment, and evidenced by Certificate of Incorporation, Charities Registration, VAT registration certificate, or alternate form of incorporation documentation.

### **Principle iv**

2.2.7 The Department asks Jobcentre Plus Districts to work with LAB to ensure grant conditions are met and that expected performance meets actual outturn. Districts will agree monitoring requirements with the LAB before formal award of a Grant, to ensure value for money considerations are maintained during delivery.

2.2.8 District Managers will take action if they find discrepancies. If necessary, they write formally to the LAB to explain the need to recover, reduce, suspend or withhold future grant payments. This includes where there have been accounting errors, for example where receipts are not fully reflected in the LAB's auditable accounts, or where funding has been claimed fraudulently. Further recourse can include the sale of fixed assets funded by the grant where they are recovered.

### **Principle v**

2.2.9 The Department requires the LAB to comply with all relevant legal requirements including those governing procurement and State Aid. The LAB must also implement appropriate security arrangements to protect information and personal data, and supply a copy of its certificate of registration with the Information Commissioner's Office to the District Manager.

## **3 Minor funding arrangements that support Departmental business**

### **3.1 Disabled Person's User Led Organisations**

3.1.1 Disabled Peoples User Led Organisations (DPULOs) support disabled people who cannot work to have more choice and control over their lives, and provide support and advice on how to use personal budgets for disabled people who want to work or need support to stay in work. The Strengthening DPULOs Programme 'Facilitation Fund' exists to support and strengthen the role of DPULOs in their local communities in enabling disabled people to have greater choice and control over their lives. The fund is a sum of at least £3 million to be spent between 2011-12 and 2014-15, and funding for 2014-15 is £750,000.

3.1.2 The awards are intended to cover all geographic regions of the UK and to cover all disabled people and impairment groups. There is no minimum amount a DPULO can apply for with a typical award in the region of £10,000. Repeat awards (for a different activity) can be considered 6 months after the completion of an activity supported by the fund.

### **Principle i**

3.1.3 The fund provides a range of practical and financial support to DPULO's, creating organisations that do not have to rely on Government support to survive. Grant payments are one off, or short term, payments which deliver robust DPULOs. This includes, for example:

- training and building the skills within DPULOs to ensure they become more competitive in the commercial environment; and
- funding DPULOs to run enterprise schemes that generate income.

3.1.4 Funding will not be given to DPULOs if it is deemed to be novel and contentious expenditure, - nor to spend on

- any other Government Department or any body funded from central government;
- funding contributions in kind;
- ongoing running costs;
- interest payments or service charge payments for finance leases;
- buying services from a third party;
- paying for rent/estates;
- funding IT equipment in excess of the £1,000 capital threshold; and
- funding working capital or retained to cover future running costs and expenditure.

***Principle ii***

3.1.6 Payments to DPULOs are made by the Office for Disability Issues (ODI) using the DWP Funding Voluntary Organisations Guidance. DPULOs are reimbursed on production of an invoice and associated receipts. The DPULO has to supply comprehensive information about the nature of their organisation as part of the application process to make sure they fit the criteria of an eligible body to receive funding. They also have to show the learning that came from the project (for example blogposts, videos or briefing papers available for others to access).

***Principle iii***

3.1.7 Funding can only be agreed and made to a DPULO that has auditable accounts. The ODI monitors and records all payments made and ensure that the appropriate financial governance procedures are followed and records are maintained. The ODI monitor monthly spend against the budget and send data to the Department.

***Principle iv***

3.1.8 If a problem arises after funding has been awarded, the ODI reserves the right to recover any funding that has been fraudulently claimed. A fraudulent claim for these purposes includes submitting false receipts, submitting receipts for purchases that are un-associated with building capability of the DPULO, or submitting receipts that are not duly reflected in the DPULOs' auditable accounts. The decision to award funding may be revoked if the DPULO closes before funding is awarded, or where an invoice is not submitted within an appropriate timescale of the decision notification and no reasonable explanation for delay is given.

***Principle v***

3.1.9 All DPULO's are required to ensure that their business is conducted lawfully. Decisions on grants under the Facilitation Fund are made by the Facilitation Fund Board, jointly chaired by an official from ODI and a DPULO. The ODI seeks to recover any funding that has been used to pay for illegal or fraudulent activity / goods etc. Given the size of the individual grants, EU directives on procurement do not apply.

## **3.2 Community Support Fund**

3.2.1 As part of the Government response to the Sayce review the Minister for Disabled People allocated £1.7 million to the Community Support Fund as part of a package of help for individuals affected by the Remploy Factory closures. The Fund offers financial and non financial support to local Disabled People's User Led Organisations (DPULO) and Voluntary Sector Organisations (acting as Lead Accountable Bodies - LABs) to deliver

support and services to meet the specific needs of the ex Remploy employees. Projects supported through the Fund should cover local areas affected by the closures and appropriately cover all disabled people and impairment groups.

### **Principle i**

3.2.2 The Fund offers personalised local support to ex-employees by providing:

- support (including a social job club) for claimants to make the move from sheltered to mainstream employment; and/or
- opportunities to maintain links with ex- work colleagues and take part in social activities in the local community.

3.2.3 Project expenditure can be on the following:

- computers;
- activities that enable local staff to empower individuals affected by the closures to take control and make decisions about things that are important to them;
- funding for time limited project staff to support projects and activities that deliver aligned outcomes;
- other potential capital assets, below £5,000; and
- equipment or stationery needed to deliver projects or activities.

### **Principle ii**

3.2.4 To receive funding organisations need to complete and demonstrate the following:

- evidence that they can deliver the project in line with Managing Public Money requirements;
- details of the LAB; and
- a detailed application form describing how it will contribute to delivery of the Fund success measures.

3.2.5 All awards need to satisfy the Community Support Fund Essential Criteria, the Propriety Regularity and Framework and be within the Ambit of the Vote. The LAB is responsible for all purchasing and submission of invoices and associated receipts to the Office for Disability Issues (ODI). Failure to send invoices within the timescale results in the award being revoked.

### **Principle iii**

3.2.6 Funding can only be agreed and made to a LAB that has auditable accounts. Expenditure is monitored by the Specialist Disability Employment Programmes Board. The Board ensures the Department's financial governance procedures are followed, ensures accurate records are maintained for audit purposes, and reviews awards to ensure priority and regularity. The Fund spend is monitored to ensure the planned spending profile is achieved and where appropriate interventions are made to manage variances.

3.2.7 The project to establish and manage the Fund is monitored by a project team and Programme Board, who ensure the project delivers outcomes for ex-Remploy employees.

### **Principle iv**

3.2.8 If a problem arises after funding has been awarded, the ODI reserve the right to recover any funding that has been fraudulently claimed. A fraudulent claim for these purposes includes submitting false receipts, submitting receipts for purchases that are un-

associated with building capability of the LAB or submitting receipts that are not duly reflected in the auditable accounts. The decision to award funding may be revoked if the LAB closes before funding is awarded or where an invoice is not submitted within 3 months of the decision notification and no reasonable explanation for delay is given.

### **Principle v**

3.2.9 All DPULO's and VSO's are required to ensure that their business is conducted lawfully. The ODI seeks to recover any funding that has been used to pay for illegal or fraudulent activity / goods etc. Given the size of the individual grants, EU directives on procurement do not apply.

## **3.3 English Forums on Ageing**

3.3.1 The Department provides £134,000 for English Forums on Ageing (£14,889 for each of the nine Forums) to cover operating costs. The funds enable: the Forums to respond to Government consultations; the Chairs of four of the Forums to act as part of the Partnership Board for the Age Action Alliance; and Forum members to join Alliance working groups. The Alliance is then better focused on the issues which matter to older people because older people are directly involved in developing the solutions to these issues.

### **Principle i**

3.3.2 Forums can spend their funds flexibly in ways that will help bring solutions to the day to day problems facing older people in responding to Government initiatives in their areas covered by their forums. Departmental staff have regular contact with Forum Chairs, helping them to identify issues which need addressing, and providing practical support in developing and delivering their plans. The Forums can also access additional funding from other sources including local authorities, Primary Care Trusts, and local businesses.

### **Principle ii**

3.3.3 The funds are distributed in accordance with Activity Plans agreed by the Department with each Forum, and showing how the funding from the Department will be used to support the engagement of older people at local level. Each Forum submits a workplan when applying for funding specifying the outcomes it aims to achieve, with individual activities identified, costed and timed. Forum funds are held by Forum members, for example local civil society organisations. Each Forum at the end of the financial year provides the Department with a list of activities that were undertaken and any initial views of the success or otherwise of that programme. Further details of discussions are provided via the minutes of their quarterly meetings.

### **Principle iii**

3.3.4 The Department checks that each Forum's plans are consistent with the objectives set out in 'Empowering engagement: a stronger voice for older people'<sup>1</sup> before funding is released. The organisation holding the funds is in turn responsible for the audit of the use of these funds and in line with their standard procedures (for example the Charity Commission specifies audit requirements for member organisations which are charities). The Department asks for a statement from the auditors (or independent examiner who is a qualified accountant) of each forum on an annual basis.

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<sup>1</sup> Published 2009 - <http://www.dwp.gov.uk/docs/empowering-engagement-stronger-voice-older-people.pdf>

#### **Principle iv**

3.3.5 An operating framework has been agreed with the Forums to set an appropriate balance of accountability and governance with local flexibility. Each Forum's expenditure is monitored by its members and scrutinised by the Department through quarterly meetings with the Chair. Each Forum is informed that any unspent expenditure will be recovered by the Department. Records of Forum activities, expenditure, and accounts are available for public scrutiny on request.

#### **Principle v**

3.3.6 All forums are required to ensure that their business is conducted lawfully. Given the size of the budgets, EU directives on procurement do not apply.

## **4 Other Local Authority Funding Streams**

### **4.1 Local Welfare Provision**

4.1.1 Local Welfare Provision is the umbrella term for a variety of non-statutory schemes delivered by English Local Authorities and the Scottish and Welsh devolved administrations following the abolition of the service that was delivered by the Department through Community Care Grants and Crisis Loans as part of Social Fund. The Department provided £172 million to English local authorities (and £40 million to the devolved administrations) to cover the period from April 2012 to March 2015. From April 2015 this provision will be covered through the formula grant distributed by the Department for Communities and Local Government to local authorities in England and by block grant to the Scottish and Welsh devolved administrations.

4.1.2 In line with Parliament's wishes, Ministerial settlement letters were issued to local authorities in 2012. These described in broad terms what the provision was intended to be used for, and stressed that local authorities should flex it to support existing statutory duties, existing local schemes, and to meet the needs of local communities, but did not ringfence this funding. A review of how the local authorities spend the provision will take place this year to inform a judgement about the benefit that the funding has provided. Increased transparency in local authorities, with data more readily available to the citizen, will enable them to be held to account for the disbursement of the funding, although there are no remedies available to the Department for return or re-imburement of the provision.

### **4.2 Working Well**

4.2.1 In March 2014 I awarded Salford City Council (SCC) £5.35 million to co-fund the Working Well pilot, a Whole Place Community Budget initiative in Greater Manchester. The Pilot has been co-designed and jointly funded by Greater Manchester Combined Authority (GMCA) and DWP, but is being delivered by providers appointed by SCC. The pilot aims to establish whether a key worker model, involving co-ordinating and sequencing interventions for claimants who have completed two years on the Work Programme and are in the Employment Support Allowance Work Related Activity Group, will improve on employment outcomes currently achieved by the Department. The funding model involves the Department referring 5,000 claimants to the pilot between March 2014 and February 2016, with claimants remaining on the provision for up to two years. SCC pay providers for attachments, job outcomes (after four weeks employment) and sustained job outcomes (after 52 weeks employment). Based on expected performance levels, the Department's maximum exposure is £6.73 million (80%) of the total contract package worth an expected £8.42 million. GMCA is funding the remaining 20%.

4.2.2 The payment was made in two parts to SCC and the Department has confirmed that: SCC has entered into legal contracts with providers to the value of the grant

commitment; the pilot will be subject to a full net impact evaluation; and referral volume expectations will be met. Reflecting the financial risk undertaken by SCC and to affirm the Department's commitment to Working Well, a significant portion of the Department's commitment has been released up front, but the Department has held back £1.4 million in line with the variable performance element of the contract until April 2015.

## **5 Conclusion**

5.1 Recognising that some of the Department's short term funding arrangements will be bespoke, I believe there to be a robust framework, on which I can rely as Accounting Officer, for each of the funding streams described in this Statement.

**Robert Devereux**  
**Accounting Officer – Department for Work and Pensions**