

# How much we spent

## Scope of accounts

These accounts report on the £974 million operating and investment costs incurred by the agency in 2008/09 to deliver pensions, benefits, entitlements and information accurately to our customers.

The cost of the benefits and entitlement payments we made, totalling (unaudited) £89.9 billion are not formally included in these accounts, but under the DWP's consolidated resource account due to be published by the end of 2009.



## The cost to deliver our service

### Net operating costs

- **Direct costs to deliver our benefits and services;**  
£396 million (41%)
- **Non-cash;**  
£354 million (36%)
- **Indirect costs. Administrative and Central Services;**  
£137 million (14%)
- **Investment in change;**  
£87 million (9%)



| Running costs   | 2007/08        | 2008/09      |
|---|----------------|--------------|
| Direct costs to our business to deliver benefits and services | £407m          | £396m        |
| Indirect costs. Administrative and Central Services           | £205m          | £137m        |
| Investment in change  | £96m           | £87m         |
| Non-cash items  | £375m          | £354m        |
| <b>Total</b>  | <b>£1,083m</b> | <b>£974m</b> |

**NOTES:**

1. The Pension, Disability and Carers Service was formed in 2008/09. Therefore 2007/08 data above is based on the calculation of the individual outturn position of each agency.
2. Costs relating to Administrative and Central Services include £43 million in 2007/08 for early release staff exit schemes and £0.1million in 2008/09.
3. Capital expenditure costs are not included above.
4. Administrative and Central Services is inclusive of Estates and IS/IT expenditure.
5. Non-cash items – see page 73 for details

The Operating Cost Statement is shown on page 62 of the accounts.

The net operating cost has been calculated after including a number of notional costs which are borne centrally by the Exchequer and then re-charged to the Pension, Disability and Carers Service as set out in *Notes to the accounts* – Note 3.

The net operating cost amounted to £974 million (2007–08 £1,083 million). Capital expenditure for the year has not been included in the table above. Full details of this are given in *Notes to the accounts* – Notes 6 and 7 and amount to £21.6 million (2007–08 £44.2 million).

## Financial management policies

We have operated within the framework of strategies, policies and corporate standards co-determined with the DWP.

## Taxpayers equity

Within the accounts, the balance sheet at 31 March 2009 shows positive Taxpayer’s Equity of £109.8 million.

In common with other government departments, the financing of Pension, Disability and Carers Service liabilities is met by Grants of Supply to the DWP, approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. A going concern basis for these financial statements is therefore adopted.

## Monetary Value of Fraud and Error (MVFE)

Our aim is to pay the right benefit to the right customer at the right time. We are committed to reducing the amount of benefit which is either underpaid or overpaid to customers as a

result of error by our staff or customers, or from fraud. These wrongly paid amounts are termed the Monetary Value of Fraud and Error (MVFE). To tackle this problem, in 2008/09 we worked on three fronts:

**Prevention:** stopping error or fraud entering our system at the point of payment, with a focus on additional controls before payment is made in cases that have a higher risk of being incorrectly paid.

**Compliance:** reminding both our staff and customers of their responsibilities regarding the benefits. We have accuracy checking regimes in place for all benefits, involving checks on random samples of cases. They promote good practice, and allow us to give targeted feedback and training to staff.

**Correction:** identifying and correcting error in existing payments. Our work includes, for example:

- Right Payment Programme – a check and, if necessary, correction, of 12,000 randomly selected Disability Living Allowance cases;
- Fraud Support Unit – a referral service to the Departmental Fraud Investigation Service (FIS). In 2008/09 we prepared 5,461 Disability Living Allowance, Attendance Allowance and Carers Allowance cases for FIS of which 1,457 resulted in a customer sanction (formal caution, administrative penalty or legal proceedings).

Our overall target for fraud and error activities was to correct 50,600 cases through the 2008/09 initiatives. Our actual achievement was 50,921 cases corrected which resulted in Annually Managed Expenditure savings of £154.8 million in 2008/09. This value represents the savings made for the cases corrected, over the anticipated life of the corrected decision.

The full audited estimates of MVFE are published in the DWP annual resource accounts. Estimates are also published annually, the latest available being Fraud and Error in the Benefit System: October 2007 to September 2008 – [http://research.dwp.gov.uk/asd/asd2/fraud\\_error.asp](http://research.dwp.gov.uk/asd/asd2/fraud_error.asp)

During 2008/09 we strove to improve accuracy of Pension Credit payments in particular. The latest published estimates report encouragingly that the percentage of Pension Credit benefit expenditure overpaid has decreased over one year from 5.1 per cent to 4.6 per cent, and from £380 million to £340 million. Between April and September (latest data available) we achieved our best performance since 2004/05.

We will continue our campaign to reduce losses from fraud and error.

