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DEPARTMENTAL OVERVIEW 2019

DEPARTMENT FOR WORK & PENSIONS

OCTOBER 2019

Department for Work & Pensions (DWP)

This overview summarises the work of DWP including what it does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

CONTENTS

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About DWP and its objectives

The Department for Work & Pensions (DWP) is responsible for the delivery of welfare, pensions and child maintenance policy. As one of the United Kingdom's biggest public service departments, DWP administers the State Pension and a range of working-age, disability and ill-health benefits to around 20 million claimants and customers.

DWP's **single departmental plan** sets out six objectives:

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

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

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

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

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

6 Ensure DWP's policies, operations and arm's-length bodies continue to operate effectively after exiting the European Union.

DWP services include:

Jobcentre Plus: Aims to help people move from benefits into work and helps employers advertise jobs. Jobcentres deliver Universal Credit and other working-age benefits for people who are unemployed or are unable to work because of a health condition or disability.

The Pension Service: Provides pensions, benefits and retirement information for current and future pensioners in the UK and abroad. Services delivered include State Pension and Pension Credit, along with responsibility for Winter Fuel Payments, Cold Weather Payments, Carer's Allowance, Attendance Allowance and the DWP Visiting Service.

Child Maintenance Service: Child maintenance is financial support that helps towards a child's living costs when the parents have separated. Services include:

- calculating how much maintenance the paying parent should pay to the receiving parent;
- collecting maintenance payments, if necessary; and
- providing impartial information and support to help parents make informed choices about child maintenance through the Child Maintenance Options Service.

DWP also has a number of executive and advisory non-departmental public bodies and public corporations. These include the Health and Safety Executive, the National Employment Savings Trust, The Pensions Ombudsman, The Pensions Regulator, the Pension Protection Fund and the newly formed Money and Pensions Service.

The Pension Protection Fund is one of the largest of these financially. It pays compensation to members of defined benefit pension schemes that have failed. The Fund is supported from levies imposed on employers with defined benefit schemes.

Where DWP spends its money

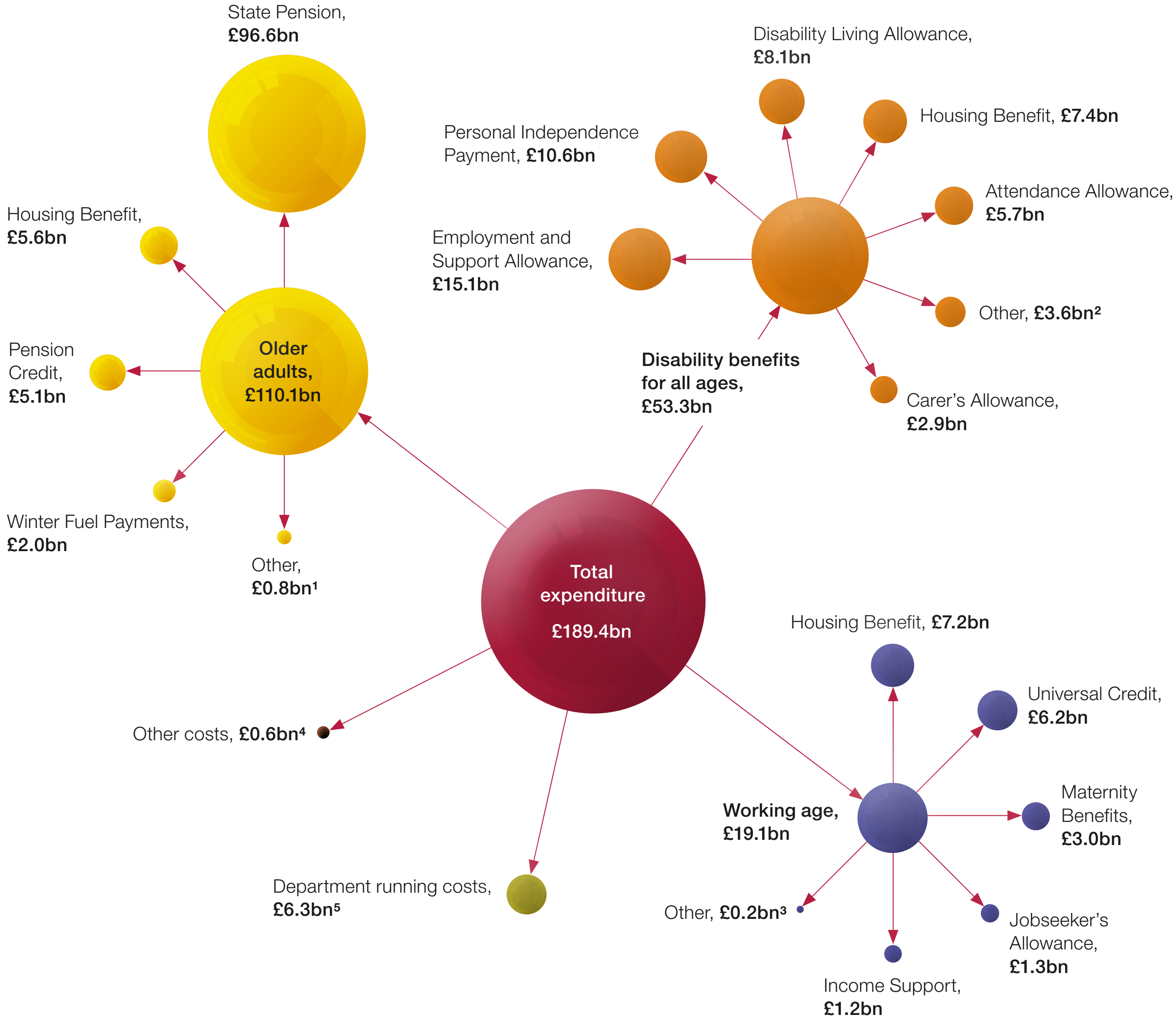
Figure 1: Department for Work & Pensions (DWP) benefits expenditure and resource running costs, 2018-19

DWP has the largest budget of any government department. In 2018-19, its total expenditure was £189.4 billion.

In 2018-19 the Department spent **£182.5 billion** on benefit payments from Annually Managed Expenditure (AME). The majority of these payments are to pensioners (in 2018-19, this was £110.1 billion, excluding benefits to support disabled people and people with health conditions). This is mostly expenditure on the State Pension, which continues to increase every year.

Benefits to support people with disabilities and people with health conditions of all ages cost £53.3 billion in 2018-19, with other benefits making up the rest.

The cost of running DWP in 2018-19 was £6.3 billion (including £0.3 billion of capital costs). The £6.3 billion is from the Departmental Expenditure Limit (DEL).



Notes

1. 'Other' within 'Older adults' includes the following: Over 75's TV licence and other benefits.
2. 'Other' within 'Disability benefits for all ages' includes the following: Income Support for Carers; Industrial Injuries; Universal Credit and Severe Disablement Allowance.
3. 'Other' within 'Working age' includes the following: Bereavement benefits; Christmas Bonus; Social Fund payments and other benefits.
4. 'Other costs' includes payments into the Social Fund, additional Annually Managed Expenditure (AME) capital and other AME. (Other AME includes movements in provisions as a result of changes to discount rates. See note 16 in the financial report within DWP's Annual Reports and Accounts, 2018-19).
5. DWP running costs include DWP capital expenditure of £0.3 billion in 2018-19.
6. Totals may not sum due to rounding.
7. DWP also pays a number of benefits from the Departmental Expenditure Limit (DEL). These include Funeral Expense Payments and New Enterprise Allowance.

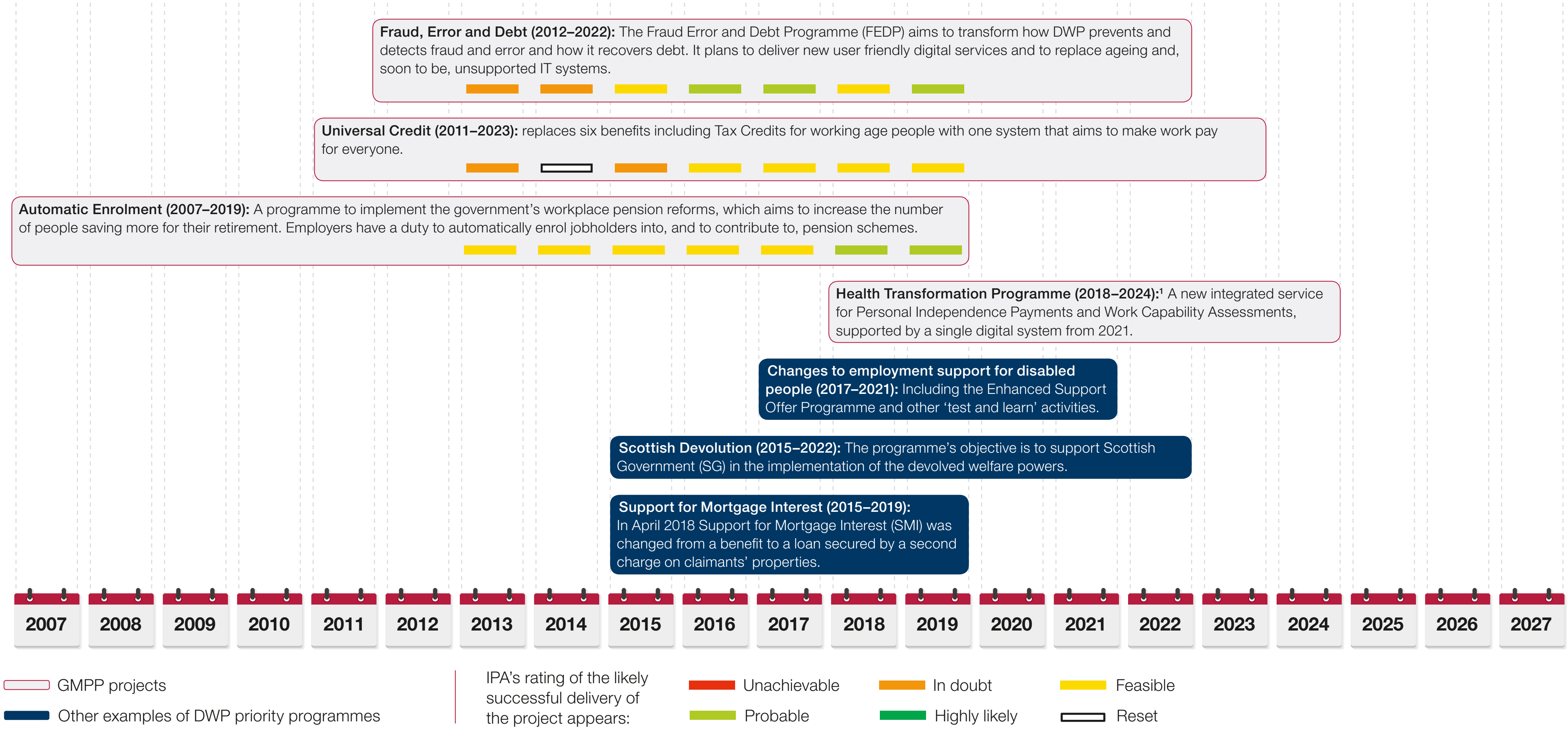
Source: Department for Work & Pensions', *Annual Report and Accounts, 2018-19*

Major programmes and developments

DWP has four programmes on the Government Major Projects Portfolio (GMPP): Universal Credit; the Fraud, Error and Debt Programme; Automatic Enrolment and the Health Transformation Programme. DWP also has a number of other major programme developments including plans for more systematic change to its procedures for assessing entitlement to disability benefits, Support for Mortgage Interest and Scottish Devolution.

Projects in the GMPP are risk-rated by the government's Infrastructure and Projects Authority (IPA). IPA publishes risk ratings over the life of these programmes and these are shown in the coloured bands under each project, in each year, using the scale in **Figure 2.**

Figure 2: Department for Work & Pensions' (DWP's) Government Major Projects Portfolio (GMPP) and other priority programmes



Note

1 DWP advises that a published rating for the Health Transformation Programme is not yet available.

Source: Infrastructure and Projects Authority *Annual Report on Major Projects*, 2018-19 and National Audit Office's analysis of Department for Work & Pensions' information

Exiting the European Union (EU)

Government has instructed departments to prepare for the United Kingdom (UK) leaving the EU. The UK is scheduled to leave on 31 October 2019.

DWP's key exiting the EU challenges

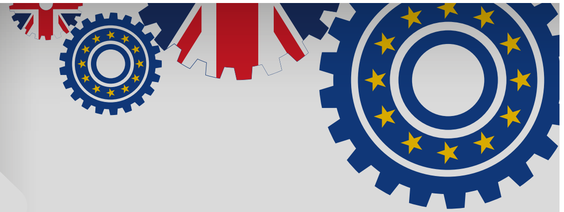
DWP's objective described in its Single Departmental Plan, is to ensure its policies, operations and arm's-length bodies continue to operate effectively after exiting the EU. In August 2019, DWP had 13 work streams relating to leaving the EU.

DWP is responsible for the administration of certain aspects of the EU's social security coordination system. The arrangements allow EU nationals to access a number of benefits while in the UK, and covers the export, aggregation and uprating of pensions and certain UK benefits in the EU.

The Health and Safety Executive, an arm's-length body of DWP, has regulatory responsibilities relating to chemicals and Health and Safety. It has a role in supporting activity across government focused on making necessary changes to the chemical regimes and to Health and Safety legislation following the UK's exit from the EU and ensuring these would work in a no-deal scenario.

As well as its own preparations, DWP is working with Cabinet Office and other government departments to provide resource across government for time-limited EU exit work. DWP transferred or assigned 127 officials to other departments to support EU exit-related work to the end of May 2019; 125 of whom had returned by this date. DWP is continuing to work with the Cabinet Office and other government departments on resourcing of preparations.

By June 2019, HM Treasury had allocated DWP £15 million to support planning for EU exit in 2019-20.



European Social Fund (ESF)

DWP provides the management and funding administration for the current European Social Fund (ESF) programme in England, working with local areas to address employability and skills needs.

DWP is responsible for €3.5 billion of EU funding in England under the ESF over the current programming period. The devolved administrations in Scotland, Wales and Northern Ireland, as well as HM Government of Gibraltar, have responsibility for administering ESF outside of England.

DWP manages the delivery of ESF in England, selecting projects in line with the Operational Programme agreed between DWP and the European Commission. DWP seeks reimbursement from the European Commission for payments it makes to projects.

The government has guaranteed payments due under the ESF to the end of 2023, which could be called on in the event of the UK leaving the EU without a deal.

Managing public money

Qualified accounts

DWP's over and underpayment of benefits means DWP's spending is not in line with Parliament's intentions. The Comptroller and Auditor General has qualified the accounts every year since 1988-89 due to material levels of fraud and error in benefit expenditure. We set out DWP's efforts to tackle the causes of fraud and error in Part One.

The Comptroller and Auditor General also qualified his audit opinions on the Child Maintenance Client Funds Accounts 2017-18, prepared by DWP for the 1993 and 2003 Child Maintenance Schemes, due to errors in maintenance assessements and the data underlying arrears balances. DWP is responsible for collecting money from parents who do not live with their child and paying this to parents caring for the child.

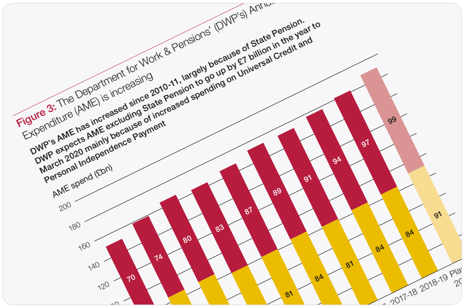
DWP intends to improve compliance in the Child Maintenance Service by prioritising money collection for today's children and encouraging collaboration between parents; improving child maintenance calculations; introducing tougher collection and enforcement measures; and addressing historic debt that built up under Child Support Agency (CSA) schemes including the write-off of some past arrears. DWP has since closed the 1993 and 2003 Child Maintenance Schemes.

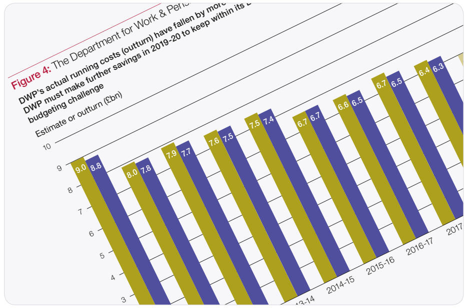
More efficient administration

Over time, DWP is paying more out in benefits – mostly Annually Managed Expenditure (AME) – while spending less on its own running costs. These running costs include what it spends on administering benefits and employment support within its Departmental Expenditure Limit (DEL).

DWP's DEL budget for 2019-20 is 25% (£2 billion) less in nominal terms than in 2014-15 and 5% (£0.3 billion) less than what it spent (outturn) in 2018-19. At the same time, AME spending is forecast to be 14% higher in nominal terms in 2019-20 than in 2014-15. Following the spending round announced in September 2019, DWP expects to receive a 1.9% real-terms increase to its DEL budget (excluding capital and depreciation) in 2020-21 compared with 2019-20 and an extra £106 million to support some vulnerable claimant groups.

See **Figures 3** and **4** on the next page.





Understanding DWP's expenditure:

Annually Managed Expenditure (AME) expenditure, which is more difficult to predict, manage or forecast, so, unlike DEL, is not subject to multi-year spending limits set in Spending Reviews. Main categories of AME include demand-led funding such as social security benefits, pensions and Tax Credits for individuals.

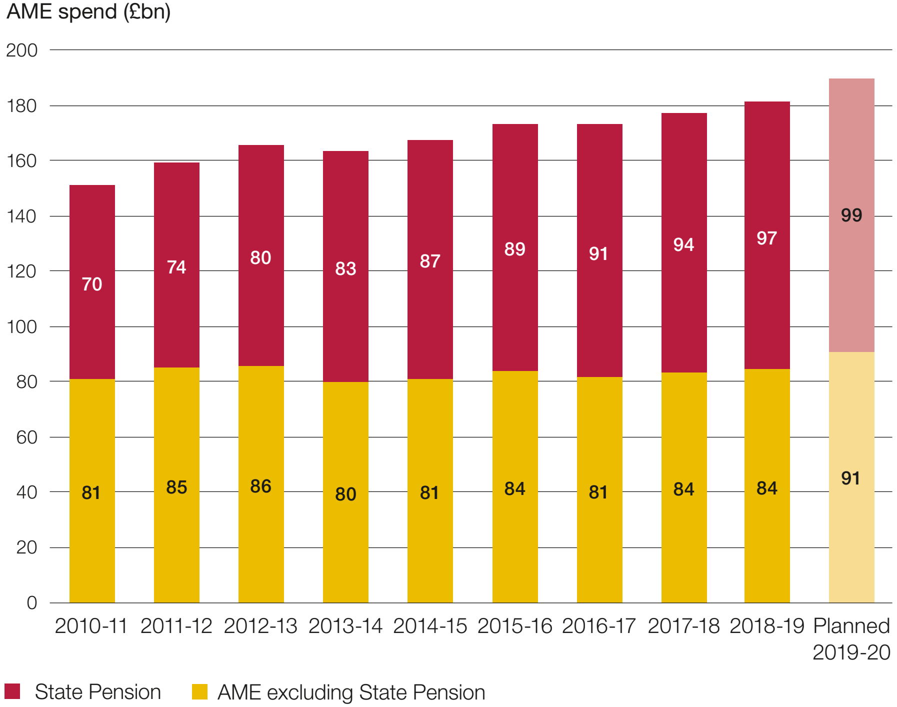
Departmental Expenditure Limit (DEL) expenditure, which is subject to limits set in Spending Reviews, and which it is assumed departments can control. Separate DELs are set for each government department's resource and capital spending each year.

See Parliamentary Finance Glossary.

Managing public money *continued*

Figure 3: The Department for Work & Pensions' (DWP's) Annually Managed Expenditure (AME) is increasing

DWP's AME has increased since 2010-11, largely because of State Pension. DWP expects AME excluding State Pension to go up by £7 billion in the year to March 2020 mainly because of increased spending on Universal Credit and Personal Independence Payment



Notes

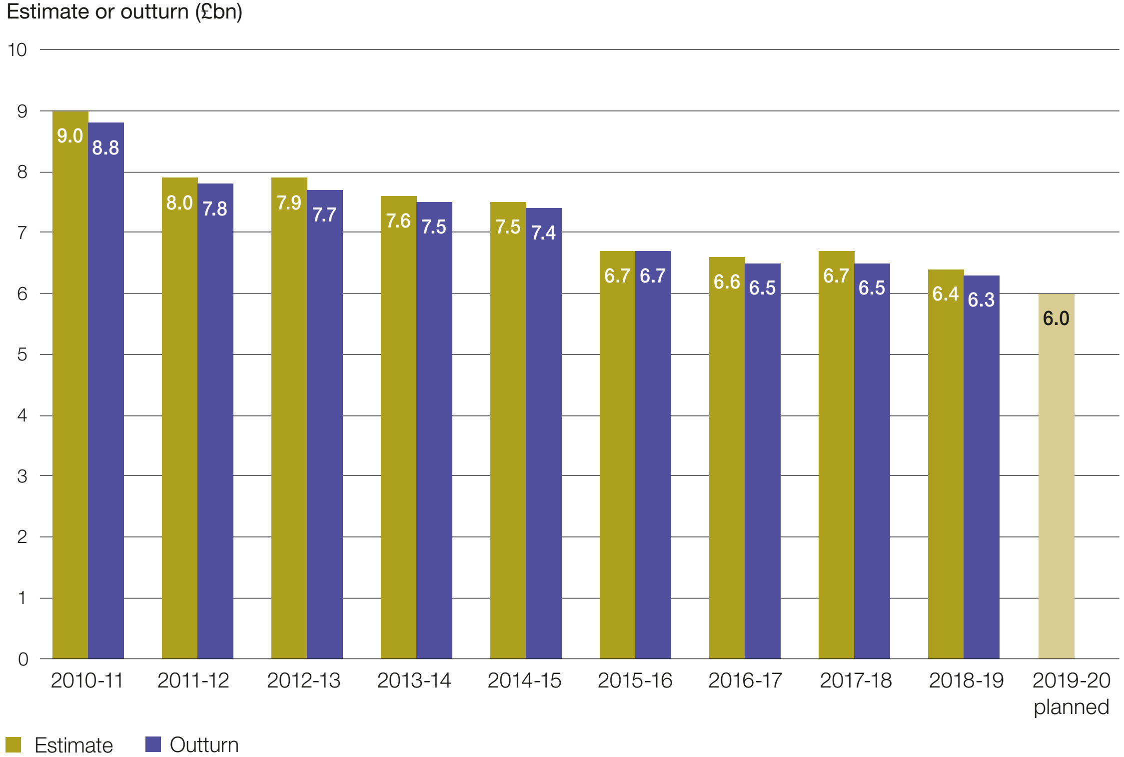
1 Figures from 2010-11 to 2014-15 are sourced from the core tables within DWP's Annual Report and Accounts, 2014-15. Figures from 2015-16 until 2019-20 are sourced from the core tables within DWP's Annual Report and Accounts, 2018-19. All expenditure is in nominal terms.

2 Increased expenditure on Universal Credit in 2019-20 is partly because of the absorption of previous spending on Tax Credits.

Source: National Audit Office analysis of Department for Work & Pensions' financial statements

Figure 4: The Department for Work & Pensions' departmental expenditure limit (DEL) is decreasing

DWP's actual running costs (outturn) have fallen by more than £2 billion in nominal terms since 2010-11. DWP must make further savings in 2019-20 to keep within its DEL limit, which presents a significant budgeting challenge



Notes

1 All expenditure is in nominal terms.

2 Estimates are produced 10 months into the financial year (February) as part of the Supplementary Estimates process. Planned 2019-20 figure is a Main Estimate produced at the start of the financial year.

Sources: National Audit Office analysis of Department for Work & Pensions' financial statements; 2019-20 planned value is taken from HM Treasury's Main Supply Estimates

Managing public money *continued*

Workforce

DWP cut its workforce by 24% between 2012 and 2019 and expects to reduce its staffing costs further in 2019-20.

Despite DWP reducing its headcount over the past decade, staffing costs have remained relatively stable due to an increase in staff pay and pension contributions. In 2016 DWP agreed with HM Treasury a limited four-year pay flexibility as part of an 'employee deal scheme' whereby staff received a pay rise in return for contractual changes that allow an extension of customer service hours into the evenings and Saturdays. Pension contributions have increased in line with Cabinet Office civil service pension policy.

DWP has estimated that it will reduce spending on staff by £141 million in 2019-20 compared with its spending in 2018-19. DWP reports that in late 2018-19 it undertook significant planning activity to ensure that its workforce plans remain affordable and enable it to stay within the Spending Review 2015 settlement in 2019-20, the final year of the current settlement period.

DWP must manage some uncertainty in its future staffing requirements:

- Existing Tax Credits claimants are expected to transfer to Universal Credit by end 2023.
- DWP is responding to demands linked to the UK's exit from the EU.
- DWP needs to monitor the level of unemployment and the number of people applying for benefits to ascertain how many staff are needed to administer Universal Credit.

In 2018, DWP's level of staff engagement reported through the Civil Service People Survey (59%) fell slightly below the 2018 civil service average of 62%.

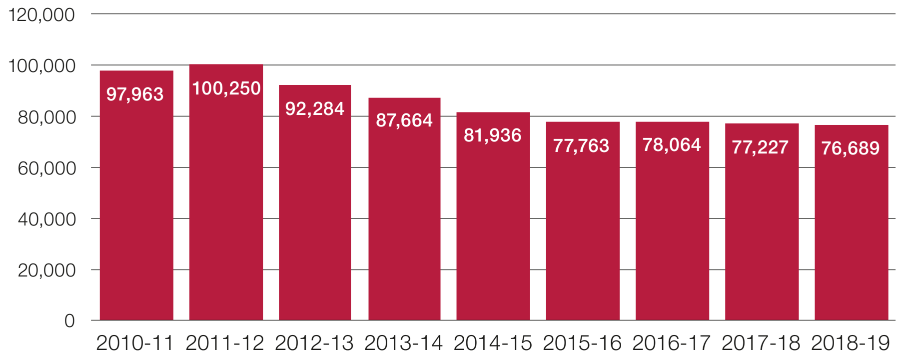
Investigation into overpayments of Carer's Allowance

Our 2019 investigation on overpayments of Carer's Allowance reported that:

- around two-thirds of carers with debts for earnings-related overpayments of more than £2,500 would have had their overpayments stopped earlier **had DWP put in place enough staff;**
- in the past DWP did not have enough staff to follow up every case flagged by its data-matching as potential fraud or error. Only 12% of cases between 2016 and 2018 flagged as a potential match were investigated; and
- DWP detected more overpayments in 2018-19 than in previous years because it had put in place more staff and new systems for detection.

Figure 5: Department for Work & Pensions staff numbers, 2010-11 to 2018-19

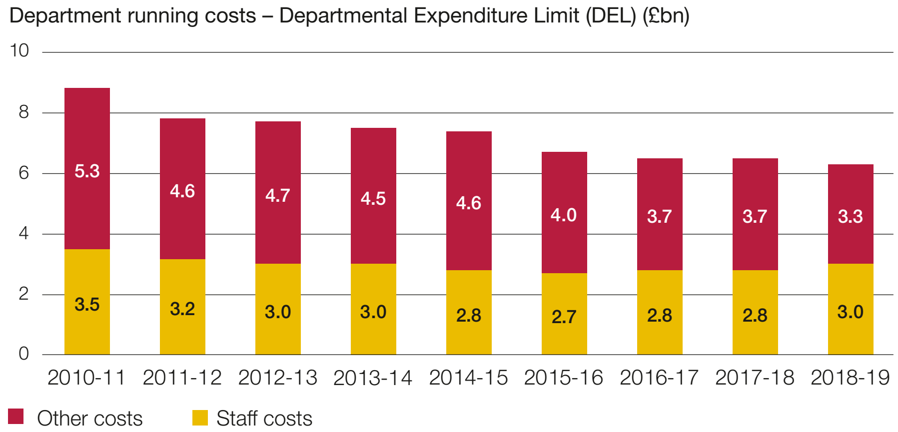
The number of full-time equivalent (FTE) staff has fallen



Source: Staff numbers from 2010-11 are sourced from the Department for Work & Pensions', *Annual Report and Accounts, 2010-11*. Staff numbers from 2011-12 until 2018-19 are sourced from the Department for Work & Pensions', *Annual Report and Accounts, 2018-19*

Figure 6: Department for Work & Pensions' running costs

Despite other costs reducing over time, staff costs have remained similar



Notes

1 Financial data shown in nominal terms.

2 The total running cost is sourced from the Parliamentary Supply Accounts and staff costs are sourced from the Statement of Consolidated Expenditure.

Source: National Audit Office analysis of Department for Work & Pensions' financial statements

Fraud, error and debt

Benefit payments are susceptible to fraud and error, both by claimants and by DWP. DWP has estimated the monetary value of fraud and error annually over a number of benefits since 2005-06. We exclude the State Pension because its relatively simple conditions of entitlement mean it has very low fraud and error. The estimates for fraud and error for the other benefits show:

- overpayments of benefits at their highest-ever rate. In 2018-19 it increased to 4.6% (£4.0 billion) of related benefit spending (£86.6 billion), from 4.4% (£3.7 billion) in 2017-18. The biggest increase has been for Universal Credit (see **Figure 7**); and
- underpayments of benefits also at their highest-ever rate. In 2018-19 it increased to 2.2% (£1.9 billion) of related benefit spending (£86.6 billion), from 2.0% (£1.7 billion) in 2017-18. None of the continuously measured benefits saw a reduction in the rate of underpayments.

Our 2019 Report by the Comptroller and Auditor General showed estimated overpayments of Universal Credit are the highest of currently measured benefits at 8.6% – the highest rate since 2002-03 when overpayments of Tax Credits (administered by HM Revenue & Customs) were 9.7%.

Overpayment rate

8.6%

Universal Credit

Figure 7: Change in the estimated percentage rates of overpayments and underpayments in benefit expenditure between 2017-18 and 2018-19

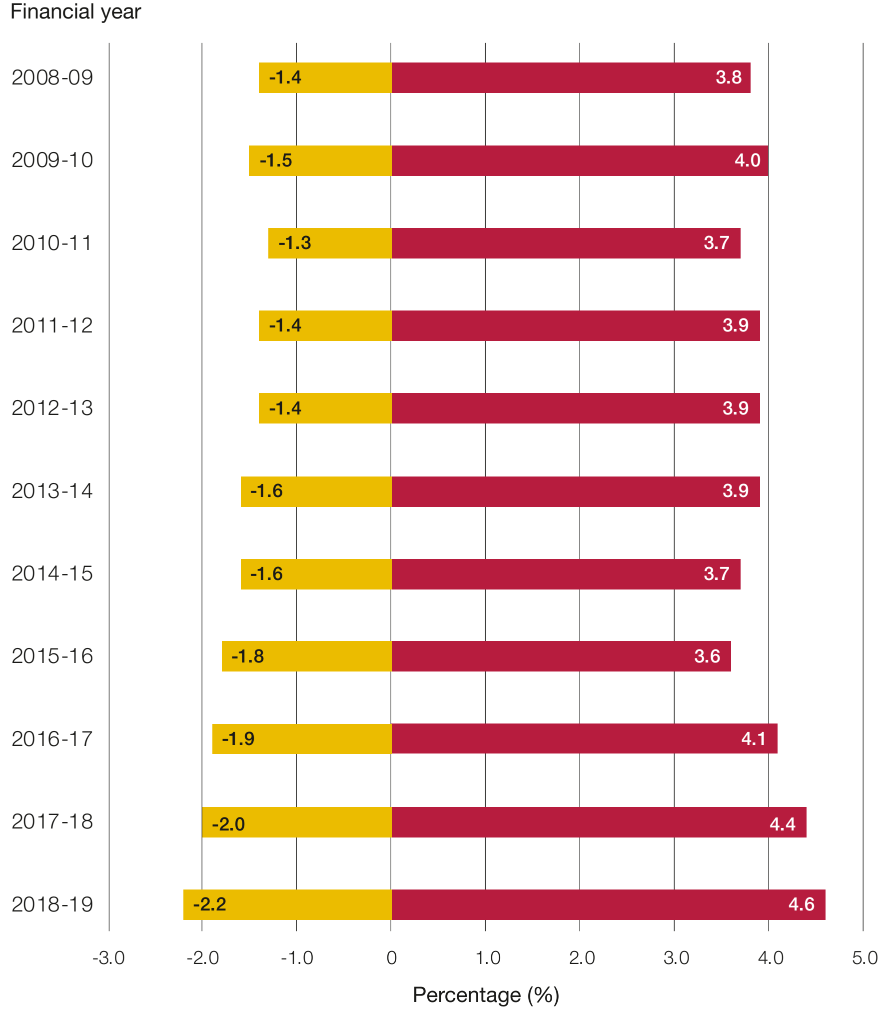
Universal Credit has seen the biggest increase in overpayment rate

	Overpayments			Underpayments		
Benefit	2017-18 (%)	2018-19 (%)	Change (%)	2017-18 (%)	2018-19 (%)	Change (%)
Housing Benefit	6.5	6.4	0.1 ▼	1.4	1.6	0.2 ▲
Employment and Support Allowance	4.3	4.0	0.3 ▼	2.6	3.2	0.6 ▲
Pension Credit	5.8	5.0	0.8 ▼	2.4	2.7	0.3 ▲
Jobseeker's Allowance	6.3	6.5	0.2 ▲	1.3	1.3	0.0 –
Universal Credit	7.2	8.6	1.4 ▲	1.3	1.3	0.0 –
Personal Independence Payment	3.1	3.5	0.4 ▲	3.7	3.8	0.1 ▲

Source: National Audit Office analysis of Department for Work & Pensions, *Tables: Fraud and error in the benefit system: 2018-19 estimates*, 9 May 2019

Figure 8: Overpayments and underpayments for all benefits excluding State Pension, 2008-09 to 2018-19

Benefit overpayments and underpayments, excluding State Pension, are at their highest recorded rates since 2005-06 when this form of measurement was introduced



Overpayments excluding State Pension

Underpayments excluding State Pension

Source: Department for Work & Pensions', *Annual Report and Accounts, 2018-19*

Fraud, error and debt

Addressing the causes of fraud and error

What is the impact of fraud and error?

Fraud and error are both costly to the taxpayer and harmful to claimants. Not only is DWP losing money it should not pay out, but errors can be costly to put right and require significant extra administrative work. Underpayments can mean claimants missing out on not only significant amounts of benefit payments, but also other entitlements such as free NHS prescriptions. Overpayments can also be difficult for claimants, as they have to be reclaimed through future benefits or earnings.

What is DWP doing about fraud and error?

In 2018, in response to previous National Audit Office (NAO) recommendations, DWP refreshed its strategy to manage Fraud, Error and Debt. Its new strategy focuses on understanding and identifying the causes of fraud and error, and then using this understanding to address the systemic causes. It has created:

- a Counter Fraud and Compliance Directorate (CFCD) to lead work on reducing fraud and error and recovering the resulting debts, and ensuring other parts of DWP understand their role in preventing fraud and error from occurring;
- a Risk and Intelligence Service (RIS), to better detect and understand error and fraud; and
- new systems to use data-matching and up-front verification of claims to prevent and detect fraud and error. This includes better use of HM Revenue & Customs data on employment earnings (ie access to the Real Time Information feed).

Investigation into errors in Employment and Support Allowance

Our 2018 Investigation into errors in Employment and Support Allowance highlighted **the importance of understanding and addressing promptly the systemic causes of fraud and error.** Since 2011, DWP has underpaid a significant number of claimants who transferred to Employment and Support Allowance from other benefits. These claimants were not paid certain means-tested premiums that they were due and DWP could owe some people up to £20,000.

As part of its exercise to correct these underpayments, DWP has increased its staffing and has now assigned 1,200 staff to correcting these underpayments. By July 2019, DWP had completed checks on 371,000 of the 600,000 cases it expects to review, of which 88,000 people had received arrears payments averaging £6,000. DWP acknowledges that this remains a significant control challenge.

Fraud, error and debt

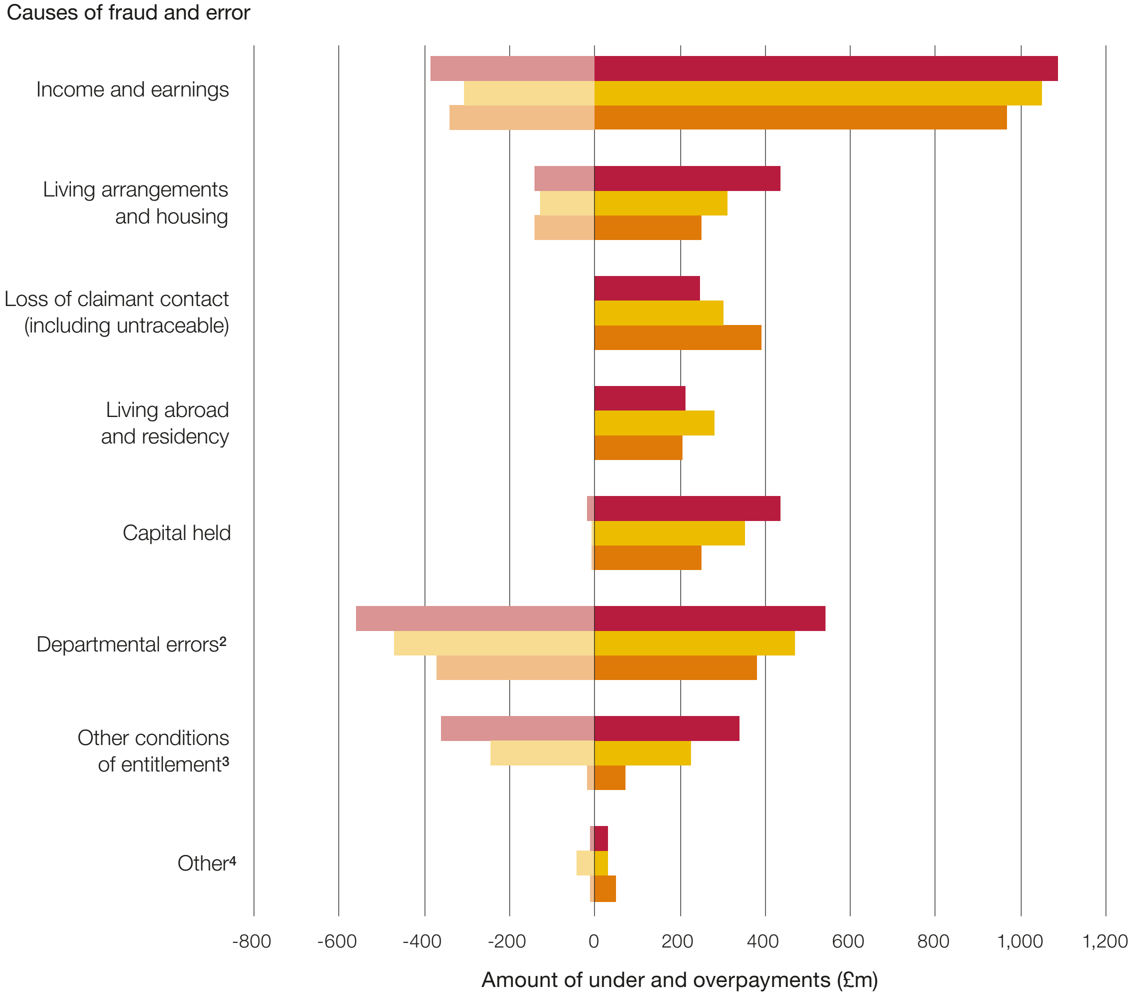
Addressing the causes of fraud and error *continued*

What are the causes of fraud and error?

Figure 9 highlights the causes of fraud and error in the benefit system that DWP has identified. In 2018-19, untimely and inaccurate reporting of income and earnings information by claimants remained the largest cause of fraud and error, by value.

Figure 9: Causes of fraud and error in measured benefits by value

Untimely and inaccurate reporting of income and earnings is the largest cause of fraud and error, by value



Notes

1 The Department for Work & Pensions (DWP) is able to assess the causes of over and underpayments on its continuously measured benefits: Jobseeker's Allowance, Pension Credit, Housing Benefit, Universal Credit, Personal Independence Payment and Employment and Support Allowance. It has not undertaken this analysis for the benefits that are not continuously measured.

2 The Departmental errors category is made up of official error in measured benefits reported across DWP's categories. DWP reported that the total estimated value of official error, combining under and overpayments and including DWP's estimate for benefits not routinely measured, was £1.4 billion in 2018-19.

3 Other conditions of entitlement include causes of fraud and error related to: conditions of entitlement, childcare costs, non-dependant deductions, elements and premiums, award determination, and functional needs.

4 The other category includes causes of fraud and error related to: passporting, Tax Credits, control activities not carried out appropriately, labour market issues, and various smaller categories.

5 DWP first published its analysis of the causes of fraud and error for total continuously measured benefits in 2010-11. DWP first published an estimate of the levels of fraud and error for Personal Independence Payment in the 2017-18 preliminary estimates. In 2016-17 it was included as an 'unreviewed benefit'. The inclusion of Personal Independence Payment has an impact on the following categories: departmental errors, loss of claimant contact and other conditions of entitlement.

Sources: National Audit Office analysis of: Department for Work & Pensions, *Tables: Fraud and error in the benefits system: financial year 2018-19 estimates*, 9 May 2019; Department for Work & Pensions, *Tables: Fraud and error in the benefit system: financial year 2017-18 preliminary estimates*, 17 May 2018; and Department for Work & Pensions, *Tables: Fraud and error in the benefit system: financial year 2016-17 preliminary estimates*, 18 May 2017

Fraud, error and debt

Managing DWP's debt balance

Debt management

Claimants owed DWP £4.3 billion at March 2019 for benefit overpayments, loans and advances.

The amount claimants owe DWP is increasing because:

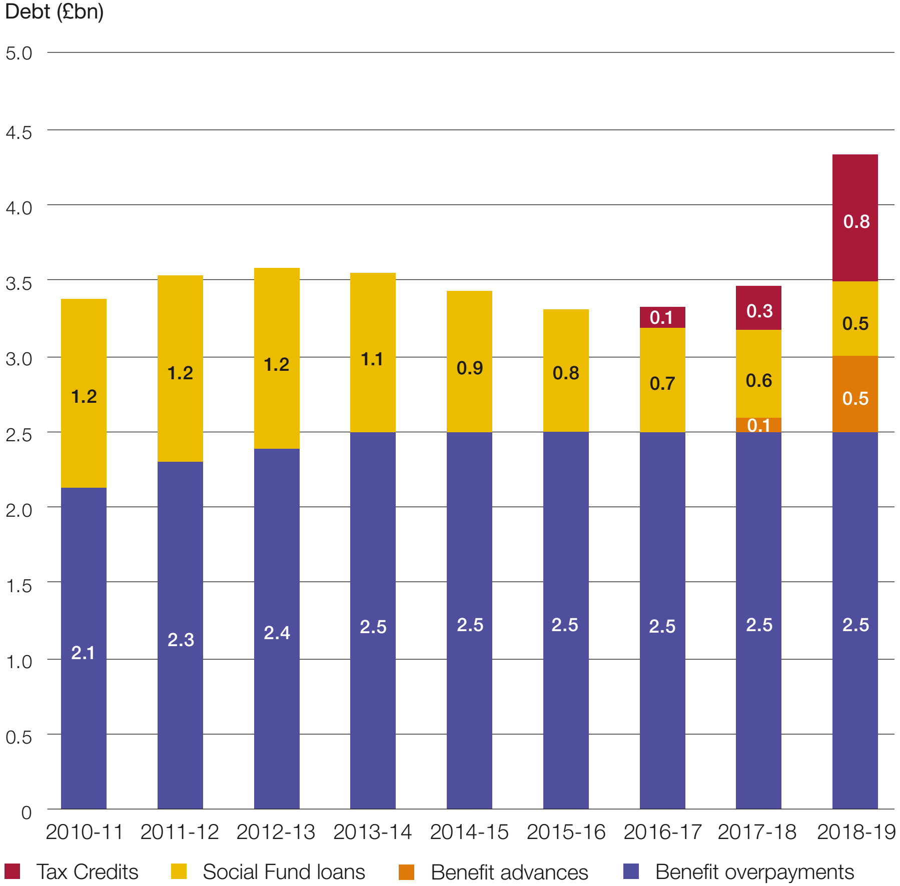
- HM Revenue & Customs is transferring an estimated £6.8 billion of gross Tax Credits debt for active claims to DWP by the end of 2023. DWP is developing proposals with HM Revenue & Customs on what remaining debt from past claims should also transfer; and
- around 60% of people making a new claim to Universal Credit in October 2018 received an advance that needs to be paid back over 12 months. DWP expects that the largest source of new debt will be Universal Credit overpayments and advances by 2022-23.

DWP looks to recover the money it is owed, often by making deductions from future benefit payments and sometimes from earnings. In 2018-19, it recovered £0.4 billion of benefit overpayments debt (excluding Housing Benefit debt recovered by local authorities), equivalent to 18% of the £2.5 billion owed at March 2019.

DWP believes that around one-third (£1.4 billion) of the £4.3 billion debt is unlikely ever to be repaid. It 'impairs' this amount in its accounts. It also wrote off £0.4 billion of specific debts where it knows they cannot be recovered.

Figure 10: The Department for Work & Pensions' debt balance, 2010-11 to 2018-19

Outstanding debt increased in 2018-19



Notes

1 Debt is shown in nominal terms and is not the same as estimates of the extent of fraud and error reported in Figure 7. The gross debt balance includes debt DWP has impaired, and therefore includes a proportion it believes it is unlikely to recover.

2 Excludes Housing Benefit debt, recovery of which sits with local authorities.

3 Debt relating to Carer's Allowance for claimants in Scotland is not included in 2018-19 data following devolution of this benefit to the Scottish Government.

4 Numbers and percentages on this page may not sum due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions' financial statements

Tackling problem debt

The National Audit Office's report *Tackling problem debt* (September 2018) found that problem debt across government has significant consequences both for individuals and the taxpayer. It estimated that the minimum annual cost to the public purse of the direct impact of problem debt was £248 million.

Investigation into overpayments of Carer's Allowance

Our *Investigation into overpayments of Carer's Allowance* found that at the standard rate of repayment for those on benefits (£11.10 a week) it would take an average of three and a quarter years for carers to repay their debt – but as much as 34 years for a small number of carers with overpayments of over £20,000. DWP is seeking to recover £150 million in overpayments from around 80,000 carers. Most debts are under £1,000 but more than 100 carers had debts of more than £20,000 at the end of March 2019.

Welfare reform

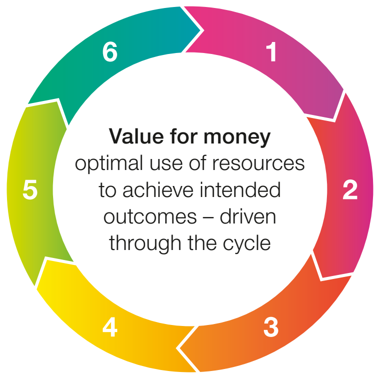
Overview and lessons learned

DWP has carried out a programme of welfare reforms over the past decade, through which it aims to make the benefit system fairer and help manage the costs of welfare.

Key reforms include:

- measures to control spending, including a benefit cap; a benefits freeze; and removal of the spare room subsidy or 'bedroom tax';
- Universal Credit, transforming how out-of-work benefits are paid and administered;
- changes to Child Maintenance which are intended to encourage parents to make their own family-based arrangements;
- measures to make the State Pension more sustainable, including increasing the State Pension age and measures to increase pension saving through automatic enrolment; and
- reform of incapacity benefits to focus on a claimant's functional capabilities and the importance of moving towards employment.

Figure 11: Lessons from welfare reform



01 **Strategy**
Establish core aims and plan for the possibility of failure.

02 **Planning**
Identify critical assumptions and then understand their impact on learning curves and services.

03 **Implementation**
Establish an integrated view of capacity and capability.

04 **Measurement**
Design in management information to test processes and identify leading indicators for performance.

05 **Evaluation**
Set out clear milestones but be ready to make changes based on systematic criteria.

06 **Feedback**
Phase the implementation of programmes to learn from and refine services, and respond to specific operational risks.

Source: Comptroller and Auditor General, *Welfare Reform – lessons learned*, Session 2015-16, HC 77, National Audit Office, May 2015

Welfare reform – lessons learned

Our 2015 report *Welfare reform – lessons learned* found that DWP had accomplished a great deal since 2010, taking on an unprecedented number of reforms while cutting costs and dealing with the economic downturn. Nevertheless, we found that DWP had relied too heavily on reacting to problems and had not always been able to anticipate likely points of failure or set up leading indicators for performance and progress. We recommended that it:

- plan more openly for failure;
- design management information in from the start; and
- build an integrated view of portfolio risks and capability.

We continue to see the relevance of these lessons in our work on Universal Credit, Supporting disabled people to work, and in our monitoring of DWP's programmes on Fraud, error and debt and the Health Transformation Programme.

Welfare reform

Universal Credit

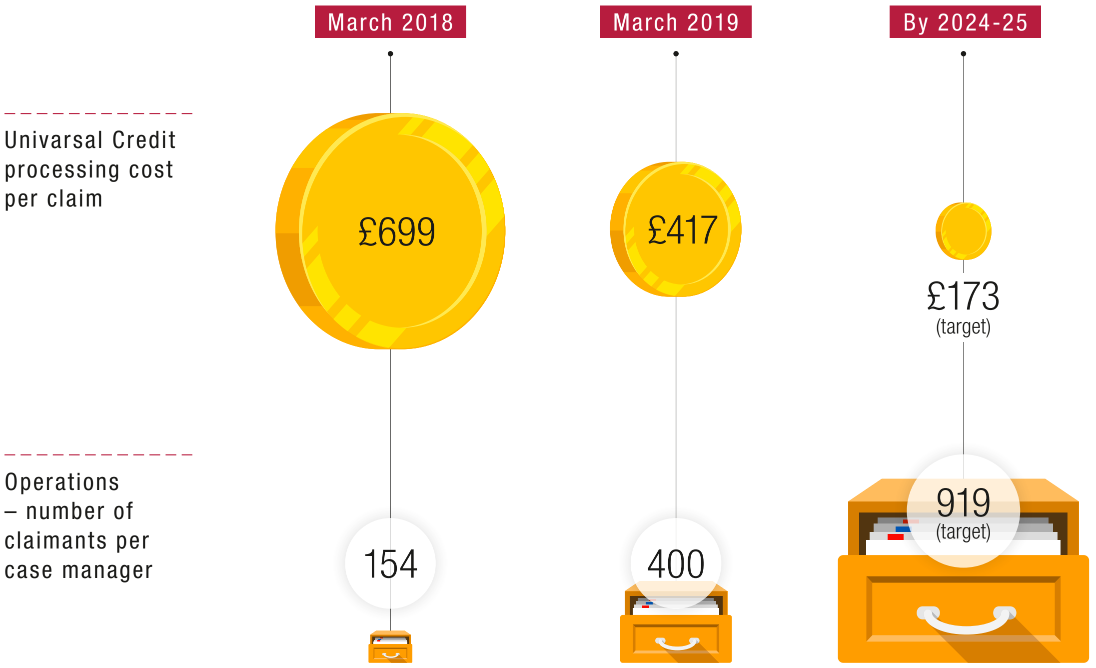
Universal Credit full service was introduced for new claimants into all Jobcentres during 2018

What is Universal Credit?

Universal Credit is DWP’s largest programme of welfare reform. It will replace six means-tested benefits for working-age households, including Tax Credits. Its aims are to deliver £8 billion of net benefits a year by:

- encouraging more people into work through better financial incentives, simpler processes and increasing requirements on claimants to search for jobs;
- reducing fraud and error; and
- making it cheaper to administer than the benefits it replaces.

Figure 12: Universal Credit: processing costs and number of claimants



Source: National Audit Office analysis of Department for Work & Pensions’ information

Rolling out Universal Credit

In 2018, we reported on DWP’s *Rolling out Universal Credit*

DWP started work on Universal Credit in 2010, but struggled with its early development. By the time of our Rolling out of Universal Credit report, DWP had made a lot of progress and expected its full service to be available in all Jobcentres by the end of 2018. DWP had still to migrate those on the benefits that Universal Credit replaces.

Selected key report findings:

- Some elements of Universal Credit were working well; however, some claimants had struggled to adjust to the way Universal Credit works. **A significant minority of claimants had suffered difficulties and hardship during the roll-out of Universal Credit.**
- **One in five claimants did not receive their full payment on time** and Universal Credit was creating additional costs for local organisations.
- **We could not be certain that Universal Credit will ever be cheaper to administer than the benefits it replaces.**

Selected report recommendations:

We recommended that DWP work with delivery partners to establish a shared evidence base for how Universal Credit is working in practice and ensure that its operational performance and costs improve sustainably before increasing caseloads through managed migration.

Recent developments:

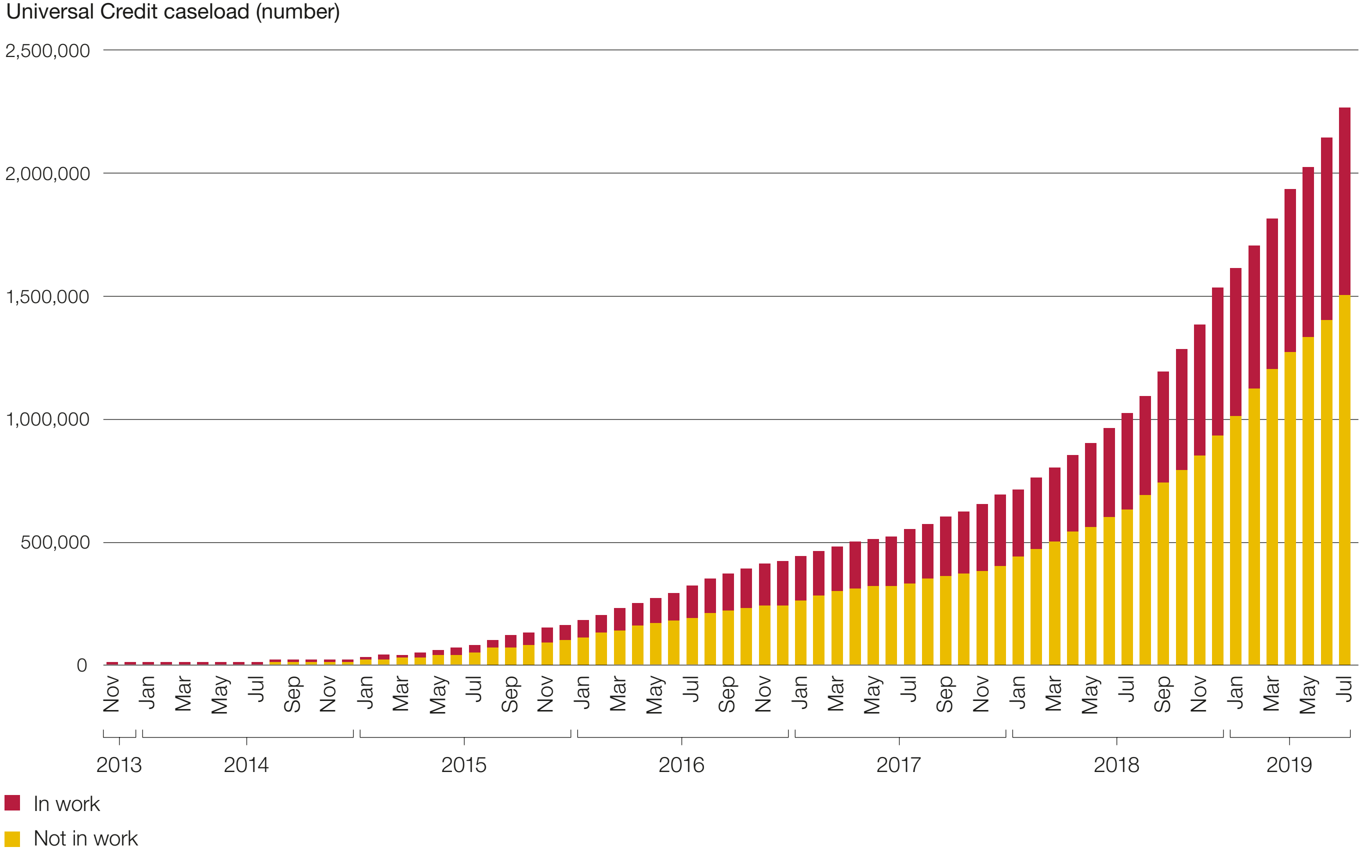
DWP has since said it will complete a pilot exercise involving up to 10,000 claimants before it moves existing claimants of legacy benefits on to Universal Credit by December 2023. In May 2019, **the mean amount of Universal Credit paid to households was £670 per month.**

Welfare reform

Universal Credit *continued*

Figure 13: Universal Credit: growth in caseload, 2013 to 2019

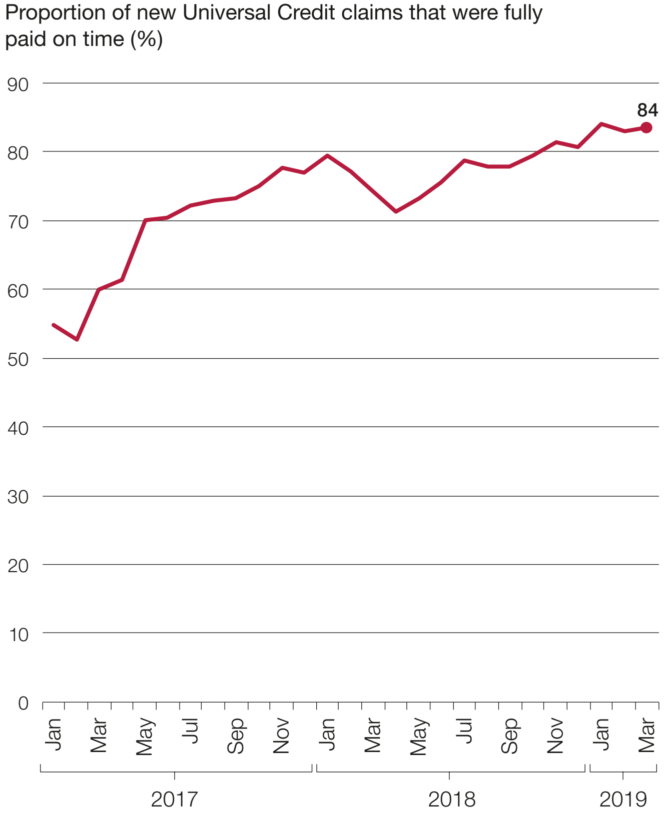
In line with the roll-out of Universal Credit, the number of claimants has grown rapidly in recent months, with one-third of claimants in work



Source: National Audit Office analysis of Department for Work & Pensions' information

Figure 14: Universal Credit: payment timeliness

Department for Work & Pensions is paying slightly more claims on time than when we reported in 2018



Source: National Audit Office analysis of Department for Work & Pensions' information

Welfare reform

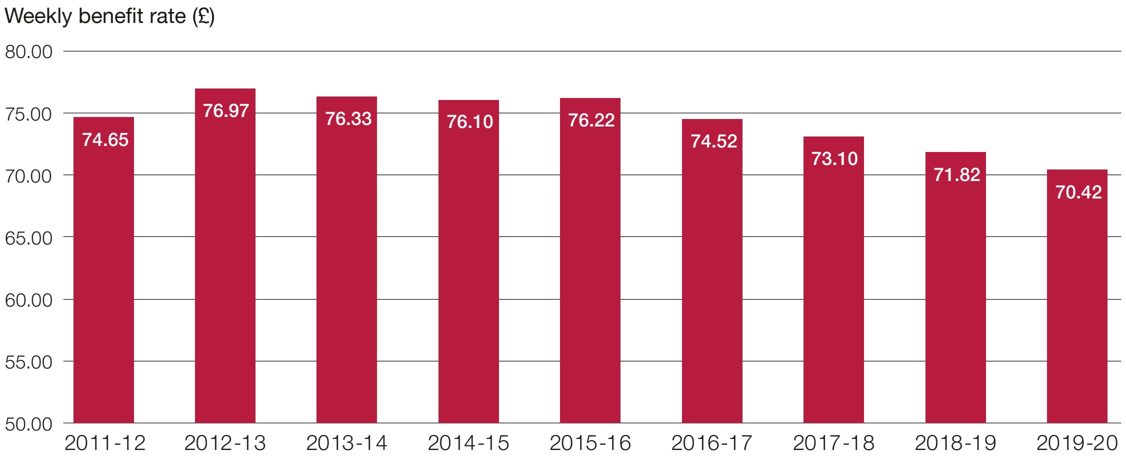
Impacts on benefit claimants

Benefit freeze

In 2016, the government brought in a four-year freeze on working-age benefits as part of measures to help manage the costs of welfare. An impact of the reform is that the amount claimants receive has been falling in real terms in recent years.

Figure 15: Working-age single person basic rate (aged 25 and over), 2011-12 to 2019-20

The basic payment rate of working-age benefits has fallen since 2015-16 in real terms



Notes

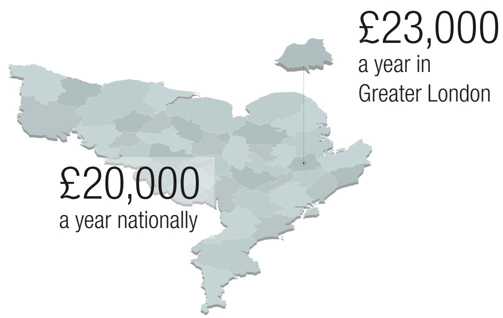
1 Rates are shown in real terms (2017-18 prices).

2 Single person basic weekly allowance for legacy working-age benefits. Universal Credit is paid monthly but its basic rate has also been frozen at £317.82 since April 2015. Claimant may have additional entitlements.

Source: National Audit Office analysis of government benefit rates

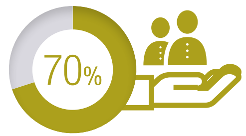
Benefit cap

There is a limit on the amount of benefit most people aged 16–64 can claim. This is £20,000 a year for couples and lone parents and £23,000 a year if you live in Greater London.



52,000 households had their benefit capped through Housing Benefit and 14,000 through Universal Credit (February 2019).

70% of households having their Housing Benefit capped are single parent families.



Welfare reform

Impacts on benefit claimants *continued*

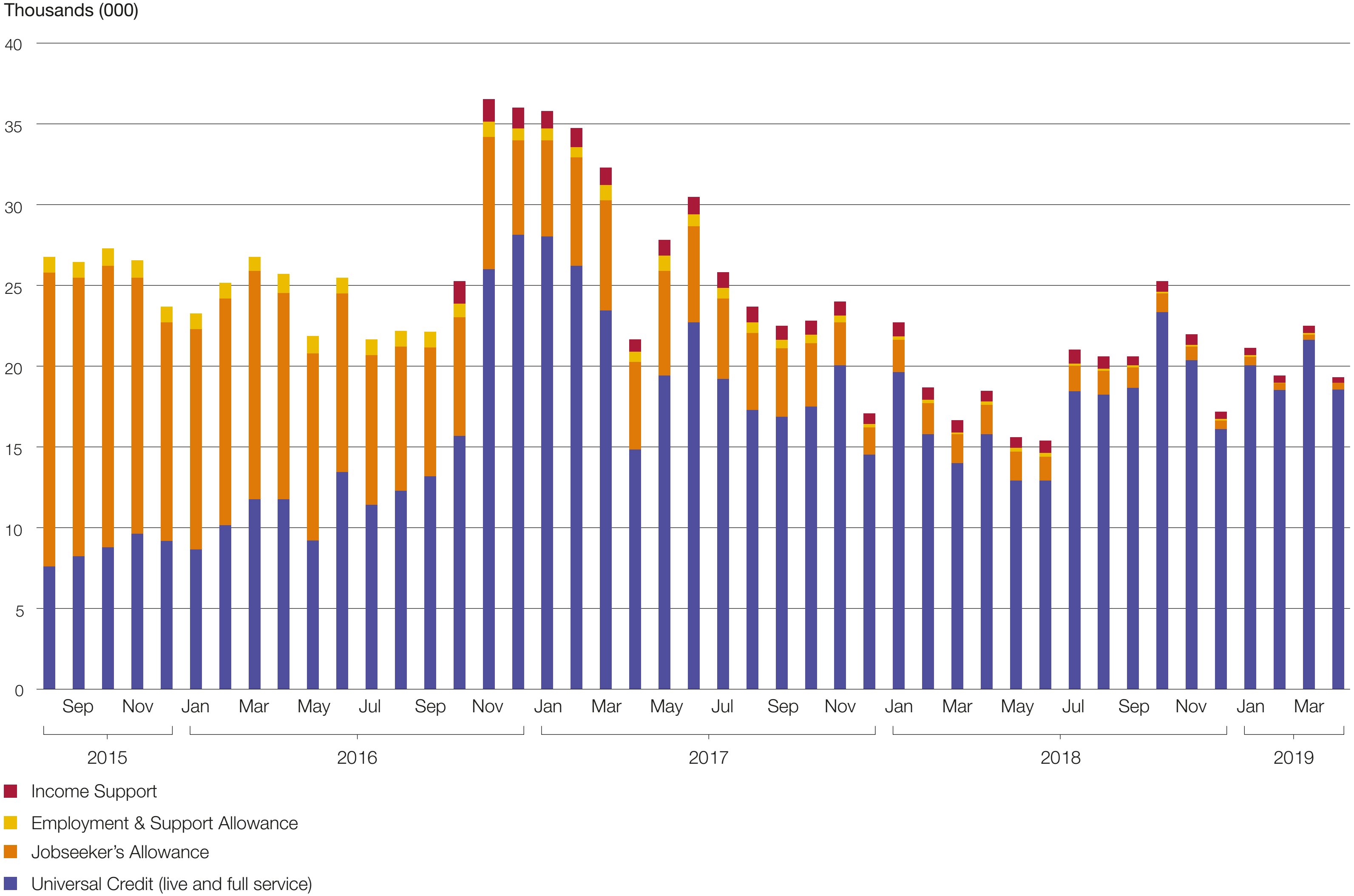
Sanctions

A sanction is a reduction or stoppage of benefit payments when claimants do not show they are meeting one or more agreed conditions of their benefit claim, without good reason. Of those Universal Credit claimants with conditionality requirements, 2.42% had their benefit reduced because of a sanction in May 2019.

Of Universal Credit sanction decisions in the three months to April 2019, 94% occurred due to the claimant's failure to attend or participate in a work-focused interview.

Figure 16: Benefit sanctions decisions, August 2015 to April 2019

Decisions to apply a sanction peaked in late 2016. Very few sanctions are now applied to claimants of Jobseeker's Allowance and Employment and Support Allowance



Note

1 Monthly data are not available on Income Support sanctions before October 2016.

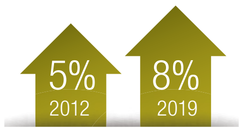
Source: National Audit Office analysis of Department for Work & Pensions' published statistics

Welfare reform

Pensions

Automatic enrolment

Since 2012, and DWP's Automatic Enrolment programme, more people are participating in workplace pensions, but average private sector savings amounts have fallen (**Figure 17**). The minimum contribution to workplace pensions increased from 5% to 8% in April 2019.



Minimum contribution to workplace pension

Pension scheme consolidation

According to The Pensions Regulator, the number of workplace pension schemes has reduced by more than a quarter between 2013 and 2018. The Pensions Regulator is increasing its regulation of 'master trust' schemes (multi-employer, defined contribution schemes).

Defined benefit schemes

In March 2018, DWP published a Defined Benefit white paper, *Protecting Defined Benefit Schemes*. DWP says it intends to legislate in this area as soon as Parliamentary time allows.

The Pension Protection Fund (PPF), set up to protect the benefits of defined benefit scheme members, had a membership of 249,000 at June 2019 and a further 150,000 people in schemes currently being assessed. It reported that, at March 2019:

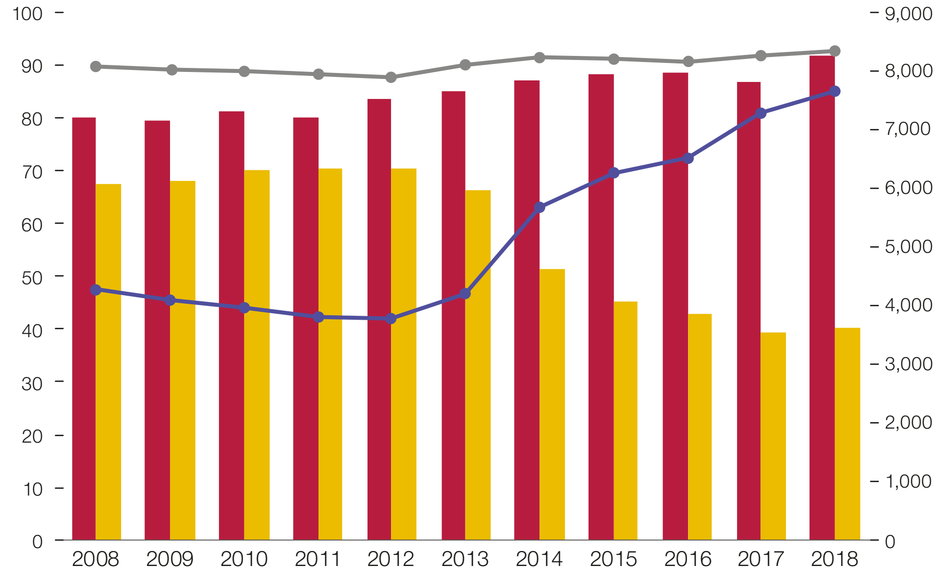
- the total deficit of schemes protected by the Fund was £181.1 billion; and
- its reserves were £6.1 billion, a decrease of £0.7 billion on the previous year.

Pensions dashboard

The Money and Pensions Service is leading the first phase of the dashboard project and is establishing a cross-sector delivery group. The online dashboard will allow people to see their pensions all in one place.

Figure 17: Pension participation rate and contributions, 2008 to 2018

More private sector eligible employees are saving but their average contributions have fallen



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Amount saved (£) per eligible saver (public sector) annually	7,197	7,156	7,311	7,213	7,521	7,662	7,839	7,958	7,975	7,817	8,263
Amount saved (£) per eligible saver (private sector) annually	6,084	6,135	6,324	6,333	6,336	5,971	4,624	4,060	3,858	3,553	3,616
Participation rate (%) (public sector eligible employees)	90	89	89	88	88	90	92	91	91	92	93
Participation rate (%) (private sector eligible employees)	48	45	44	42	42	47	63	70	72	81	85

Note

1 Annual amounts saved per eligible saver include employer and employee contributions and tax relief.

Source: National Audit Office analysis of Department for Work & Pensions and Office for National Statistics' information

Support to people with disabilities

DWP administers benefits to disabled people and their carers and also provides employment support.

DWP provides four main types of specialist benefits to disabled people and their carers:

- Disability benefits to help with daily living costs (Personal Independence Payment, Disability Living Allowance and Attendance Allowance).
- Incapacity benefits for working-age people unable to work because of illness or a disability (Employment and Support Allowance and Universal Credit equivalents).
- Carer's Allowance for carers of disabled people.
- Housing benefits.

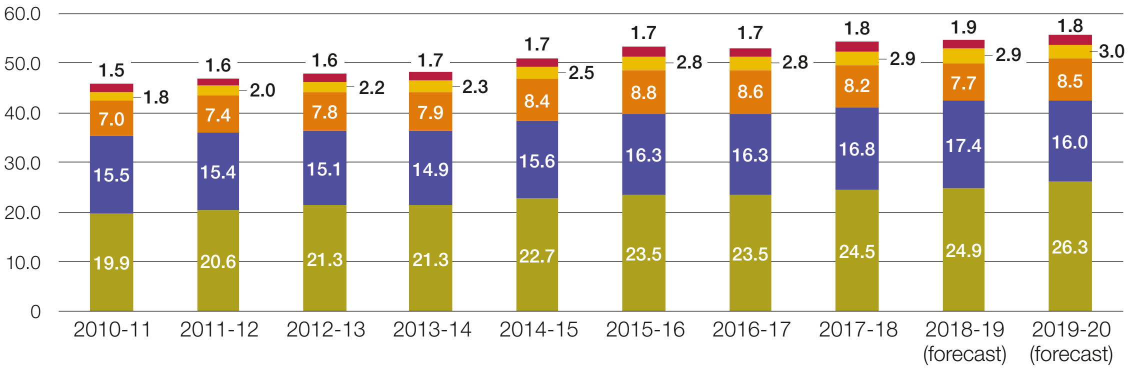
DWP also provides employment support for disabled people whom are assessed as either able to do work, or do work-related activity. DWP spent

£386 million

in 2017-18 on this support.

Figure 18: Department for Work & Pensions' spending on disability, incapacity and carer benefits

Spending has increased in real terms since 2010-11 and is forecast to reach around £55 billion in 2019-20



Notes

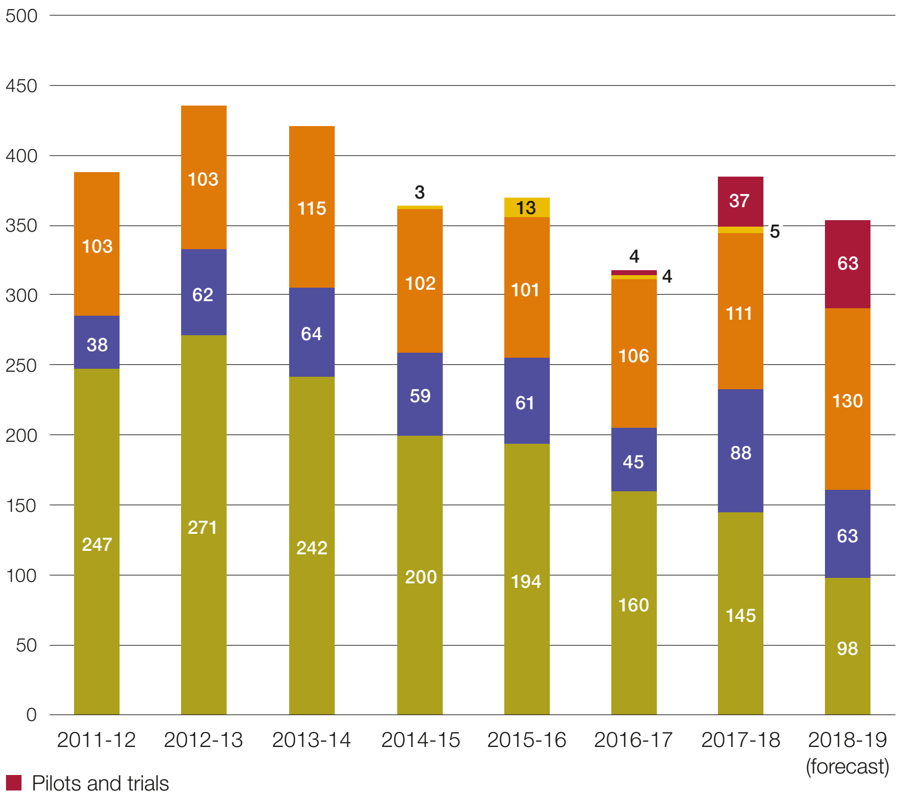
1 Spending shown in real terms (2019-20 prices). 2018-19 data (forecast at spring 2019) will not match precisely outturn benefit spend in page 4.

2 Other includes Income Support and Industrial Injuries benefits.

Source: National Audit Office analysis of Department for Work & Pensions' information

Figure 19: Department for Work & Pensions' spending on employment support for disabled people since 2011-12

Spending on core contracted programmes has reduced in real terms but investment in pilots and trials is up



Note

1 Spending shown in real terms (2017-18 prices). See Figure 8 in National Audit Office, *Supporting disabled people to work* report for detailed notes supporting this graph, available at: www.nao.org.uk/wp-content/uploads/2019/03/Supporting-disabled-people-to-work.pdf

Source: National Audit Office analysis of Department for Work & Pensions' information

Support to people with disabilities *continued*

In 2018-19 we examined Department for Work & Pensions' employment support for disabled people and the Motability Scheme.

Supporting disabled people to work

Our March 2019 study, *Supporting disabled people to work*, examined DWP's employment support to disabled people including its cross-government strategy, its employment programmes and its work to engage disabled people through its Jobcentres.

Selected key findings from the report:

- The recent increase in the number of employed disabled people (930,000 in five years to 2018) was not a reliable measure of the contribution of DWP's policies and programmes.
- Government had not yet developed a full implementation plan to support its employment goals for disabled people.
- DWP has made incremental improvements in the way it manages its current portfolio of employment programmes but after many decades it still has limited evidence of what works for disabled people. It is now investing in 'test and learn' pilots and trials to improve its evidence.
- DWP is taking a new approach to supporting disabled people aimed at providing personalised support through its Jobcentres. We found gaps in its understanding of how work coaches were providing that support despite our past recommendation to design in management information from the start.

Selected report recommendations:

DWP's commitment to gathering evidence on what employment support works for disabled people is to be welcomed, but until it has a clear understanding of what does work, and a plan to use that evidence, it is not possible to say that it is achieving value for money. We recommended that DWP should lead in establishing a clear cross-government strategy and implementation plan.

The Motability Scheme

Our December 2018 review of *The Motability Scheme* followed a report earlier in 2018 by the Work and Pensions and Treasury Select Committees.

The two organisations providing the scheme are:

- Motability, the charity responsible for the strategic direction and oversight of the scheme; and
- Motability Operations Ltd, which operates the scheme through an exclusive rolling seven-year contract with Motability.

The scheme enables eligible disabled people to choose to exchange certain mobility allowances paid by DWP and the Ministry of Defence for the lease of a new car, powered wheelchair or motability scooter.

Selected key findings from the report:

- The Motability Scheme **exclusively benefits from certain tax concessions** associated with the direct transfer of the mobility components of qualifying allowances from the government, worth a maximum of £888 million in 2017.
- The leased prices offered to its customers by Motability Operations were **44% cheaper** on average than comparable leasing products in the wider market based on May 2018 figures. A reduced exposure to risk enables Motability Operations to access cheaper financing.
- Motability Operations had generated **£1.05 billion of unplanned profits** since 2008.
- Motability's governors had **often exceeded recommended tenure limits.**
- Motability had **limited formal influence** over Motability Operations' executive remuneration arrangements; and remuneration for its executive directors had been generous and linked to performance targets set at levels that had been easily exceeded since 2008. A separate incentive scheme for the Motability Operations' chief executive was worth £1.86 million in September 2018.

Selected report recommendations:

Motability should develop a strategy for how it can put the significant income it expects from Motability Operations to best use. It should commission external benchmarking on the level of reserves held by Motability Operations and review its performance framework.

We also said that Motability Operations should provide greater ongoing transparency through its annual report and accounts and recommended that the government should periodically review the value and impact of the support it provides for the scheme.

DWP operations

Indicators of customer service

The Department for Work & Pensions has a strategic objective to transform its services to deliver an effective welfare system for citizens when they need it while reducing costs and achieving value for money for taxpayers.

Measuring customer service performance

DWP monitors its performance on customer service through a range of indicators, and reports externally on two of them:

- customer satisfaction with DWP services; and
- new claims processed within DWP's planned timescales for each benefit.

Customer satisfaction has declined since 2016-17 and the proportion of new claims processed within planned timescales has also fallen steadily in recent years. DWP says the decline in processing efficiency in 2018-19 was related to the roll-out of Universal Credit.

DWP measures Universal Credit payment timeliness separately. It reports that the proportion of claims paid 'timely' increased from 53% in February 2017 to 84% in March 2019 (see **Figure 14** on page 16).

New claims processed within planned timescales

DWP's indicator uses different target timescales for each benefit, reflecting the different tasks involved. It weights the results based on the volume of claims processed. The planned timescales are:

Benefit	Planned timescale	Benefit	Planned timescale
Jobseeker's Allowance (JSA)	10 DAYS	Employment and Support Allowance (ESA)	10 DAYS
Income Support	5 DAYS	State Pension	10 DAYS
Pension Credit	35 DAYS	Disability Living Allowance (children)	20 DAYS
Personal Independence Payment (PIP)	75 DAYS	Child Maintenance Service 2012 scheme	6 WEEKS

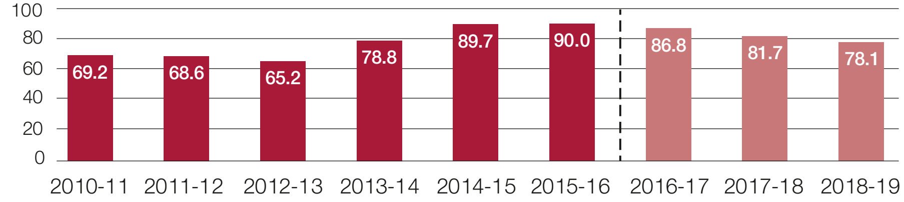
Note

1 The Department for Work & Pensions expects to clear a certain proportion of cases within these timescales, with proportions varying by benefit. It does not expect to clear all cases within these timescales.

Figure 20: New claims processed by Department for Work and Pensions within planned timescales

Processing timeliness fell from 86.8% in 2016-17 to 78.1% in 2018-19

Proportion processed within planned timescale (%)



-- See note 2

Notes

1 Data for 2010-11 to 2015-16 cover: Jobseeker's Allowance, Employment and Support Allowance and Income Support. Data for 2016-17 to 2018-19 cover: Jobseeker's Allowance, Employment and Support Allowance, Income Support, State Pension, Pension Credit, Disability Living Allowance, Personal Independence Payment and Statutory Child Maintenance.

2 Due to the change in the methodology, the measure up to 2015-16 is not directly comparable with the measure since 2016-17.

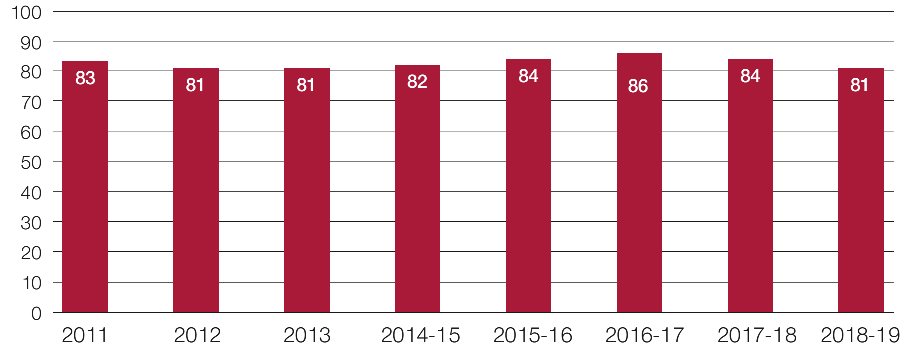
3 The Department for Work & Pension states that the claimant make-up for legacy benefits like Jobseeker's Allowance has changed as some claimants have transferred to Universal Credit.

Source: Department for Work & Pensions', *Annual Report and Accounts, 2018-19*

Figure 21: Customer satisfaction with Department for Work & Pensions services, 2011 to 2018-19

Satisfaction rates have fallen by five percentage points since 2016-17

Satisfaction rate (%)



Source: Department for Work & Pensions', *Annual Report and Accounts, 2018-19*

DWP operations

Indicators of customer service *continued*

Complaints raised and successful appeals against its decision-making are useful indicators of The Department for Work & Pensions' performance.

Customer complaints about DWP

In 2018-19, DWP received 44,751 complaints, 10% fewer than in 2017-18. Complaints fell because of fewer cases relating to State Pension age changes.

If people are unhappy with the outcome of their complaint, they can ask the Independent Case Examiner (ICE) to investigate. There were 4,189 customer complaints about DWP to ICE in 2018-19, 67% more than in 2016-17 (2,509) but fewer than in 2017-18 (5,342).

Unresolved complaints can be taken to the Parliamentary and Health Service Ombudsman. In 2017-18, the ombudsman upheld 14 of the 96 considered complaints for DWP (eight of the upheld cases related to the Child Maintenance Service).

Customer disagreements with DWP's benefit and child maintenance decisions

People who disagree with a DWP decision about benefits or child maintenance can ask DWP to look again at the decision – this is called a 'mandatory reconsideration'. In July 2019:

35% Employment and Support Allowance (ESA) — decisions were revised and the claim allowed following reconsideration (10% in March 2016).

32% Personal Independence Payment (PIP) — decisions were revised leading to a change in award following reconsideration (16% in March 2016).

Customer appeals against DWP's benefit decisions

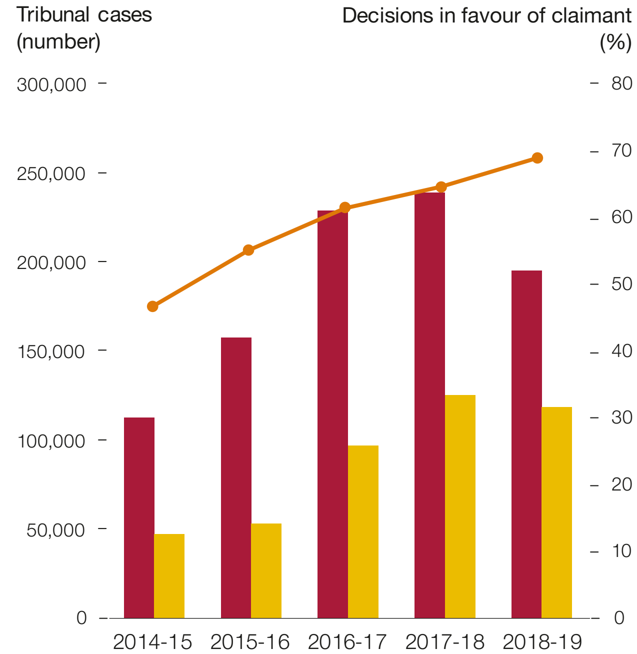
Claimants can choose, in most cases, to appeal against DWP benefit and child maintenance decisions following a mandatory reconsideration:

- For ESA claims started to December 2018, 21% of claimants who had a Work Capability Assessment and an initial benefit decision, and completed a mandatory reconsideration of that decision, went on to have an appeal heard.
- For claimants who had a PIP assessment and received an initial benefit decision to March 2019, 41% of those who completed a mandatory reconsideration of that decision went on to lodge an appeal.[1]

Independent Tribunals are increasingly overturning DWP benefit decisions: In 2018-19, nearly seven in 10 Social Security and Child Support Tribunal decisions were in favour of the claimant.

Figure 22: Social Security and Child Support Tribunal: cases and decisions, 2014-15 to 2018-19

Nearly seven in 10 claimants won their appeal against Department for Work & Pensions decisions in 2018-19



	2014-15	2015-16	2016-17	2017-18	2018-19
Cases received	112,082	157,145	228,604	238,803	195,282
Cases outstanding	47,339	53,421	96,768	125,281	118,566
Percentage of decisions found in favour of claimants (%)	47	55	61	64	69

Notes

1. Social Security and Child Support Tribunal cases and decisions.
2. Personal Independence Payment and Employment and Support Allowance together account for 79% of cases received in 2018-19.

Source: National Audit Office analysis of Ministry of Justice Tribunal statistics published June 2019

1 DWP's published statistics for Personal Independence Payment cover appeals lodged and their outcomes. Whereas its figures published in the quarterly *Employment and Support Allowance: Work Capability Assessments, Mandatory Reconsiderations and Appeals* statistical release are based on appeals cleared at a hearing. Therefore the percentage figures relating to appeals following a mandatory reconsideration are not directly comparable.

What to look out for

01 Future Departmental Expenditure Limits (DEL) spending

The Department for Work & Pensions has to make £0.3 billion of savings in 2019-20 compared with 2018-19, The DWP 2020-21 settlement carries forward 2019-20 funding, uplifted for inflation, and provides additional funding to support vulnerable claimants. DWP will need to continue to manage its financial position carefully and will have to closely watch the strength of the economy and the level of employment, which is currently very high compared to historical trends. Any significant increase in unemployment and the number of people applying for benefits could mean DWP needs more people, and money, to administer Universal Credit.

02 Fraud and error

The Comptroller and Auditor General has qualified DWP's accounts since 1988-89. This year, the monetary value of fraud and error has increased again. DWP is implementing a new Fraud, Error and Debt strategy, focused on identifying and tackling the systemic causes of fraud and error. It is developing its 'Risk and Intelligence Service' to detect cases of non-declared capital and partners living with claimants and continuing with its 'Verifying Earnings and Pensions Service'. DWP recognises that fraud and error is a continuing control challenge with levels of benefit debt expected to increase further. While the focus is on new benefits such as Universal Credit, it must remain aware of the fraud and error in other remaining benefits.

03 DWP's legal obligations to repay benefits

DWP underpays claimants an estimated £2.0 billion each year, and around £0.7 billion of this is due to official error. Where DWP identifies a systemic cause of underpayments, as it has done recently for both Personal Independence Payments and Employment and Support Allowance, it reviews past cases to assess who has been affected and to make back-payments. DWP has now assigned 1,200 staff to correcting its underpayments on Employment and Support Allowance following the conversion of past Incapacity Benefit claims, up from the 400 staff originally allocated.

04 Universal Credit

Universal Credit is transforming the way DWP delivers working-age benefits. There are around 2.3 million claimants on Universal Credit and this is expected to increase to around three million by March 2020. Around three million existing claimants of 'legacy' benefits and Tax Credits will also be transferred to Universal Credit by December 2023. The process of moving existing claimants to Universal Credit, called 'Move to UC', will be confirmed by Parliament once the results of a pilot exercise starting in July 2019 in the area served by Harrogate Jobcentre are assessed. As the Universal Credit caseload grows, DWP case managers and work coaches will have to manage an increasing number of claimants and caseloads will become more diverse. DWP is on track to reduce the cost of delivering Universal Credit, but it still remains uncertain that it will be cheaper to administer than the systems it replaces.

05 Health Transformation

DWP is dependent on a number of contracted providers for its customer service, including the Work and Health programme and health assessments. It is embarking on a Health Transformation Programme, which aims to integrate the Work Capability Assessment for Universal Credit (and Employment and Support Allowance) with the Personal Independence Payment assessment from 2021, underpinned by a single digital platform to improve the claimant experience and allow more assessment providers to compete to provide future contracted services. DWP recognised in its Annual Report and Accounts that this new programme is a significant control challenge and involves complex transformation of critical services.

06 Child maintenance and arrears

DWP is implementing its child maintenance Compliance & Arrears strategy, which includes measures to improve the Child Maintenance Service, introduce tougher collection and enforcement powers and address the historic arrears that built up under the Child Support Agency. The Child Maintenance Service is writing to parents to ask if they still want historic debts to be collected. If parents reply that they do, then the Service will consider whether this would be cost-effective and there is a reasonable chance of the debt being successfully collected. Where the Child Maintenance Service believes it will not be cost-effective to collect past arrears, it will write these debts off.