

**Department for Work and Pensions**  
**Supplementary Estimate 2014-15**  
**Select Committee Memorandum**

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## **Introduction and Summary of Changes**

1. The purpose of this Memorandum is to provide the Select Committee with additional information about the content of the Department's Supplementary Estimate for 2014-15. The Supplementary Estimate provides the final opportunity to align the Department's 2014-15 funding provision with spending plans. It also represents the final opportunity to draw down additional Departmental Expenditure Limit funds and amend the Annually Managed Expenditure provision.
2. Information is included on changes made in the Estimate and how these changes relate to Departmental budgets and control totals. An explanation of key terms used in the Memorandum is provided at Annex E.
3. Annex A (Table 1) provides a summary of all funding sources reconciled to the 2014-15 Main Estimate, so that the Committee can readily see the source and movements in funding by Estimate Section.
4. The Supplementary Estimate changes to Departmental budgets for 2014-15 are as follows:
  - The Departmental Expenditure Limit will decrease by £516m (6.4%) from £8,013m to £7,498m. Further details are provided in paragraphs 6 to 35 and Annexes A and B.
  - Within this, the Department's Administration Limit decreases by £1m (0.1%) from £1,209m to £1,208m. Included in this is a cash rebate (£2m), transfers to other government departments (£2.5m) and revised VAT obligations (£0.5m).
  - The Annually Managed Expenditure budget will increase by £1,437m (0.9%) from £167,592m to £169,029m to reflect the latest published outturn data and forecasting assumptions. Further detail is provided at paragraphs 36 to 50 and Annex D.
  - The changes to these DEL and AME budgets and other changes will increase the Net Cash Requirement by £2,183m (2.7%) from £81,234m to £83,417m. Further detail is provided at paragraphs 51 to 52.
5. The Department's funding settlement in the Spending Review 2010 included dual-key funding. At the Main Estimate 2014-15 this was held in the voted Departmental Unallocated Provision subject to HM Treasury approval. The Supplementary Estimate is the method by which this funding is made available to the Department. The ring fenced funding included in this Supplementary Estimate is summarised in Annex C.

## **Departmental Expenditure Limit (DEL)**

6. The change in DEL is a Resource decrease of £510m from £7,727m to £7,217m and a Capital decrease of £6m from £287m to £281m. The components of the change are explained in paragraphs 8 to 35 and are as follows:
- £95m increase in provision,
  - Draw down of dual-key funding (neutral impact),
  - £564m dual-key funds returned to Treasury,
  - £35m ringfenced funds returned to Treasury, and
  - £12m net transfer of funding out to OGDs.
7. Annex B summarises movements in budget limits and outturn spend since 2010-11 (Table 3) and the changes by Estimate from the CSR10 position (Table 4). Details are provided of the impact of changes from the application for and return of Dual-Key Funds in the Supplementary Estimate on the Resource and Capital Departmental Expenditure Limit and the Administration Limit (Table 5). Annex C provides additional information on ring fenced funding included in the Departmental Expenditure Limit (Table 6).

### **Increases in DEL Provision (£95m)**

#### *SR13 Benefit Debt Recoveries*

8. As previously agreed with HM Treasury, DEL Resource funding will increase by £50m as a result of debt being recovered above the forecast level.

#### *Work Programme DEL/AME Switch*

9. As set out in the Work Programme AME/DEL Agreement, the Department will have access to an additional £45m funding to pay programme providers due to meeting agreed performance criteria.

### **Neutral DEL Changes**

10. This arises from the application for dual-key funds. The Department has agreed with HM Treasury to draw down £959m (£899m Resource, £60m Capital) from the £1,523m held in the Departmental Unallocated Provision (Annex B, Table 5-2). This adjustment is neutral as the funds were previously in the DEL total, being within the DUP at Main Estimate. The remaining £564m is returned as described in paragraphs 11-27 and Annex B (Table 5.1)

### **Decreases in DEL Provision (£599m)**

#### **Return Dual-key Funds to HM Treasury (£564m)**

11. The drawdown of dual-key funds is subject to HM Treasury agreement either of final business plans or the additional cost of implementing reform. The Department has agreed to return £564m of dual-key funds (£514m Resource, £50m Capital). This includes resource funding which is being carried forward to 2015-16 via Budget Exchange, £169m for Universal Credit and £7m for youth unemployment.

	<b>£m</b>
Universal Credit	424.9
Welfare Reform	89.1
Pension Reform (Formerly Single Tier)	18.8
Fraud and Error Programme	24
Youth Contract	7.0
<b>Balance returned to HM Treasury</b>	<b>563.8</b>

### *Universal Credit*

12. To support implementation of UC and preparation for 'go live' the 2013 Spending Review provided the Department with dual-key funding. At the Main Estimate 2014-15 available DEL funding for UC was £701m (£591m Resource and £110m Capital). The funding profile was based on an early estimate of planned spend before detailed work on the programme commenced. The UC profile has been updated in line with the revised plans announced by the Secretary of State and the Strategic Outline Business Case approved by HMT in 2014.
13. The forecast 2014-15 funding requirement for UC has been refined by on-going development of detailed timelines and implementation plans. Costs and spending profiles have been updated and continue to be reviewed based on the planned service expansion, transition and migration schedule. Latest estimates remain affordable within the current funding settlement the Department has for SR13 (2015-16).
14. A total of £375m Resource and £50m Capital are being returned to align funding to latest plans. This includes £169m which is being taken forward to 2015-16 via budget exchange in line with the SR13 settlement to provide £469m funding in 2015-16.
15. In addition to returning funds to HM Treasury, the Estimate includes a £5m funding transfer to Cabinet Office to cover costs associated with Identity Assurance for UC (Annex B, Table 5.3).

### *Welfare Reform*

16. Welfare Reform dual-key funding was provided to cover the impact of policy initiatives. Of this £89m Welfare Reform related Resource funding is no longer required in the current year due to lower estimates of final expenditure with no costs deferred into future years. This relates to Household Benefit Cap Administration; Time Limited Contributory ESA; and Housing Benefit Reform.
17. As part of the 2010 Spending Review a cap was introduced in 2013 so that households on out-of-work benefits no longer receive more in benefits than the average weekly wage for working households. The cap is based on median earned income for households after tax and NI. The original ringfence funding provided was to match initial assumptions. These assumptions have been continually refined as the project has progressed through national implementation. The main changes are a reassessment of the IT requirement and revised volumes as fewer households have been subject to the cap compared with earlier estimates.

18. The Policy Volumes component of the Welfare Reform ringfence funding relates to Time Limit Contributory Employment Support Allowance. The initial funding was based on Appeal Volume assumptions. These have been continually revised and the latest forecast is a reduction allowing the return of some of the ringfence funding.
19. In 2010 the Government took steps to control Housing Benefit expenditure. Housing Benefit changes have been implemented and associated costs are lower than initially forecast due to the changes implemented.

#### *Pension Reform*

20. DWP was allocated £37m dual-key resource funding in 2014-15 towards delivery of New State Pension (formerly Single Tier) in April 2016. This involved the development and implementation of a digital solution, with a contingency traditional benefit system solution being delivered in parallel to safeguard April 2016 delivery. Following a Major Project Authority recommendation this summer, the digital and traditional benefit system aspects have now been split into two separate projects. The traditional benefit system will now be the main solution introduced in April 2016 to ensure the new policy is introduced. The digital solution will then be delivered at a point in the future to replace the traditional benefit system solution. This has resulted in re-planning of digital activity and changes to the level of work that could be completed this year. Additionally HMRC Operational costs have been significantly under profile this year due to low numbers of private pension scheme providers contacting HMRC to undertake reconciliation activity. As a result DWP will be returning £19m dual-key funding to HM Treasury.

#### *Fraud & Error*

21. The Estimate returns £24m of dual-key resource funding for the Fraud & Error programme to HM Treasury.
22. IT expenditure in the year has been significantly lower than anticipated. The decision to adopt a digital approach to the delivery of the Referrals and Case Management Project and the resulting revisions to timescale has meant that the actual IT investment expenditure is now forecast to occur in 2015-16. There have also been revisions in approach and timing to the Data Exploitation Service Improvement Project, with investment expenditure now expected to be incurred next year.
23. Reductions in operating costs associated with Single Fraud Investigation Service together with changes in the timing of expenditure has moved costs in to 2015-16 with some expenditure originally forecast for that year now being forecast for 2016-17.
24. The actual cost of administering work on Sanctions and Penalties is lower than forecast as is the anticipated cost of Operational staff supporting case cleanse work; Class 3 NIC Programme forecast is significantly lower than at the start of the year; and set against this an additional £3m will be incurred on New Burdens payments to Local Authorities to support the delivery of savings by the Real Time Information Project.

25. In addition £6.4m Resource funding is being transferred to the Department for Communities and Local Government and the Devolved Administration for Scotland in relation to Single Fraud Investigation Service (Annex B, Table 5.3).

*Youth / Self Employed*

26. The dual-key funding available for Youth and Self Employed for 2014-15 was £7m.

27. The dual-key funding was based on volumes of 18-24 year old claimants becoming eligible for weekly signing after reaching the 5 month stage. The threshold for drawing down this funding has not been reached. This is being taken forward to 2015-16 via Budget Exchange in line with the HMT request to make it available to support programmes for under 25 year olds which have been identified as a result of Sir Jeremy Heywood's review into youth unemployment.

Return Ringfenced Funds to HM Treasury (£35m)

28. It was announced by HM Treasury at the Autumn Statement 2013 that £40m of ringfenced underspend can be released to increase funding for Discretionary Housing Payments.

29. The balance of unspent non-dual key ringfenced funding is returned to HMT as detailed below. This includes £12m of funding which is being carried forward to 2015-16 via Budget Exchange and was confirmed in the Autumn Statement after the December 2014 submission.

	<b>£m</b>
Help to Work	38.6
SR10 Youth / Self Employed	28.3
Housing Benefit Admin Subsidy	8.5
<b>Total Unspent Ringfenced Funding</b>	<b>75.4</b>
Flexibility for Discretionary Housing Payments	(40.0)
Flexibility for Credit Unions	(0.2)
<b>Balance returned to HM Treasury</b>	<b>35.3</b>

*Figures as presented may not sum as a result of rounding.*

*Help to Work*

30. Help to Work is a package of support for claimants leaving the work programme, where they will be referred to either Community Work Placements (contracted provision), mandatory intervention regime within Jobcentre Plus or daily signing.

31. A forecast underspend of £38.6m is predicted in 2014-15 against available funding of £125m. This is primarily a result of falling claimant volumes as the economy recovers and Work Programme performance improves, which means fewer claimants flow onto the provision. The funding also includes £35m estates investment to reform front of house in Jobcentre Plus to accommodate additional footfall, which has been completed for less than £20m. None of this creates a pressure in later years.

### *Youth / Self Employed*

32. The funding available for Youth and Self Employed for 2014-15 was £184m comprising £177m ringfenced and £7m dual-key. Further information regarding the dual-key amount is in paragraphs 26-27.
33. Of the ringfenced funding, £28m is being returned to HM Treasury. Of this £7m is being carried forward to 2015-16 to support programmes for under 25 year olds as a result of Sir Jeremy Heywood's review into youth unemployment (see also paragraph 31). In addition, £4.4m has been transferred to the Department for Business, Innovation and Skills to fund traineeships and work skills for 18-21 year olds (see Annex B, Table 5.3 for details of transfers).

### *Housing Benefit Admin Subsidy*

34. The admin subsidy paid over in 2014-15 for England has reduced by £8.5m from the available funding of £289m. This is in line with the direction of reducing costs whilst maintaining service delivery.

### Transfers with Other Government Departments

35. The net impact of transfers between DWP and Other Government Departments is a reduction in the Department's overall funds of £12.1m. A full breakdown of these transfers is given in Annex B (Table 5.3). These transfers include £6.4m to the Department for Communities and Local Government and the Devolved Administration for Scotland in relation to the impact of the Single Fraud Investigation Service on fraud activities in Local Authorities, and £5m to the Cabinet Office for Identity Assurance in relation to Universal Credit.

### **Annually Managed Expenditure (AME)**

36. Resource AME has increased by £1,537m from £167,592m to £169,129m (See Annex D for details). Margins of between 0.2% and 1% have been added to the latest forecast to provide cover as AME is a particularly large and volatile area of spend.

Noteworthy Voted AME increases are as follows:

37. ESA has increased by £329m due to claimants staying on ESA longer as fewer Work Capability Assessments have been carried out by the current provider (Atos) than originally planned during 2014-15 and fewer applicants are being found fit for work. The higher forecast also reflects increased arrears payments - some of which are connected to increased clearance of Personal Independence Payment claims, as entitlement to the PIP daily living component can qualify the recipient for an enhanced or severe disability premium in ESA.
38. Personal Independence Payment has increased by £224m reflecting revised new claim volumes, slightly offset by further phasing of natural re-assessment. Provider recovery plans are taking effect and the backlog in unprocessed claims has fallen. Assumptions remain the same as in the Main Estimate - that the new claim backlog will be cleared in 2014-15.

39. Disability Living Allowance has increased by £389m reflecting the slower pace of completing natural migration to PIP whilst the Department prioritised tackling the backlog of cases, along with higher inflows of new child cases to DLA.
40. Severe Disablement Allowance has increased by £213m due to an extended timetable for completing the review of all cases of Incapacity Benefit to ESA.
41. Income Support has increased by £173m mainly due to the impact of longer migration of Severe Disablement Allowance and Incapacity Benefit to Employment Support Allowance on IS.
42. The funding for UC has increased by £127m to reflect the full cost of UC expenditure rather than just the marginal costs which was anticipated at the time of the Main Estimate. Although this increase is mostly offset by reductions in other benefits primarily JSA (£52m), and Housing Benefits (£47m), an additional £17m has been included to reflect the extent to which UC will displace tax credit expenditure.

Noteworthy Voted AME decreases are as follows:

43. JSA has reduced by £482m reflecting the lower claimant count, which has fallen faster than predicted and is driven mostly by improvements in the labour market.
44. Attendance Allowance has reduced by £74m. The caseload is as expected although both the number coming on to AA and the number leaving have been higher than forecast. Since newer claims tend to receive lower amounts on average than long-standing claims, the expenditure forecast has reduced.
45. Pension Credit has reduced by £47m, mainly from lower inflows. Work is in progress on understanding this change, with early indications that more people are continuing to work past the state retirement age, continuing on ESA past PC qualifying age or are retiring with adequate savings/income to lift them above the threshold for means-tested PC.

Significant Non Voted increases are as follows:

46. Additional funding for Social Fund is primarily included to ensure there is sufficient provision for Cold Weather Payments in the remainder of the winter. The increase reflects the particular uncertainty in forecasting a benefit which is dependent on the weather.
47. State Pension has had a margin of 0.2% applied for cover.
48. Incapacity Benefit has increased by £93m, reflecting slower than expected IB reassessment which has resulted in claimants remaining longer on IB.

Significant Non Voted decreases are as follows:

49. ESA has reduced by £216m, due to slower than expected Incapacity Benefit reassessments.



50. JSA has reduced by £104m reflecting the lower claimant count as mentioned previously.

### **Net Cash Requirement**

51. The Supplementary Estimate increases the Net Cash Requirement by £2,183m (2.7%). This increase relates to the cash impacts of the changes to departmental budgets:

<b><u>Net Cash Requirement</u></b>	<b>Movement £m</b>
<b>Previous Net Cash Requirement</b>	<b>81,234</b>
Net Resource Requirement	1,183
Net Capital Requirement	(106)
Adjustments to remove non-cash items:	1,237
Adjustment for NDPBs:	14
Adjustments to reflect movements in working balances:	29
Removal of non-voted budget items	-174
<b>Revised Net Cash Requirement</b>	<b>83,417</b>

52. It should be noted that the £1,523m funding previously held in the Departmental Unallocated Provision did not form part of the starting Net Cash Requirement. Moving the dual-key ringfence funding accessed from the Departmental Unallocated Provision into voted budgets therefore creates an increase in the Net Cash Requirement, without changing the overall Departmental Expenditure Limit.

### **Provisions and Contingent Liabilities**

53. Disclosures in the Supplementary Estimate relating to provisions and contingent liabilities of the Department have been updated. Further information about how these updates impact various estimate lines can be found in Annex D.

### **Process for Preparation and Approval of Memorandum**

54. This Memorandum has been prepared with reference to guidance in the HM Treasury Estimates Manual. The information in this memorandum has been approved by the Departmental Accounting Officer.

## Annex A

**Table 1 Summary of Changes in Estimate**

Budgetary Limit	Main Estimate 2014-15 £m	Movement £m	Supplementary Estimate 2014-15 £m
<b>Resource Departmental Expenditure Limit</b>	<b>7,726.8</b>	<b>(510.0)</b>	<b>7,216.8</b>
Voted	7,086.7	(449.5)	6,637.3
Non-Voted	640.1	(60.5)	579.6
Administration	1,208.6	1.0	1,207.7
<b>Capital Departmental Expenditure Limit</b>	<b>286.5</b>	<b>(5.7)</b>	<b>280.8</b>
Voted	242.0	(6.7)	235.3
Non-Voted	44.5	1.0	45.5
<b>Total Departmental Expenditure Limit</b>	<b>8,013.3</b>	<b>(515.7)</b>	<b>7,497.6</b>
<b>Resource Annually Managed Expenditure</b>	<b>167,592.3</b>	<b>1,536.8</b>	<b>169,129.1</b>
Voted	72,792.5	1,203.3	73,995.8
Non-Voted	94,799.9	333.5	95,133.4
<b>Capital Annually Managed Expenditure</b>	<b>0.0</b>	<b>(100.0)</b>	<b>(100.0)</b>
Voted	0.0	0.0	0.0
Non-Voted	0.0	(100.0)	(100.0)
<b>Total Annually Managed Expenditure</b>	<b>167,592.3</b>	<b>1,436.8</b>	<b>169,029.1</b>
<b>Voted Non-Budget</b>	<b>2,400.1</b>	<b>156.6</b>	<b>2,556.7</b>

1. Figures as presented may not sum, as a result of rounding.

**Table 2 – Summary Analysis by Estimate Section Heading - Resource**

Section Reference	Section Description	Main Estimate 2014-15	Supplementary Estimate 2014-15	Movement	
		£m	£m	£m	%
	<b>Spending in Departmental Expenditure Limits</b>				
	<b>Voted expenditure</b>	<b>7,086.7</b>	<b>6,637.3</b>	<b>(449.5)</b>	<b>(6.3)</b>
A	Operational Delivery	2,097.6	1,615.8	(481.8)	(23.0)
B	Child Maintenance Group	447.3	330.7	(116.6)	(26.1)
C	Health and Safety Executive (Net)	141.8	139.5	(2.3)	(1.6)
D	Financial Assistance Scheme	0.0	0.0	0.0	0
E	European Social Fund	0.0	0.2	0.2	See note 3
F	Executive Non-Departmental Public Bodies (Net)	343.9	355.2	11.3	3.3
G	Employment Programmes	905.5	953.0	47.5	5.2
H	Support for Local Authorities	656.5	523.1	(133.4)	(20.3)
I	Other Programmes	108.9	225.2	116.3	106.7
J	Departmental Operating Costs	972.5	2,494.6	1,522.1	156.5
-	Departmental Unallocated Provision(DUP)	1,412.7	0.0	(1,412.7)	(100.0)
Note – DUP holds the dual key ringfence funding at Main Estimate which is drawn down at Supplementary.					
	<b>Non-voted expenditure</b>	<b>640.1</b>	<b>579.6</b>	<b>(60.5)</b>	<b>(9.5)</b>
K	National Insurance Fund	600.2	547.4	(52.8)	(8.8)
L	Expenditure incurred by the Social Fund	39.9	34.2	(5.8)	(14.4)
M	Consolidated Fund Extra Receipts	0.0	(2.0)	(2.0)	0.0
	<b>Total Spending in Departmental Expenditure Limit</b>	<b>7,726.8</b>	<b>7,216.8</b>	<b>(510.0)</b>	<b>(6.6)</b>

Section Reference	Section Description	Main Estimate 2014-15	Supplementary Estimate 2014-15	Movement	
		£m	£m	£m	%
	<b>Spending in Annually Managed Expenditure</b>				
	<b>Voted expenditure</b>	<b>72,792.5</b>	<b>73,995.8</b>	<b>1,203.3</b>	<b>1.7</b>
N	Severe Disablement Allowance	537.2	750.6	213.4	39.7
O	Industrial Injuries Benefits Scheme	909.4	911.9	2.5	0.3
P	Universal Credit	2.9	129.7	126.8	4,320.1
Q	Jobseekers Allowance	3,175.4	2,693.4	(482.0)	(15.2)
R	Employment and Support Allowance	8,306.1	8,635.2	329.1	4.0
S	Income Support	2,823.4	2,996.2	172.8	6.1
T	Pension Credit	6,704.4	6,657.1	(47.3)	(0.7)
U	Financial Assistance Scheme	442.4	675.2	232.9	52.6
V	TV Licences for the over 75s	630.6	636.9	6.2	1.0
W	Attendance Allowance	5,521.8	5,447.8	(74.0)	(1.3)
X	Personal Independence Payment	1,426.0	1,649.9	223.9	15.7
Y	Disability Living Allowance	13,388.9	13,777.8	388.9	2.9
Z	Carer's Allowance	2,267.0	2,292.3	25.3	1.1
AA	Housing Benefit	18,258.3	18,318.6	60.4	0.3
AB	Rent Rebates	5,862.7	5,904.2	41.5	0.7
AC	Statutory Sick Pay and Statutory Maternity Pay	2,400.1	2,393.0	(7.1)	(0.3)
AD	Other Benefits	141.8	140.1	(1.6)	(1.2)
AE	Other Expenditure	(6.0)	(14.0)	(8.0)	132.9
AF	Other Expenditure ENDPBs (Net)	0.0	(0.2)	(0.2)	0.0

Section Reference	Section Description	Main Estimate 2014-15	Supplementary Estimate 2014-15	Movement	
		£m	£m	£m	%
	<b>Non-voted expenditure</b>	<b>94,799.9</b>	<b>95,133.4</b>	<b>333.5</b>	<b>0.4</b>
AG	Incapacity Benefit	154.5	247.4	93.0	60.2
AH	Jobseekers Allowance	487.0	382.9	(104.1)	(21.4)
AI	Employment and Support Allowance	4,350.5	4,134.1	(216.3)	(5.0)
AJ	Maternity Allowance	400.1	416.1	16.0	4.0
AK	State Pension	86,559.8	86,721.4	161.5	0.2
AL	Bereavement benefits	573.7	562.7	(11.0)	(1.9)
AM	Expenditure incurred by the Social Fund	2,274.3	2,668.8	394.5	17.3
AN	Other Contributory Benefits	0.0	0.0	0.0	0.0
AO	Consolidated Fund Extra Receipts	0.0	0.0	0.0	0.0
	<b>Total spending in Annually Managed Expenditure</b>	<b>167,592.3</b>	<b>169,129.1</b>	<b>1,536.8</b>	<b>0.9</b>
	<b>Non-Budget spending</b>				
	<b>Voted expenditure</b>	<b>2,400.1</b>	<b>2,556.7</b>	<b>156.6</b>	<b>6.5</b>
AP	Cash paid in to the Social Fund	2,400.1	2,556.7	156.6	6.5
AQ	Other Expenditure	0.0	0.0	0.0	0.0
	<b>Total Non-budget spending</b>	<b>2,400.1</b>	<b>2,556.7</b>	<b>156.6</b>	<b>6.5</b>
	<b>Total for Estimate</b>	<b>177,719.2</b>	<b>178,902.6</b>	<b>1,183.4</b>	<b>0.7</b>

1. Section letters refer to individual sections within the Estimate to assist in cross-referencing.
2. Figures as presented may not sum, as a result of rounding.
3. Percentage change not applicable as not compared on a like for like basis
4. Between the Main Estimate and the Supplementary Estimate there have been significant movements from Operational Delivery to Departmental Operating Costs. This includes £632m for Estates and £106m for IT

**Departmental Expenditure Limit (DEL)****Table 3 – Departmental Expenditure Limit 2010-11 to 2014-15**

	Limit	Outturn	Variance
	£m	£m	£m
<b><u>Administration</u></b>			
2010-11	5,843	5,620	224
2011-12	1,426	1,333	93
2012-13	1,252	1,180	72
2013-14	1,276	1,091	185
2014-15 Supplementary Estimate	1,208		
<b><u>Resource</u></b>			
2010-11	9,007	8,847	160
2011-12	7,636	7,488	148
2012-13	7,523	7,366	157
2013-14	7,401	7,359	42
2014-15 Supplementary Estimate	7,217		
<b><u>Capital</u></b>			
2010-11	325	322	3
2011-12	311	280	31
2012-13	427	375	52
2013-14	199	186	13
2014-15 Supplementary Estimate	281		

1. 2010-11 figures published in the Public Expenditure Outturn White Paper 2010-11 (Cm 8133)
2. 2011-12 figures published in the Department for Work and Pensions 2011-12 Annual Report and Accounts.
3. 2012-13 figures published in the Department for Work and Pensions 2012-13 Annual Report and Accounts.
4. 2013-14 figures published in the Department for Work and Pensions 2013-14 Annual Report and Accounts.
5. As part of the Comprehensive Spending Review 2010 it was agreed with HM Treasury that the Department would reclassify the costs of delivering front line services from Departmental Expenditure Limit Administration to Departmental Expenditure Limit Programme.
6. Figures as presented may not sum, as a result of rounding.

Detailed explanations of the variance between outturn and funding are provided in the latest published set of the Department's [Annual Report and Accounts 2013-14](#).

**Table 4 – Changes to Departmental Expenditure Limit funding for 2014-15 following the Comprehensive Spending Review (CSR) 2010**

Memoranda Paragraph	Description	Resource	Capital	Total
		£m	£m	£m
	<b>Comprehensive Spending Review 2010</b>	<b>7,743.0</b>	<b>242.0</b>	<b>7,985.0</b>
	<b>Main Estimate 2011-12 Closing Position</b>	<b>7,742.0</b>	<b>242.0</b>	<b>7,984.5</b>
	<b>Supplementary Estimate 2011-12 Closing Position</b>	<b>7,760.7</b>	<b>242.0</b>	<b>8,002.7</b>
	<b>Main Estimate 2012-13 Closing Position</b>	<b>7,907.1</b>	<b>242.0</b>	<b>8,149.1</b>
	<b>Supplementary Estimate 2012-13 Closing Position</b>	<b>7,463.7</b>	<b>242.0</b>	<b>7,705.7</b>
	<b>Main Estimate 2013-14 Closing Position</b>	<b>7,548.9</b>	<b>242.0</b>	<b>7,790.9</b>
	<b>Supplementary Estimate 2013-14 Closing Position</b>	<b>7,956.4</b>	<b>242.0</b>	<b>8,198.4</b>
	<b>Main Estimate 2014-15 Closing Position</b>	<b>7,726.8</b>	<b>286.5</b>	<b>8,013.3</b>
11	Dual-key funds returned to HM Treasury	(337.9)	(49.9)	(387.8)
11	Dual-key Budget Exchange	(176.0)		(176.0)
29	Ringfenced funds returned to HM Treasury	(23.5)		(23.5)
29	Ringfenced Budget Exchange	(11.9)		(11.9)
7	Benefit Debt Recoveries	50.0		50.0
8	Work Programme DEL/AME Switch	45.0		45.0
35	Transfers to Other Government Departments	(12.4)	0.3	(12.1)
4	Cash Rebate	2.1		2.1
	Training Allowance funding handed back to HM Treasury to cover AME costs	(1.0)		(1.0)
	Adjustment relating to VAT Refunds	(0.5)		(0.5)
	Additional Funding for Credit Unions	0.2		0.2
	Vire Resource to Capital	(43.9)	43.9	-
	<b>Supplementary Estimate 2014-15 Closing Position</b>	<b>7,216.8</b>	<b>280.8</b>	<b>7,497.6</b>

1. Figures as presented may not sum, as a result of rounding.

## **Table 5 – Detailed Changes in Departmental Expenditure Limit 2014-15**

### **5.1 Return Dual-key Funds to HM Treasury**

<b>Para</b>	<b>Estimate Section</b>	<b>£m</b>	<b>Description</b>
12-15	Unallocated provision	(424.9)	Universal Credit
16-19	Unallocated provision	(89.1)	Welfare Reform
21-25	Unallocated provision	(24.0)	Fraud & Error
20	Unallocated provision	(18.8)	State Pension Reform
26-27	Unallocated provision	(7.0)	Youth Contract
		<b>0.000</b>	<b>Administration Total</b>
		<b>(513.9)</b>	<b>Resource Total</b>
		<b>(49.9)</b>	<b>Capital Total</b>
		<b>(563.8)</b>	<b>Total Dual-key Funds Returned</b>

1. Figures as presented may not sum, as a result of rounding.

## 5.2 Application of Dual-key Funds

Para	Estimate Section	£m	Description
12	Unallocated provision	(275.8)	Universal Credit dual-key draw down
12	Departmental operating costs	257.8	Universal Credit dual-key draw down
12	Operational Delivery	18.0	Universal Credit dual-key draw down
16	Unallocated provision	(482.1)	Welfare Reform dual-key draw down
16	Operational Delivery	82.3	Welfare Reform dual-key draw down
16	Support for Local Authorities	22.9	Welfare Reform dual-key draw down
16	Employment Programmes	103.0	Welfare Reform dual-key draw down
16	Departmental operating costs	273.9	Welfare Reform dual-key draw down
20	Unallocated provision	(18.2)	Pension Reform dual-key draw down
20	Departmental operating costs	18.2	Pension Reform dual-key draw down
-	Unallocated provision	(88.0)	Recession Volumes dual-key draw down
-	Support for Local Authorities	21.0	Recession Volumes dual-key draw down
-	Employment Programmes	67.0	Recession Volumes dual-key draw down
21	Unallocated provision	(94.7)	Fraud & Error dual-key draw down
21	Operational Delivery	36.2	Fraud & Error dual-key draw down
21	Departmental operating costs	58.5	Fraud & Error dual-key draw down
		<b>0.0</b>	<b>Administration Total</b>
		<b>898.7</b>	<b>Resource Total</b>
		<b>60.1</b>	<b>Capital Total</b>
		<b>958.8</b>	<b>Total Dual-key Fund Application</b>

1. Figures as presented may not sum, as a result of rounding.



### 5.3 Transfers with Other Government Departments

Para	Estimate Section	£m	Description
35	Departmental Operating Costs	7.533	From Department for Education for Relationship Support Contracts.
35	Departmental Operating Costs	(5.800)	To Department for Communities and Local Government for Single Fraud Investigation Service in England.
35	Departmental Operating Costs	(0.600)	To Department for Communities and Local Government for Single Fraud Investigation Service in Scotland.
35	Departmental Operating Costs	(1.568)	To Scottish Government for new Fit For Work Service.
35	Departmental Operating Costs	1.955	From Cabinet Office for National Cyber Security Programme
35	Employment Programmes	(1.100)	To Department for Business Innovation and Skills to deliver NEETS proposals
35	Departmental Operating Costs	(3.300)	To Department for Business Innovation and Skills to support 18-21 Year Olds Work Skills Pilot
35	Departmental Operating Costs	(3.672)	To Ministry of Justice for Appeals Reform Project
35	Departmental Operating Costs	(2.540)	To Cabinet Office for the Single Operating Platform being developed by SSCL
35	Departmental Operating Costs	(5.000)	To Cabinet Office for Identity Assurance IT development
10 & 35	Operational Delivery	1.000	From HM Treasury to enable delivery of the Pensions Guidance Guarantee
See note 2	Operational Delivery	1.000	From Welsh Government in relation to the cessation of Training Allowances in Wales
		<b>(0.886)</b>	<b>Administration Total</b>
		<b>(12.427)</b>	<b>Resource Total</b>
		<b>0.335</b>	<b>Capital Total</b>
		<b>(12.092)</b>	<b>Total Net Transfers to OGD</b>

1. Figures as presented may not sum, as a result of rounding.
2. Transfer from Welsh Government will be handed back to Treasury to enable them to increase DWP's AME funding by £1m to cover the increased costs the Department will incur due to the cessation of Training Allowances in Wales

**Table 6 – Ring Fenced Funding Included in the Supplementary Estimate 2014-15**

Ring Fence		Resource £m	Capital £m	Total £m
Non-Dual-key	Youth Contract – Autumn Statement 2011	144.0	-	144.0
Non-Dual-key	Depreciation	137.0	-	137.0
Non-Dual-key	Housing Benefit and Council Tax Benefit Administration	280.6	-	280.6
Non-Dual-key	Overseas Development Assistance	4.0	-	4.0
Non-Dual-key	Conditionality	114.3	-	114.3
Non-Dual-key	Help to Work	64.4	-	64.4
Non-Dual-key	Discretionary Housing Payments	165.0	-	165.0
<b>Total Non-Dual-key Funding</b>		<b>909.3</b>	<b>-</b>	<b>909.3</b>
Dual-key	Universal Credit	210.8	60.1	270.8
Dual-key	Welfare Reform	482.1	-	482.1
Dual-key	Volume related funding for Employment Programmes	133.2	-	133.2
Dual-key	Fraud and Error Programme	88.3	-	88.3
Dual-key	Single Tier State Pension	18.2	-	18.2
<b>Total Dual-key Funding</b>		<b>932.6</b>	<b>60.1</b>	<b>992.6</b>
<b>Total Ring Fenced Funding</b>		<b>1,841.9</b>	<b>60.1</b>	<b>1,901.9</b>

1. Figures as presented may not sum, as a result of rounding.

**Annually Managed Expenditure (AME)****Table 7 – Outline of changes in Annually Managed Expenditure provision included within the Supplementary**

	£m	
Severe Disablement Allowance	213.4	
Industrial Injuries Benefits Scheme	2.5	
Universal Credit	126.8	
Jobseekers Allowance	(482.0)	
Employment and Support Allowance	329.1	
Income Support	172.8	
Pension Credit	(47.3)	
Financial Assistance Scheme	232.9	
TV Licences for the over 75s	6.2	
Attendance Allowance	(74.0)	
Personal Independence Payment	223.9	
Disability Living Allowance	388.9	
Carer's Allowance	25.3	
Housing Benefit	60.4	
Rent Rebates	41.5	
Statutory Sick Pay and Statutory Maternity Pay	(7.1)	
Other Benefits	(1.6)	
Other Expenditure	(8.0)	
Other Expenditure ENDPBs (Net)	(0.2)	
<b>Total Voted Expenditure</b>		<b>1,203.3</b>
Incapacity Benefit	93.0	
Jobseekers Allowance	(104.1)	
Employment and Support Allowance	(216.3)	
Maternity Allowance	16.0	
State Pension	161.5	
Bereavement benefits	(11.0)	
Expenditure incurred by the Social Fund	394.5	
Other Contributory Benefits	0.0	
Consolidated Fund Extra Receipts	0.0	
<b>Total Non-Voted Expenditure</b>		<b>333.5</b>
<b>Total Expenditure</b>		<b>1,536.8</b>

The provision for Annually Managed Expenditure included in the Supplementary Estimate reflects latest outturn data, forecasting assumptions and cover against fluctuations in forecasts to year-end. Significant movements are outlined in paragraphs 37-50 above.

### **Social Fund**

The additional funding is primarily included to ensure there is sufficient provision for Cold Weather Payments in the remainder of the winter. The increase reflects the particular uncertainty in forecasting a benefit which is dependent on the weather.

### **Provision for the Financial Assistance Scheme**

The Financial Assistance Scheme was announced in 2004 to provide assistance to members of defined benefit occupational pension schemes that were under funded when their employers became insolvent during the period 1 January 1997 to 5 April 2005, before the introduction of the Pension Protection Fund. Since 2004, the scope of the scheme and the levels of assistance have been expanded through additional legislation.

In the Supplementary Estimate funding required in relation to the provision for future payments from the Financial Assistance Scheme has increased due to higher forecasts of the year-end provision. Two factors have influenced the latest forecast:

1. The provision has been increased to take account of more schemes entering the Financial Assistance Scheme than in previous years.
2. The year-end provision is calculated using a 100 year cash flow model. Data is not yet held for all future members. To estimate the provision, based on long-term cash flow projections, a sample of current member data is scaled to the expected full population. Changes in the sample, overarching economic factors such as inflation, or the make-up of the current population may make the forecast provision fluctuate.

## **Annex E**

### **Explanation of key terms used in the Memorandum**

#### **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.

#### **Departmental Unallocated Provision (DUP)**

The Departmental Unallocated Provision contains funding set aside by HM Treasury to be accessed by Departments when certain criteria have been met. In the case of dual-key funding, this is conditional on funding being forecast as spent in year.

#### **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 Incapacity Benefit which are financed from the National Insurance Fund.

#### **Budget and Non-Budget Funds**

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

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