Department for Work & Pensions

Supplementary Estimate 2019-20

Select Committee Memorandum

January 2020

Contents

1 Overview

1.1 Objectives

The Department for Work and Pensions' objectives, as set out in its published Single Departmental Plan, 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 its objectives. Details of which estimate subheads relate to which objectives are given at Section 3.1.

1.2 Spending controls

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

The spending totals which 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, and the proportions spent on its main activities.

Figure 1: Resource DEL 2019-20

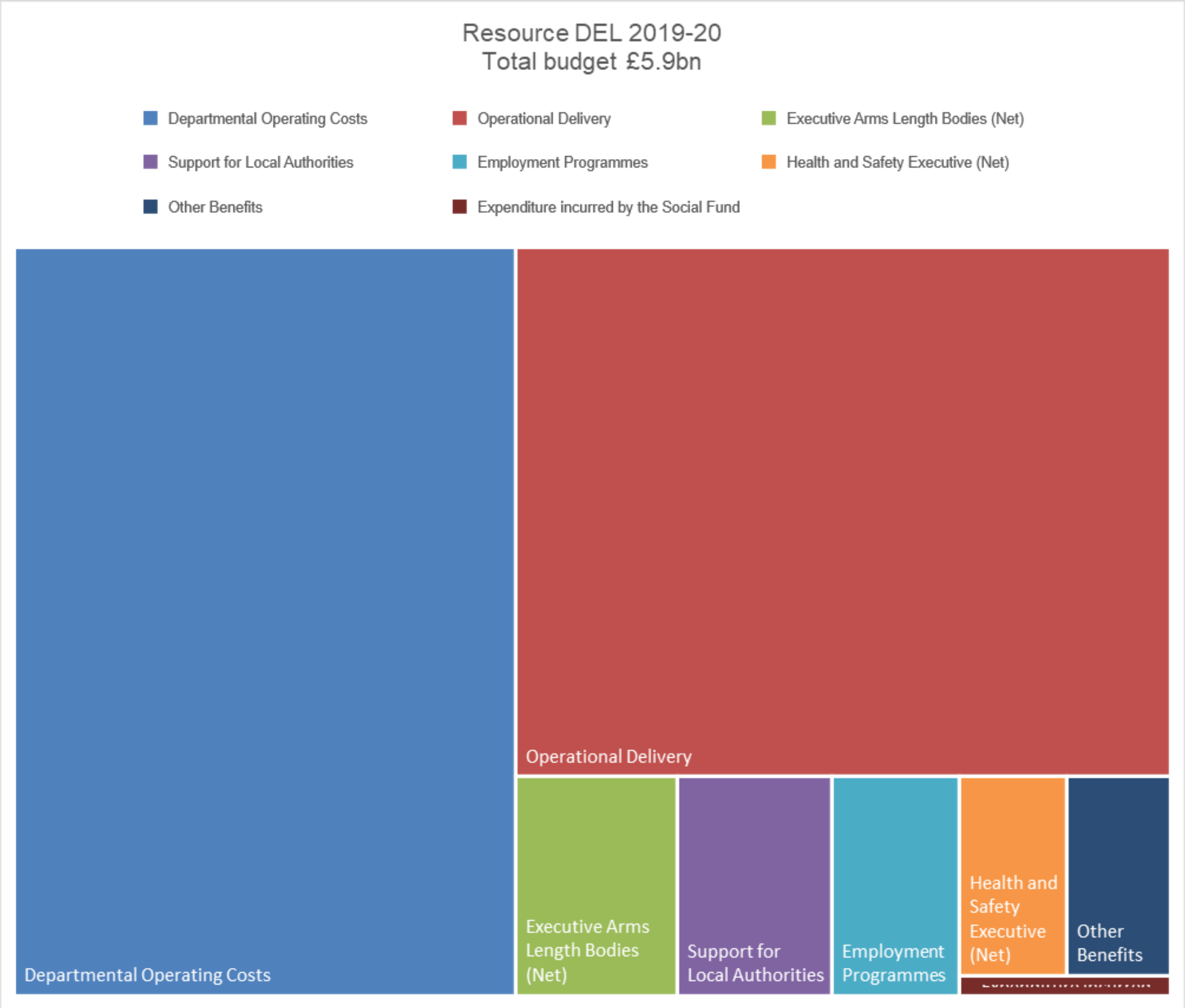
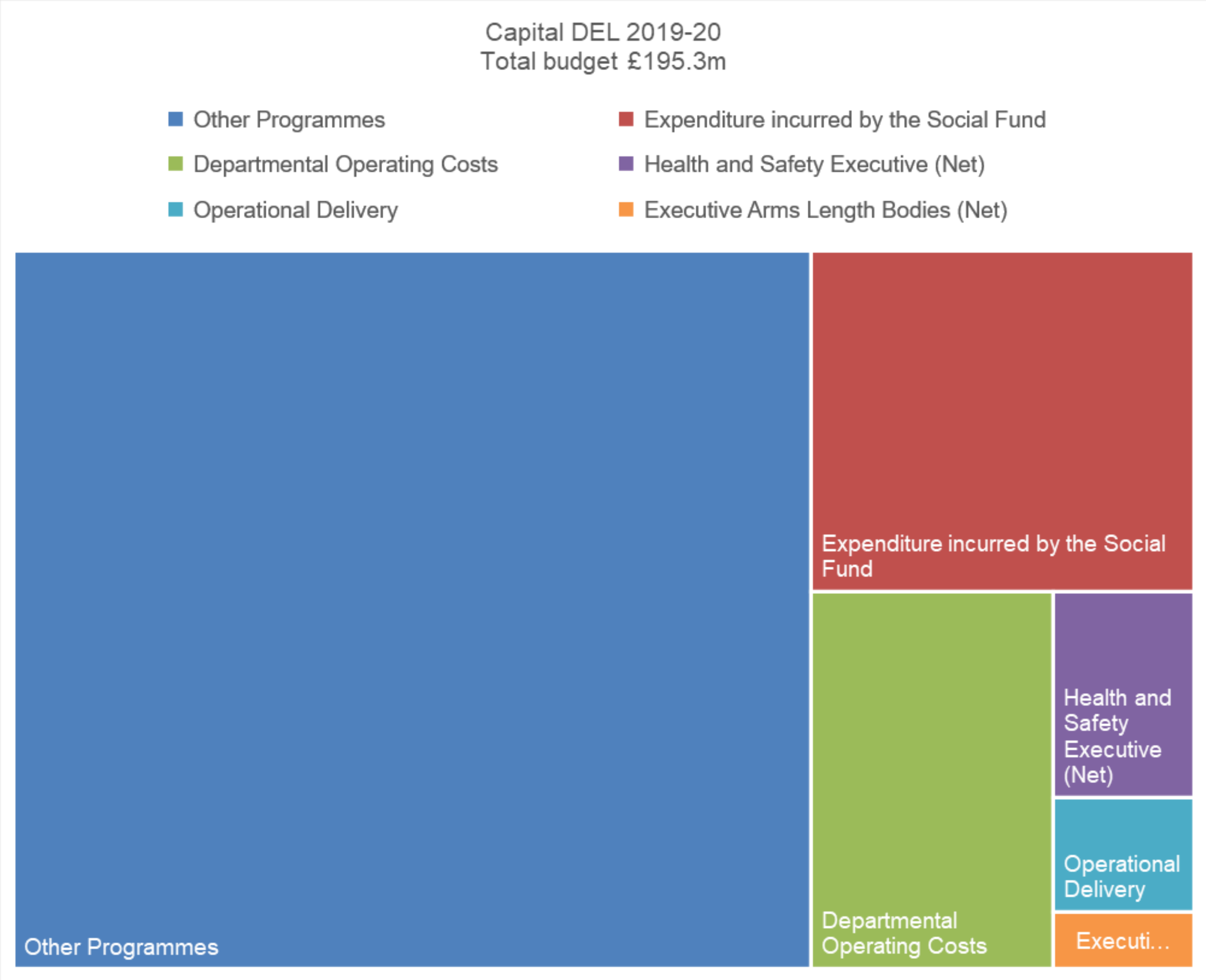


Figure 2: Capital DEL 2019-20



1.4 Comparison of spending totals sought

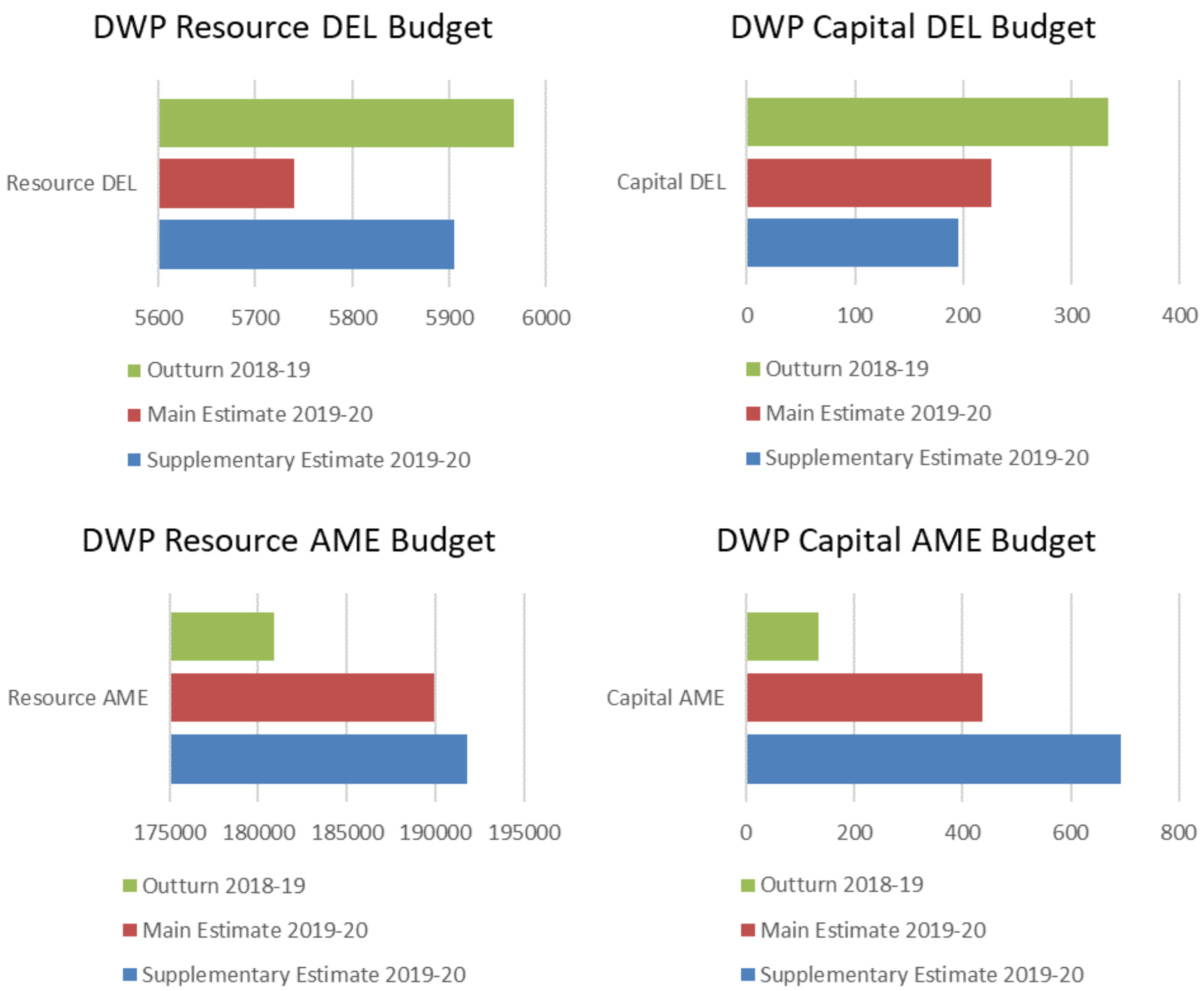
The table below shows how the totals sought for DWP compare with this year's Main Estimate and last year's outturn:

Table 1: Comparison of Spending Totals

Supplementary Estimate 2019-20		vs. Main Estimate 2019-20[1]		vs. Outturn 2018-19[2]	
	£m	£m	%	£m	%
Resource DEL	5,905.4	165.5	2.8%	- 61.5	-1.0%
Capital DEL	195.3	-31.4	-16.1%	- 138.9	-71.1%
Resource AME	191,802.0	1873.8	1.0%	10,924.6	5.7%
Capital AME	693.2	257.5	37.1%	558.4	80.6%

[1] Negative denotes lower funding than at Main Estimate
[2] Negative denotes funding at Supplementary Estimate in 19-20 lower than 18-19 outturn

Figure 3: Comparison of Spending Totals (£m)



1.5 Key drivers of spending changes since last year

The Department's final DEL outturn in 2018-19 was £6,301m. The Supplementary Estimate funding position for 2019-20 is £6,101m, an overall reduction of £200m. Major changes by funding category are shown below:

- Resource DEL, overall reduction of £62m is due to increased efficiencies in office related costs such as accommodation costs. These reductions are offset by an increase in spend on additional operational pressures in the department arising as a result of leaving the EU for which we received additional funding.
- Capital DEL expenditure is influenced by the profile of investment within Digital Group. The reduction in 2019-20 of £139m is primarily a result of some of our major digital projects completing in 2018-19 in addition to an element of capital spend initially planned for 2019-20 being brought into 2018-19.
- Resource AME, increase of £10,925m partially due to up-rating (the annual increase in most benefits, particularly impacting State Pensions which were

increased by 2.4%). The other factor in the increase is that Resource AME is based on central estimates endorsed by the Office of Budget Responsibility and are therefore equally likely to go up or down and a margin is applied to Resource AME to allow for this.

- Capital AME, increase of £558m mainly due to an increase in Universal Credit Advances as more customers take up Universal Credit.

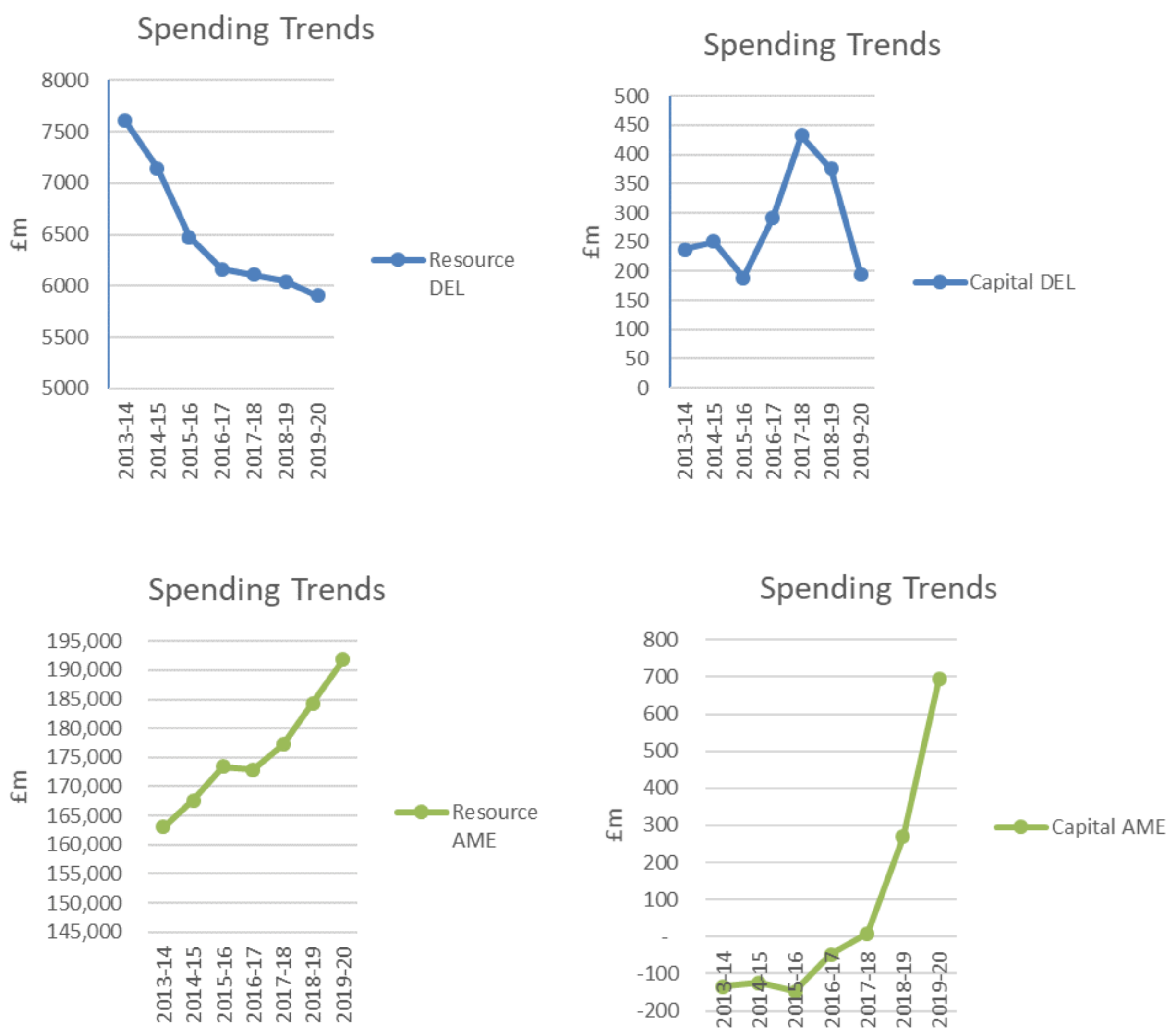
1.6 New policies and programmes; ambit changes

There were no new policies, programmes or ambit changes that impact on the 2019-20 estimate.

1.7 Spending trends

The charts below show overall spending trends for the last five years, plans presented in Estimates for 2019-20, and current future spending plans.

Figure 4: Spending Trends



- Resource DEL – Figure 4 shows a trend of reduction in Resource DEL spending from SR10 through to SR15 brought about by driving out efficiencies and strong financial management over this period.

- Capital DEL – with the exception of Financial Transactions (defined in Section 1.2), DWP's Capital DEL expenditure is predominantly non-recurrent investment within Change programmes, Digital and Estates.

- Resource AME - benefit expenditure has increased over the period shown, driven by up-rating (the annual increase in most benefits) and demographics (a growing and ageing population). 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". Reforms to working age benefits, including the freeze on up-rating of some benefits which ends in 2019-20, mean that spending on the State Pension is growing as a proportion of DWP AME.

- 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 DWP had to capitalise a proportion of Universal Credit advances for the first time due to HMT budgeting rules and in 2018-19 the Department introduced Support for Mortgage Interest (SMI) loans. As these grow, so does Capital AME.

1.8 Administration costs and efficiency plans

Table 2: Administration budgets

Spending total **Final amounts sought this year (Supplementary Estimate)**		**Compared to original budget this year (Main Estimates)**		**Compared to final outturn last year (Annual Report and Accounts)**	
		£m	**%**	**£m**	**%**
Administration costs	£912.2	£97.0	11.9%	£132.3	16.96%

Within DWP, administration relates to expenditure to maintain Departmental infrastructure and provide necessary business services including improvements to IT services for users and customers. Administration as a proportion of DWP's Resource DEL expenditure is 15.5% of the 2019-20 Supplementary Estimate.

The increase in our DEL administration costs (DELA) is partly due to the movement of some digital work in house which has increased administration costs (but has led to an overall reduction in departmental spend). In addition, we have seen our DELA increase due to the impact of SCAPE (Superannuation Contributions Adjusted for Past Experience).

1.9 Funding: Spending Review and budgets

The levels of DEL funding for DWP for 2019-20 are based on plans published in the 2015 Spending Review. Since that time, the Government has made a number of changes to 2019-20 spending plans including additional funding in Spring and Autumn Statements and Budgets. Details of funding changes are set out in the Table at Annex C.

Notable amongst these changes within 2019-20 are:

The department's Capital DEL funding has increased by a further £8m due to a loan to the Office of Nuclear Regulation for essential IT infrastructure and resilience projects.

The department received money at Autumn Budgets 2017 and 2018 for a number of policies including reducing fraud error and debt in Housing Benefit, Relationship Support and the Pensions Dashboard. This funding continues in 2019-20, as shown in Annex C.

The department received a £1m funding rebate from HMT in respect of cash management. To encourage good cash management by departments, HMT operates a system of penalties and rebates. In respect of departmental performance, we have a strong record in this area and have received a rebate each year since SR10.

In this estimate £36m will be moved from Capital DEL to Resource DEL. This is due to DWP generating additional capital income through Internet Protocol (IP) address sales. The sale made the best use of public assets no longer required by DWP to benefit the Exchequer and proceeds have been used to fund vital spending to modernise its digital infrastructure and physical estate to reduce costs and improve service to customers.

£24m will also be moved from Resource DEL (Programme) to Resource DEL (Admin). This will align our forecasts and budgets to the increases mentioned in section 1.8 in Resource DEL admin).

The department's DEL funding has reduced by £11m due to the net impact of budget transfers between departments. Most notable of these are budget transfers and Machinery of Government Changes in respect of Scottish Devolution.

We have received additional depreciation cover for DELA in 2019-20. This had no cash impact on the spending of the department.

1.10 Other funding announcements

The department's DEL funding has increased by £115m due to additional EU Exit funding provided in 2019-20. In December 2018, the department was allocated £15m provided at Main Estimates to fund policy and operational costs for deal and no deal preparation. In August 2019, the department was allocated a further £100m from the Operational Contingency Fund for additional operational pressures in the department arising as a result of leaving the EU.

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 Departmental Expenditure Limits (DELs)

Subheads	Description	**Resource**				
		This year (Supplementary Estimates budget sought)	*This year (Main Estimates budget approved)*	change from Main Estimate		
		£m			%	see note
A	Operational Delivery	2,286.04	1,995.07	290.97	14.58%	2
B	Health and Safety Executive (Net)	135.52	133.95	1.57	1.17%	
C	European Social Fund	-0.71	20.12	-20.83	-103.54%	3
D	Executive Arm's Length Bodies (Net)	226.19	196.57	29.62	15.07%	4
E	Employment Programmes	179.54	226.27	-46.73	-20.65%	5
F	Support for Local Authorities	216.61	224.84	-8.23	-3.66%	
G	Other Programmes	-81.75	-49.43	-32.32	65.39%	6
H	Other Benefits	132.22	132.53	-0.31	-0.23%	
I	Departmental operating costs	2,353.61	2,405.19	-51.59	-2.14%	
J	National Insurance Fund	431.73	431.73	0.00	0.00%	
K	Expenditure incurred by the Social Fund	26.38	23.04	3.34	14.51%	
	Total	**5,905.37**	**5,739.88**	**165.49**	**2.88%**	

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

1. When considering the movements between Main and Supplementary Estimate, it is not always possible to do so meaningfully at subhead level. Whilst DWP was able to set a balanced budget at Total DEL level prior to the beginning of the year, a detailed profile by subhead was not available at the time of the Main Estimate production, meaning that some subheads were based on 2018-19 outturn with a view to amending subhead profiles prior to Supplementary Estimate 2019-20.
2. Operational Delivery – As mentioned in section 1.10 we received £15m of funding for EU Exit at Main Estimate. We received an additional £100m of funding at Supplementary Estimate towards EU Exit resilience, this causes the majority of the variance from Main Estimate. Additionally, due to the Department undertaking an organisational redesign we have seen the Debt Management Function move from Departmental Operating costs to Operational Delivery. A number of other small

internal transactions alongside realignment of forecasts to better reflect spending would have also impacted the Estimate lines.

3. European Social fund – A change in the exchange rates gains and losses since Main Estimate has meant that we have seen a change in latest forecasts and assumptions.
4. Executive Arm's Length Bodies (Net) – The increase relates to increased funding for The Pensions Regulator (TPR) from the PSP levy, offsetting decreases can be seen within Other Programmes.
5. Employment Programmes – the majority of the changes have been due to changes and the alignment of forecasts to latest assumptions.
6. Other Programmes – the majority of this movement relates to increased levy income charged to the pensions industry to fund activity within TPR (as mentioned above). In addition, we have also seen an alignment of forecasts to budgets for the NEST impacts.

Capital DEL

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

Table 4 Departmental Expenditure Limits (DELs)

Subheads	Description	**Capital**				
		This year (Supplementary Estimates budget sought)	*This year (Main Estimates budget approved)*	change from Main Estimate		see note
		£m			%	
A	Operational Delivery	3.7	0.0	3.7	N/A	
B	Health and Safety Executive (Net)	6.7	0.0	6.7	N/A	
C	European Social Fund	0.0	0.0	0.0		
D	Executive Arm's Length Bodies (Net)	1.8	0.7	1.1	151.4%	
E	Employment Programmes	0.0	0.0	0.0		
F	Support for Local Authorities	0.0	0.0	0.0		
G	Other Programmes	131.8	107.1	24.7	23.1%	7
H	Other Benefits	0.0	0.0	0.0		
I	Departmental operating costs	21.0	77.0	-55.9	-72.7%	8
J	National Insurance Fund	0.0	0.0	0.0		
K	Expenditure incurred by the Social Fund	30.1	41.9	-11.8	-28.1%	9
	Total	**195.3**	**226.7**	**-31.4**	**-13.9%**	

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

7. Other Programmes – this has increased due to the receipt of the ONR Loan as well as the alignment of the forecasts to budgets for the NEST loan.

8. Departmental Operating Costs – the Department has transferred £36m from Capital DEL to Resource DEL this is due to DWP generating additional capital income through Internet Protocol (IP) address sales.
9. Expenditure incurred by the Social Fund – due to changes and the alignment of forecasts to latest assumptions.

Resource Annually Managed Expenditure (AME)

In the Department for Work and Pensions, 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.

Well over half of DWP AME is spent on contributory benefits, where entitlement is based on National Insurance contributions. Contributory benefits are dominated by the State Pension. A quarter of the departments Resource AME is income-related: entitlement is affected by the recipient's other income and capital. Examples are Universal Credit and Pension Credit.

The remainder of the benefit expenditure is neither contributory nor income-related. Disability extra-costs benefits are the main area of spending of this type (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 impairments and provisions. Table 5 shows how spending plans for Resource AME compare with the Main Estimate.

Table 5: Resource AME

Subheads	Description	Resource AME			
		£m			%
		Supplementary Estimate 2019-20	Main Estimate 2019-20	Change from Main Estimate	
L, O, AH, AI	Incapacity benefits[3]	13,278.1	12,788.6	489.5	3.8%
S, T, U, V	Disability and carer benefits	28,915.3	28,964.1	(48.8)	-0.2%
N, O, P, AA, AB	Universal Credit and equivalent DWP benefits[4]	29,231.7	24,443.2	4,788.5	19.6%
Q, R, AC, AE, AJ, AM, AO	Pensioner benefits[5,6]	106,590.4	106,130.8	459.5	0.4%
W, AD	Housing Benefit	17,814.8	17,308.4	506.4	2.9%
M, X, Y, Z, AF, AJ, AK, AL, AN	Other benefits and items	4,619.1	4,835.0	(215.8)	-4.5%
AF, AG, AJ	Other items	37.3	40.4	(3.1)	-7.8%
	Total voted and non-voted[7]	191,802.0	189,928.3	1,873.8	1.0%

Key drivers of spending changes since Main Estimate

Benefit expenditure

Funding for benefit expenditure has increased by £1,874m to £191,802m, with a margin of £2,866m more than offsetting lower forecasts.

Overall, changes are driven by the addition of a margin to the latest in-year forecast, to protect against the possibility that the latest forecast is an underestimate. The in-

[3] Excluding Universal Credit spending estimated to be Employment and Support Allowance equivalent. The forecast on which the Supplementary Estimate is based shows UC inside and outside the welfare cap but does not split expenditure by statistical group.

[4] Excluding Housing Benefit for people of working age. The forecast on which the Supplementary Estimate is based shows Housing Benefit inside and outside the welfare cap but does not split expenditure by age.

[5] Excluding Housing Benefit for people over pension age. The forecast on which the Supplementary Estimate is based shows Housing Benefit inside and outside the welfare cap but does not split expenditure by age.

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

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

year forecast for benefit expenditure takes account of latest accounting and statistical data, and unemployment and other economic assumptions provided to the Department by the Office for Budget Responsibility.

As the Main Estimate and in-year forecasts are central estimates (equally likely to be too low or too high), and benefit expenditure is demand-led, so cannot be directly controlled, it is normal practice to add a margin at the Supplementary Estimate. The level of margin is based on an assessment of risk associated with each benefit.

Outturn so far this year has been lower than expected. Reduced forecasts in particular reflect improved forecasting methodology for Personal Independence Payment; and lower outturn on Universal Credit because of lower unemployment and lower on flows than expected (see Table 8).

Main changes in Resource AME funding

Incapacity benefits[8]

Funding increased by £490m, including a margin of £499m. Table 6 shows a breakdown of the movements on incapacity benefits.

Increased funding is due to an increase in the Employment and Support Allowance (ESA) forecast due to a change in caseload composition with more claimants in the Support Group, and the addition of margins of 2.0% non-contributory ESA and 1.5% on contributory, the forecast increase is fully offset by utilisation and movement of provisions. ESA provision also includes a movement from non-contributory to contributory ESA.

Other incapacity benefits are closed to new claims and are gradually falling as caseloads reduce and a margin of 1.5% has been applied to these.

Table 6: Incapacity benefits

	£m[9]			%
	Supplementary Estimate 2019-20	Main Estimate 2019-20	Change from Main Estimate	
Incapacity benefits, *of which:*	**13,278.1**	**12,788.6**	**489.5**	**3.8%**
Severe Disablement Allowance	90.5	93.7	(3.2)	-3.4%
Incapacity benefit	1.7	0.9	0.8	86.7%
Employment and Support Allowance (non-contributory)	8,684.6	4,582.2	4,102.4	89.5%
Employment and Support Allowance (contributory)	4,501.3	8,111.8	(3,610.5)	-44.5%

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8 Excluding Universal Credit spending estimated to be Employment and Support Allowance equivalent. The forecast on which the Supplementary Estimate is based shows UC inside and outside the welfare cap but does not split expenditure by statistical group.

9 Amounts / percentages may not sum due to rounding

Disability and carer benefits

Funding reduced by £49m even after taking into account a margin of £703m. Table 7 shows a breakdown of the movements on disability and carer benefits.

The main driver for this is the utilisation and movement of provisions and a fewer Disability Living Allowance (DLA) reassessments to PIP (which more than offsets increased DLA funding) and which are offset in part by the addition of margins of 2% for DLA and PIP to reflect benefit uncertainty.

There has been little change in Attendance Allowance and Carer's allowances which include margins of 0.5% and 1% respectively.

Table 7: Disability and carer benefits

	£m			%
	Supplementary Estimate 2019-20	Main Estimate 2019-20	Change from Main Estimate	
Disability and carer benefits, *of which:*	**28,915.3**	**28,964.1**	**(48.8)**	**-0.2%**
Attendance Allowance	5,932.6	5,889.9	42.7	0.7%
Personal Independence Payment[10]	12,396.3	12,755.2	(358.9)	-2.8%
Disability Living Allowance	7,612.5	7,346.2	266.3	3.6%
Carer's Allowance	2,973.9	2,972.9	1.1	0.0%

Universal Credit and equivalent DWP benefits[11]

Funding increased by £4,789m, including a margin of £906m. 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, are gradually being replaced by UC, which is therefore rising as the legacy benefits in both DWP and HMRC fall.

The increase in UC is due to margins of 2% for spending inside the Welfare Cap and 5% outside the Welfare Cap having been included, offset in part by lower outturn than expected due to slower than expected on flows to UC and lower unemployment. These margins reflect the potential variation in pace of new claimants coming on to UC, the greater uncertainty inherent in a new system, and the level of exposure to an

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10 Including Armed Forces Independence Payment.

11 Excluding Housing Benefit for people of working age. The forecast on which the Supplementary Estimate is based shows Housing Benefit inside and outside the welfare cap but does not split expenditure by age.

economic shock. This increase is partially offset by lower than expected outturn which is in part driven by lower unemployment.

The increase in income-related ESA (non-contributory) is due to a movement of provision between contributory and non-contributory ESA, as well as the inclusion of a 2% margin (contributory ESA is not included in the UC and equivalents benefits).

The additional amount required for Income Support includes adjusted forecasts to reflect higher than expected outturn and a margin of 1%.

Funding for non-contributory JSA increased by £361m, largely offset by decreases in contributory JSA (see Table 11) and inclusion of a 1.5% margin.

Table 8: Universal Credit and equivalent DWP benefits

	£m			%
	Supplementary Estimate 2019-20	Main Estimate 2019-20	Change from Main Estimate	
Universal Credit and equivalent DWP benefits, *of which:*	**29,231.7**	**24,443.2**	**4,788.5**	**19.6%**
Universal Credit inside the welfare cap	15,446.6	15,246.2	200.4	1.3%
Universal Credit outside the welfare cap	3,096.3	3,137.1	(40.8)	-1.3%
Employment and Support Allowance (non-contributory)	8,684.6	4,582.2	4,102.4	89.5%
Income Support	1,348.7	1,183.2	165.5	14.0%
Jobseeker's Allowance (non-contributory)	655.5	294.5	360.9	122.6%

Pensioner benefits[12,13,14]

Funding increased by £460m, including a margin of £398m. Table 9 shows a breakdown of the movements in pensioner benefits.

The increase of Pension Credit (PC) is mainly driven by an increase in take-up resulting from the BBC's announcement made in June 2019, that from summer 2020 only those aged 75+ who are claiming PC will be entitled to free TV Licences, and the inclusion of a margin of 2%. The margin has increased this year to reflect the increased uncertainty regarding the knock-on impact of the BBC TV Licence decision.

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[12] Excluding Housing Benefit for people over pension age. The forecast on which the Supplementary Estimate is based shows Housing Benefit inside and outside the welfare cap but does not split expenditure by age.

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

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

The Financial Assistance Scheme (FAS) increase is due to £55m change in the short and medium term discount rates and inclusion of a £100m margin. We include a bigger 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.

The increase in State Pension is minimal and due to including a 0.2% margin, offset in part by slightly lower outturn than expected.

Minimal adjustments are being made for Winter Fuel Payments (WFP) and contributory Christmas Bonus, and no margins are included as outturn is largely known.

Table 9: Pensioner benefits

	£m[15]			%
	Supplementary Estimate 2019-20	Main Estimate 2019-20	Change from Main Estimate	
Pensioner benefits, *of which:*	**106,590.4**	**106,130.8**	**459.5**	**0.4%**
Pension Credit	5,120.6	4,898.8	221.8	4.5%
Financial Assistance Scheme (benefits only)	211.7	57.4	154.4	269.1%
TV licences for the over 75s	247.0	247.0	0.0	0.0%
Winter Fuel Payments	1,969.0	1,961.9	7.1	0.4%
Christmas Bonus (contributory)	119.8	122.4	(2.6)	-2.1%
State Pension	98,922.3	98,843.4	78.9	0.1%

Housing Benefit

Funding for Housing Benefit is increased by £506m, including a margin of £349m. Table 10 shows a breakdown of movements in Housing Benefit.

The increase for Housing Benefit inside the welfare cap is due to slower than expected on flows to UC, higher average award amounts, and the addition of a 2% margin.

The decrease outside the welfare cap is due to lower than expected unemployment, offset in part by the 2% margin.

Housing Benefit is administered by Local Authorities meaning that we do not have timely financial outturn, and there is always a risk that final subsidy claims from councils will be slightly higher than indicated by administrative data. Spend inside the cap is also potentially sensitive to economic changes, and is also sensitive to the

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

pace and composition of the build-up of Universal Credit. To account for these factors a relatively large margin of 2.0% has been applied.

Table 10: Housing Benefit

	£m			%
	Supplementary Estimate 2019-20	Main Estimate 2019-20	Change from Main Estimate	
Housing Benefit, of which	**17,814.8**	**17,308.4**	**506.4**	**2.9%**
Inside the welfare cap	17,251.5	16,579.6	671.9	4.1%
Outside the welfare cap	563.2	728.8	(165.5)	-22.7%

Other benefits

Funding for other benefits decreases by £216m, more than offsetting the margin of £442m, mostly on Cold Weather Payments (CWPs).

The decrease 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 how much is needed.

Funding for CWPs is increased to £500m (including a £432m margin). CWPs are inherently difficult to predict. Past years' outturn is not a guide to this year's expenditure nor is expenditure so far this winter. The Supplementary Estimate of £500m provides cover above the current forecast, itself 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).

The decrease in maternity Allowance is driven by lower than expected outturn, offset in part by a 0.5% margin.

Funding is increased for Bereavement benefits due to higher than expected outturn and the inclusion of a 0.5% margin.

The decrease for contributory JSA is due to a modelling methodology change and lower than expected outturn, offset in part by a 1.5% margin.

Table 11: Other benefits

	£m			%
	Supplementary Estimate 2019-20	Main Estimate 2019-20	Change from Main Estimate	
Other benefits, *of which:*	**4,619.1**	**4,835.0**	**(215.8)**	**-4.5%**
Industrial injuries benefits scheme	838.7	847.6	(8.8)	-1.0%
Statutory Maternity Pay	2,281.0	2,641.8	(360.8)	-13.7%
Christmas Bonus (non-contributory)	34.2	35.4	(1.2)	-3.3%
Cold Weather Payments	500.0	140.2	359.8	256.5%
Maternity Allowance	422.1	447.8	(25.7)	-5.7%
Bereavement benefits	440.6	422.9	17.6	4.2%
Jobseeker's Allowance (contributory)	102.0	300.7	(198.7)	-66.1%
Support for Mortgage Interest loans	0.4	(1.5)	2.0	-128.4%

Other Items

Other items falling within the categorisation of Resource AME have seen minimal change and reduced by £3m since the Main Estimate.

Capital AME

Capital AME has increased from £436m at the Main Estimate to £693m. Capital AME is made up of three items, Support for Mortgage Interest loans, the capitalisation of a proportion of Universal Credit advances offset by anticipated Social Fund net lending.

A margin has been included to cover the possibility that outturn proves higher than forecast. This represents a higher percentage than is the case for Resource AME benefits as these items of expenditure within AME Capital do not have the same historic data on which to base financial modelling and are more volatile (see section 1.7).

Table 12: Capital AME

	£m			%
	Supplementary Estimate 2018-19	Main Estimate 2018-19	Change from Main Estimate	
AME Capital, *of which:*	**693.2**	**435.9**	**257.5**	**59.1%**
Universal Credit Advances	653.6	329.8	323.9	98.2%
Support for Mortgage Interest Loans	76.2	105.9	(29.8)	-28.1%
Social Fund Net Lending	(36.6)	0.0	(36.6)	n/a

2.2 Machinery of Government Changes

Machinery of Government Changes	Resource DEL	Capital DEL
	£m	£m
I: Departmental Operating Costs:		
Office of Disability Issues to Cabinet Office	-1.16	
IPES Devolved to Scotland	-0.25	
K: Expenditure Incurred by the Social Fund		
Funeral Expense Payments Devolved to Scotland		-3.05
Total Machinery of Government Changes	**-1.41**	**-3.05**

2.3 Ring-fenced budgets

Within the departments DEL funding, some elements are ring-fenced meaning that savings in these budgets may not be used to fund pressures on other budgets. Details of ring-fenced elements are shown in the paragraphs and table below.

As was explained at the Main Estimate, the proportion of DWP's funding which was subject to ring-fence is very small and a number of these restrictions were temporary and planned to be removed by HMT following development of policies and approval of relevant business cases. This includes funding for Youth Obligation and the Work and Health Programme, hence the removal of a Supplementary Estimate funding requirement as shown in the table. For this reason, the value of our funding subject to ring-fence has fallen by 8% since the Main Estimate.

Depreciation continues to be ring-fenced, as a non-cash expense. The total amount of depreciation funded for 2019-20 is £192m, of which £113m is within Administration.

The Department's settlement includes £4m per year relating to Official Development Assistance for the International Labour Organisation.

At Autumn Budget 2017, the Department was allocated a total of £8m ring-fenced funding over 4 years to develop the evidence about what helps people progress in work. £1.3m has been allocated to In Work Trial for 2019-20.

Funding for Financial Transactions within DEL Capital has been ring-fenced for the SR15 period. This totals £146m in 2019-20, and relates to National Employment Savings Trust loan and Social Fund Funeral Expense Payments. The £3m reduction since Main Estimate is due to a Machinery of Government Change for devolution of

Funeral Expense Payments to Scotland and a Budget Cover Transfer to MOJ for the Child Funeral Fund.

Table 14: Ring-fenced Funding

	Amount Sought Supplementary Estimate 2019-20	Compared to Main Estimate 2019-20		Compared to Outturn 2018-19	
	£m	£m	%	£m	%
Resource DEL					
Depreciation	192.0	37.0	24%	-14.0	-6.8%
Official Development Assistance	4.0	0.0	0%	0.0	0.0%
In Work Trial	1.3	0.0	0%	1.3	N/A
Work and Health Programme	0.0	-101.9	-100%	-0.2	-100.0%
Relationship Support	15.0	15.0	N/A	15.0	N/A
Youth Obligation	0.0	-88.0	-100%	0.0	N/A
EU Exit Allocation	115.0	100.0	667%	115.0	N/A
Pensions Dashboard	3.4	3.4	N/A	3.4	N/A
Total Resource DEL	**330.7**	**-34.6**	**-9%**	**120.5**	**57.3%**
Capital DEL					
Financial Transactions	145.6	-3.4	-2%	8.2	6.0%
Total DEL	**476.3**	**-41.3**	**-8%**	**128.7**	**37.0%**

2.4 Changes to contingent liabilities

No new Contingent Liabilities have been identified by the Department at Supplementary Estimate 2019-20.

Since Main Estimate 2019-20, one Contingent Liability has been removed regarding the potential impacts of the People and Locations Programme, which were not known at the time of Main Estimate production. This is no longer required as successful redeployment of staff meant that no further exit schemes were required in 2018-19. The programme has now closed.

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 15:

		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 the department 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 peopleThe percentage of disabled people with a low income

3. Ensure financial security for current and future pensioners by 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;

5. Children in couple-parent families reporting relationship distressPercentage of separated families with a child maintenance arrangementTransform 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 2019-20 the Department had four projects on the Government Major Projects Portfolio (GMPP). One of these projects (Automatic Enrolment Programme) was successfully delivered and removed from GMPP during the year:

- **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

- **Automatic Enrolment Programme, left GMPP during Quarter 2 2019-20:** The Automatic Enrolment Programme was established to implement the Government's workplace pension reforms. The overarching aim of the reforms is to get more people saving more for their retirement;

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

The Infrastructure and Projects Authority (IPA) reports on delivery of major projects annually. Its latest report on DWP's projects can be found here on gov.uk. Please note the latest data published by IPA reflects Quarter 2 of 2018-19. The next report will be published in summer 2020 and will cover information as of 30 September 2019. The Automatic Enrolment Programme will not feature in this report as it was removed from the GMPP prior to 30 September 2019.

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

24 January 2020

Annex A: Departmental Expenditure Limits (DELs)

Subheads	Description	Resource				Capital			
		This year (Supplementary Estimates budget sought)	*This year (Main Estimates budget approved)*	change from Main Estimate		*This year (Supplementary Estimates budget sought)*	*This year (Main Estimates budget approved)*	change from Main Estimate	
		£m			%	£m			%
A	Operational Delivery	2,286.0	1,995.1	291.0	14.6%	3.7	0.0	3.7	N/A
B	Health and Safety Executive (Net)	135.5	133.9	1.6	1.2%	6.7	0.0	6.7	N/A
C	European Social Fund	-0.7	20.1	-20.8	-103.5%	0.0	0.0	0.0	0.0%
D	Executive Arms Length Bodies (Net)	226.2	196.6	29.6	15.1%	1.8	0.7	1.1	151.4%
E	Employment Programmes	179.5	226.3	-46.7	-20.7%	0.0	0.0	0.0	0.0%
F	Support for Local Authorities	216.6	224.8	-8.2	-3.7%	0.0	0.0	0.0	0.0%
G	Other Programmes	-81.7	-49.4	-32.3	65.4%	131.8	107.1	24.7	23.1%
H	Other Benefits	132.2	132.5	-0.3	-0.2%	0.0	0.0	0.0	0.0%
I	Departmental operating costs	2,353.6	2,405.2	-51.6	-2.1%	21.0	77.0	-55.9	-72.7%
J	National Insurance Fund	431.7	431.7	0.0	0.0%	0.0	0.0	0.0	0.0%
K	Expenditure incurred by the Social Fund	26.4	23.0	3.3	14.5%	30.1	41.9	-11.8	-28.1%
	Total	5,905.4	5,739.9	**165.5**	**2.9%**	195.3	226.7	**-31.4**	**-13.9%**

Annex B: Annually Managed Expenditure

Subheads	Description		*This year (Supplementary Estimates budget sought)*	*This year (Main Estimates budget approved)*	change from Main Estimate	
Resource			£m			%
L, O, AH, AI	Incapacity benefits	*Severe Disablement Allowance*	90.5	93.7	-3.2	-3%
		Incapacity benefit	1.7	0.9	0.8	87%
		Employment and Support Allowance (non-contributory)	8,684.6	4,582.2	4,102.4	90%
		Employment and Support Allowance (contributory)	4,501.3	8,111.8	-3,610.5	-45%
	sub total		13,278.1	12,788.6	**489.5**	**4%**
S, T, U, V	Disability and carer benefits	*Attendance Allowance*	5,932.6	5,889.9	42.7	1%
		Personal Independence Payment	12,396.3	12,755.2	-358.9	-3%
		Disability Living Allowance	7,612.5	7,346.2	266.3	4%
		Carer's Allowance	2,973.9	2,972.9	1.1	0%
	sub total		28,915.3	28,964.1	**-48.8**	**0%**
N, O, P, AA, AB	Universal Credit and equivalent DWP benefits	*Universal Credit inside the welfare cap*	15,446.6	15,246.2	200.4	1%
		Universal Credit outside the welfare cap	3,096.3	3,137.1	-40.8	-1%
		Employment and Support Allowance (non-contributory)	8,684.6	4,582.2	4,102.4	90%
		Income Support	1,348.7	1,183.2	165.5	14%
		Jobseeker's Allowance (non-contributory)	655.5	294.5	360.9	123%
	sub total		29,231.7	24,443.2	**4,788.5**	**20%**
Q, R, AC, AE, AJ, AM, AO	Pensioner benefits	*Pension Credit*	5,120.6	4,898.8	221.8	5%
		Financial Assistance Scheme	211.7	57.4	154.4	269%
		TV licences for the over 75s	247.0	247.0	0.0	0%
		Winter Fuel Payments	1,969.0	1,961.9	7.1	0%
		Christmas Bonus (contributory)	119.8	122.4	-2.6	-2%
		State Pension	98,922.3	98,843.4	78.9	0%
	sub total		106,590.4	106,130.8	**459.5**	**0%**
W, AD	Housing Benefit	*Inside the welfare cap*	17,251.5	16,579.6	671.9	4%
		Outside the welfare cap	563.2	728.8	-165.5	-23%
	sub total		17,814.8	17,308.4	**506.4**	**3%**
M, X, Y, Z, AF, AJ, AK, AL, AN	Other benefits	*Industrial injuries benefits scheme*	838.7	847.6	-8.8	-1%
		Statutory Maternity Pay	2,281.0	2,641.8	-360.8	-14%
		Christmas Bonus (non-contributory	34.2	35.4	-1.2	-3%
		Cold Weather Payments	500.0	140.2	359.8	257%
		Maternity Allowance	422.1	447.8	-25.7	-6%
		Bereavement benefits	440.6	422.9	17.6	4%
		Jobseeker's Allowance (contributory)	102.0	300.7	-198.7	-66%
		Support for Mortgage Interest loans	0.4	-1.5	2.0	-128%
	sub total		4,619.1	4,835.0	**-215.8**	**-4%**
AF, AG, AJ	Other items	*Other Items*	37.3	40.4	-3.1	-8%
	total voted and non voted[1]		200,486.6	194,510.4	5,976.2	3%
Capital			£ million			%
N, AB, AF, AJ	AME Capital	*Universal Credit Advances*	653.6	329.8	323.9	98%
		Support for Mortgage Interest Loans	76.2	105.9	-29.8	-28%
		Social Fund Net Lending	-36.6	0.0	-36.6	N/A
	sub total		693.2	435.7	**257.5**	**59%**

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

Annex C: Summary of Changes to DEL funding for 2019-20 since SR15

	Administration	Programme	**Resource DEL Total**	**Capital DEL**
Spending Review 2015 Funding for 2019-20	822.0	4,791.0	5,613.0	223.0
Adjustments to reflect Estimates treatment (depreciation and ESA10 R&D adjustment)	-26.0	-3.7	-29.7	3.7
Spending Review total on Estimates basis	796.0	4,787.3	5,583.3	226.7
Additional, new, money awarded since SR2015:-				
Autumn Budget 2017:				
Housing Benefit Fraud Error and Debt funding		23.1	23.1	
In-Work Trial		1.3	1.3	
Relationship Support		6.6	6.6	
Use of Real Time Information FED		1.5	1.5	
Autumn Budget 2018:				
Pensions Dashboard		3.4	3.4	
Main Estimate 2019-20:				
Funding SFGB re Pensionwise levy		35.8	35.8	
SCAPE additional funding	10.7	65.7	76.4	
EU Exit Allocation	9.0	6.0	15.0	
Supplementary Estimate 2019-20:				
ONR Loan				8.0
EU Exit Allocation		100.0	100.0	
Estimating, forecasting and reprofiling changes:-				
Supplementary Estimate 2018-19:				
Budget Exchange from 2018-19		16.7	16.7	
Supplementary Estimate 2019-20:				
Cash Forecasting Rebate	1.1		1.1	
Scottish Devolution - Carer's Allowance Income to HMT		-3.5	-3.5	
Funding Switch - CDEL and DELP to DELA	60.0	-24.0	36.0	-36.0
Additional Depreciation Funding	37.0		37.0	
ECL (IFRS 9) additional funding		3.0	3.0	
carried forward	913.8	5,022.8	5,936.5	198.7

Annex C ***continued***

brought forward	913.8	5,022.8	5,936.5	198.7
Neutral funding changes between departments:-				
Machinery of government changes:-				
Main Estimate 2017-18:				
To Scottish Government re Discretionary Housing Payments		-19.5	-19.5	
To Scottish Government re Employment Support Officers		-0.6	-0.6	
To Scottish Government re Work & Health Programme		-13.1	-13.1	
Supplementary Estimate 2018-19:				
To Scottish Government re Sure Start Maternity Grants		-2.1	-2.1	
From HM Treasury re Money Advice Service (SFGB)		81.8	81.8	
Supplementary Estimate 2019-20:			-	
Transfer of Office of Disability Issues to Cabinet Office	-1.0	-0.2	-1.2	
Funeral Expense Payments - Scottish Devolution			-	-3.1
Intensive Personalised Employment Support - Scottish Devolution		-0.3	-0.3	
Other funding transfers:-			-	
Supplementary Estimate 2016-17:		0.1	0.1	
To Foreign & Commonwealth Office for One HMGovernment				
Main Estimate 2018-19:		0.1	0.1	
From Foreign & Commonwealth Office for Spanish Information Gathering Officers				
Main Estimate 2019-20:				
To HMRC for Universal Credit		-59.6	-59.6	
To HMRC for UC Analytical and JMET teams		-0.9	-0.9	
To Department for Health and Social Care for Employment Advisers in Increasing Access for Psychological Therapies		-12.0	-12.0	
To Department for Health and Social Care for Innovation Fund		-1.4	-1.4	
To Scottish Government for Work and Healthy Lives - Innovation Fund		-0.5	-0.5	
To Cabinet Office for Civil Service Live	-0.1		-0.1	
To HMRC for Operational Excellence		-0.9	-0.9	
To HMRC for Civil Service Local	-0.4		-0.4	
From Department for Health and Social Care for Innovation Fund		5.2	5.2	
From Foreign Commonwealth Office for Use of FCOs Overseas Platform		0.2	0.2	
From Cabinet Office National Cyber Security Programme		0.6	0.6	
Supplementary Estimate 2019-20:				
To Cabinet Office for Better Information for Better Government Programme	-0.1		-0.1	
To Cabinet Office for Outsourcing Programme		-0.4	-0.4	
To DFC NI for Tax Credit Debt Project		-0.2	-0.2	
To DFC NI for Tax Credit Debt Project Staff		-0.0	-0.0	
To DHSC for Employment Advisers in IAPT, IPS Grow and Healthy London		-5.7	-5.7	
To Scottish Government for Health & Work Support Pilot Project		-0.4	-0.4	
To Scottish Government for Support to Single Gateway (Dundee & Fife)		-0.1	-0.1	
To Scottish Government for Fit for Work Extension (Scotland)		-0.1	-0.1	
To Scottish Government for Scotland GP IT Project		-0.2	-0.2	
To Scottish Government for Fit Notes in Secondary Care (Discovery)		-0.0	-0.0	
To Welsh Government for IPS Trials		-1.0	-1.0	
To MoJ for Child Funeral Fund				-0.4
From Cabinet Office for EU Exit Get Ready Campaign		0.2	0.2	
From DCMS for Alpha resource costs		0.3	0.3	
From DFC NI for FMOP Project Costs		0.4	0.4	
From DEFRA for Brexit Events		0.1	0.1	
From SIA for National Cyber Security Programme		0.5	0.5	
2019-20 DEL totals as at February 2020	**912.2**	**4,993.2**	**5,905.4**	**195.3**

Annex D: Departmental Expenditure Limit 2013-14 to 2019-20

	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 Supplementary Estimate	912		
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	5967	77
2019-20 Supplementary Estimate	5,905		
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 Supplementary Estimate	195		

1. 2013-14 figures published in the Department for Work and Pensions 2013-14 Annual Report and Accounts.
2. 2014-15 figures published in the Department for Work and Pensions 2014-15
3. 2015-16 figures published in the Department for Work and Pensions 2015-16 Annual Report and Accounts.
4. 2016-17 figures published in the Department for Work and Pensions 2016-17 Annual Report and Accounts.
5. 2017-18 figures published in the Department for Work and Pensions 2017-18 Annual Report and Accounts.
6. 2018-19 figures published in the Department for Work and Pensions 2018-19 Annual Report and Accounts.
7. Figures as presented may not sum, as a result of rounding.
8. Detailed explanations of the variance between outturn and funding are provided in the latest published set of the Department's Annual Report and Accounts.

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.