



Department
for Work &
Pensions

Supplementary Estimate 2021-22

Select Committee Memorandum

February 2022

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1 Overview

1.1 Objectives

DWP's vision is to improve people's quality of life both now and in the future, supporting people to become financially resilient by moving into employment while providing a safety net for those who cannot work. We trust and empower our people to deliver excellent services to our millions of customers every day, including the most vulnerable in society. Our Departmental Plan sets out our objectives for the next year and beyond that will help deliver that vision and how, together, we will achieve them.

To deliver our vision, we have three core objectives:

1. Maximising employment and in-work progression
2. Improving people's quality of life
3. Delivering excellent services for citizens and taxpayers

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.

Figure 1: Resource DEL 2021-22

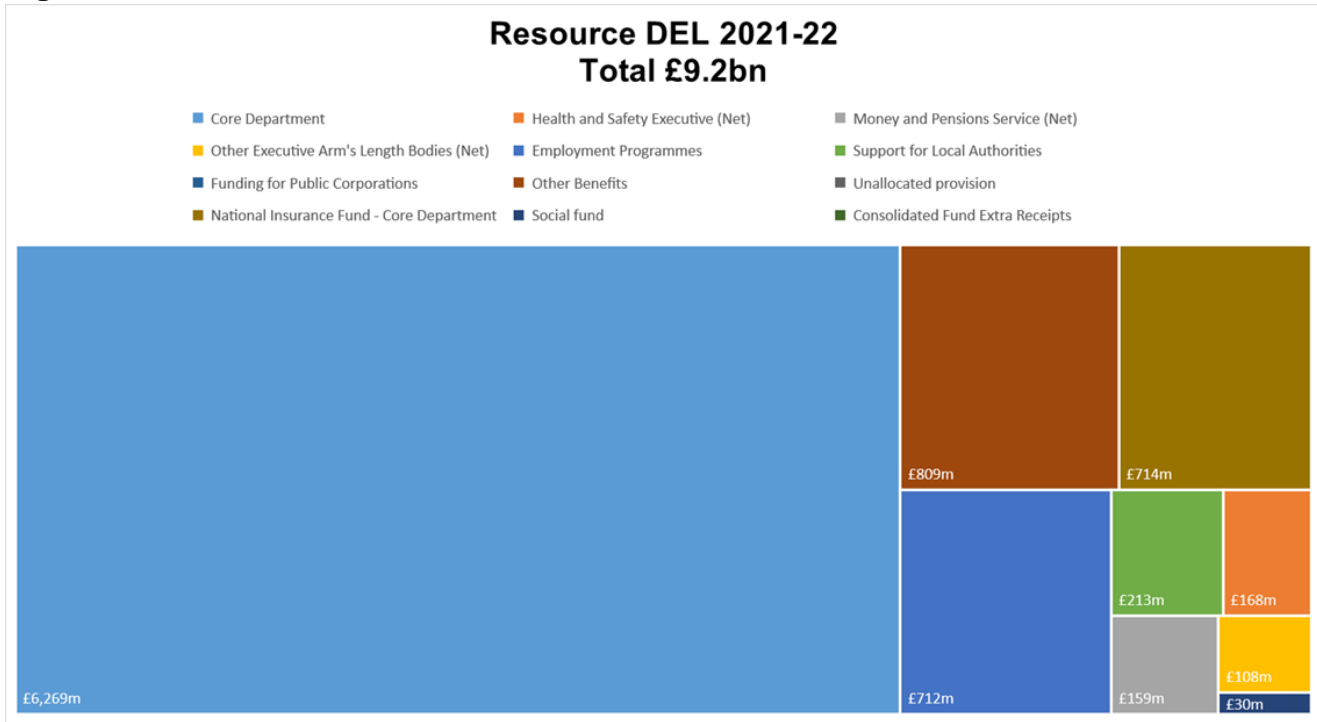
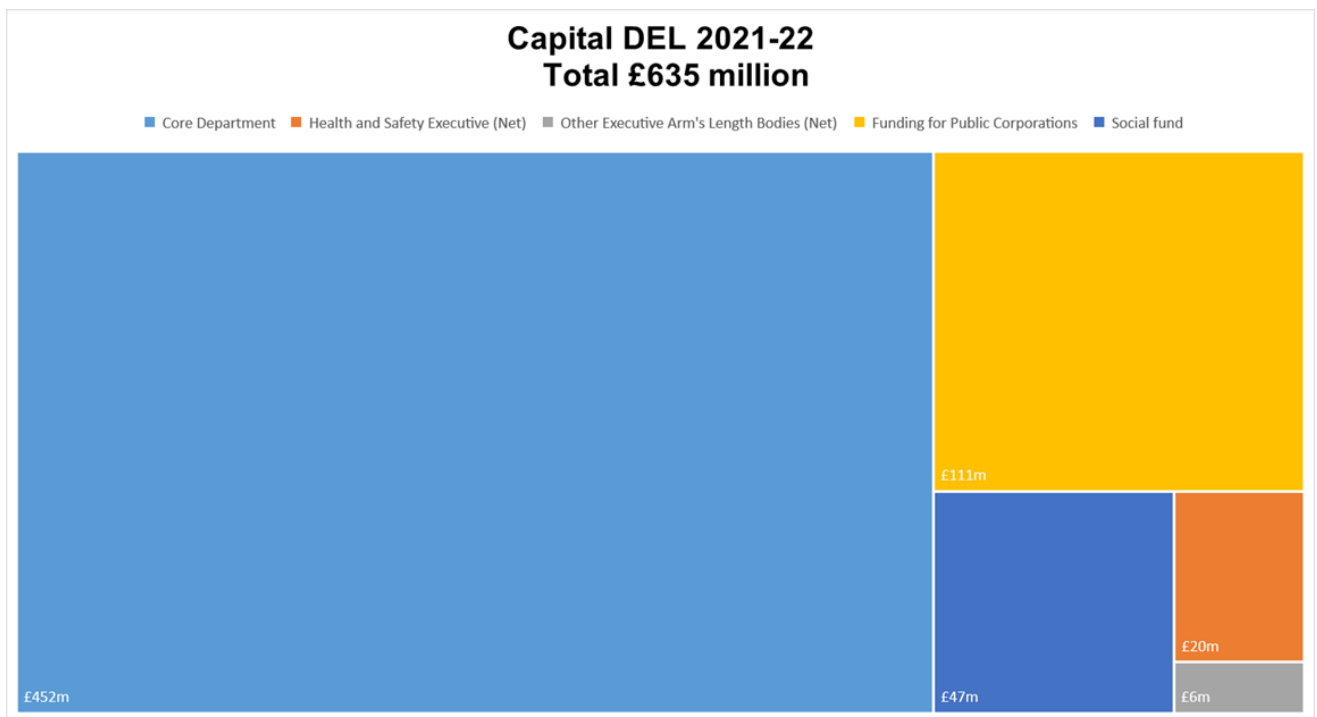


Figure 2: Capital DEL 2021-22



1.4 Comparison of spending totals sought

The figure below shows how the totals sought for DWP in the Supplementary Estimate 2021-22 compare with the Main Estimate 2021-22 and the 2020-21 Outturn¹:

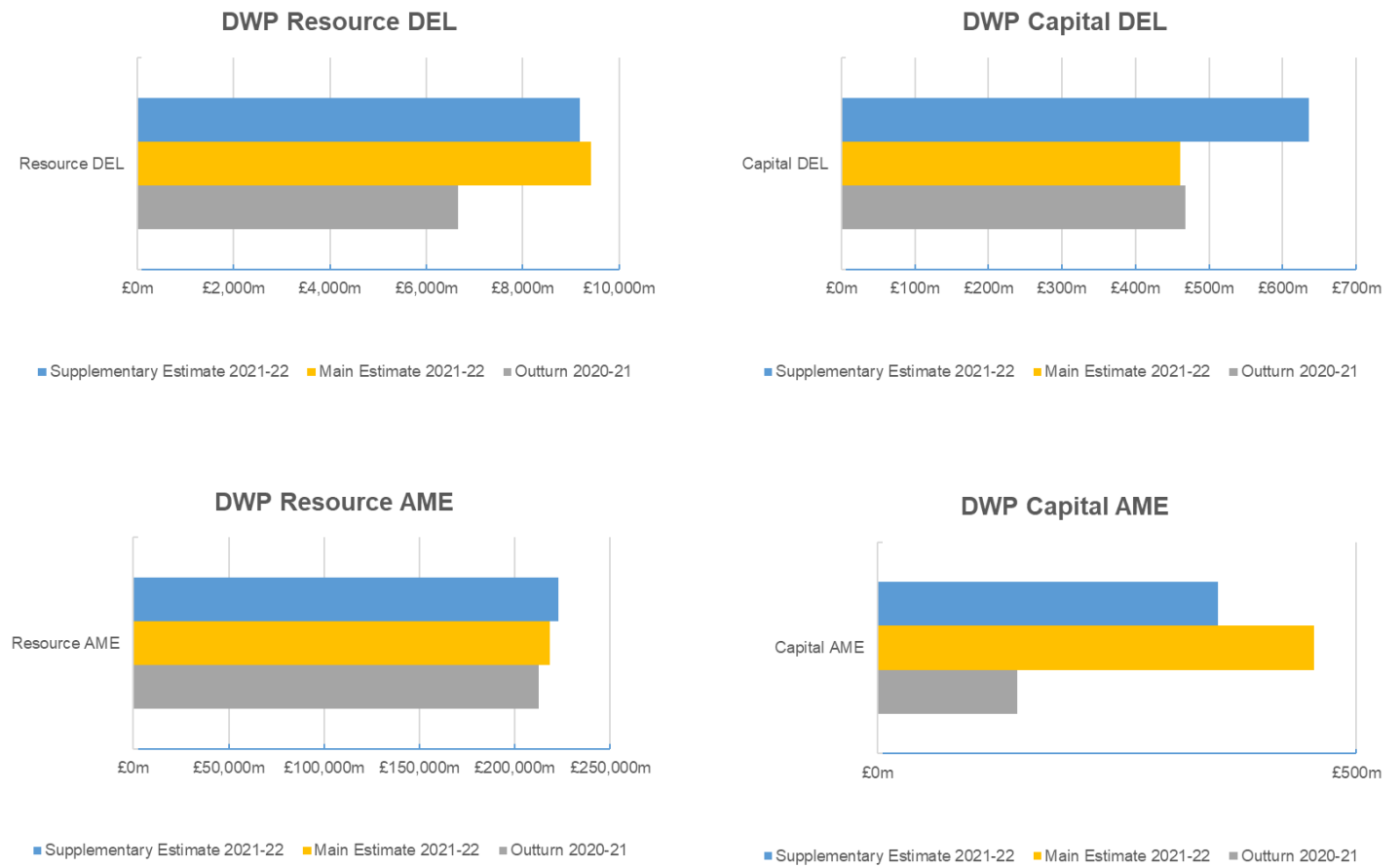
Table 1: Comparison of spending totals²

	Amounts sought in Supplementary Estimate 2021-22	Change compared to Main Estimate 2021-22		Change compared to Outturn 2020-21 ¹	
	£m	£m	%	£m	%
Resource DEL	9,180.0	(231.6)	(2.5)	2,519.1	37.8
Capital DEL	635.4	174.1	37.7	167.2	35.7
Resource AME	222,737.3	4,422.8	2.0	10,359.6	4.9
Capital AME	355.7	(100.4)	(22.0)	210.1	144.3

¹ 20-21 Resource DEL reduced by £0.2m for cost of Vaccine Damage Unit transferred to DHSC in Machinery of Government Change in 21-22.

² Figures in brackets in all tables denote a decrease

Figure 3: Comparison of spending totals (£m)



Covid-19 Funding

DWP's DEL funding for Covid-19 measures in 2021-22 is partly ring-fenced, with the remainder being non-baselined funding. Funding for Covid-19 measures is 36% of DWP's total DEL Supplementary Estimate for 2021-22. More details can be found in Section 1.5.

Table 2: Covid-19 funding 2021-22

Description	Resource	Capital
	£m	£m
COVID-19 Policy Ring Fences:		
Kickstart	952.8	0.0
Restart	339.9	0.0
Money & Pensions Service	19.3	0.0
Health & Safety Executive (includes Research and Development)	21.0	13.8
Labour Market Measures	207.7	0.0
Total COVID-19 Policy Ring Fences	1,540.6	13.8
COVID-19 Operational Delivery	1,792.4	111.4
Total COVID-19 Funding	3,333.1	125.2

1.5 Key drivers of spending changes since last year

DWP's final DEL outturn in 2020-21 was £7,129m (£6,661m RDEL and £468m CDEL). The Supplementary Estimates funding position for 2021-22 is £9,815m an increase of £2,686m. Major changes by funding category are shown below. Changes compared with Main Estimates are expanded on in Section 1.9 and in Section 2.1.

- **Resource DEL** – The increase of £2,519m is due to the DWP's continued response to the Covid-19 pandemic.
 - Programmes to support claimants, including Kickstart and Job Entry Targeted Support (JETS), continued into 2021-22. The Restart programme, designed to help claimants in the Intensive Work Search Regime, has also been implemented. These programmes have increased DWP's Supplementary Estimate by £1,360m from 2020-21 outturn figures.
 - In 2020-21, to support the Covid-19 pandemic response, DWP expanded our workforce, by providing an additional 13,500 additional work coaches, and corresponding estates requirement to ensure payments to our customers were made on time and claimants could access services to support them into work. In 2021-22 the additional resource and supporting overheads have increased by £660m.
 - DWP have administered the Winter / Local Authority Grants at a total cost of £253m, funded from existing budgets and a £53m reserve claim in the supplementary estimate.
 - DWP also administered the Household Support Fund costing £423m for which DWP requested additional funding through the supplementary estimate.
- **Capital DEL** – The Increase of £167m relates to the capital costs of the Rapid Estates Expansion Programme (REEP) which resulted in a number of new Job Centre Plus (JCP) sites opening across the DWP estate to house the 13,500 additional work coaches and restarting of the face-to-face labour market regimes.
- **Resource AME** – the increase of £10,356m reflects benefit up-rating (the annual increase in most benefits, particularly impacting State Pensions) and margins added. The Office of Budget Responsibility forecasts of benefit expenditure are central estimates which are updated by DWP forecasters. A margin is applied to reflect that the forecasts are equally likely to go up or down.
- **Capital AME** – the increase of £210m increase is mainly due to an increase (£148m) in UC Advances in line with OBR forecasts and a £70m increase in SF net lending at £20m against a net recovery of £51m in 20-21.

1.6 New policies and programmes

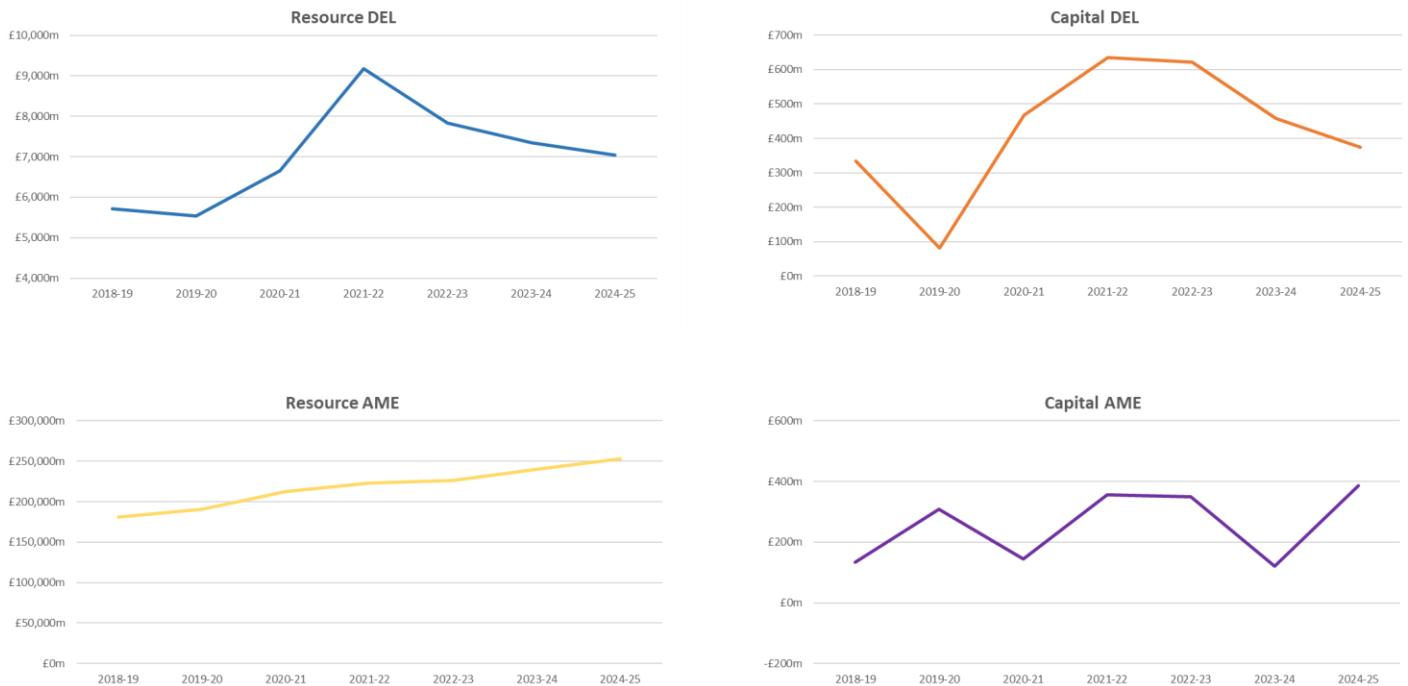
UC - UC taper cut and increase to work allowances: as announced at Autumn Budget 2021, the Government has cut the Universal Credit (UC) taper, the rate at which UC awards are reduced to account for claimant earnings, from 63% to 55%, and has increased work allowances, the amount certain claimants can earn before their UC award starts to be reduced, by £500 p.a.. This benefits claimants through higher monthly awards and lower marginal effective tax rates, and is worth £745m in 2021-22, and almost £3bn p.a. by 2026-27. The measures came into force on 24 November 2021, meaning they were reflected in claimants' awards from 1 December.

Restart – The Restart Scheme will break down employment barriers that would be holding claimants back from finding work. Providers will work with employers, local government and other partners to deliver tailored support for individuals. The Restart Scheme will benefit Universal Credit claimants who are expected to look for and be available for work but have no sustained employed earnings and provide 12 months of tailored support for each participant. The scheme is targeted at claimants on the Intensive Work Search Regime who have been on Universal Credit for 9 months or more. Referrals will be made over a 3-year period from June 2021.

1.7 Spending trends

The charts below show overall spending trends for the last three years, plans presented in Estimates for 2021-22, and current future spending plans for the SR to 2024-25.

Figure 4: Spending Trends



- Resource DEL** – DWP experienced a sharp increase in Resource DEL spending in 2020-21 relative to 2019-20, maintaining a higher level through 2021-22 and beyond. This increase reflects DWP’s response to Covid-19, including the Plan for Jobs. This is followed by a decrease in Resource DEL spending over the SR period to 2024-25 as DWP then scales back from its Covid-19 activities and drives out efficiencies.
- 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 both 2020-21 and 2021-22 to support Covid-19 measures. The trend in Capital DEL expenditure over the SR period shows a reduction to 2024-25 as DWP scales back its investment to support Covid-19 activities.
- 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** – The increase in Capital AME in 109-20 reflects the increase in Universal Credit advances and Support for Mortgage Interest loans during the Covid-19 pandemic. Fluctuations in UC caseloads and the impact of the economic recovery lead to forecast changes to 2025

1.8 Administration costs and efficiency plans

Table 3: Administration budgets

	Amounts sought in Supplementary Estimate 2021-22	Difference compared to Main Estimate 2021-22		Difference compared to Outturn 2020-21	
	£m	£m	%	£m	%
Administration costs	927.9	18.4	2.0	17.3	1.9

Within DWP, DEL administration (DELA) 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 10% of 2021-22 Supplementary Estimate Resource DEL.

Administration spend showed a small increase from Main Estimate while the Department supported an increased number of DWP staff. In 2021-22 the Department has invested in departmental infrastructure to deliver future benefits and improve the Department's ability to deliver on the priority outcomes and the Plan for Jobs.

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for DWP for 2021-22 are based on plans published in the 2020 Spending Review. Since that time, the Government has made a number of changes to 2021-22 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:

- **Covid Winter/Local Authority Grants (Phase 1 and 2) £253m (RDEL)** – To support the extensions of the Covid-19 Winter/Local Authority Grants up to 30th September 2021 to support children, families and the most vulnerable. The total cost of these extensions was £253m, however, HMT asked DWP to cover these costs from existing budgets, where possible, and therefore only £53m of funding was requested through Supplementary Estimates.
- **Household Support Fund £413m (RDEL)** – A new support fund to help vulnerable households across the country with essentials to support recovery from the Covid-19 pandemic, for example food, clothing and utilities. The funds are distributed by local councils in England, who know their areas best and who can directly help those who need it most. This has been funded by a reserve claim in the Supplementary Estimate.

- **Rapid Estates Expansion Programme (REEP) £176m (CDEL) and £69m (Depreciation.)** - To cover 2021-22 costs for DWP's Rapid Estate Expansion Programme. This programme provided a number of new Job Centre Plus (JCP) sites housing the 13,500 additional work coaches and restarting the JCP face-to-face labour market regime.
- **Shared Outcome Fund £6m (RDEL)** – to fund pilot projects to test innovative ways of working across the public sector.
- **Switch of funding by control total £26m** - A £26m neutral move from Resource DEL (Programme) to Resource DEL (Administration) to support key transformational programmes, including replacing essential Finance and HR systems and a service modernisation programme, which will deliver future benefits and improve the DWP's ability to deliver on the priority outcomes.

1.10 Other funding announcements

Other key funding announcements are as follows:

Budget transfers with other government departments reduced funding by £51m. Most notable are a transfer to the HM Courts and Tribunals Service relating to appeals work. There are also two transfers to HM Revenue & Customs £13m from Universal Credit for 21-22 savings on Tax Credit migration and £5m for wage Dispute Resolution Services for DWP, and a single transfer of £8m to the Department of Health and Social Care in relation to Health programmes including for Employment Advisors in accessing psychological therapies, intensive personal support (drugs & alcohol) and health led trials in the West Midlands.

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 4 Resource Departmental Expenditure Limits (Resource DEL)

Resource DEL						
Subhead	Description	2021-22 Supplementary Estimate budget sought	2021-22 Main Estimate budget approved	Change compared to Original Budget 2021-22		Note
		£m	£m	£m	%	
A	Core Department	6,268.9	7,808.3	(1,539.4)	(19.7)	1
B	Health and Safety Executive (Net)	168.1	180.4	(12.3)	(6.8)	
C	Money and Pensions Service (Net)	158.6	148.7	9.9	6.7	
D	Other Executive Arm's Length Bodies (Net)	107.6	115.9	(8.3)	(7.2)	
E	Employment Programmes	711.9	290.2	421.7	145.3	2
F	Support for Local Authorities	212.7	255.6	(42.9)	(16.8)	3
G	Funding for Public Corporations	0.1	(6.5)	6.5	(101.0)	
H	Other Benefits	808.5	140.0	668.5	477.5	4
I	National Insurance Fund - Core Department	713.7	449.2	264.6	58.9	5
J	Social Fund	29.9	29.9	0.0	0.0	
	Total Voted and Non-voted	9,180.0	9,411.7	(231.6)	(2.5)	

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

1. **Core Department** – this decrease represents reductions in the expected expenditure for Kickstart (£665m) and in Covid Overheads (£200m). The balance reflects that at Main Estimates the Restart programme and Job Entry Targeted Support programme were recognised within Core Department (A)

figures, however, these have subsequently been reclassified into Employment Programmes (E).

2. **Employment Programmes** – the increase represents funding for the Restart programme and Job Entry Targeted Support programme which have been reclassified to Employment Programmes (E) from Core Department (A) since the Main Estimates.
3. **Support for Local Authorities** - £43m reduction due to the Housing Benefit Admin Subsidy which had a reduction in cost of delivery arising from operational efficiencies.
4. **Other Benefits** - £669m increase reflects the HMT request to support delivery of Covid-19 Winter/Local Authority Grants up to end of September 2021 and introducing Household Support Fund for Local Welfare Assistance for the remainder of 2021-22. This funding is for vulnerable households across the country to allow them access to a new support fund to help them with essentials to support recovery from the pandemic. It is distributed by councils in England, who know their local areas best and can directly help those who need it most.
5. **National Insurance Fund** - Funding received from HMRC for the estimated cost of delivering contributory benefits such as State Pension. The £265m increase reflects increased volumes particularly in Employment and Support Allowance (ESA) and State Pension claims.

Capital DEL

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

Table 5 Capital Departmental Expenditure Limits (Capital DEL)

Subhead	Description	2021-22 Supplementary Estimate budget sought	2021-22 Main Estimate budget approved	Change compared to Original Budget 2021-22		Note
		£m	£m	£m	%	
A	Core Department	452.3	271.5	180.8	66.6	1
B	Health and Safety Executive (Net)	19.6	22.7	(3.1)	(13.8)	
C	Money and Pensions Service (Net)	0.2	0.5	(0.3)	(58.2)	
D	Other Executive Arm's Length Bodies (Net)	5.8	8.4	(2.6)	(30.7)	
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	Funding for Public Corporations	110.6	111.3	(0.7)	(0.6)	
H	Other Benefits	0.0	0.0	0.0	0.0	
	Unallocated provision	0.0	0.0	0.0	0.0	
I	National Insurance Fund - Core Department	0.0	0.0	0.0	0.0	
J	Social Fund	46.9	46.9	0.0	0.0	
	Consolidated Fund Extra Receipts	0.0	0.0	0.0	0.0	
	Total	635.4	461.3	174.1	37.7	

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

- 1. Core Department Operating Costs** – The increase in Core Department CDEL spending has been primarily driven by the continuation of the Rapid Estates Expansion Programme (REEP) (£176m). This programme resulted in a number of new Job Centre Plus (JCP) sites opening across the DWP estate providing for the 13,500 additional work coaches and restarting of the face-to-face labour market regimes.

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](https://www.gov.uk).

In addition to benefit expenditure, Resource AME also includes non-cash expenditure relating to accounting treatment for impairments and provisions. Table 6 shows how spending plans for Resource AME compare with the Main Estimate.

Table 6: Resource AME

Subheads	Description	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
		£m	£m	£m	%
K, N, AD, AE	Incapacity benefits ³	13,105.3	13,524.3	(419.0)	(3.1)
R, S, T, U	Disability and carer benefits	29,889.5	28,872.3	1,017.1	3.5
M, N, O, Y	Universal Credit and equivalent DWP benefits ⁴	53,810.9	51,091.7	2,719.2	5.3
P, Q, Z, AF, AJ, AL	Pensioner benefits ^{5 6}	112,540.7	112,545.5	(4.7)	(0.0)
V	Housing Benefit	16,696.4	16,442.8	253.6	1.5
L, W, X, AA, AG, AH, AI, AK	Other benefits	4,954.7	4,530.7	424.0	9.4
AB, AC	Other Items	(5.0)	(0.3)	(4.7)	1,703.6
	Less items double-counted above (ESA non-contributory) ⁷	(8,255.3)	(8,692.5)	437.2	(5.0)
	Total voted and non-voted	222,737.3	218,314.5	4,422.8	2.0

³ Excluding Universal Credit spending estimated to be Employment and Support Allowance Equivalent.

⁴ Excluding Housing Benefit for people of working age. Including housing element of UC.

⁵ Excluding Housing Benefit for people over pension 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 (ESA) 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 £4,422.8m to £222,737.3m 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 2021-22 were still uncertain due to the ongoing impacts of Covid-19.

The changes seen across benefits are outlined below in more detail. Overall, we are adding 2 percentage points to the Resource AME forecast, primarily as a margin to mitigate the risk that actual expenditure is greater than the latest central estimate.

Main changes in Resource AME funding

Incapacity benefits⁸

Table 7 shows a breakdown of the movements on incapacity benefits. Overall, funding for incapacity benefits decreased by £419m.

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 Supplementary Estimate the margins applied are 4% and 2% 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 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.

⁸ Excluding Universal Credit spending estimated to be Employment and Support Allowance equivalent.

Table 7: Incapacity benefits

	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
	£m	£m	£m	%
Incapacity benefits, of which:	13,105.3	13,524.3	(419.0)	(3.1)
Severe Disablement Allowance	65.0	63.8	1.2	1.8
Incapacity benefit	2.1	0.2	1.9	814.7
Employment and Support Allowance (non-contributory)	8,255.3	8,692.5	(437.2)	(5.0)
Employment and Support Allowance (contributory)	4,783.0	4,767.8	15.2	0.3

Disability and carer benefits

Funding has increased by £1,017.1m from Main Estimate to Supplementary Estimate, including a margin of £755m. Table 8 shows a breakdown of the movements on disability and carer benefits.

Personal Independence Payment (PIP) has increased by £746.3m, including a £452.4m margin. Disability Living Allowance (DLA) has increased by £282.3m due to slower migration from DLA to PIP than expected. Both PIP and DLA include a 3% margin to reflect benefit uncertainty.

Attendance Allowance has increased by £73.2m including a 2% margin. Whilst Carer's Allowances has seen a decrease of £84.6m compared to Main Estimates.

Table 8: Disability and carer benefits

	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
	£m	£m	£m	%
Disability and carer benefits, of which:	29,889.5	28,872.3	1,017.1	3.5
Attendance Allowance	5,440.3	5,367.0	73.2	1.4
Personal Independence Payment ⁹	15,533.4	14,787.1	746.3	5.0
Disability Living Allowance	5,806.7	5,524.4	282.3	5.1
Carer's Allowance	3,109.0	3,193.7	(84.6)	(2.7)

Universal Credit and equivalent DWP benefits¹⁰

Funding has increased by £2,719.2m from Main Estimate to Supplementary Estimate, including a margin of £2,663m. Table 9 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 7), Income Support and Housing Benefit for working age people (see table 11), 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 £3,109m from Main Estimate to Supplementary Estimate due to an increase in average awards including the taper rate changes as well as a margin of 6% being included. This margin was calculated as a weighted average of the percentages given for the elements inside and outside of the welfare cap) and was added to reflect the forecast uncertainty this year.

Funding for non-contributory Jobseeker's Allowance (JSA) has decreased by £10.2m since Main Estimate.

Non-contributory ESA funding has decreased by £437.2m (see Table 7).

The additional amount of £57.5m required for Income Support reflects higher than expected outturn and a margin of 1%.

⁹ Including Armed Forces Independence Payment

¹⁰ Excluding Housing Benefit for people of working age.

Table 9: Universal Credit and equivalent DWP benefits

	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
	£m	£m	£m	%
Universal Credit and equivalent DWP benefits, of which:	53,810.9	51,091.7	2,719.2	5.3
Universal Credit	44,381.8	41,272.8	3,109.1	7.5
Employment and Support Allowance (non-contributory)	8,255.3	8,692.5	(437.2)	(5.0)
Income Support	865.3	807.9	57.5	7.1
Jobseeker's Allowance (non-contributory)	308.4	318.6	(10.2)	(3.2)

Pensioner benefits^{11,12,13}

Funding decreased by £4.7m. This reflects a decrease in the Financial Assistance Scheme (FAS) provision offset by higher funding for Pension Credit and State Pension. Table 10 shows a breakdown of the movements in pensioner benefits.

The net increase in State Pension of £271.4m is primarily due to the margin being applied. A margin level of 1% is included to reflect benefit uncertainty of State Pension spending at Supplementary Estimate.

The increase of Pension Credit of £60.9m is a combination of Covid-19 effects and higher than expected take-up of Pension Credit.

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 underfunded 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.

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.

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

Table 10: Pensioner benefits ¹⁴

	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
	£m	£m	£m	%
Pensioner benefits, of which:	112,540.7	112,545.5	(4.7)	(0.0)
Pension Credit	5,060.1	4,999.2	60.9	1.2
Financial Assistance Scheme (benefits only)	(242.0)	111.7	(353.8)	(316.6)
Winter Fuel Payments	2,000.1	1,979.9	20.2	1.0
Christmas Bonus (contributory)	124.0	127.5	(3.5)	(2.7)
State Pension ¹⁴	105,598.5	105,327.2	271.4	0.3

Housing Benefit

Funding for Housing Benefit is increased by £253.6m from Main Estimate to Supplementary Estimate, this is primarily from including a margin of £327.4m. Table 11 shows a breakdown of movements in Housing Benefit.

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 11: Housing Benefit

	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
	£m	£m	£m	%
Housing Benefit	16,696.4	16,442.8	253.6	1.5

¹⁴ State Pension includes both contributory and non-contributory benefits.

Other benefits

Funding for other benefits has increased by £424m. Table 12 shows a breakdown of the movements in other benefits.

One of the largest increases in the other benefits category is the increase of £74.4m for Bereavement Benefits. This is due to a forthcoming change in policy to extend eligibility for co-habiting couples.

Funding for Cold Weather Payments (CWP) increased by £424.9m. CWPs are inherently difficult to estimate. The Supplementary Estimate of £525m 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 £142m (in 2011-12).

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. It also includes the Statutory Sick Pay Rebate Scheme.

The small decrease of £29.6m 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 margin of 1% has been added to Industrial Injuries Benefits.

Table 12: Other benefits

	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
	£m	£m	£m	%
Other benefits, of which:	4,954.7	4,530.7	424.0	9.4
Industrial injuries benefits scheme	714.7	689.9	24.8	3.6
Statutory Maternity Pay	2,675.6	2,642.9	32.7	1.2
Christmas Bonus (non-contributory)	37.3	37.0	0.3	0.8
Cold Weather Payments	524.9	100.0	424.9	424.8
Maternity Allowance	355.9	385.6	(29.6)	(7.7)
Bereavement benefits	467.2	392.8	74.4	18.9
Jobseeker's Allowance (contributory)	179.4	282.1	(102.7)	(36.4)
Support for Mortgage Interest loans	(0.3)	0.4	(0.7)	(197.5)

Other Items

Other items falling within the categorisation of Resource AME have seen little change since the Main Estimate with the £5m decrease due to movement in provisions.

Capital AME

Capital AME has decreased by £100m to £357m 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 13 shows a breakdown of the movements in Capital AME.

The main decrease is the reduction in Support for Mortgage Interest (SMI) loans paid due to lower than anticipated demand. At Main Estimate the impact of Covid-19 on the demand for SMI loans was highly uncertain. The pandemic saw a significant increase in the number of UC claims from owner-occupiers but this did not feed through to the expected increase in demand for SMI loans. It seems likely that wider Government interventions, such the mortgage holidays and the moratorium on repossessions, plus the lending industry's greater propensity to exercise forbearance avoided the need for SMI loans in most cases

The Universal Credit Advances funding is in line with Main Estimate. 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.

Table 13: Capital AME

	Supplementary Estimate 2021-22	Main Estimate 2021-22	Change from Main Estimate	
	£m	£m	£m	%
AME Capital, of which:	355.7	456.1	(100.4)	(22.0)
Universal Credit Advances	316.3	316.3	(0.0)	(0.0)
Support for Mortgage Interest Loans	19.4	139.8	(120.4)	(86.1)
Social Fund Net Lending	20.0	0.0	20.0	-

2.2 Machinery of Government Changes

As part of the Supplementary Estimate 2021-22, £92,000 was transferred from DWP to the Department for Health and Social Care. This was the transfer of the Vaccine Damage Payments unit, included in subhead H: Other Benefits, in the Main Estimate. In 20-21 costs had been £175,000.

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.

Table 14: Ring-fenced Funding¹⁵

	Spending total Amount sought this year (Supplementary Estimate 2021-22)		Difference (+/-) compared to original budget this year (Main Estimate 2021-22)		Difference (+/-) compared to final outturn last year (Outturn 2020-21)	
	£m	£m	%	£m	%	
Resource DEL						
Depreciation	258.6	69.3	37%	73.2	40%	
Kickstart	952.8	-664.7	-41%	921.0	2899%	
Restart	339.9	-51.1	-13%	339.9		
Money & Pensions Service	19.3	0	0%	3.2	20%	
Health & Safety Executive	21	0	0%	21.0		
Labour Market Measures:						
<i>New Youth Offer</i>	32	0	0%	32.0		
<i>Job Finding Support</i>	7.8	-0.4	-5%	5.1	182%	
<i>Sector-based Work Academy Programme</i>	10.2	-3.9	-27%	10.2		
<i>Job Entry Targeted Support</i>	157.6	-1.2	-1%	84.9	117%	
Official Development Assistance ¹⁶	6.1	0.0	0%	0.0	0%	
Money & Pensions Service	129.4	0.0	0%	5.6	5%	
Discretionary Housing Payments	136.5	-3.5	-2%	-23.8	-15%	
Reducing Parental Conflict ¹⁷	10.3	-0.7	-6%	2.4	31%	
Health & Safety Executive - EU Exit Allocation	14	0	0%	1.1	9%	
ESO Support (ESA)	0	0		-56.2	-100%	
In-Work Trial	0	0		-0.1	-100%	
Pensions dashboard	0	0		-2.1	-100%	
Housing Benefit Compliance	0	0		-12.5	-100%	
Flexible Support Fund ¹⁸	0	0		-46.4	-100%	
Covid-19 Shielding	0	0		-17.3	-100%	
Total Resource DEL	2095.6	-656	-24%	1341.4	178%	
Capital DEL						
Financial Transactions	157.3	-0.9	-1%	7.3	5%	
Funeral Payments (COVID related)	0			-20.0	-100%	
Research & Development	3	0	0%	3		
Health & Safety Executive - Research & Development	13.8	-0.2	-1%	13.8		
Health & Safety Executive - EU Exit Allocation	2	0	0%	2		
Money & Pensions Service	0.2	-0.3	-58%	0.2		
Total Capital DEL	176.3	-1.4	-1%	6.3	4%	
Total DEL Ringfence	2271.9	-657.5	-22%	1347.7	146%	

¹⁵ Amounts/percentages may not sum due to roundings¹⁶ Official Development Assistance named 'Overseas Development' in prior year¹⁷ Reducing Parental Conflict named 'Relationship Support' in prior year¹⁸ Flexible Support Fund no longer ringfenced in 21-22. SE includes forecast of £87.4m in non-ringfenced DEL.

2.4 Changes to contingent liabilities

No new contingent liabilities have been identified by DWP at Supplementary Estimate 2021-22.

Compliance audit work to review the employment status of contractors since 2017, when new IR35 legislative requirements were introduced, has been completed and liabilities settled, therefore the related contingent liability has been removed.

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: Linking Subhead Sections to Departmental Priorities

		Maximising employment and in-work progression	Improving people's quality of life	Delivering excellent services for citizens and taxpayers
A	Core Department	✓	✓	✓
B	Health and Safety Executive (Net)		✓	✓
C	Money and Pensions Service (Net)		✓	✓
D	Other Executive Arm's Length Bodies (Net)		✓	✓
E	Employment Programmes	✓	✓	✓
F	Support for Local Authorities		✓	✓
G	Funding for Public Corporations		✓	✓
H	Other Benefits		✓	✓

3.2 Measures of performance against each priority

DWP's Departmental Plan sets out the following core objectives, and measures of performance, for DWP for 2021-22.

1. Maximising employment and in-work progression

- Employment rate of 16-64 year olds
- Employment rate of 16-24 year olds
- Number of participants in Kickstart
- Disability employment rate gap

2. Improving people's quality of life

- Absolute poverty before housing costs - child, adult and pensioner combined
- Number of children in workless households
- Percentage of claims processed within planned timescales

3. Delivering excellent services for citizens and taxpayers

- Gross monetary value of fraud and error (by value and proportion)
- Percentage of claimants satisfied with DWP services overall
- Number of people automatically enrolled in workplace pensions

3.3 Major projects

Throughout 2021-22 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:** As part of the Government's Plan for Jobs, the Restart scheme will provide enhanced and tailored support over 3 years of referrals to help Universal Credit

claimants find jobs. Universal Credit claimants are considered for the Restart Scheme after 9 months with no upper limit.

- **Pensions Dashboard Programme:** Established by the Money and Pensions Service, an arms-length body of DWP, the programme's vision is: "To enable individuals to access their pensions information online, securely and all in one place, thereby supporting better planning for retirement and growing financial wellbeing." The programme is estimated to run from 2019-2025 and is working closely with the pensions industry to deliver a dashboards service in the UK.

Funding for implementation of these projects is provided under subhead A (Core Department).

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 data to March 2021.

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
14 February 2022

Table A: Departmental Expenditure Limits ¹⁹

		Resource DEL				Capital DEL			
Subhead	Description	2021-22 Supplementary Estimates sought	2021-22 Main Estimates budget approved	Change from Main Estimate 2021-22		2021-22 Supplementary Estimates sought	2021-22 Main Estimates budget approved	Change from Main Estimate 2021-22	
		£m	£m	£m	%	£m	£m	£m	%
A	Core Department	6,268.9	7,808.3	(1,539.4)	(19.7)	452.3	271.5	180.8	66.6
B	Health and Safety Executive (Net)	168.1	180.4	(12.3)	(6.8)	19.6	22.7	(3.1)	(13.8)
C	Money and Pensions Service (Net)	158.6	148.7	9.9	6.7	0.2	0.5	(0.3)	(58.2)
D	Other Executive Arm's Length Bodies (Net)	107.6	115.9	(8.3)	(7.2)	5.8	8.4	(2.6)	(30.7)
E	Employment Programmes	711.9	290.2	421.7	145.3	0.0	0.0	0.0	0.0
F	Support for Local Authorities	212.7	255.6	(42.9)	(16.8)	0.0	0.0	0.0	0.0
G	Funding for Public Corporations	0.1	(6.5)	6.5	(101.0)	110.6	111.3	(0.7)	(0.6)
H	Other Benefits	808.5	140.0	668.5	477.5	0.0	0.0	0.0	0.0
I	National Insurance Fund - Core Department	713.7	449.2	264.6	58.9	0.0	0.0	0.0	0.0
J	Social Fund	29.9	29.9	0.0	0.0	46.9	46.9	0.0	0.0
	Total Voted and Non-voted	9,180.0	9,411.7	(231.6)	(2.5)	635.4	461.3	174.1	37.7

¹⁹ Totals may not sum due to rounding

Annex B: Annually Managed Expenditure²⁰

Subhead	Description		2021-22	2021-22	Change from Main Estimate	
			Supplementary	Main Estimate	2021-22	
Resource			£m	£m	£m	%
K, AD, N, AE	Incapacity benefits	Severe Disablement Allowance	65.0	63,787	1.2	1.8
		Incapacity benefit	2.1	0.2	1.9	814.7
		Employment and Support Allowance (non-contributory)	8,255.3	8,692.5	(437.2)	(5.0)
		Employment and Support Allowance (contributory)	4,783.0	4,767.8	15.2	0.3
		sub total	13,105.3	13,524.3	(419.0)	(3.1)
R, S, T, U	Disability and carer benefits	Attendance Allowance	5,440.3	5,367.0	73.2	1.4
		Personal Independence Payment	15,533.4	14,787.1	746.3	5.0
		Disability Living Allowance	5,806.7	5,524.4	282.3	5.1
		Carer's Allowance	3,109.0	3,193.7	(84.6)	(2.7)
		sub total	29,889.5	28,872.3	1,017.1	3.5
M, N, O, Y	Universal Credit and equivalent DWP benefits	Universal Credit	44,381.8	41,272.8	3,109.1	7.5
		Employment and Support Allowance (non-contributory)	8,255.3	8,692.5	(437.2)	(5.0)
		Income Support	865.3	807.9	57.5	7.1
		Jobseeker's Allowance (non-contributory)	308.4	318.6	(10.2)	(3.2)
		sub total	53,810.9	51,091.7	2,719.2	5.3
P, Q, AF, AJ, AL, Z	Pensioner benefits	Pension Credit	5,060.1	4,999.2	60.9	1.2
		Financial Assistance Scheme	-242.0	111.7	(353.8)	(316.6)
		Winter Fuel Payments	2,000.1	1,979.9	20.2	1.0
		Christmas Bonus (contributory)	124.0	127.5	(3.5)	(2.7)
		State Pension (contributory)	105,363.7	105,021.5	342.2	0.3
		State Pension (non-contributory)	234.8	0.0	234.8	0.0
		sub total	112,305.9	112,239.8	66.1	0.1
V	Housing Benefit	Housing Benefit	16,696.4	16,442.8	253.6	1.5
	sub total		16,696.4	16,442.8	253.6	1.5
L, W, X, AG, AH, AI, AK, AA	Other benefits	Industrial injuries benefits scheme	714.722	689.913	24.8	3.6
		Statutory Maternity Pay	2675.599	2642.876	32.7	1.2
		Christmas Bonus (non-contributory)	37.322	37.031	0.3	0.8
		Cold Weather Payments	524.881	100.017	424.9	424.8
		Maternity Allowance	355.948	385.561	(29.6)	(7.7)
		Bereavement benefits	467.203	392.836	74.4	18.9
		Jobseeker's Allowance (contributory)	179.362	282.071	(102.7)	(36.4)
		Support for Mortgage Interest loans	-0.346	0.355	(0.7)	(197.5)
		sub total	4,954.7	4,530.7	424.0	9.4
AB, AC	Other items	Other Items	-5.0	-0.3	(4.7)	1,703.6
	Total voted and non voted		230,762.7	226,701.6	4,061.1	1.8
Capital						
M, AA, AG	AME Capital	Universal Credit Advances	316.3	316.3	0.0	0.0
		Support for Mortgage Interest Loans	19.4	139.8	(120.4)	(86.1)
		Social Fund Net Lending	20.0	0.0	20.0	0.0
		sub total	355.7	456.1	(100.4)	(22.0)

²⁰ 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 2020

Description	Administration	Programme	Total Resource	Capital
	£m	£m	£m	£m
Baseline funding for 2021-22	893.5	4908.3	5801.8	337.9
COVID-19 funding for 2021-22	16.4	3561.3	3577.7	125.4
Spending Round 2020 funding for 2021-22	909.9	8469.6	9379.5	463.3
Funding prior to Supplementary Estimate (SE) 2021-22	909.5	8502.2	9411.7	461.3
Funding adjustments included in SE 2021-22:				
<i>Neutral switches between funding controls</i>	26.3	-26.3	0.0	
<i>Cash forecasting rebate</i>	2.1		2.1	
<i>Depreciation</i>	-10.2	79.5	69.4	
<u>Reserve Claims:</u>				
Winter / Local Authority grants		53.3	53.3	
Household Support Fund		412.5	412.5	
Shared Outcome Fund		4.7	4.7	
Shared Outcome Fund- Regulatory Intelligence Hub		1.2	1.2	
REEP				176.2
<u>Reductions in Policy Ringfences:</u>				
Discretionary Housing Payments		-3.5	-3.5	
Kickstart		-664.7	-664.7	
Restart		-51.1	-51.1	
Job Finding Support		-0.4	-0.4	
SWAPs		-3.9	-3.9	
JETs		-1.2	-1.2	
MAPS			0.0	-0.3
HSE			0.0	-0.2
NEST Loan			0.0	-0.9
Funding transfers with other government departments				
To Cabinet Office for Special Advisor salary costs	0.0		0.0	
To HMCTS funding for PIP/DLA appeals hearings		-23.5	-23.5	
To HMRC UC Programme Transfer for Legacy Tax Credit Lost Savings 21/22		-12.7	-12.7	
To Cabinet Office Annual contribution	-0.2		-0.2	
To BEIS Returning funds following ONR underspend		-0.7	-0.7	
To DLUHC unspent Building Safety Regulator funding from HSE		-0.3	-0.3	
To DHSC in relation to health programmes		-7.8	-7.8	
To Welsh Government in respect of supporting the delivery of the IPS trials in 21/22		-0.4	-0.4	
To DHSC to support the ongoing Children of Alcohol Dependent Parents Fund		-0.7	-0.7	
To HMRC - wage dispute resolution service for DWP		-4.6	-4.6	
To Cabinet Office - Civil Service Local	-0.4		-0.4	
To DLUHC unspent Building Safety Regulator funding from HSE			0.0	-0.9
From NI Executive 8.5% contribution to project investment costs		0.5	0.5	
From Cabinet Office SEA Funding to Security in FG	0.1		0.1	
From DfE Family Hub Transfer	0.0		0.0	
From DHSC Shared Outcome Fund	0.5		0.5	
From DHSC Shared Outcome Fund			0.0	0.2
MOG to DHSC		-0.1	-0.1	
Supplementary Estimate 2021-22	927.9	8252.1	9180.0	635.4

Annex D: Departmental Expenditure Limit 2018-19 to 2024-25 ²¹

	Limit	Outturn	Variance
	£m	£m	£m
<u>Administration</u>			
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 Outturn	963	911	52
2021-22 Supplementary Estimate	927		
<u>Resource</u>			
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 Outturn	6,932	5,751	1,181
2021-22 Supplementary Estimate	9,180		
<u>Capital</u>			
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 Outturn	644	468	176
2021-22 Supplementary Estimate	635		

²¹ Data above is sourced from the Department of Work and Pensions Annual Reports and Accounts for each financial year up to and including 2020-21

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.