Department for Work & Pensions

Supplementary Estimate 2020-21

Select Committee Memorandum

February 2021

Contents

1 Overview

1.1 Objectives

The Department for Work and Pensions' (DWP's) objectives, as set out in its published Single Departmental Plan in 2019, are as follows:

1. Build a more prosperous society by supporting people to enter into, and progress in, work.

2. Improve outcomes and ensure financial security for disabled people and people with health conditions, so they view the benefits system and the Department as an ally.

3. Ensure financial security for current and future pensioners and make Britain the best place in the world to retire.

4. Support the most disadvantaged and enhance social mobility by designing and delivering inclusive policies for all; supporting families and providing effective housing support.

5. Transform our services and work with the devolved administrations to deliver an effective welfare system for citizens when they need it while reducing costs, and achieving value for money for taxpayers.

6. Ensure DWP's policies, operations and Arm's-Length Bodies continue to operate effectively after exiting the EU.

DWP's spending is designed to support these objectives. Details of which estimate subheads relate to which objectives are given at Section 3.1.

Following Cabinet Office guidance on prioritising the Covid-19 response, there was no Single Departmental Plan published in 2020.

1.2 Spending controls

DWP's spending is broken down into several different spending totals, for which Parliamentary approval is sought.

The spending totals that Parliament votes are:

- Resource Departmental Expenditure Limit ("Resource DEL") – day to day running costs.

- Capital Departmental Expenditure Limit ("Capital DEL") – investment in infrastructure and financial transactions. Financial transactions in DWP DEL include Social Fund Funeral Expense Payments and National Employment Savings Trust loan.

- Resource Annually Managed Expenditure ("Resource AME") – in DWP's case, mainly payment of benefits.

- Capital Annually Managed Expenditure ("Capital AME") – in DWP's case, payments of Support for Mortgage Interest loans and Universal Credit advances to customers, less repayments from customers.

- Non-budget expenditure – includes the cash paid into the Social Fund, which covers expenditure made from the fund. It also includes grant-in-aid payments to arm's length bodies.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require DWP to pay out cash in-year.

1.3 Main areas of spending

The figures below show the main components of DWP's proposed budget, included in the latest Estimate.

Figure 1: Resource DEL 2020-21

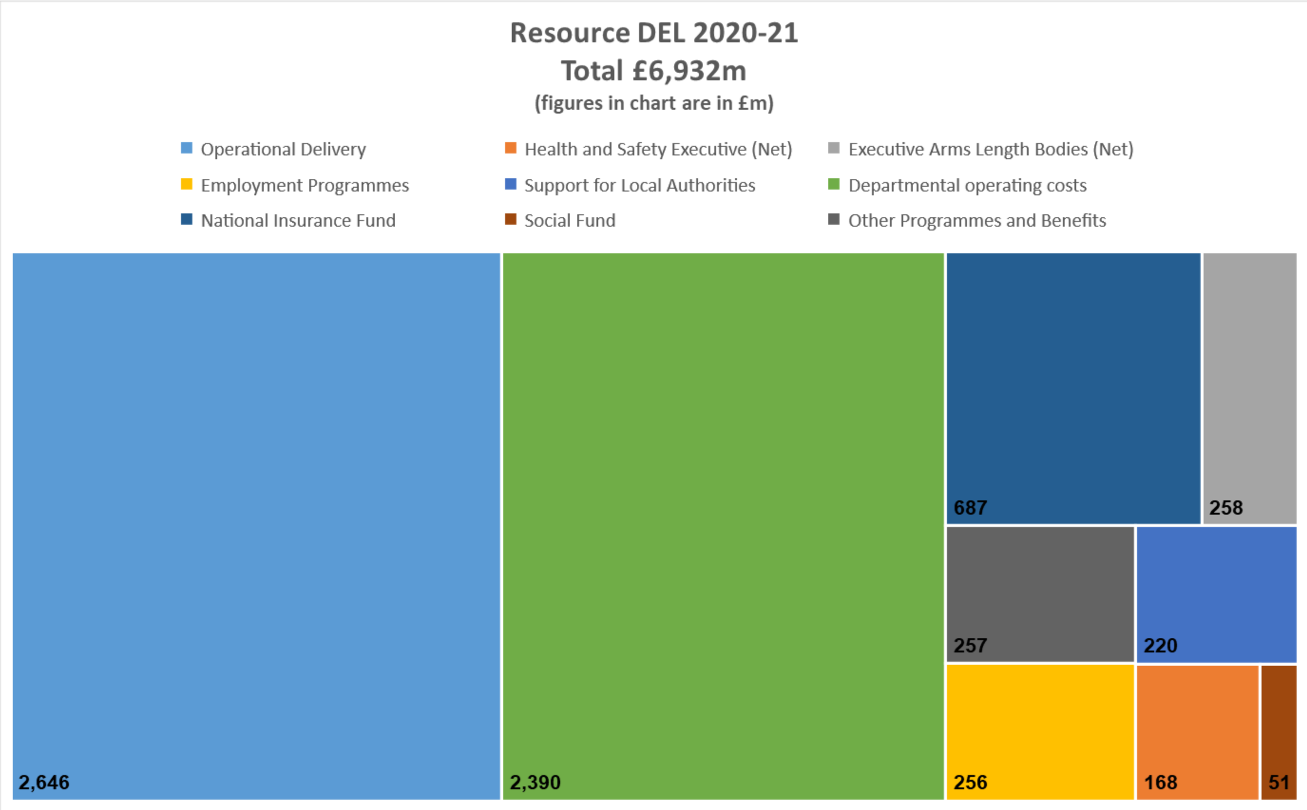
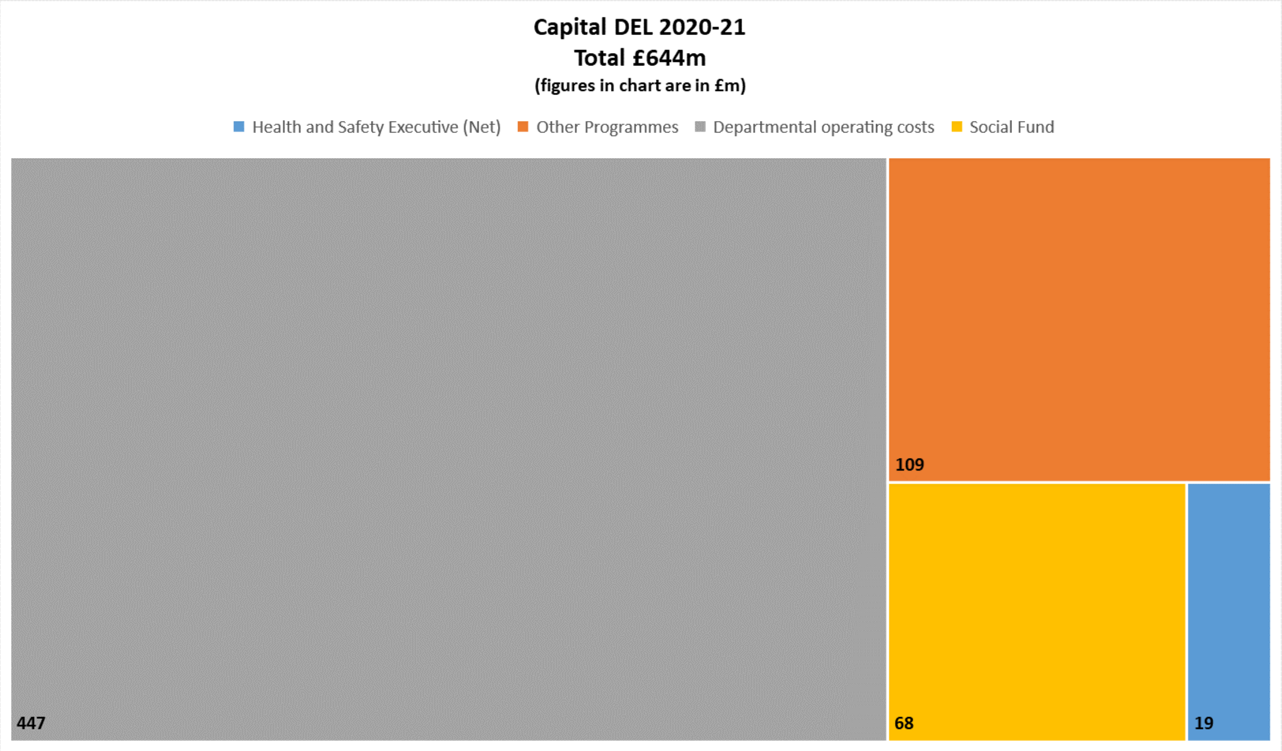


Figure 2: Capital DEL 2020-21



1.4 Comparison of spending totals sought

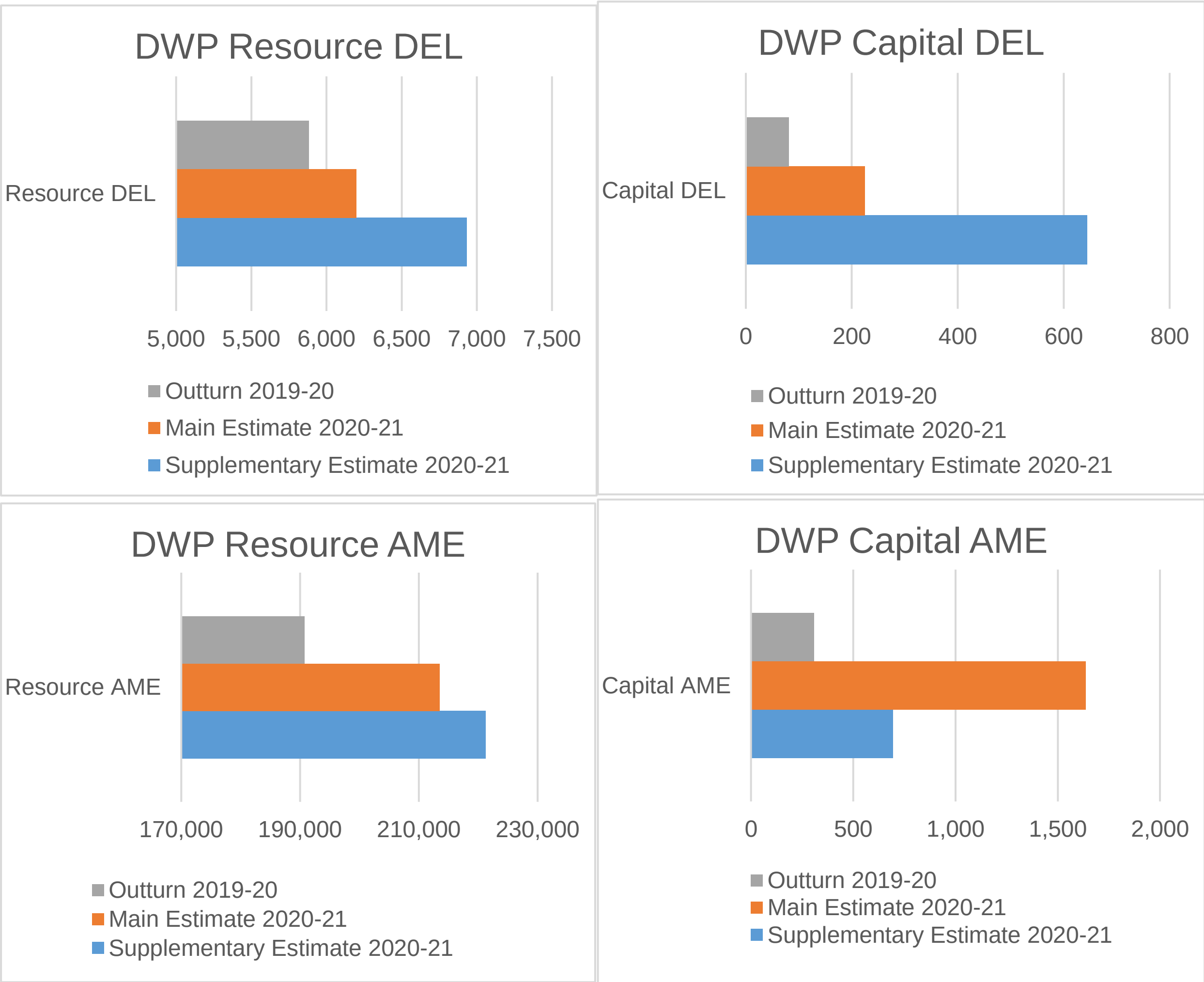
The table below shows how the totals sought for DWP compare with this year's Main Estimate and last year's outturn:

Table 1: Comparison of Spending Totals[1]

	Spending total Amounts sought this year (Supplementary Estimate 2020-21)	Difference (+/-) compared to original budget this year (Main Estimate 2020-21)		Difference (+/-) compared to final outturn last year (Outturn 2019-20)	
	£m	£m	%	£m	%
Resource DEL	6,932.4	733.8	10.6	1,049.5	15.1
Capital DEL	644.1	419.4	65.1	564.0	87.6
Resource AME	221,264.0	7,782.0	3.5	30,481.7	13.8
Capital AME	694.1	(942.9)	(135.8)	384.9	55.4

[1] Figures in brackets in all tables denote a decrease

Figure 3: Comparison of Spending Totals (£m)



1.5 Key drivers of spending changes since last year

DWP’s final DEL outturn in 2019-20 was £5,964m. The Supplementary Estimate funding position for 2020-21 is £7,576m, an increase of £1,612m. Major changes by funding category are shown below. Changes compared with Main Estimate are expanded on in Section 1.9 and in Section 2.

- **Resource DEL** – increase of £1,049m. At the end of 2019-20 and start of 2020-21 the Department effectively responded to the initial impact of the Covid-19 pandemic which led to a significant increase in new claims for Universal Credit. The Department’s response included the rapid redeployment of staff from across DWP to ensure payments to new claimants were made on time. The increase of £1,049m largely reflects additional £1bn funding to support the Department’s response to Covid-19 including the Plan for Jobs employment package announced in July 2020 and additional funding provided at Main Estimate to deliver Covid-19 measures (e.g. the National Shielding Centre). In addition, the Spending Review 2019 settlement increased DWP’s resource budget in real terms by 1.9% from 2019-20 and included £106m to fund the DWP Service Excellence plan to deliver reform to support the most vulnerable in society.

- **Capital DEL** – The increase in 2020-21 of £546m relates to costs to acquire and fit out new premises associated with hiring 13,500 Work Coaches announced as part of the Plan for Jobs of £265m as well as essential Digital and Estates maintenance £116m, loans to our Public Corporation NEST of £106m as well as increases in Funeral Payment Loans of £46m.

- **Resource AME** – the increase of £30,482m reflects up-rating (the annual increase in most benefits, particularly impacting State Pensions) and increases in forecasts of the number of people accessing benefits endorsed by the Office of Budget Responsibility. The Office of Budget Responsibility forecasts of benefit expenditure are central estimate and so a margin is applied to Resource AME to reflect that the forecasts are equally likely to go up or down.

- **Capital AME** – the increase of £385m is mainly due to an increase in Universal Credit Advances as more customers have claimed Universal Credit.

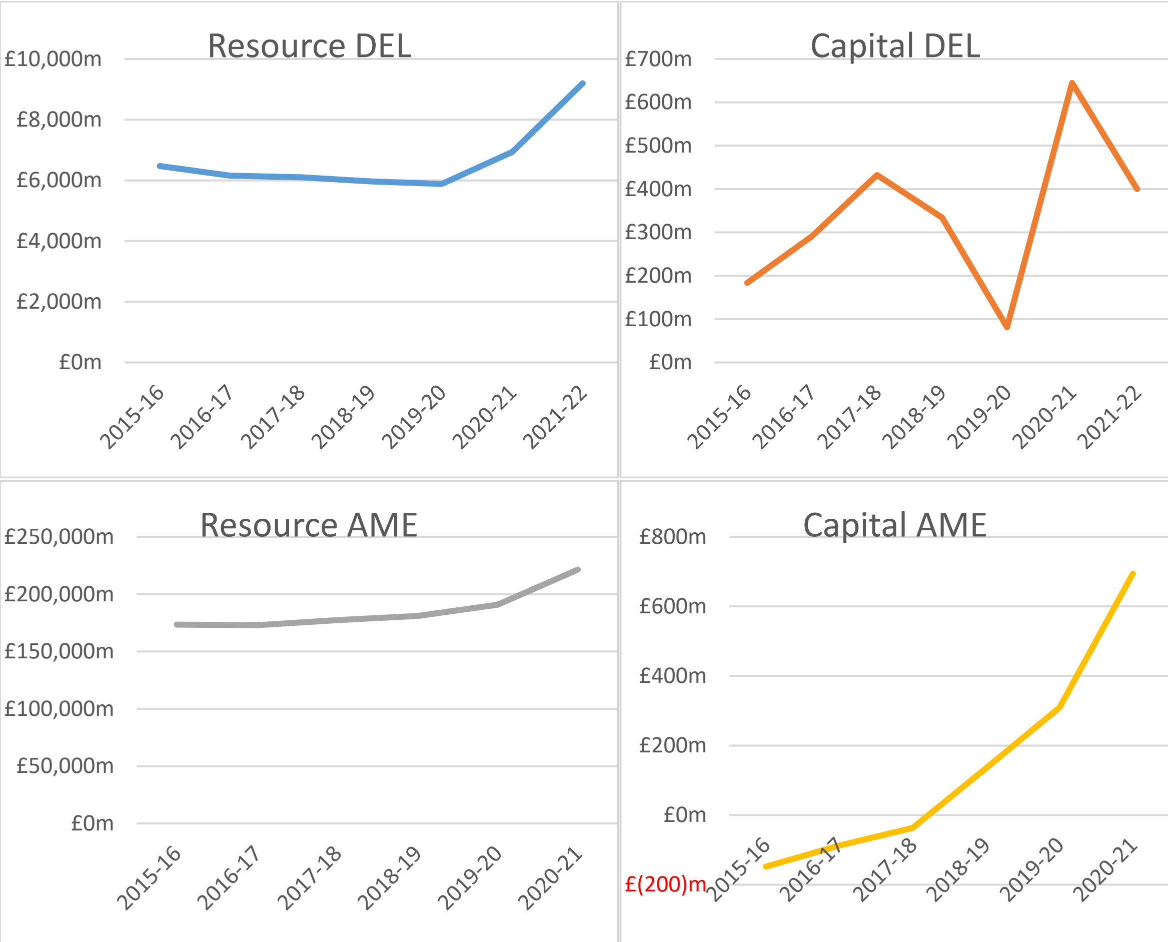
1.6 New policies and programmes

There were no new policies, programmes or material ambit changes that impact on the 2020-21 Estimate.

1.7 Spending trends

The charts below show overall spending trends for the last five years, plans presented in Estimates for 2020-21, and current future spending plans for 2021-22.

Figure 4: Spending Trends



- **Resource DEL** – Figure 4 shows a trend of reduction in Resource DEL spending from SR10 through to SR15 delivered by driving out efficiencies and strong financial management over this period, followed by a sharp increase in 2020-21 that reflects the Department’s response to Covid-19 including the Plan for Jobs.

- **Capital DEL** – with the exception of Financial Transactions (defined in Section 1.2) DWP’s Capital DEL expenditure is predominantly non-recurrent investment within Digital and Estates costs which increased significantly in 2020-21 to support Covid-19 measures.

- **Resource AME** – benefit expenditure has increased over the period shown, driven by the impacts of up-rating (the annual increase in most benefits), demographics (a growing and ageing population) and more latterly Covid-19. The largest element of the increase relates to State Pension. The basic State Pension has been increased by at least 2.5% every year, in line with the Government's "triple lock".

- **Capital AME** – until 2016-17, Capital AME within DWP consisted of Social Fund net lending only and was a negative figure, as recoveries in-year exceeded payments out. In 2017-18 the Department capitalised a proportion of Universal Credit advances following HMT budgeting rules and in 2018-19 the Department introduced Support for Mortgage Interest (SMI) loans. The increase in Capital AME reflects the increase in Universal Credit advances and Support for Mortgage Interest loans.

1.8 Administration costs and efficiency plans

Table 2: Administration budgets

	Spending total Amounts sought this year (Supplementary Estimate 2020-21)	Difference (+/-) compared to original budget this year (Main Estimate 2020-21)		Difference (+/-) compared to final outturn last year (Outturn 2019-20)	
	£m	£m	%	£m	%
Administration costs	962.7	170.7	17.7	165.8	17.2

Within DWP, administration relates to expenditure to maintain departmental infrastructure and provide necessary business services including improvements to Information Technology services for users and customers. Administration is 13% of DWP's Resource DEL expenditure in 2020-21 Supplementary Estimate.

Administration spend increased during 2020-21 as the Department invested in departmental infrastructure and business services to deliver the Plan for Jobs and increased the number of DWP staff.

1.9 Funding: Spending Review and budgets

The levels of DEL funding for DWP for 2020-21 are based on plans published in the 2019 Spending Review. Since that time, the Government has made a number of changes to 2020-21 spending plans including additional funding in Spring and Autumn Statements and Budgets. Details of funding changes are set out below and in section 1.10 as well as by funding category in the Table at Annex C:

The following funding measures were announced 8th July 2020 as part of the Summer Economic Statement Plan for Jobs.

- **Restarting the Job market £870m -** to assist in restarting the Job Market by employing an additional 13,500 work coaches as well as funding for digital and estates as well as delivering the youth offer for 18-24 year olds and supporting the creation of 40,000 sector-based work academy placements.

- **Job Entry Targeted Support £58m** – additional funding to support those left jobless due to Covid-19.

- **Flexible Support Fund £54m -** Additional funding for the Flexible Support Fund for local support to claimants by removing barriers to work and to deliver young people's hubs and young people's employability coaches.

- **Kickstart £25m -** to provide funding to employers to create job placements for 16-24 year olds on Universal Credit.

- **Job Finding Support Scheme £3m** - to fund private sector capacity to introduce one-to-one job finding support.

In addition to the above funding was granted for the following:

- **COVID Winter Support Grant Scheme £170m** - announced 8th November 2020 to support children, families and the most vulnerable over winter.

- **Funeral Payment Expense Payment £25.5m** - to fund increases in claims in 2020-21.

- **Money and Pension Service (MaPs) £18.7m** – announced 9 June 2020 and aimed at increasing the capacity of high quality, free to customer advice to support people through guidance in the wake of debt impacts from Covid-19.

- **Health and Safety Executive (HSE) £18.7m** – for increased inspector resource, advice, guidance, and National Core Studies Transmission and Environment study.

1.10 Other funding announcements

Other key funding announcements are as follows:

- £70m neutral move from Resource DEL (Programme) to Resource DEL (Administration) to support additional overhead costs incurred as our staff numbers increased.

- £358m neutral move from Resource DEL (Programme) to Capital DEL to fund additional Estates and Digital costs arising from Covid-19.

- Budget transfers with other government departments reduced funding by £35.1m. Most notable are a budget transfer to the Ministry of Justice relating to appeals work, a transfer to HM Revenue & Customs in lieu of anticipated savings on Tax Credit migration and a transfer from the Ministry of Housing, Communities and Local Government for Building Safety Regulator set-up costs in the Health and Safety Executive.

- £11m for Digital transformation for mitigation of fraud and error

2 Spending detail

2.1 Explanations of changes in spending

Resource DEL

The table below shows how DWP's spending plans for Resource DEL at the Supplementary Estimate compare with the Main Estimate.

Table 3 Resource DEL

Subheads	Description	*(Supplementary Estimate 2020-21 budget sought)*	*(Main Estimate 2020-21 budget approved)*	Difference (+/-) compared to original budget		Note
		£m	£m	£m	%	
A	Operational Delivery	2,645.5	2,429.7	215.9	8.9	1
B	Health and Safety Executive (Net)	167.6	130.4	37.3	28.6	2
C	European Social Fund	0.3	0.0	0.3	0.0	
D	Executive Arms Length Bodies (Net)	258.4	241.5	16.9	7.0	3
E	Employment Programmes	255.9	107.0	148.9	139.2	4
F	Support for Local Authorities	220.4	132.2	88.2	66.7	5
G	Other Programmes	(92.2)	(69.0)	(23.2)	33.6	6
H	Other Benefits	349.6	219.5	130.1	59.3	7
I	Departmental operating costs	2,389.6	2,549.2	(159.5)	(6.3)	8
J	National Insurance Fund	686.6	431.8	254.8	59.0	1
K	Expenditure incurred by the Social Fund	50.5	26.4	24.2	91.6	9
	Total Resource DEL	**6,932.4**	**6,198.6**	**733.8**	**11.8**	

Differences of more than 10% or more than £10m are explained below. Numbers relate to the relevant row in the table above.

1. **Operational Delivery and National Insurance Fund** – The increase is due to additional funding for front line activity to deliver benefits as part of the Plan for Jobs, for recruiting an additional 13,500 Work Coaches. National Insurance Fund relates to the funding we receive from the Fund for the estimated cost of delivering contributory benefits such as State Pension.
2. **Health and Safety Executive (HSE)** – Additional funding provided to establish the Building Safety Regulator in readiness for Royal Assent of the Building Safety Bill and for increased inspector resources and advice.
3. **Executive Arm's Length Bodies (Net)** – Additional funding for the Money and Pensions Service for work to support the debt sector.
4. **Employment Programmes** – Additional ring fenced funding for Job Entry Targeted Support and Job Finding Support.

5. **Support for Local Authorities** – Increased Housing Benefit reflecting changing forecasts from Local Authorities since the Main Estimate.
6. **Other Programmes** – The decrease is mainly due to the inclusion of forecast interest income on loans to the National Employment Savings Trust that were not included in the Main Estimate. In addition, forecast levy income from the pensions industry to fund The Pensions Regulator has increased since the Main Estimate.
7. **Other Benefits** – Additional funding was provided to DWP to make payments to Local Authorities for the Winter Support Grant Scheme (£170m). The increase is off-set by a reduction in the forecast for Discretionary Housing Payments. Since the Main Estimate the forecast has reduced as the Covid-19 enhanced protection measures provide to tenants have reduced the demand for this benefit.
8. **Departmental Operating Costs** – Additional funding provided in the Summer Economic Statement for the overhead costs of the additional 13,500 Work Coaches (Estates and Digital) and for the Kickstart programme. Offsetting reductions have been seen due to the redeployment of corporate staff to the front line deliver roles to support the Department’s response to Covid-19 and savings resulting from re-prioritisation within the Department to support the Department’s response to Covid-19.
9. **Expenditure incurred by the Social Fund** – Increased levels of Funeral Expense Payment debt impairment.

Capital DEL

The table below shows how spending plans for Capital DEL compare with the Main Estimate.

Table 4 Capital DEL

Subheads	Description	*(Supplementary Estimate 2020-21 budget sought)*	*(Main Estimate 2020-21 budget approved)*	Difference (+/-) compared to original budget		Note
		£m	£m	£m	%	
A	Operational Delivery	0.2	0.0	0.2	0.0	
B	Health and Safety Executive (Net)	19.2	10.9	8.3	76.5	1
C	European Social Fund	0.0	0.0	0.0	0.0	
D	Executive Arms Length Bodies (Net)	1.0	0.0	1.0	0.0	
E	Employment Programmes	0.0	0.0	0.0	0.0	
F	Support for Local Authorities	0.0	0.0	0.0	0.0	
G	Other Programmes	110.7	114.8	(4.1)	(3.6)	
H	Other Benefits	0.0	0.0	0.0	0.0	
I	Departmental operating costs	445.5	50.0	395.5	791.6	2
J	National Insurance Fund	0.0	0.0	0.0	0.0	
K	Expenditure incurred by the Social Fund	67.5	49.0	18.5	37.8	3
	Total Capital DEL	**644.1**	**224.6**	**419.4**	**186.7**	

Differences of more than 10% or more than £10m are explained below.

1. **Health and Safety Executive (HSE)** – Additional funding for the National Core Studies Transmission and Environment study on understanding and mitigating transmission of Covid-19 in the workplace, transport and public places.
2. **Departmental Operating Costs** – Additional funding for additional premises and the fit out of those premises to accommodate the 13,500 additional Work Coaches.
3. **Expenditure incurred by the Social Fund** – Increases in forecasts relating to Funeral Expense Payments as a result of Covid-19.

Resource Annually Managed Expenditure (AME)

In DWP, AME is primarily demand-led expenditure on social security and social assistance benefits. These cover a range of life events such as being out of work, retirement, disability, maternity and bereavement.

Over half of DWP AME is spent on contributory benefits, mainly State Pension, where entitlement is based on National Insurance contributions. A third of DWP's Resource AME is income-related where entitlement is affected by the recipient's other income and capital. Examples of income-related benefits include Universal Credit and Pension Credit.

The remainder of the benefit expenditure is neither contributory nor income-related. The main area of spending of this type include Disability Living Allowance, Personal Independence Payment and Attendance Allowance. Additional details of individual benefits and eligibility requirements can be found on the gov.uk website.

In addition to benefit expenditure, Resource AME also includes non-cash expenditure relating to accounting treatment for impairments and provisions. Table 5 shows how spending plans for Resource AME compare with the Main Estimate.

Table 5: Resource AME

		£m			%
Subheads	**Description**	**Supplementary Estimate 2020-21**	**Main Estimate 2020-21**	**Change from Main Estimate**	
L, O, AH, AI	Incapacity benefits[2]	13,952.2	14,222.4	(270.2)	(1.9)
S, T, U, V	Disability and carer benefits	28,346.2	27,168.2	1,178.0	4.3
N, O, P, AA, AB	Universal Credit and equivalent DWP benefits[3]	52,556.9	49,327.5	3,229.4	6.5
Q, R, AC, AE, AJ, AM, AO	Pensioner benefits[4,5]	112,459.1	109,330.6	3,128.8	2.9
W, AD	Housing Benefit	17,589.5	17,321.1	268.4	1.5
M, X, Y, Z, AF, AJ, AK, AL, AN	Other benefits	5,416.7	5,482.8	(66.0)	(1.2)
AF, AG, AJ	Other items	84.0	41.5	42.5	102.5
	Total voted and non-voted[6]	**221,264.0**	**213,482.3**	**7,782.0**	**3.6**

[2] Excluding Universal Credit spending estimated to be Employment and Support Allowance equivalent.

[3] Excluding Housing Benefit for people of working age.

[4] Excluding Housing Benefit for people over pension age.

[5] Includes Financial Assistance Scheme (FAS) benefit payments and movement in the FAS provision.

[6] Total does not sum to the above due to rounding and non-contributory Employment and Support Allowance being included in Incapacity benefits and in Universal Credit and equivalent benefits.

Key drivers of spending changes since Main Estimate

Benefit expenditure

Funding for benefit expenditure has increased by £7,782m to £221,264m from Main Estimate to Supplementary Estimate.

The in-year forecast for benefit expenditure takes account of the latest forecasts and economic assumptions provided to DWP by the Office for Budget Responsibility (OBR).

The Main Estimate and in-year forecasts are central estimates (equally likely to be too low or too high). As benefit expenditure is demand-led and so cannot be directly controlled, it is normal practice to add a margin at the Supplementary Estimate to mitigate the risk that actual expenditure is greater than the latest central estimate.

At Main Estimate, forecasts for 2020-21 were highly uncertain due to the emerging impacts of Covid-19. Margins were added to Spring Budget 2020 forecasts for Resource AME benefits including Universal Credit, Jobseeker’s Allowance, Employment and Support Allowance, and Pension Credit.

Changes in underlying forecasts since Main Estimate have been driven by the impacts of Covid-19. Reduced forecasts reflect lower take-up of Statutory Sick Pay than anticipated at Main Estimate and lower Employment and Support Allowance expenditure than forecast at Main Estimate. There are increased forecasts for Universal Credit and Personal Independence Payment, which reflect higher caseloads than forecast at Main Estimate including margins.

Main changes in Resource AME funding

Incapacity benefits[7]

Table 6 shows a breakdown of the movements on incapacity benefits. Overall, funding decreased by £270m.

The funding decrease is due to a lower impact from Covid-19 on the Employment and Support Allowance (ESA) caseload than expected at Main Estimate. At Main Estimate a 7.5% margin was applied to both contributory and non-contributory ESA, of which just over half has not been needed. At Supplementary Estimate the margins have been reduced, which reduces the funding required. The margins applied are 2% and 2.5% for contributory and non-contributory ESA respectively.

Other incapacity benefits are closed to new claims and forecasts are gradually falling as caseloads reduce. However, to allow for the uncertainty in Severe Disablement

[7] Excluding Universal Credit spending estimated to be Employment and Support Allowance equivalent.

Allowance due to Covid-19, a margin of 2% has been included. No margin has been added to Incapacity Benefit due to the small size of the forecast.

Table 6: Incapacity benefits

	£m[8]			%
	Supplementary Estimate 2020-21	**Main Estimate 2020-21**	**Change from Main Estimate**	
Incapacity benefits, *of which:*	**13,952.2**	**14,222.4**	**(270.2)**	**(1.9)**
Severe Disablement Allowance	73.8	79.4	(5.6)	(7.0)
Incapacity Benefit	0.7	0.0	0.7	100
Employment and Support Allowance (non-contributory)	9,140.6	9,411.7	(271.1)	(2.9)
Employment and Support Allowance (contributory)	4,737.0	4,731.2	5.8	0.1

Disability and carer benefits

Funding has increased by £1,178m from Main Estimate to Supplementary Estimate, including a margin of £377m. Table 7 shows a breakdown of the movements on disability and carer benefits.

Personal Independence Payment (PIP) has increased by £1,075m due to an increased caseload. Disability Living Allowance (DLA) has increased by £329m due to slower migration from DLA to PIP than expected. Both PIP and DLA include a 1.5% margin to reflect benefit uncertainty.

Attendance Allowance has decreased by £166m including a 1% margin. The decrease is due to the impacts of Covid-19 including increased death rates and delays in claimants making applications.

There has been little change in Carer's Allowances other than the addition of a 1% margin.

[8] Amounts / percentages may not sum due to rounding.

Table 7: Disability and carer benefits

	£m			%
	Supplementary Estimate 2020-21	**Main Estimate 2020-21**	**Change from Main Estimate**	
Disability and carer benefits, *of which:*	**28,346.2**	**27,168.2**	**1,178.0**	**4.3**
Attendance Allowance	5,450.4	5,615.9	(165.6)	(2.9)
Personal Independence Payment[9]	13,836.8	12,830.1	1,006.7	7.8
Disability Living Allowance	5,961.1	5,661.8	299.3	5.3
Carer's Allowance	3,097.9	3,060.4	37.5	1.2

Universal Credit and equivalent DWP benefits[10]

Funding has increased by £3,229m from Main Estimate to Supplementary Estimate, including a margin of £2,072m. Table 8 shows a breakdown of the movements in Universal Credit (UC) and equivalents.

Income-based Jobseeker's Allowance (JSA), income-related ESA (also included in table 6), Income Support and Housing Benefit for working age people (see table 10), as well as tax credits administered by HM Revenue and Customs (HMRC), are gradually being replaced by UC, which is therefore rising as the legacy benefits in both DWP and HMRC decrease.

UC funding overall has increased by £4,011m from Main Estimate to Supplementary Estimate due to an increase in claims. This increase is on top of the central forecast and a margin of 60% that was included at Main Estimate. Higher margins than usual have been included for UC of 3% for inside the welfare cap and 7% for outside the welfare cap to reflect the forecast uncertainty this year. The movement in expenditure from inside the welfare cap to outside the welfare cap is driven by an update to the UC forecast methodology.

Funding for non-contributory Jobseeker's Allowance (JSA) has decreased by £545m since Main Estimate, which included a 60% margin. At Supplementary Estimate the margin has been reduced to 2%. The decrease to non-contributory JSA is offset by an increase in contributory JSA (see Table 11).

Non-contributory ESA funding has decreased by £271m (see Table 6). At Main Estimate a 7.5% margin was included, which has been reduced to 2% at

[9] Including Armed Forces Independence Payment.
[10] Excluding Housing Benefit for people of working age.

Supplementary Estimate. The non-contributory ESA caseload has increased this year due to Covid-19 as the rate of migration to UC has been slower than expected, but this is offset by the reduced margin resulting in lower funding.

The small additional amount required for Income Support reflects higher than expected outturn and a margin of 1%.

Table 8: Universal Credit and equivalent DWP benefits

	£m			%
	Supplementary Estimate 2020-21	**Main Estimate 2020-21**	**Change from Main Estimate**	
Universal Credit and equivalent DWP benefits, *of which:*	**52,556.9**	**49,327.5**	**3,229.4**	**6.5**
Universal Credit inside the welfare cap	23,129.2	32,913.8	(9,784.6)	(29.7)
Universal Credit outside the welfare cap	18,765.8	4,970.4	13,795.3	277.5
Employment and Support Allowance (non-contributory)	9,140.6	9,411.7	(271.1)	(2.9)
Income Support	1,097.9	1,062.7	35.2	3.3
Jobseeker's Allowance (non-contributory)	423.4	968.7	(545.3)	(56.3)

Pensioner benefits[11,12,13]

Funding increased by £3,129m, including a margin of £304m. Table 9 shows a breakdown of the movements in pensioner benefits.

The increase in State Pension of £3,345m is due to a combination of higher mortality in state pension age groups, provision movements and a margin included for uncertainties.

[11] Excluding Housing Benefit for people over pension age.

[12] Includes Financial Assistance Scheme benefit payments and movement in provision.

[13] Does not include other benefits paid to both pensioners and non-pensioners, such as bereavement benefits.

The decrease of Pension Credit of £210m is a combination of Covid-19 effects and lower take-up of Pension Credit than expected as forecast behavioural impacts have not been as strong as predicted. A margin level is included to reflect benefit uncertainty at Supplementary Estimate.

The change in Financial Assistance Scheme (FAS) is due to the inherent uncertainty in provisions which can cause fluctuations year on year. We include a greater margin for this area of spend as it is based on a very large provision, which by its nature, is an estimate and therefore not as stable as benefit spend. FAS is designed to assist members of defined benefit occupational pension schemes that wound up under-funded when their employers became insolvent between 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund. The discount rates used in calculating the provision are provided by HMT.

A small addition for TV licences for the over 75s has been included in respect of late applications for a free TV licence. Responsibility for free TV licenses transferred to the BBC from 2020-21.

Minimal adjustments have been made for Winter Fuel Payments and contributory Christmas Bonus. No margins are included as outturn is largely known.

Table 9: Pensioner benefits

	£m[14]			%
	Supplementary Estimate 2020-21	**Main Estimate 2020-21**	**Change from Main Estimate**	
Pensioner benefits, *of which:*	**112,459.1**	**109,330.6**	**3,128.8**	**2.9**
Pension Credit	5,183.9	5,393.5	(209.5)	(3.9)
Financial Assistance Scheme (benefits only)	45.6	112.0	(66.1)	(59.0)
TV licences for the over 75s	2.9	0.0	2.9	100
Winter Fuel Payments	2,001.4	1,949.2	52.2	2.7
Christmas Bonus (contributory)	127.0	122.7	4.3	3.5
State Pension	105,098.2	101,753.3	3,344.9	3.3

[14] Amounts / percentages may not sum due to rounding

Housing Benefit

Funding for Housing Benefit is increased by £268m from Main Estimate to Supplementary Estimate, including a margin of £345m. Table 10 shows a breakdown of movements in Housing Benefit.

Housing Benefit has increased inside the welfare cap by £112m due to Covid-19 and a methodological change.

The increase in Housing Benefit outside the welfare cap of £157m is driven by an increase in temporary accommodation caseload as a result of Covid-19 and a methodological change.

Housing Benefit is administered by Local Authorities and the financial outturn will be confirmed once all claims have been submitted. There is always a risk that final subsidy claims from councils will be higher than indicated by administrative data. Spend inside the cap is also potentially sensitive to economic changes, and is also sensitive to the pace and composition of the build-up of Universal Credit. To account for these factors a margin of 2% has been applied.

Table 10: Housing Benefit

	£m			%
	Supplementary Estimate 2020-21	**Main Estimate 2020-21**	**Change from Main Estimate**	
Housing Benefit, of which	**17,589.5**	**17,321.1**	**268.4**	**1.5**
Inside the welfare cap	17,040.4	16,928.6	111.8	0.7
Outside the welfare cap	549.1	392.6	156.5	39.9

Other benefits

Funding for other benefits has decreased by £66m. Table 11 shows a breakdown of the movements in other benefits.

At Spring Budget 2020, £1,000m was announced for Statutory Sick Pay in response to Covid-19. This amount of funding has not been required, largely due to subsequent policy announcements, and has been revised down by £867m to £131m.

The largest increase in other benefits is the increase of £454m for contributory JSA. This is due to Covid-19 having a greater impact on contributory JSA than expected. contributory JSA has increased by a greater percentage than any other benefit in response to Covid-19 due to starting with such low caseload and potential higher eligibility due to the strength of the labour market prior to Covid-19. A margin has been included to reflect forecast uncertainty.

Funding for Cold Weather Payments (CWP) increased by £368m. CWPs are inherently difficult to estimate. The Supplementary Estimate of £500m provides cover above the latest forecast, which is based on an average of the last ten years' payments. The highest outturn figure for CWPs in the last ten years was £435m (in 2010-11).

Funding is increased for Bereavement benefits by £225m due to Covid-19 impacting utilisation of provision.

At Main Estimate, no forecast was made for the impact of the impairment of Tax Credit debt transferring from HMRC to DWP. A forecast has been included at Supplementary Estimate, reducing overall expenditure by £190m.

The increase for Statutory Maternity Pay reflects the funding requirement stated by the Government Actuary's Department in its annual funding letter. No margin has been added as there is no uncertainty about the level of funding needed.

The small decrease of £41m for Maternity Allowance is driven by lower than expected outturn.

There has been minimal change to Industrial Injuries Benefits, non-contributory Christmas Bonus, and Support for Mortgage Interest loans. A small margin of 0.5% has been added to Industrial Injuries Benefits.

Table 11: Other benefits

	£m			%
	Supplementary Estimate 2020-21	**Main Estimate 2020-21**	**Change from Main Estimate**	
Other benefits, *of which:*	**5,416.7**	**5,482.8**	**(66.0)**	**(1.2)**
Industrial Injuries Benefits Scheme	724.6	753.1	(28.5)	(3.8)
Statutory Maternity Pay	2,564.0	2,550.9	13.1	0.5
Christmas Bonus (non-contributory	36.0	33.9	2.1	6.1
Cold Weather Payments	500.0	132.3	367.7	278.0
Maternity Allowance	392.7	433.9	(41.1)	(9.5)
Bereavement benefits	623.5	398.1	225.4	56.6
Jobseeker's Allowance (contributory)	634.0	179.9	454.1	252.4
Support for Mortgage Interest loans	0.7	0.7	0.0	0.0
Tax Credit Impairment	(190.0)	0.0	(190.0)	100
Statutory Sick Pay	131.3	1,000.0	(868.8)	(86.9)

Other Items

Other items falling within the categorisation of Resource AME have seen little change since the Main Estimate with the £43m increase driven by Social Fund net lending.

Capital AME

Capital AME has decreased by £943m to £694m from Main Estimate to Supplementary Estimate. Capital AME is made up of three items, Support for Mortgage Interest loans, the capitalisation of a proportion of Universal Credit (UC) advances and anticipated Social Fund net lending. Table 12 shows a breakdown of the movements in Capital AME.

The driver of this decrease is the reduction in UC advances by £1,500m. At Main Estimate the impact of Covid-19 on UC advances was highly uncertain so a large margin was included. Take up has been lower than expected at Main Estimate reducing the forecast expenditure (see Table 8 for UC).

A margin has been included that is higher than for Resource AME benefits because items of expenditure within AME Capital do not have the same historic data on which to base forecasts and so there is greater risk around the central forecast (see section 1.7).

Table 12: Capital AME

	£m			%
	Supplementary Estimate 2020-21	**Main Estimate 2020-21**	**Change from Main Estimate**	
AME Capital, *of which:*	**694.1**	**1,637.0**	**(942.9)**	**-57.6%**
Universal Credit Advances	500.0	1,500.0	(1,000.0)	(66.7)
Support for Mortgage Interest Loans	174.1	137.0	37.1	27.1
Social Fund Net Lending	20.0	0.0	20.0	100

2.2 Machinery of Government Changes

There were no Machinery of Government Changes.

2.3 Ring-fenced budgets

Elements of DWP's DEL funding are ring-fenced. Funding that is ring fenced cannot be used to fund spending outside the ring fence although the ring fence is part of the overall DEL control totals.

To the extent the Department no longer plans to apply DEL ring fenced funding in the current financial year the Department has returned funding to HM Treasury in the Supplementary Estimate. At the same time where additional funding is required to support ring fenced activity we have agreed additional funding with HM Treasury.

Table 13: Ring-fenced Funding[15]

Spending total Amount sought this year (Supplementary Estimate 2020-21)		Difference (+/-) compared to original budget this year (Main Estimate 2020-21)		Difference (+/-) compared to final outturn last year (Outturn 2019-20)	
	£m	£m	%	£m	%
Resource DEL					
Depreciation	191.3	(2.18)	(1.1)	(0.3)	(0.2)
Official Development Assistance	6.1	0.0	0.0	2.1	34.4
In Work Trial	3.0	0.0	0.0	1.7	56.7
Reducing Parental Conflict	15.3	0.0	0.0	5.2	33.9
EU Exit Allocation	15.3	0.0	0.0	0.3	2.0
Pensions Dashboard	3.4	0.0	0.0	0.9	27.1
Discretionary Housing Payments	179.5	0.0	0.0	179.5	100.0
National Shielding Centre	20.6	(35.0)	(169.7)	20.6	100.0
Enhanced Support Offer	75.0	(25.0)	(33.3)	75.0	100.0
Money & Pensions Service	148.8	18.8	12.6	41.7	28.0
Winter Support Grant	170.0	170.0	100.0	170.0	100.0
Housing Benefit Compliance	12.5	0.0	0.0	12.5	100.0
Job Entry Targeted Support	58.0	58.0	100.0	58.0	100.0
Flexible Support Fund	54.0	54.0	100.0	54.0	100.0
Job Support Fund	3.0	3.0	100.0	3.0	100.0
Kickstart	25.0	25.0	100.0	25.0	100.0
Total Resource DEL	**980.8**	**266.7**	**27.2**	**649.2**	**66.2**
Capital DEL					
Financial Transactions	175.6	11.8	6.7	77.5	44.1
Total DEL Ringfence	**1,156.5**	**278.5**	**24.1**	**726.7**	**62.8**

[15] Amounts/percentages may not sum due to roundings

2.4 Changes to contingent liabilities

No new contingent liabilities have been identified by DWP at Supplementary Estimate 2020-21.

3 Priorities and performance

3.1 How spending relates to objectives

The table below shows how expenditure against each subhead contributes to departmental priorities under the Single Departmental Plan:

Table 14: Linking Subhead Sections to Departmental Priorities

		Build a more prosperous society by supporting people to enter into, and progress in, work.	Improve outcomes and ensure financial security for disabled people and people with health conditions, so they view the benefits system and the department as an ally.	Ensure financial security for current and future pensioners and make Britain the best place in the world to retire	Support the most disadvantaged and enhance social mobility by designing and delivering inclusive policies for all; supporting families and providing effective housing support.	Transform our services and work with the devolved administrations to deliver an effective welfare system for citizens when they need it while reducing costs, and achieving value for money for taxpayers.	Ensure DWP's policies, operations and Arm's-Length Bodies continue to operate effectively after exiting the EU.
A	Operational Delivery	X	X	X	X	X	X
B	Health and Safety Executive	X					X
C	European Social Fund	X					
D	Executive Arm's Length Bodies			X		X	X
E	Employment Programmes	X	X	X			X
F	Support for Local Authorities	x			X	X	
G	Other Programmes			X		X	
H	Other Benefits	X			X	X	X
I	Departmental Operating Costs	X	X	X	X	X	X
J	National Insurance Fund	X	X	X		X	
K	Expenditure Incurred by the Social Fund					X	

3.2 Measures of performance against each priority

DWP's Single Departmental Plan (see here on gov.uk) sets out the following high-level objectives, and measures of performance, for DWP for the current financial year.

1. Build a more prosperous society by supporting people to enter into, and progress in work:
   - The overall UK employment rate.
   - Percentage of young people (18 to 24 year olds) not in full-time education who are in employment.
   - Percentage of children in workless households.

2. Improve outcomes and ensure financial security for disabled people and people with health conditions, so they view the benefits system and the department as an ally:
   - The number of employed disabled people.
   - The percentage of disabled people with a low income.

3. Ensure financial security for current and future pensioners and make Britain the best place in the world to retire:
   - Total pension saving of eligible savers.
   - The percentage of pensioners with a low income.

4. Support the most disadvantaged and enhance social mobility by designing and delivering inclusive policies for all;
   - Supporting families and providing effective housing support.
   - Children in couple-parent families reporting relationship distress.
   - Percentage of separated families with a child maintenance arrangement

5. Transform our services and work with the devolved administrations to deliver an effective welfare system for citizens when they need it while reducing costs, and achieving value for money for taxpayers:
   - Customer and claimant satisfaction of DWP services.
   - New claims processed within planned timescales.
   - Net loss due to fraud and error as a percentage of overall benefit expenditure.

6. Ensure DWP's policies, operations and Arm's-Length Bodies continue to operate effectively after exiting the EU.

The latest update on these performance measures is available here on gov.uk.

3.3 Major projects

Throughout 2020-21 DWP had the following projects on the Government Major Projects Portfolio (GMPP).

- **Universal Credit:** Universal Credit replaces six benefits and tax credits for working age people, bringing together in and out of work systems into one to make work pay. When fully rolled out it is expected that up to 7 million households will benefit from Universal Credit.

- **Fraud, Error and Debt:** The Fraud, Error and Debt Programme delivers major transformational outcomes designed to ensure the Department manages fraud, error and debt in a systematic way; from initial referral, through risk management, to interventions and debt recovery.

- **Health Transformation Programme:** The Health Transformation Programme will transform the health and disability services we provide for people with disabilities and health conditions; looking at opportunities to re-shape assessment services and realise tangible improvements.

- **Restart:** The Restart programme joined GMPP in Quarter 3 2020-21. As part of the Government's Plan for Jobs, the new £2.9 billion Restart scheme, announced on 25 November 2020, will provide more than 1 million Universal Credit claimants who have been out of work for at least 12 months, enhanced and tailored support to help them find jobs.

Funding for implementation of these projects is provided under subhead I (Departmental Operating Costs).

The Infrastructure and Projects Authority (IPA) reports on the delivery of major projects annually. Its latest report on the Department's projects can be found here on gov.uk. Please note the latest data published by IPA reflects Quarter 2 of 2019-20. The next report will be published in summer 2021 and will cover information as of 30 September 2020.

4 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

Peter Schofield

Accounting Officer

Permanent Secretary

Department for Work and Pensions

15 February 2021

Annex A: Departmental Expenditure Limits [16]

		Resource					Capital			
Subheads	**Description**	***(Supplementary Estimate 2020-21 budget sought)***	***(Main Estimate 2020-21 budget approved)***				***(Supplementary Estimate 2020-21 budget sought)***	***(Main Estimate 2020-21 budget approved)***		
		£m	£m	£m	%		£m	£m	£m	%
A	Operational Delivery	2,645.5	2,429.7	215.9	8.9		0.2	0.0	0.2	-
B	Health and Safety Executive (Net)	167.6	130.4	37.3	28.6		19.2	10.9	8.3	76.5
C	European Social Fund	0.3	0.0	0.3	-		0.0	0.0	0.0	-
D	Executive Arms Length Bodies (Net)	258.4	241.5	16.9	7.0		1.0	0.0	1.0	-
E	Employment Programmes	255.9	107.0	148.9	139.2		0.0	0.0	0.0	-
F	Support for Local Authorities	220.4	132.2	88.2	66.7		0.0	0.0	0.0	-
G	Other Programmes	(92.2)	(69.0)	(23.2)	33.6		110.7	114.8	(4.1)	(3.6)
H	Other Benefits	349.6	219.5	130.1	59.3		0.0	0.0	0.0	-
I	Departmental operating costs	2,389.6	2,549.2	(159.5)	(6.3)		445.5	50.0	395.5	791.6
J	National Insurance Fund	686.6	431.8	254.8	59.0		0.0	0.0	0.0	-
K	Expenditure incurred by the Social Fund	50.5	26.4	24.2	91.6		67.5	49.0	18.5	37.8
	Total	**6,932.4**	**6,198.6**	**733.8**	**11.8**		**644.1**	**224.6**	**419.4**	**186.7**

[16] Totals may not sum due to rounding

Annex B: Annually Managed Expenditure[17]

Subheads	Description		Supplementary Estimates budget sought	Main Estimates budget approved	change from last year	
Resource			£m	£m	£m	%
L, O, AH, AI	Incapacity benefits	*Severe Disablement Allowance*	73.8	79.4		
		Incapacity benefit	0.7	0		
		Employment and Support Allowance (non-contributory)	9,140.6	9,411.70		
		Employment and Support Allowance (contributory)	4,737.0	4,731.20		
	sub total		**13,952.2**	**14,222.3**	**(270.2)**	**(1.9)**
S, T, U, V	Disability and carer benefits	*Attendance Allowance*	5,450.4	5,615.90		
		Personal Independence Payment	13,836.8	12,830.10		
		Disability Living Allowance	5,961.1	5,661.80		
		Carer's Allowance	3,097.9	3,060.40		
	sub total		**28,346.2**	**27,168.2**	**1,178.0**	**4.3**
N, O, P, AA, AB	Universal Credit and equivalent DWP benefits	*Universal Credit inside the welfare cap*	23,129.2	32,913.8		
		Universal Credit outside the welfare cap	18,765.8	4,970.5		
		Employment and Support Allowance (non-contributory)	9,140.6	9,411.8		
		Income Support	1,097.9	1,062.8		
		Jobseeker's Allowance (non-contributory)	423.4	968.7		
	sub total		**52,556.9**	**49,327.5**	**3,229.5**	**6.5**
Q, R, AC, AE, AJ, AM, AO	Pensioner benefits	*Pension Credit*	5,183.9	5,393.5		
		Financial Assistance Scheme	45.6	112.0		
		TV licences for the over 75s	2.9	0.0		
		Winter Fuel Payments	2,001.4	1,949.2		
		Christmas Bonus (contributory)	127.0	124.9		
		State Pension	105,098.2	101,751.0		
	sub total		**112,459.1**	**109,330.6**	**3,128.7**	**2.9**
W, AD	Housing Benefit	*Inside the welfare cap*	17,040.4	16,928.6		
		Outside the welfare cap	549.1	392.6		
	sub total		**17,589.5**	**17,321.3**	**268.2**	**1.5**
M, X, Y, Z, AF, AJ, AK, AL, AN	Other benefits	*Industrial injuries benefits scheme*	724.6	753.1		
		Statutory Maternity Pay	2,564.0	2,550.9		
		Christmas Bonus (non-contributory	36.0	33.9		
		Cold Weather Payments	500.0	132.3		
		Maternity Allowance	392.7	433.9		
		Bereavement benefits	623.5	398.1		
		Jobseeker's Allowance (contributory)	634.0	179.9		
		Support for Mortgage Interest loans	0.7	0.7		
		Tax Credit Impairment	-190.0	0.0		
		Statutory Sick Pay	131.3	1,000.0		
	sub total		**5,416.7**	**5,482.9**	**(66.1)**	**(1.2)**
AF, AG, AJ	Other items	*Other Items*	84.0	41.2		
	total voted and non voted		**221,264.0**	**213,482.0**	**7,782.1**	**3.6**
Capital			£m	£m	£m	%
N, AB, AF, AJ	AME Capital	*Universal Credit Advances*	500.0	1,500.0		
		Support for Mortgage Interest Loans	174.1	137.0		
		Social Fund Net Lending	20.0	0.0		
	sub total		**694.1**	**1,637.0**	**(942.9)**	**(57.6)**

[17] Totals do not sum due to rounding and because non-contributory Employment and Support Allowance is included in both Incapacity benefits and in Universal Credit and equivalent benefits

Annex C: Summary of Changes to DEL Funding since Spending Round 2019

	Administration	Programme	**Total Resource DEL**	**Capital DEL**
	£m	**£m**	**£m**	**£m**
Spending Round 2019 (SR19) Funding:	**828.8**	**5,123.1**	**5,951.9**	**228.0**
Supplementary Estimate 2019-20	(1.1)	(1.3)	(2.4)	(4.0)
Main Estimate 2020-21	(35.7)	284.8	249.1	0.6
Funding prior to Supplementary Estimate (SE) 2020-21	**792.0**	**5,406.6**	**6,198.6**	**224.6**
Funding adjustments included in SE 2020-21:				
Neutral switches between funding controls:	70.0	(428.0)	(358.0)	358.0
Cash forecasting rebate	1.1		1.1	
Reserve Claims:				
Winter Support Grant (ring fenced)		170.00	170.0	
Kickstart (ring fenced)		25.00	25.0	
Job Support Fund (ring fenced)		3.00	3.0	
Flexible Support Fund (ring fenced)		54.00	54.0	
Work & Health Programme (ring fenced)		58.00	58.0	
Funeral Expense Payments (ring fenced)				25.5
Health and Safety Executive (HSE)		14.0	14.0	4.7
Money & Pensions Service		18.7	18.7	
Digital Transformation		8.00	8.0	3.0
Core Department - Plan for Jobs	100.0	736.00	836.0	34.0
Reductions in Policy Ring Fences:				
Enhanced Support Offer		(25.0)	(25.0)	
COVID Shielding Centre		(35.0)	(35.0)	
NEST Loan				(6.7)
Funding transfers with other government departments:				
From NI Executive to contribute to the Communities Project		0.3	0.3	
From MHCLG to establish the Building Safety Regulator in HSE		11.0	11.0	1.0
From Cabinet Office for HSE Covid-19 communications		0.3	0.3	
From Cabinet Office for DWP Covid-19 communications		6.3	6.3	
From Cabinet Office for BI4BG programme funding	0.1		0.1	
From DH&SC to contribute to the departments Work & Health Unit		1.0	1.0	
From DH&SC for personal protective equipment		0.0	0.0	
From BEIS to HSE for delivery of Competent Authority functions under National Information Systems		0.1	0.1	
To Cabinet Office for Civil Service Local	(0.4)		(0.4)	
To HMCTS (MoJ) for Personal Independence Payments and Disability Living Allowance appeals		- 23.5	(23.5)	
To HMRC for the Jointly managed Engagement Team Analysts and depreciation		- 2.7	(2.7)	
To the Welsh Assembley contributing for the Employers, Health and Inclusive Employment (EHIE) individual Placement and Support Trial		- 0.1	(0.1)	
To the Scottish Government for EHIE Health and Work Scotland work		- 0.1	(0.1)	
To Cabinet Office from EHIE for for high priority research on the impact of Covid-19 on disabled people		- 0.1	(0.1)	
To DHSC to transfer funding to National Health South East to deliver Healthy London initiatives		- 5.0	(5.0)	
To Cabinet Office for Special Advisors	(0.0)		(0.0)	
To HMRC for legacy Universal Credit savings compensation		- 23.1	(23.1)	
To Cabinet Office contributing to the Public Sector Geospatial Agreement				(0.1)
Supplementary Estimate 2020-21	**962.7**	**5,969.7**	**6,932.4**	**644.1**

Annex D: Departmental Expenditure Limit 2013-14 to 2020-21 [18]

	Limit	Outturn	Variance
	£m	£m	£m
Administration			
2013-14 Outturn	1,276	1,091	185
2014-15 Outturn	1,208	894	314
2015-16 Outturn	1,058	837	221
2016-17 Outturn	942	880	62
2017-18 Outturn	899	799	100
2018-19 Outturn	845	780	65
2019-20 Outturn	912	797	115
2020-21 Supplementary Estimate	963		
Resource			
2013-14 Outturn	7,401	7,359	42
2014-15 Outturn	7,217	7,152	65
2015-16 Outturn	6,508	6,476	32
2016-17 Outturn	6,260	6,161	100
2017-18 Outturn	6,238	6,108	128
2018-19 Outturn	6,044	5,967	77
2019-20 Outturn	5,905	5,883	22
2020-21 Supplementary Estimate	6,932		
Capital			
2013-14 Outturn	199	186	13
2014-15 Outturn	281	249	32
2015-16 Outturn	227	184	43
2016-17 Outturn	307	292	15
2017-18 Outturn	501	432	68
2018-19 Outturn	375	334	41
2019-20 Outturn	195	81	114
2020-21 Supplementary Estimate	644		

[18] Data above is sourced from the Department of Work and Pensions Annual Reports and Accounts for each financial year up to and including 2019-20

Annex E: Key Terms

Departmental Expenditure Limit (DEL)

Spending within the Department's direct control which can therefore be planned over an extended period, such as the costs of its own administration, payments to third parties e.g. within Employment Programmes, Housing Benefit administration subsidies to Local Authorities, and the European Social Fund.

Annually Managed Expenditure (AME)

In the Department for Work and Pensions, Annually Managed Expenditure is primarily demand led expenditure on social security and social assistance benefits. Annually Managed Expenditure spending does not fall within the Departmental Expenditure Limit. It is generally less predictable and controllable than expenditure in Departmental Expenditure Limit.

Voted Funds

Parliament consents in principle to the use of public funds through legislation to enable specified policies. It approves use of public resources to carry out those policies year by year as defined by the specific ambits of the Department by 'voting' on the published Parliamentary Supply Estimates in the House of Commons.

Non-Voted Funds

Although such expenditure appears in the departmental Estimate it is not voted by Parliament but may nevertheless fall within the budget and/or accounts. This expenditure mainly relates to Contributory Benefits such as Contributory Retirement Pensions and Employment and Support and Jobseeker's Allowances which are financed from the National Insurance Fund.

Budget and Non-Budget Funds

The terms Budget and Non-Budget funds apply to whether the funds impact the HMT Budgetary Controls. Funds specified as Budget will impact HMT controls whereas funds defined as Non-Budget will not impact HMT controls. Items covered within this include Social Fund expenditure such as Cold Weather Payments.