National Audit Office

A Short Guide to the

Department for Work & Pensions

September 2017

About this guide and contacts

This Short Guide summarises what the Department for Work & Pensions (DWP) does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £734 million in 2016.

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Overview

Key facts about DWP in 2016-17

Claimants and pensioners

£173.1 billion
total spending on benefits and pensions for around **18 million people**, of which:

£106.4 billion
paid in State Pension and pensioner benefits, including **12.9 million people** receiving **£91.6 billion** of State Pension.

£17.1 billion
paid to working-age claimants in the form of housing, unemployment, maternity, bereavement and other benefits.

£49.6 billion
paid in benefits to adults and children with disabilities and health conditions, and carers, including **£11.4 billion** to people of pension age.

Staff, estate and running costs

£6.2 billion
cost of running DWP. Staff costs make up £2.6 billion of this.

74,600
full-time equivalent staff in the core Department, down from 88,600 in 2012.

716
jobcentres. By 2021 it plans to reduce this to 644.

Performance

£5.1 billion
estimated gross overpayments (£3.5 billion) and underpayments (£1.6 billion) to claimants and pensioners, or 2.0% and 0.9%.

March 2022
end of roll-out of Universal Credit, to around 7 million households, replacing six benefits and tax credits.

92,000
tribunal rulings against DWP decisions in 2016.

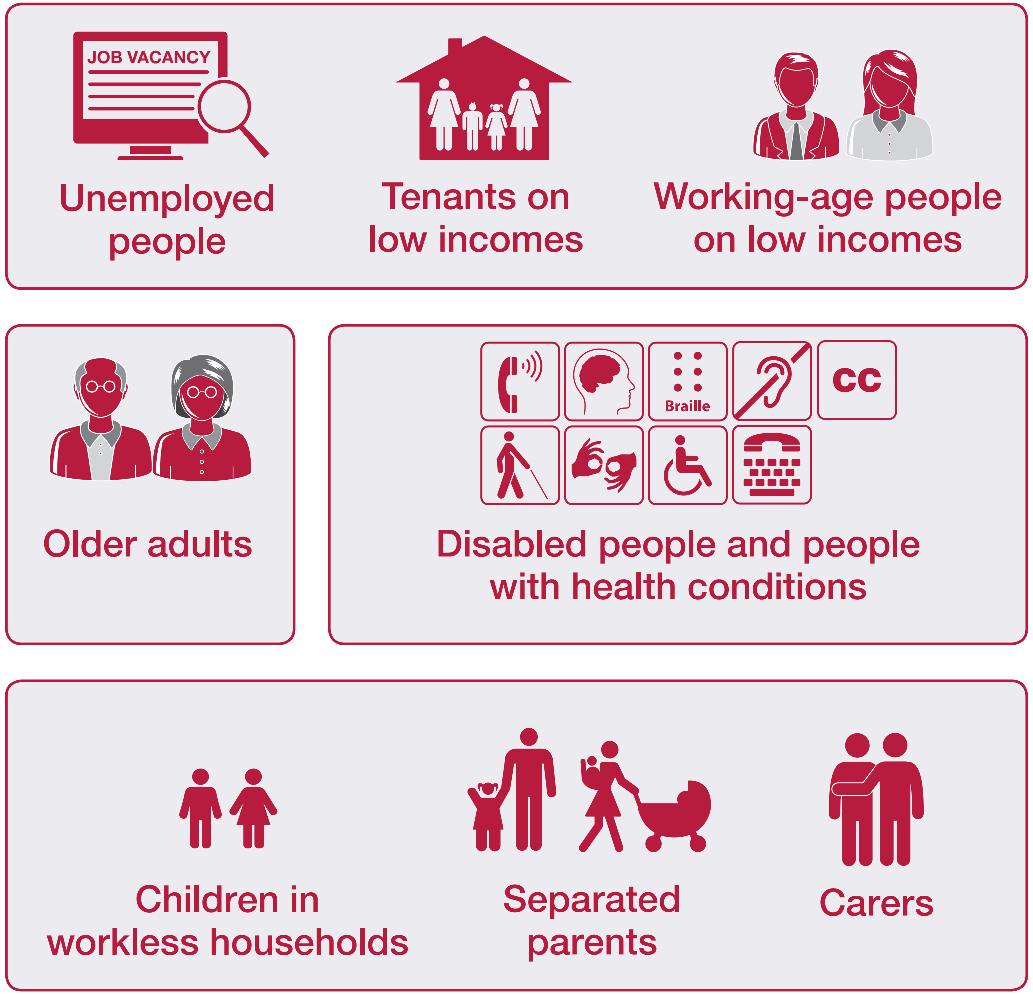
About DWP

The UK's largest public service department

The Department for Work & Pensions (DWP) is responsible for the government's policies on work, welfare, pensions and child maintenance. It is the largest government department in terms of spending and staff numbers. In financial year 2016-17 it paid £173.1 billion in benefits and pensions to around 18 million people in Great Britain. It has around 900 offices, including around 700 jobcentres, and employs 74,600 full-time equivalent staff.

- Aims: In 2016-17 DWP's priorities were: to enable people to achieve financial independence by providing assistance and guidance into employment; increase saving for, and security in, later life; create a fair and affordable welfare system; deliver outstanding services; and transform in order to reduce costs and increase efficiency.
- Bodies: DWP sponsors 12 public bodies, which employ around 4,000 staff. The largest is the Health and Safety Executive, the watchdog for work-related health, safety and illness. Others include the Pensions Regulator and the Pension Protection Fund.
- Who else is involved: Child Benefit and tax credits are currently mostly administered by HM Revenue & Customs, Housing Benefit is paid by local authorities, and DWP shares responsibility for poverty and social justice policy with the Department for Education. Benefits and pensions are the responsibility of the Department for Communities in Northern Ireland.

Main groups of people supported:



Accountability to Parliament

The Permanent Secretary and Accounting Officer, Sir Robert Devereux KCB, is personally responsible and accountable to Parliament for the Department and its spending, management and stewardship of assets as set out in HM Treasury guidance Managing Public Money.

Accountability for welfare and benefits is changing, with some responsibilities being devolved to the Scottish Parliament. We set out the Department's accountability arrangements against the four essentials of public accountability below.

1 A clear expression of spending commitments and objectives

DWP set out its objectives for 2016-17 in its Single Departmental Plan for 2015 to 2020, which were:

- run an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment;
- increase saving for, and security, in later life;
- create a fair and affordable welfare system which improves the life chances of children and of adults;
- deliver outstanding services to customers and claimants; and
- deliver efficiently: transforming the way it delivers services to reduce costs and increase efficiency.

It does not have a statement of its objectives for 2017-18 and beyond.

2 A mechanism or forum to hold to account

DWP is accountable to Parliament and is scrutinised by both the Committee of Public Accounts and the Work & Pensions Select Committee.

People can also challenge DWP directly.

- If they are dissatisfied with the service: DWP received 50,817 complaints in 2016-17. If they remain dissatisfied, people can escalate their complaints to the Independent Case Examiner, which is part of DWP, and then to the Parliamentary and Health Service Ombudsman.
- If they disagree with a decision: In 2016, there were 153,000 tribunal hearings and 92,000 tribunal rulings against DWP. Between 2007 and 2016, 72 applications for judicial reviews were granted, and 10 found against DWP.

Accountability to Parliament *continued*

3

Clear roles and someone to hold to account

DWP's Accounting Officer System Statement states all its accountability relationships and processes, intended to make clear who is accountable for what.

If an Accounting Officer has concerns about the propriety, regularity, feasibility or value for money of a proposed course of action that cannot be resolved, they should request a formal Ministerial Direction before proceeding. DWP has not requested any Ministerial Directions since it was formed in 2001.

4

Robust performance and cost data

DWP reports on its performance and progress against its objectives in its Annual Report and Accounts.

NAO reports have found that DWP's data on performance and costs have limitations. For example, our report on benefit sanctions (November 2016) found that DWP did not know the impact of sanctions on wider public spending.

Where the DWP spends its money

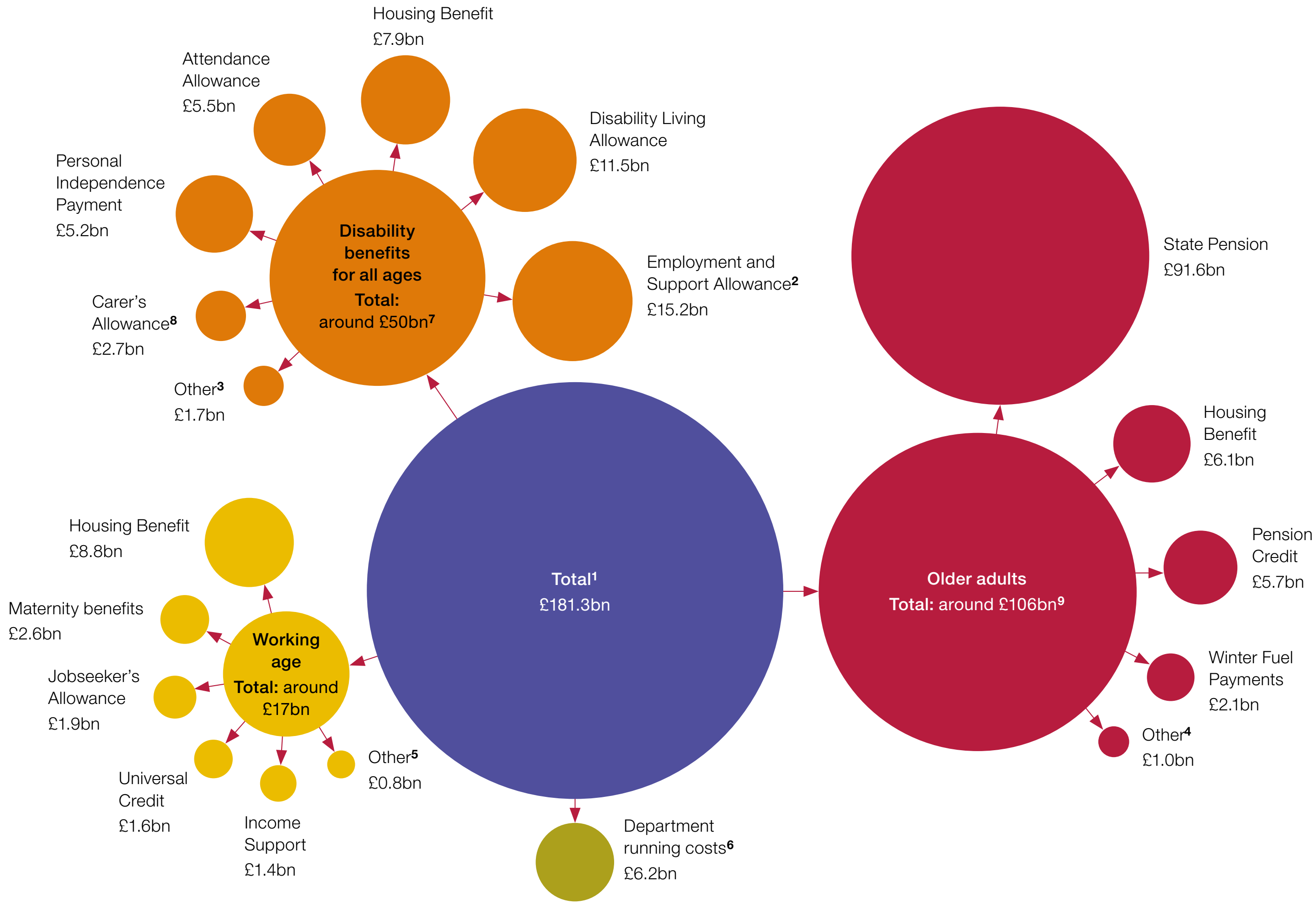
In total DWP spent £181.3 billion in 2016-17

DWP spends more money than any other government department.

DWP spent £173.1 billion on benefits and pensions in 2016-17 in total.

Of this, DWP paid £150.2 billion directly to pensioners and claimants, and £22.9 billion was Housing Benefit paid on its behalf by local authorities.[10]

More than two-thirds of payments to individuals were for pensioners



Notes

1. Numbers do not sum to £181.3 billion due to rounding and other accounting adjustments.
2. Also includes Incapacity Benefit, Severe Disablement Allowance and Income Support paid on the basis of incapacity for work.
3. Other benefits include industrial injuries benefits, and Income Support paid on the basis of being a carer.
4. Other benefits include TV licences for people aged 75 years and over, and the Christmas bonus.
5. Other benefits include bereavement benefits, and discretionary housing payments.
6. Includes the cost of contracted programmes.
7. Includes £11.4 billion to people of pension age.
8. Carer's Allowance is paid on the basis of being a carer, but is classed as a disability benefit by DWP.
9. Total benefits directed at pensioners, including disability benefits, is £117.8 billion.
10. Does not sum to £173.1 billion due to rounding and other accounting adjustments.

Source: Department for Work & Pensions *Annual Report and Accounts 2016-17*, pages 23, 30, 38 and 50

How the DWP spends its money – benefits and pensions

What drives spending?

The majority of DWP's spending is on benefits and pensions. Because the amount spent on these is linked to demand and statutory entitlement, they are harder to plan for. Such spending is known as Annually Managed Expenditure.

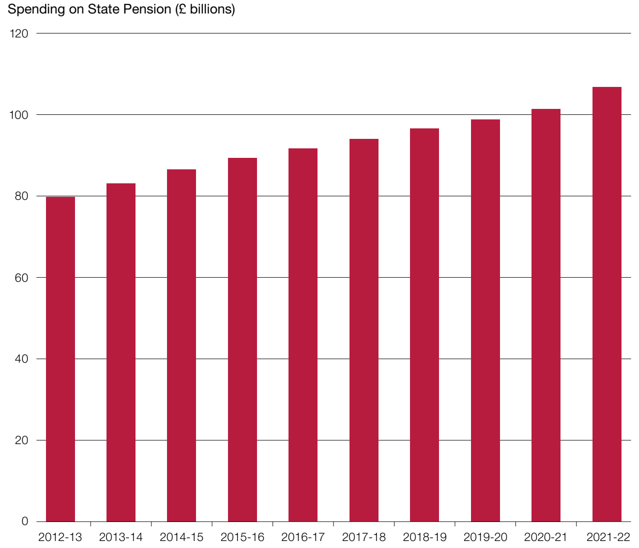
Demand for these benefits is driven by demographics, policy choices and the economic cycle.

Spending on the State Pension is expected to rise despite the rising State Pension age, due to the 'triple lock' and other factors, including demographic change.

Welfare spending is expected to rise in absolute terms, but to fall as a percentage of GDP and to fall per person in real terms.

Zoom Out Zoom In+

Spending on the State Pension is increasing



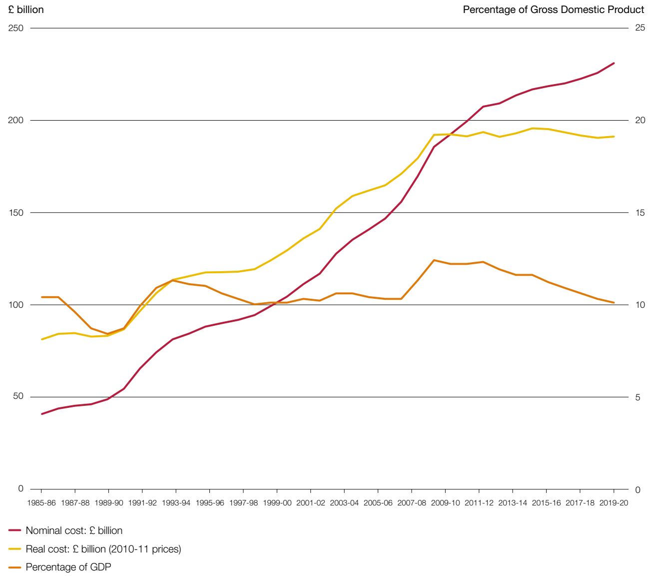
Note

1 Numbers are actual until 2015-16 and forecasts from 2016-17. Spending is reported in cash terms.

Source: Department for Work & Pensions *Benefit expenditure and caseload tables*

Zoom Out Zoom In+

Welfare spending is forecast to fall in real terms as a proportion of GDP



Note

1 Includes HM Revenue & Customs welfare cap spending. Numbers are actual until 2016-17 and forecasts thereafter.

Source: Office for Budget Responsibility

Key trends affecting demand for benefits and pensions

Spending on benefits and pensions is affected by changes in demand

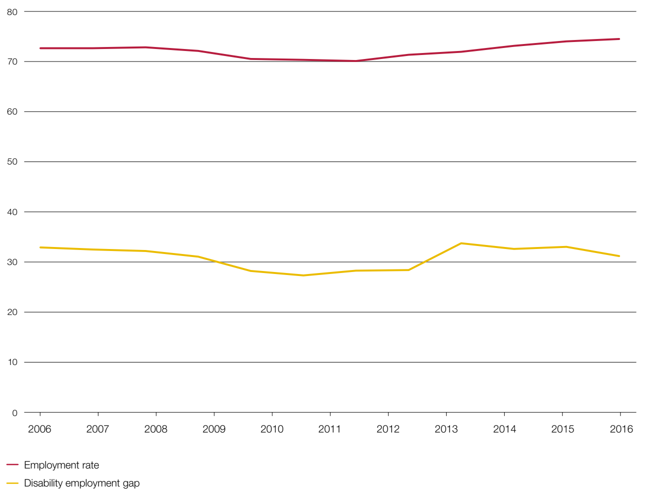
Employment has risen, with 75% of people aged 16 to 64 in work. Employment rates remain lower for some groups, including black and ethnic minority groups, disabled people and people approaching retirement age.

Zoom Out | Zoom In+

Employment rates

DWP aims to help people into employment and to improve employment outcomes for disabled people. However, the gap between the employment rates of disabled and non-disabled people is growing.

Percentage of UK 16 to 64 year olds



Note

1 There were changes in survey questions and definitions in 2010 and 2013, meaning data before 2010 and after 2013 are not directly comparable. The disability employment gap is the difference between the employment rate of disabled and non-disabled people. The employment rate is the proportion of 16 to 64 year olds in work.

Source: Office for National Statistics (UK)

Unemployment has fallen. Both the number of people claiming unemployment benefits and the larger number of people unemployed but not claiming have fallen. In January to March 2017 the claimant count stood at 708,000.

Zoom Out | Zoom In+

Unemployment

The number of unemployed people has fallen to pre-recession levels

Unemployed people

Note

1 The Labour Force Survey definition of unemployment is looking for work within the last four weeks and able to start work within the next two weeks. The claimant count is made up of Jobseeker's Allowance claimants and people claiming Universal Credit because they are unemployed.

2 Percentages do not all add up to 100%, due to rounding.

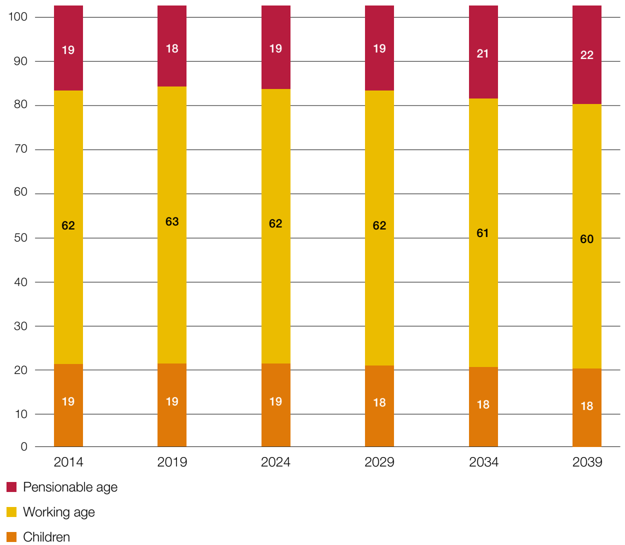
Source: Office for National Statistics (UK) and Nomis (GB)

Pensioners are forecast to grow as a proportion of the population, even taking account of the rising State Pension age. The dependency ratio – the number of people of pensionable age per thousand – is increasing.

Zoom Out | Zoom In+

Pensioners are forecast to grow as a proportion of the population

Percentage of total population (%)



Note

1 Percentages do not all add up to 100%, due to rounding

Source: Office for National Statistics (UK)

How the DWP spends its money – programme and administration costs

What drives spending?

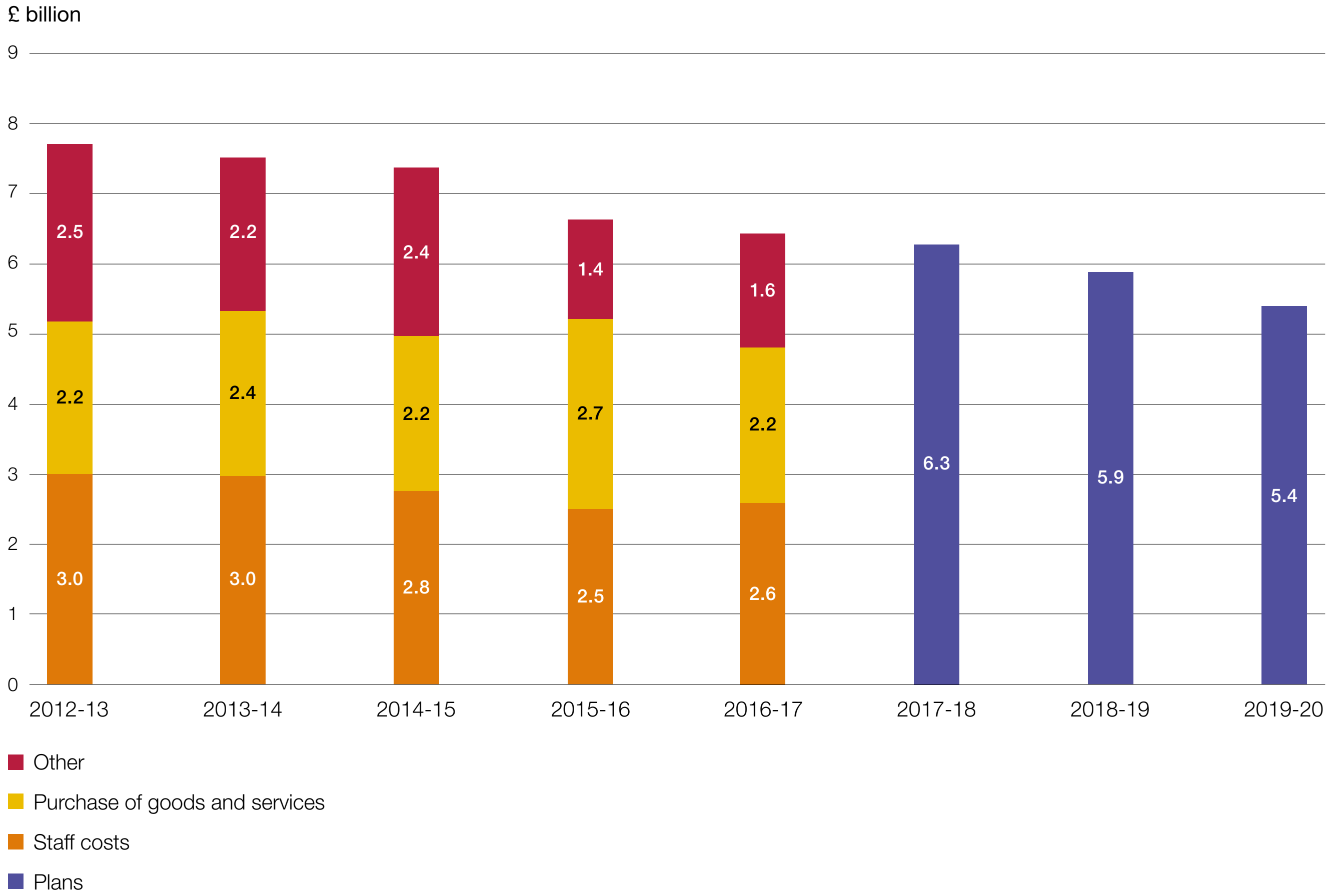
The cost of running DWP was **£6.2 billion** in 2016-17.[1] This spending is easier to plan for and manage than spending on benefits and pensions. It is known as spending on the Departmental Expenditure Limit.

This spending has fallen substantially over the past five years, particularly as staff numbers and spending on programmes such as the Work Programme have been reduced.

The cost of running DWP is due to fall 14% between 2017-18 and 2019-20. Total staff costs were £2.6 billion in 2016-17, down 14% between 2012-13 and 2016-17.

1 DWP, *Annual report and accounts*, 2016-17, page 50.

The cost of running DWP is falling



Note

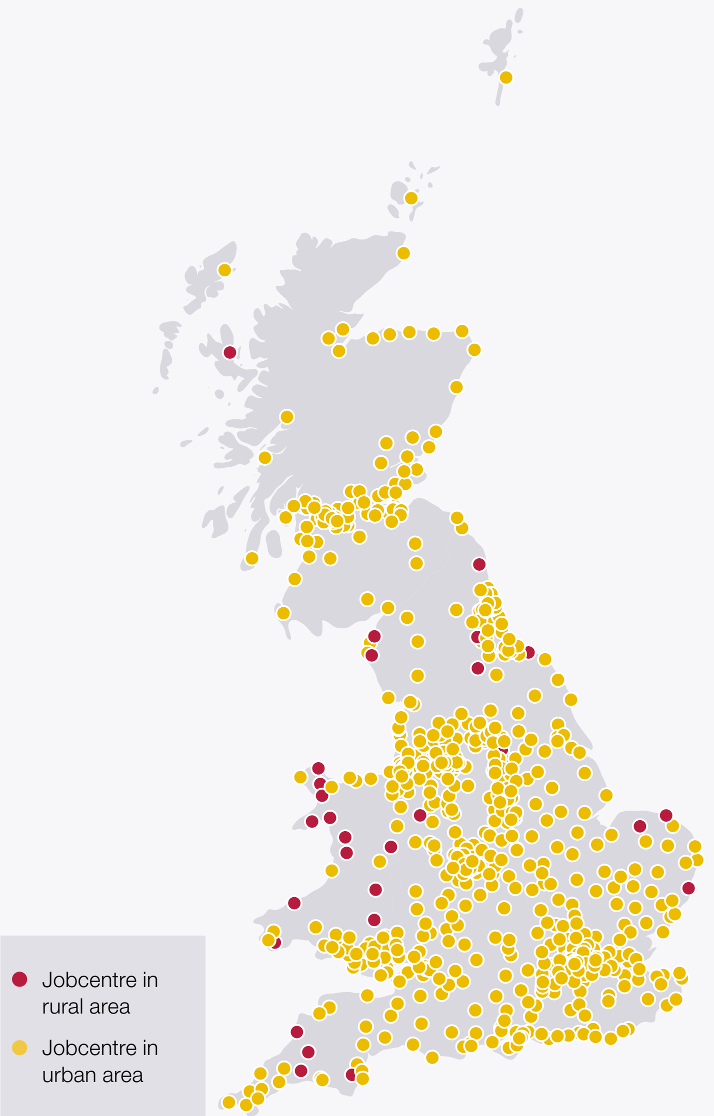
1 Includes capital Departmental Expenditure Limit and depreciation.

How the Department spends its money – programme and administration costs *continued*

The estate is shrinking

DWP has 906 sites including
716 jobcentres

DWP has **19.5%** of the government's non-military estate by size, the largest of any department.[2] Between 2007-08 and 2015-16, DWP reduced the size of its estate by **25%** in m². The 2015 Spending Review commits DWP to reduce the size of its estate by **20%** by 2020-21. It plans to reduce its sites to 772 including 644 jobcentres by 2021 via closures and moving staff to other locations.



2 Cabinet Office, *The State of the Estate in 2015-16*, February 2017.

Contracting is becoming a larger share of DWP's overall costs

DWP manages more of its funding directly than other departments, and spends a smaller proportion of its budget through private bodies, contractors, or grant funding.

However, DWP spent **£3.1 billion**[3] through contractors in 2016-17. This compares with £2.6 billion spent on staff.

Key contracts include:

- IT contracts with Hewlett Packard and IBM.
- Employment programme contracts under the Work Programme, such as G4S, Serco and Working Links. These contracts are due to expire in 2017.
- Disability benefit assessments with Atos, Maximus and Capita.
- A 20-year Private Finance Initiative estate contract with Telereal Trillium, covering 96% of the DWP estate. This is due to expire in March 2018.

DWP is increasing the proportion of its running costs spent through contracts as its overall spending is falling.

3 Source: Cabinet Office Spend Analytic (Bravo). Cash cost. Some spend on contractors is capitalised, so this number is not visible in the accounts or the analysis of spending elsewhere in this Short Guide.

The estimated levels of error and fraud in benefit payments are increasing

Benefit payments are susceptible to deliberate fraud and unintended error by both claimants and DWP.

When this results in **underpayments**, it means people receive too little money. When it results in **overpayments**, public spending is increased and less is available for other purposes.

How much error and fraud is there?

In total **£5.1 billion** was wrongly paid or unpaid in 2016-17. Of this, an estimated £3.5 billion was overpaid, or 2.0% of the value of benefit and pension payments, and an estimated £1.6 billion was underpaid, or 0.9%. Excluding State Pension, estimated overpayments as a proportion of benefit spending are at their highest level since 2009-10, while estimated underpayments are at the highest recorded levels.

Despite efforts to tackle the causes of fraud and error, over- and underpayments mean DWP's spending is not in line with Parliament's intentions, so the Comptroller & Auditor General 'qualifies' his opinion on DWP's accounts. This has happened every year for 29 years.

The estimated levels of fraud and error in some benefits are several years old, while fraud and error in other benefits such as Personal Independence Payment have never been measured. The fall in Universal Credit overpayments in 2016-17 was mostly due to changes in measurement approach.

Why does error and fraud happen?

Inaccurate or untimely reporting of income and earnings is the largest source of fraud and error, accounting for £1.1 billion of overpayments and £0.4 billion of underpayments.

Some errors happen because the benefit system is complex. Eligibility is based on a range of criteria, and DWP relies on claimants giving it timely and accurate information, upfront and as circumstances change over time. Means-testing of some benefits adds to this complexity.

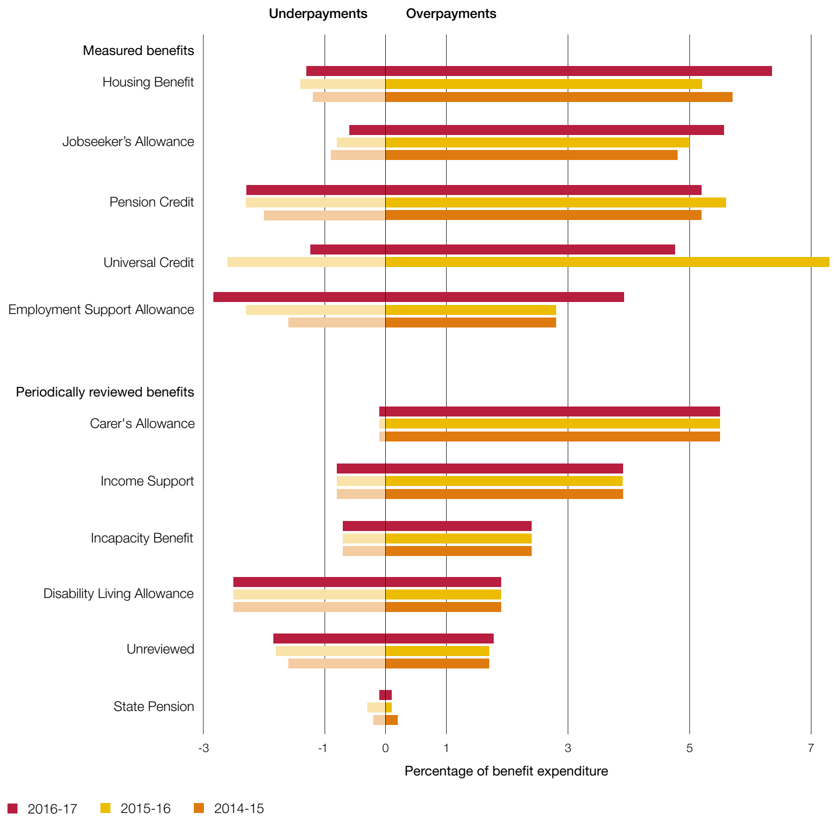
The benefits with the highest estimated rates of fraud and error are:

- Housing Benefit (fraud 4.6%; error by claimants 1.4%; error by DWP 0.4%);
- Pension Credit (fraud 2.3%; error by claimants 1.6%; error by DWP 1.3%); and
- Jobseeker's Allowance (fraud 4.7%; error by claimants 0.2%; error by DWP 0.6%).

Zoom Out

Zoom In+

Fraud and error overpayments of Employment Support Allowance, Housing Benefit and Jobseekers Allowance increased in 2016-17, while overpayments of Pension Credit and Universal Credit decreased



Notes

1 The measurement methodology for Universal Credit "Live Service" changed between 2015-16 and 2016-17, which means that the two years should not be compared. Universal Credit fraud and error was not measured prior to 2015-16.

2 DWP does not measure fraud and error in all benefits annually.

Source: National Audit Office analysis of Department for Work & Pensions *Tables: Fraud and error in the benefits system: financial year 2016-17 preliminary estimates*, 18 May 2017

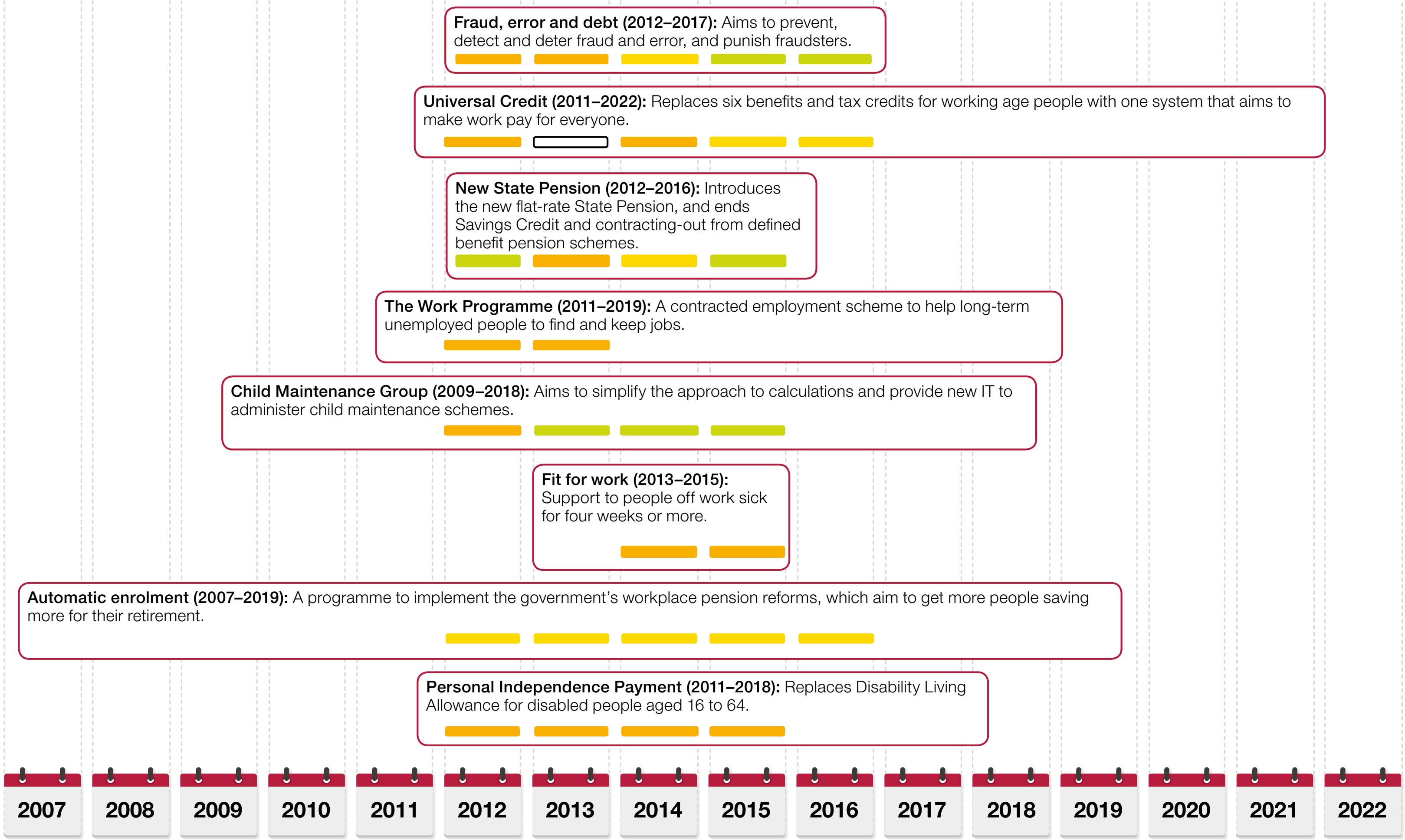
Welfare reforms and other major projects

DWP has implemented a large number of challenging reforms over the past decade

Major projects are large, innovative or high risk. DWP's recent major projects have mostly been welfare reforms. There have been times when their delivery was in doubt, but most are now complete.

Most of these projects have either been completed or are coming to an end soon. The exception is the largest project: Universal Credit. Universal Credit is available in all jobcentres but not yet for all claimants.

In addition to these projects recognised as major government projects, DWP has internal projects to improve its IT, estates and skills.



Published risk ratings assigned by the Infrastructure and Projects Authority have generally improved over time.

Successful delivery of the project appears:
- Red = unachievable
- Amber/Red = in doubt
- Amber = feasible
- Amber/Green = probable
- Green = highly likely
- Reset

Key themes from NAO reports

Welfare reform

Our reports show a generally improving picture of DWP's implementation of welfare reform, although it tends to act reactively to problems.

Our report on the overall lessons learned from welfare reform (May 2015) found that DWP has had to deal with an unprecedented number of major programmes and reforms since 2010. It has had mixed success. It has shown that it can introduce and adapt programmes flexibly in the face of uncertainty, like Automatic enrolment to workplace pensions (November 2015), but has relied too heavily on reacting to problems and has not always been able to anticipate likely points of failure or set up leading indicators for performance and progress.

Workforce

DWP has faced a range of challenges as it seeks to develop a more flexible and skilled workforce.

Our Jobcentres memorandum (June 2016) showed that the proportion of long-term unemployed among the falling number of claimants of Jobseeker's Allowance has increased. It found there are nearly twice as many unemployed claimants per jobcentre in London and Yorkshire and The Humber as there are in Scotland, Wales and the South of England. Our investigation into a case of misuse of the Flexible Support Fund (July 2016), prompted by concerns about pressures on staff to falsely inflate performance measures, illustrated how DWP is managing the challenges created by flexibility and discretion in jobcentres.

Quality of service

Our reports have highlighted areas for improvement in the quality of decisions on benefits and information for claimants.

Our report on Benefit sanctions (November 2016) found that DWP has not used sanctions consistently, and concluded that it needs to do more to show that the quality of referrals and sanction decisions has improved. Our report on Guaranteed Minimum Pensions found there has been a lack of clear information for people with these pensions. At the time of our report (March 2016), DWP was increasing its communication of new State Pension reforms.

Our investigation into Child maintenance (March 2017) reported that some parents found that closing long-standing Child Support Agency cases could be disruptive and lead to confusion about the amount owed.

Contracting

Our reports have found that the Department is willing to improve, but it has weaknesses in contract management, which have led to underperformance and extra costs.

Our report on Health & disability assessments (January 2016) found DWP has increased its capacity within contract management but has continued to set overly optimistic targets and use assumptions without evidence of sufficient testing or challenge. DWP's approach to managing contracts and critical assumptions risks perpetuating a cycle of optimistic targets, contractual underperformance and costly recovery. Our report on the Work Programme (July 2014) found flaws in contracts and avoidable costs.

Working-age benefits and support

How is it delivered?

DWP is rolling out Universal Credit

Housing Benefit and supported housing

The impact of welfare reform on claimants

Recent and planned developments

What are the things to look out for?

How is it delivered?

DWP aims to help people who are able to find work, and to support those on low incomes. It does this through a mixture of benefits, coaching and employment programmes. Most claimants access these through their local jobcentre or online.

Certain working-age benefits are paid subject to claimants meeting conditions such as attending jobcentre appointments. A sanction is a loss of benefit payments when claimants do not show they are meeting conditions of receiving certain benefits.[1]

DWP expected to spend **£55 billion** on all working-age benefits in 2016-17 across 22 benefits, including benefits for people with disabilities and health conditions. Excluding disability benefits it spent around **£17 billion** in 2016-17 on people of working age in the form of housing, unemployment, maternity, bereavement and other benefits.

Benefits for people of working age are changing

Universal Credit is replacing Jobseeker's Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit.

It aims to simplify existing benefits and improve work incentives. It will become the only sanctionable benefit. It will be fully accessible digitally.

Benefits that are not related to income are unaffected by Universal Credit.

Welfare reform

To help manage the costs of welfare, the government has brought in measures including:

- **Benefit cap**, a limit on how much households can receive in certain benefits.
- **Benefits freeze**, where some working-age benefits are not increased for four years from 2016-17.
- **Removal of the spare room subsidy** or **'bedroom tax'**, changing the way spare rooms are treated for Housing Benefit.

1 A majority of Universal Credit and Jobseeker's Allowance claimants are subject to the possibility of a sanction, and a minority of Employment and Support Allowance and Income Support claimants.

How is it delivered *continued*

Universal Credit replaces six benefits and tax credits with a monthly payment

Around seven million households will receive Universal Credit when it has been introduced.

HM Revenue & Customs

£27.1 billion paid to 4.1 million families

- Child Tax Credit
- Working Tax Credit

Department for Work & Pensions

Housing Benefit

£23.3 billion spend;
4.6 million claimants:

- 1.4 million older adults[2]
- 3.2 million working age

Universal Credit

£1.6 billion paid to
0.5 million claimants:

- 0.3 million not in work
- 0.2 million in work

Income Support

£2.4 billion paid to
0.6 million claimants:

- 0.4 million lone parents
- 0.2 million others

Jobseeker's Allowance[4]

£1.9 billion paid to 750,000 claimants

Employment and Support Allowance[4]

£14.6 billion paid to 2.4 million claimants

Many benefits are not moving to Universal Credit, including:

- Bereavement and maternity benefits
- Personal Independence Payment
- Disability Living Allowance
- Carer's Allowance

2 For older adults, Housing Benefit will be replaced by Housing Credit, a component of Pension Credit.

3 All caseload figures are forecast averages for 2016-17 except the number of Universal Credit claimants, which is the number of cases at April 2017.

4 Universal Credit replaces means-tested Employment and Support Allowance and means-tested Jobseeker's Allowance only.

DWP is rolling out Universal Credit

Universal Credit has a number of innovative features:

It is a single monthly payment paid in arrears, designed to be **more like being in work**.

It is paid on a **household basis**, and calculated on the basis of household income. All members of the household need to meet conditions. Money that previously went directly to landlords in the form of Housing Benefit is now usually paid to the claimant.

All claimants sign a commitment setting out their **conditions**. They have a jobcentre work coach to help them meet these. Claimants who are in low-paid work now have to fulfil conditions for the first time, like seeking more hours of work, or better-paid work.

Above an allowance, a fixed rate of 63% of earned income is deducted from payments, so **working more should always be worthwhile**. Universal Credit will replace tax credits, currently administered by HM Revenue & Customs (HMRC). It will rely on **real-time information** provided by HMRC so that benefits can be recalculated in line with earnings every month.

Universal Credit will be fully in place by 2022

DWP began to roll out Universal Credit in April 2013. It is currently in place for single unemployed claimants in all jobcentres.

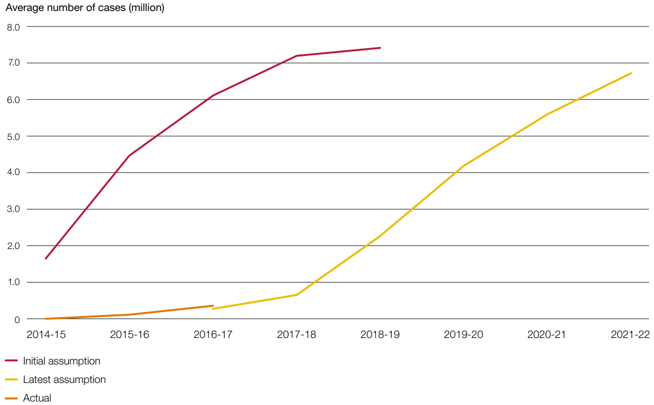
Universal Credit is due to be fully rolled out by 2022, five years after the original timetable. This will enable people with more complex needs to claim, and introduces the full digital interface for claimants. This 'full service' was available in 64 jobcentres (out of 716) by June 2017.

For the latest position see maps on DWP's website.

Zoom Out
Zoom In +

DWP has repeatedly delayed the roll-out of Universal Credit

Universal Credit was originally due to be complete in 2018 but the roll-out is now due to complete by 2022



Source: Department for Work & Pensions Universal Credit statistics and Office for Budget Responsibility

Zoom Out
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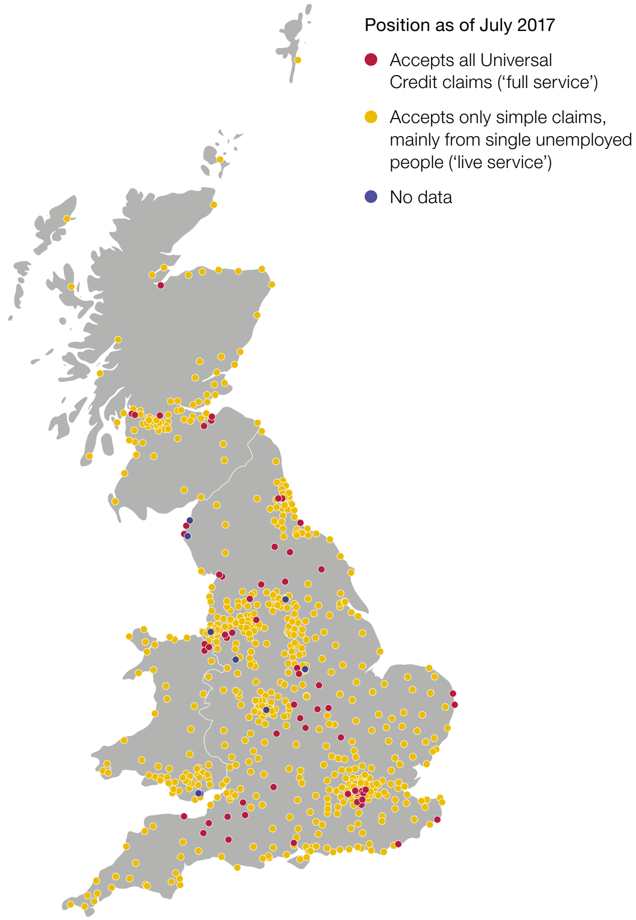

Housing Benefit and supported housing

Housing Benefit

DWP pays Housing Benefit to help tenants on low incomes with their rent. It spent £23.3 billion on Housing Benefit in 2016-17, for 4.6 million claimants.[1]

The Department for Communities and Local Government (DCLG) leads on housing policy in England. But Housing Benefit is the largest area of government support for housing. Local authorities have a duty to administer claims for Housing Benefit on behalf of DWP. For working-age claimants, it is being integrated into Universal Credit.

Restrictions on Housing Benefit

Housing Benefit is subject to the benefit cap and the four-year working-age benefit freeze (2016-17 to 2019-20). In most areas, this means Housing Benefit does not cover typical private sector rents.

DWP also funds local authorities to provide **discretionary housing payments**. Local authorities can award these to Housing Benefit or Universal Credit claimants who they consider need financial help with housing costs.

Zoom Out

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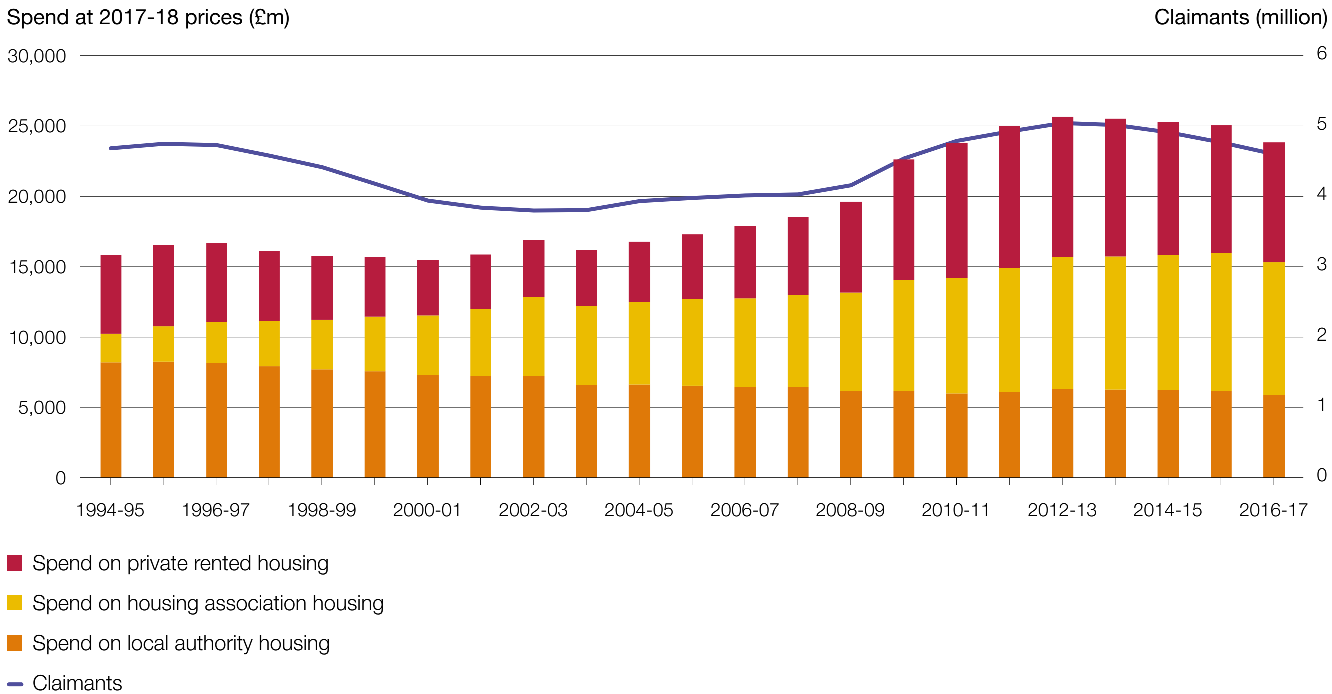
Spending on Housing Benefit has increased since the 1990s as rents have increased



Source: Department for Work & Pensions Benefit expenditure and caseload tables

1 £23.3 billion spending is actual, 4.6 million claimants is forecast.

Housing Benefit and supported housing *continued*

Housing Benefit does not cover typical rents

Shortfall in local housing allowance[2] per week compared to 30th percentile of private rent by broad rental market area.

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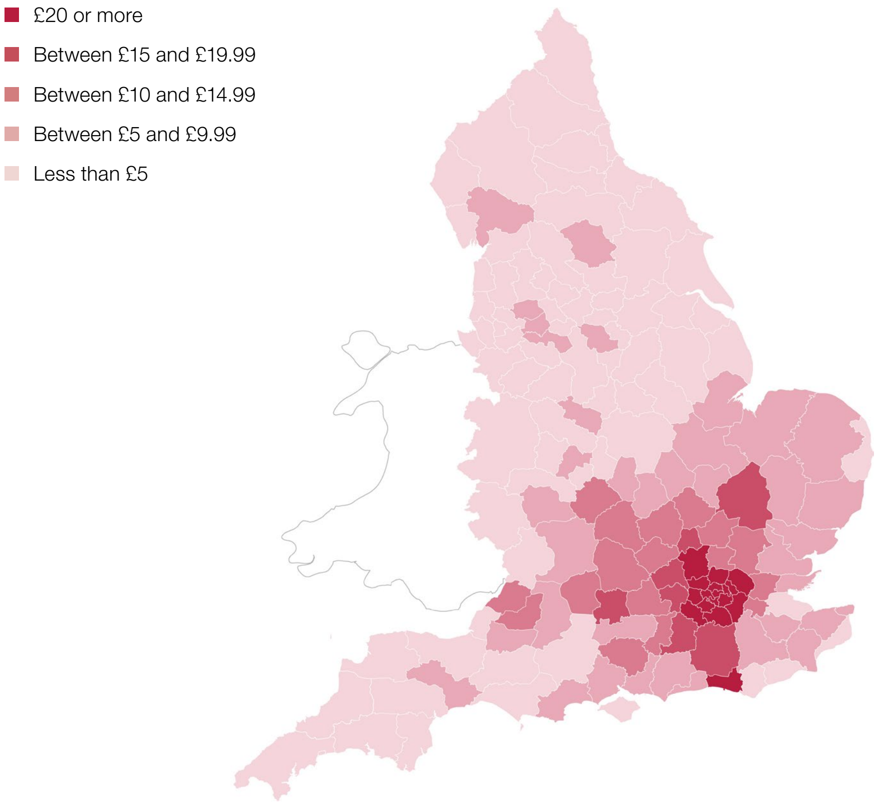


2 Local housing allowances set the amount of Housing Benefit that private rented sector tenants can claim.

Source: Valuation Office Agency (2016-17 data)

Changes to supported housing

Supported housing includes housing for older people, domestic violence refuges, and homes for people with learning disabilities. It is often supported by Housing Benefit payments.

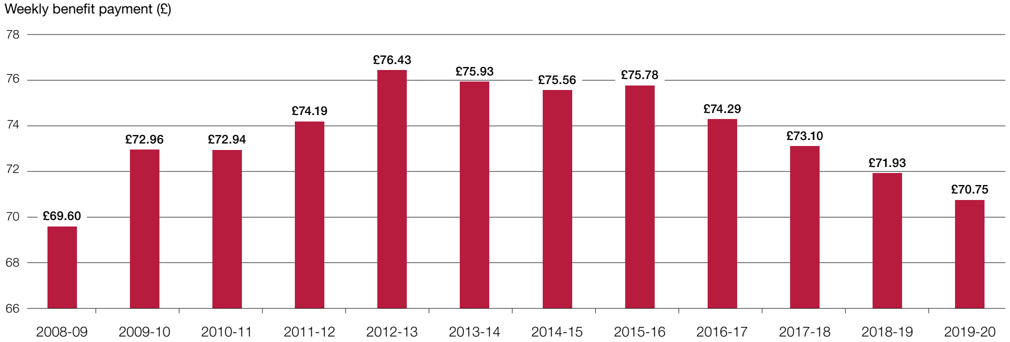
There were an estimated 651,500 supported housing units in Great Britain in 2015.

In September 2016, the government announced a new model for funding supported housing. DWP and DCLG's proposed reforms aim to protect the sector from income falls caused by the introduction of local housing allowance rates in the social sector. It consulted on devolving around £4.1 billion of top-up funding, for costs not covered by Housing Benefit, to local authorities in England. It is due to publish a response in 2017.

Source: *Supported accommodation review*, November 2016

The impact of welfare reform on claimants

The amount Jobseeker's Allowance claimants receive is falling in real terms due to the four-year working-age benefits freeze starting 2016-17

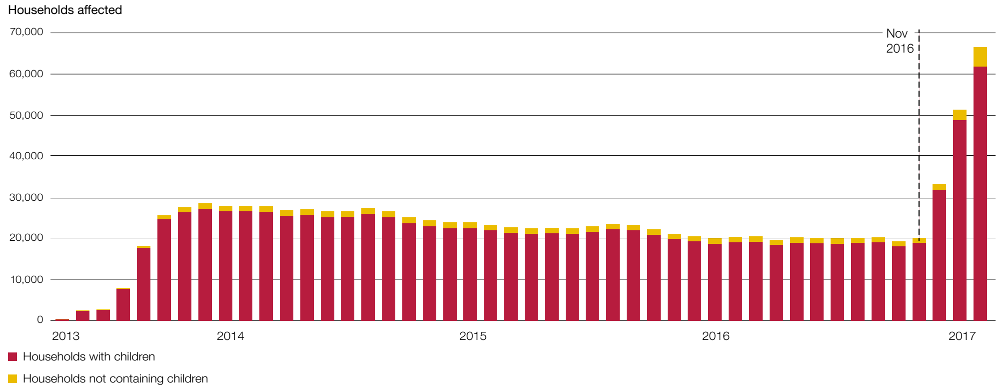


Note

1 2017-18 prices. Income Support and Jobseeker's Allowance. Single people aged 25 or over. 2018-19 and 2019-20 are forecasts.

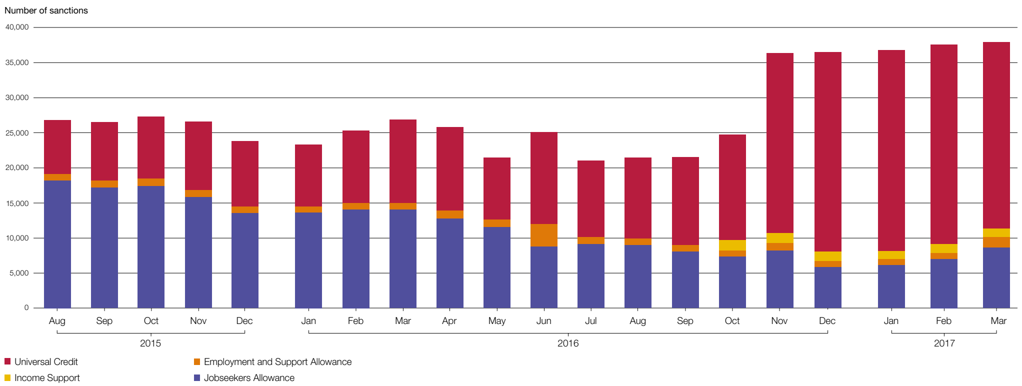
More households are now subject to the benefit cap

Since 2013 some working-age households have a limit on how much benefit they can receive of around £250 to £450 per week, according to circumstances. The cap was lowered in November 2016



More sanctions are being imposed

A sanction is a loss of benefit payments when claimants do not show they are meeting conditions of receiving certain benefits. DWP refers more claimants of Universal Credit than Jobseeker's Allowance for possible sanctions after missed jobcentre appointments

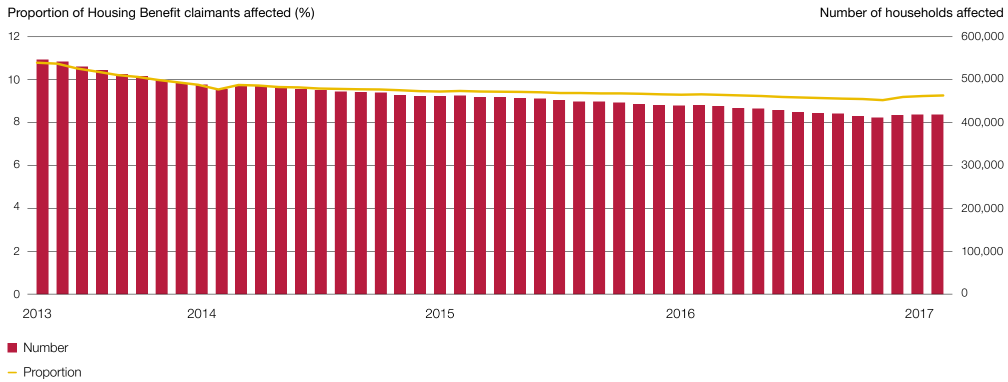


Note

1 Monthly data is not available on Income Support sanctions before October 2016 or for Universal Credit sanctions before August 2015.

Fewer claimants are subject to the removal of the spare room subsidy or 'bedroom tax'

Changes to the way spare rooms are treated for Housing Benefit in 2013 means certain claimants deemed to have spare bedrooms receive lower payments. The number of households affected has fallen as the number of Housing Benefit claims has fallen



Sources: https://stat-xplore.dwp.gov.uk/ and gov.uk

Recent and planned developments

Welfare reform

The government is continuing with reforms introduced in the period 2010 to 2015 that aim to make the benefit system fairer and more affordable.

Although most of these reforms are now in place, their impact will be seen over the next few years.

Some are still ongoing, including the roll-out of Universal Credit, child maintenance reforms, and Personal Independence Payment.

Employment programmes

DWP is reducing its spending on employment programmes and focusing on claimants who are disabled or have been unemployed for more than two years. The Work and Health Programme is replacing the Work Programme and Work Choice.

Note: Future dates are correct as of August 2017.

2011 2012 2013 2014

June 2011
Introduction of the Work Programme, a payment-by-results employment programme

April 2013
Introduction of benefit cap and spare room reduction (‘bedroom tax’)

October 2013
An expanded range of claimants become subject to conditions and the maximum length of sanctions increases from 26 to 156 weeks

2013-14
Peak year for participation in the Work Programme

2015 2016 2017 2018

April 2016
Start of four-year freeze on the level of working-age benefit payments

April 2017
Housing Benefit only payable from age 21 in most circumstances

April 2017
Introduction of two-child limit: Universal Credit and tax credits can only be paid in respect of up to two children in most circumstances

April 2017
Introduction of Youth Obligation for 18 to 21 year olds on Universal Credit

Autumn 2017
Replacement of the Work Programme by the Work and Health Programme

April 2018
Employment support programmes fully devolved to Scotland

September 2018
Universal Credit available to all new claimants in all jobcentres as ‘full service’ fully rolled out

2019 2020 2021 2022

2018–2022
Migration of legacy benefit claimants to Universal Credit

March 2022
End of Universal Credit roll-out as all claimants of previous benefits and tax credits move to Universal Credit

What are the things to look out for?

Issue	Future developments, risks and challenges
The changing roles of frontline staff	There are around 11,000 work coaches in jobcentres. Staff will need to be ready for the end of the roll-out of Universal Credit in 2022. They must balance the potentially conflicting roles of coach and monitor of conditions, and face claimants who are increasingly likely to be harder to help. DWP aims to recruit more frontline work coaches while streamlining and automating back-office processes. It is rolling out a training programme emphasising the cultural and technical changes needed to make Universal Credit work.
Conditions and sanctions on Universal Credit, especially for claimants who are in work	Universal Credit introduces conditions and sanctions for low-paid workers for the first time, to encourage them to increase their earnings. In March 2017, 70% of all sanctions were Universal Credit sanctions. In November 2016 the NAO recommended DWP should understand likely growth in demand for decisions on Universal Credit sanctions, and capacity to meet it.
Money management by people on Universal Credit	DWP wants Universal Credit to make the transition into employment easier by mirroring the way most employers pay salaries. New features can be a major change for households. These include a move to monthly payments in arrears to households, payment of housing costs to claimants not landlords, and an initial six-week wait for new claimants. There have also been reports of delays in making initial payments and some claimants have had to wait 12 weeks or more. DWP does not publish data on waiting times.
The impact of Universal Credit on other parts of central government, local authorities, and charities	Local authorities, social landlords and charities help claimants affected by in-built delays in payment. Some of these bodies have reported concerns about the costs of Universal Credit for the wider public sector. For instance, Universal Credit claimants are more likely to get into rent arrears. This could have implications for the financial viability of housing associations, homelessness and other parts of the public sector.
Increase in fraud and error	DWP has taken steps to tackle fraud and error on benefit and pensions spending, but they have increased. Employment and Support Allowance and Housing Benefit overpayments are at their highest recorded levels, and Jobseeker's Allowance overpayments have returned to the highest levels since 2010-11. Fraud and error on the 'full service' of Universal Credit has not yet been measured.

Benefits and support for people with disabilities and health conditions

How is it delivered?

Disability support is not evenly distributed across the country

Assessing applicants for disability benefits

Recent and planned developments

What are the things to look out for?

How is it delivered?

DWP aims to help disabled people and those with long-term health conditions to stay in or re-join the labour market. It does this through a mixture of benefits and employment programmes.

In 2016-17 it spent around £50 billion on disability and health condition-related benefits. There are two types of benefit for people with health conditions and disabilities, which we set out here.

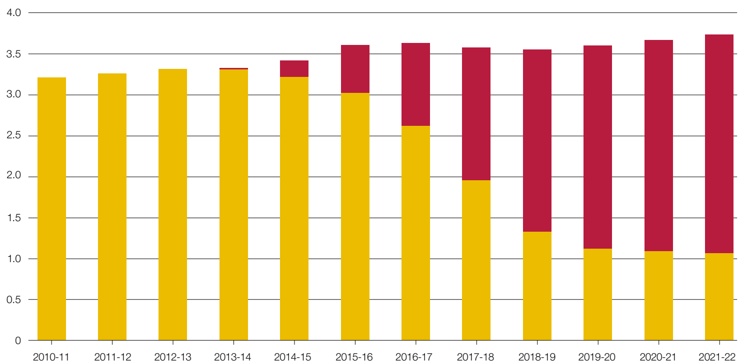
Help towards the extra costs of a long-term condition or disability – whether in work or not

Disability Living Allowance Prior to 2014 → **Personal Independence Payment**[1] Rolling out 2013 to 2018-19

1 Personal Independence Payment is for people aged 16 to 64. Disability Living Allowance is still paid to children and people over State Pension age who have not been reassessed.

Zoom Out | Zoom In +

The number of claimants for these non-work-related benefits is increasing



Personal Independence Payment | Disability Living Allowance

Note
1 From 2016-17, figures are forecast, not actual.

Source: Department for Work & Pensions Benefit expenditure and caseload tables

Earnings replacement for people who cannot do full-time work due to a health condition or disability

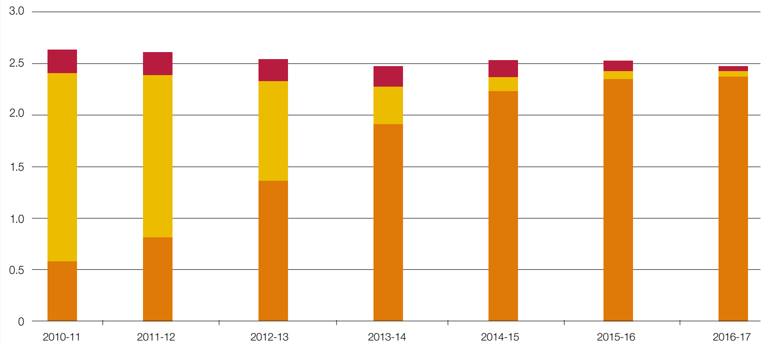
Incapacity Benefits[2] Prior to 2008 → **Employment and Support Allowance** Introduced 2008 → **Universal Credit** Rolling out 2013 to 2022

2 Includes Severe Disablement Allowance, which continues for existing claimants

→ replaced by

Zoom Out | Zoom In +

The number of claimants on these benefits has declined slowly



Severe Disablement Allowance | Incapacity Benefit | Employment and Support Allowance

Note
1 2016-17 is forecast, not actual.

Source: Department for Work & Pensions Benefit expenditure and caseload tables

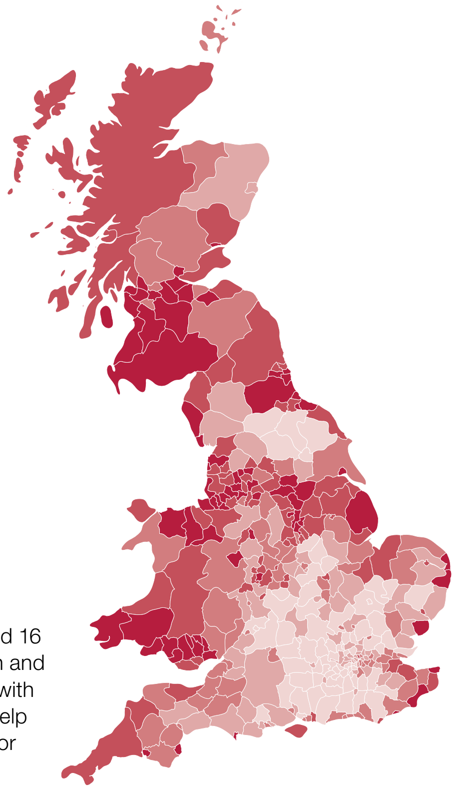
Disability support is not evenly distributed across the country

Some local authority areas have more claimants with disabilities or health conditions as a proportion of their population.

Zoom Out Zoom In +

Personal Independence Payment and Disability Living Allowance claimants as a proportion of all people living in local authority areas (2016)

- Highest 20% of authorities (7.1%–12.4%)
- Second highest 20% of authorities (5.7%–7.1%)
- Middle 20% of authorities (4.7%–5.7%)
- Second lowest 20% of authorities (3.9%–4.7%)
- Lowest 20% of authorities (1.7%–3.9%)

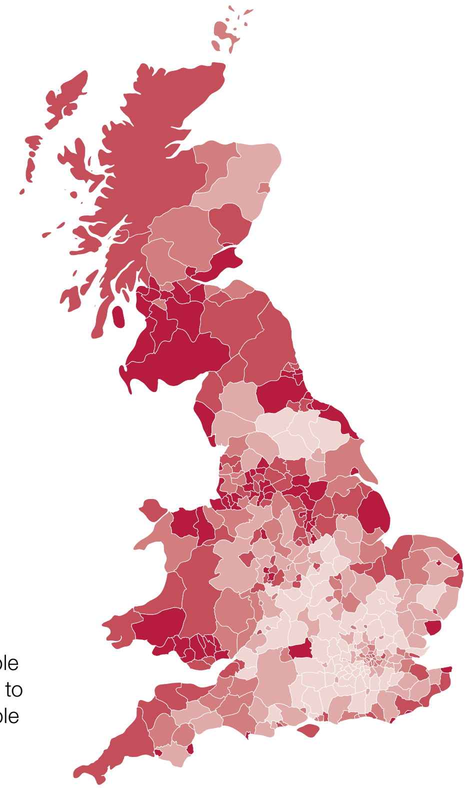


Personal Independence Payment (for people aged 16 to 64) and Disability Living Allowance (for children and older adults) are for people who need extra help with everyday tasks or getting around. They provide help towards the extra costs of a long-term condition or disability – whether in work or not.

Zoom Out Zoom In +

Employment and Support Allowance claimants as a proportion of all people living in local authority areas (2016)

- Highest 20% of authorities (4.6%–7.9%)
- Second highest 20% of authorities (3.7%–4.6%)
- Middle 20% of authorities (2.9%–3.7%)
- Second lowest 20% of authorities (2.3%–2.9%)
- Lowest 20% of authorities (0.8%–2.3%)



Employment and Support Allowance is for people of working age who find it difficult or impossible to work. It provides earnings replacement for people who cannot do full-time work due to a health condition or disability.

Sources: Office for National Statistics Mid-year population estimates and Department for Work & Pensions Benefit expenditure and caseload tables

Assessing applicants for disability benefits

Applicants for Personal Independence Payment and Employment and Support Allowance must undergo assessments

Process	**Application** by claimant →	**Assessment** by private provider →	**Decision** by DWP →	**Payment** by DWP
Levels of appeal	**Challenge** by claimant →	**Mandatory reconsideration** by DWP →	**Appeal** by claimant →	**Decision** by Tribunal

People applying for benefits on the basis of their disability or health condition have to take part in a face-to-face assessment or telephone discussion to determine whether they are eligible and how much they will receive.

These assessments have been contracted out since 1999.

Around half of applications for these benefits succeed.

Personal Independence Payment assessments

- Personal Independence Payment assessments are currently provided by Atos and Capita.
- There were 2.8 million Personal Independence Payment assessments between April 2013 and April 2017.

Employment and Support Allowance assessments

- Employment and Support Allowance assessments are currently provided by Maximus.
- There were 3.3 million Employment and Support Allowance work capability assessments between October 2008 and September 2016.

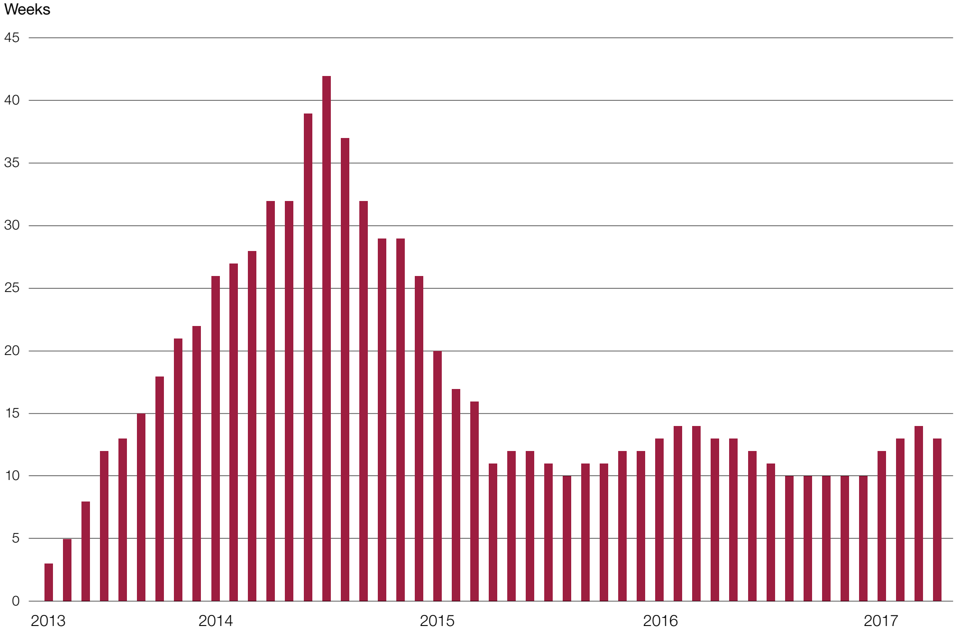
Assessing applicants for disability benefits *continued*

Concerns about timeliness

Private providers have struggled to meet the performance targets expected of them in carrying out assessments. There were backlogs of Personal Independence Payment decisions in 2014-15, although waiting times have since improved. DWP does not publish similar data for Employment and Support Allowance.

Zoom Out Zoom In +

The time taken to make a decision on Personal Independence Payment applications has fallen from a peak of 42 weeks in July 2014. It was 13 weeks in April 2017. DWP does not have a target



Source: Department for Work & Pensions Personal Independence Payment statistics

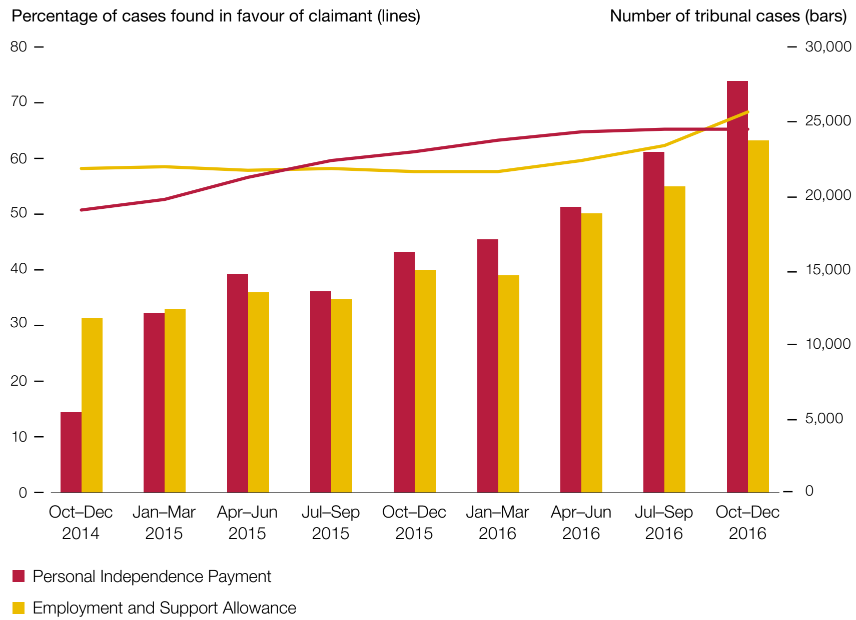
Concerns about quality

Decisions are increasingly often challenged by claimants and overturned by independent tribunals. In 2016, 65% of tribunal decisions on Personal Independence Payment were in favour of the claimant.

Zoom Out Zoom In +

More people are winning appeals against DWP decisions

More than half of tribunal challenges against DWP decisions succeed



Source: Ministry of Justice Tribunal statistics

Recent and planned developments

Welfare reform

A number of reforms will affect claimants with health conditions and disabilities in the next 18 months:

- Personal Independence Payment is replacing Disability Living Allowance.
- Universal Credit is replacing Employment and Support Allowance.
- The Work and Health Programme is replacing the Work Programme and Work Choice.

Employment programmes

DWP is reducing its spending on employment programmes and focusing on claimants who are disabled or have been unemployed for more than two years. The Work and Health Programme is replacing the Work Programme and Work Choice. It will be compulsory for people who have been unemployed for more than two years and voluntary for those with health conditions or disabilities.

Note: Future dates are correct as of August 2017.

2014

2015

February 2015
Beginning of roll-out of Personal Independence Payment reassessments

March 2015
Maximus took over from Atos Healthcare in carrying out Work Capability Assessments of applicants for Employment and Support Allowance

2016

2017

March 2017
Last referrals to the Work Programme

April 2017
Reduction in benefit by around £30 per week for new Employment and Support Allowance claimants deemed capable of work-related activity

November 2017
Beginning of replacement of the Work Programme by the Work and Health Programme

2018

2018
Employment and Support Allowance and Personal Independence Payment assessment contracts up for renewal

2019

2018-19
End of contracts to carry out health and disability assessments

2018-19
Remaining working-age Disability Living Allowance claims move to Personal Independence Payment

2020

2021

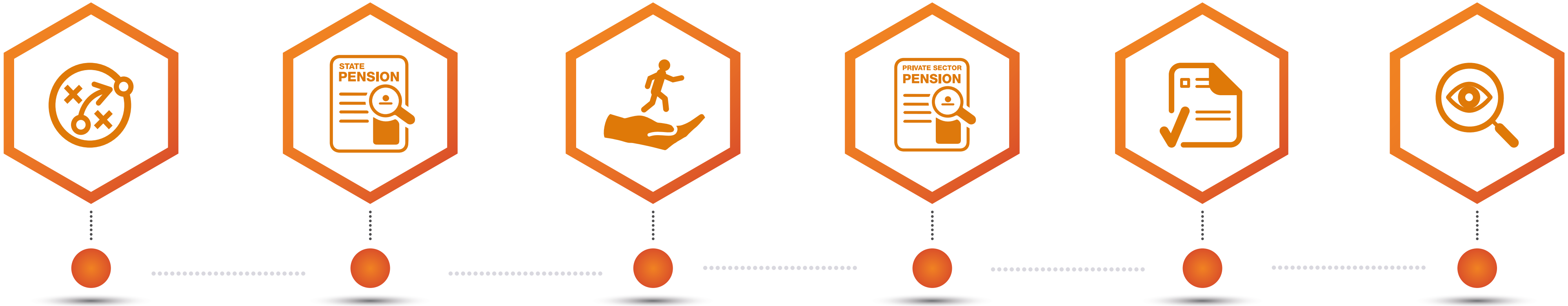
2022

March 2022
Universal Credit fully replaces Employment and Support Allowance

What are the things to look out for?

Issue	Future developments, risks and challenges
The number of appeals against DWP decisions	The number of appeals to tribunals against DWP decisions on Personal Independence Payment has increased, and most are successful (65% in 2016). Many appellants are Disability Living Allowance claimants who challenge DWP's decision to award them lower amounts of Personal Independence Payment.
The new Work and Health Programme	The Work and Health Programme is a contracted welfare-to-work programme that will launch in autumn 2017, replacing the Work Programme. It will provide specialised support to a smaller number of people than predecessor programmes, on a smaller budget of £130 million per year by 2019-20. It will be compulsory for people who have been unemployed for more than two years and voluntary for those with health conditions or disabilities.
Work incentives for disabled people	The cumulative impact of benefit changes on household income, for households containing a disabled child or disabled adult, was negative over the period 2010 to 2015. Since April 2017, new Employment and Support Allowance claimants in the Work-Related Activity Group receive the same lower level of benefit as Jobseeker's Allowance claimants. People receiving Employment and Support Allowance are moving onto Universal Credit, which aims to improve work incentives.

Pensions and planning for retirement



How is it delivered?

Changes to the State Pension

Support for planning for retirement

Private sector pensions

Recent and planned developments

What are the things to look out for?

How is it delivered?

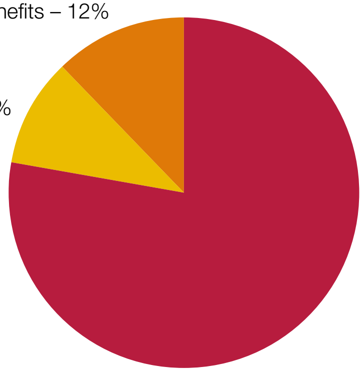
State benefits directed at pensioners

DWP aims to increase security in later life.

Pensioners are eligible for a range of benefits. Total benefit spending directed at pensioners was **£118 billion** in 2016-17, or 68% of total benefit spending.

- **Contributory benefits (£91.7 billion)**: pensioners qualify for these based on their national insurance records. Overwhelmingly, the main one is the State Pension, which in 2016-17 DWP paid to 12.9 million people at a cost of £91.6 billion.
- **Income-related benefits (£12.0 billion)**: pensioners on low incomes can apply for these benefits, including Housing Benefit and Pension Credit.
- **Other benefits (£14.3 billion)**: pensioners with a range of circumstances can qualify for these, including Attendance Allowance for people with care needs, Winter Fuel Payments, and TV licences for people aged over 75.

The State Pension accounts for more than three-quarters of pensioner benefits



Support for those planning for retirement

DWP aims to increase saving for later life.

DWP encourages people under pension age to:

- check how much State Pension they may get when they retire; and
- pay into private pension schemes if they need more money than the State Pension will provide.

To encourage private pension saving, DWP has introduced automatic enrolment so that most workers are enrolled in a qualifying pension scheme.

Regulation of private sector pensions

DWP sponsors the Pensions Regulator, the public body that protects workplace pensions in the UK.

The Pension Protection Fund is a DWP public body that pays compensation to members of defined benefit pension schemes that go bust. It is funded by levies on defined benefit schemes. For certain defined benefit pension schemes which are not eligible for this compensation, DWP has a Financial Assistance Scheme.

Measures to help people carry on working to retirement age

DWP aims to help employers to recruit and retain older workers and to improve jobcentre services for older people.

In February 2017 it launched its Fuller working lives strategy, which outlines how jobcentres and businesses can support older workers.

Changes to the State Pension

Introduction of the new State Pension

On 6 April 2016 DWP introduced the new State Pension for people reaching State Pension age from that date. The full rate is set above the level at which people qualify for the basic level of means-tested Pension Credit.

- To qualify for the full new State Pension a person needs 35 qualifying years of national insurance contributions. Those with 10 to 35 years receive pro-rata payments.
- It replaced a two-tier system, which combined a basic flat-rate pension, based on national insurance records (people needed 30 qualifying years to get the full amount), with an additional second State Pension that was partly related to earnings.

By introducing the new State Pension, DWP aimed to:

- Improve financial sustainability.
- Address concerns about fairness for specific groups such as the self-employed.
- Encourage people to plan and save privately for retirement.

Other State Pension changes

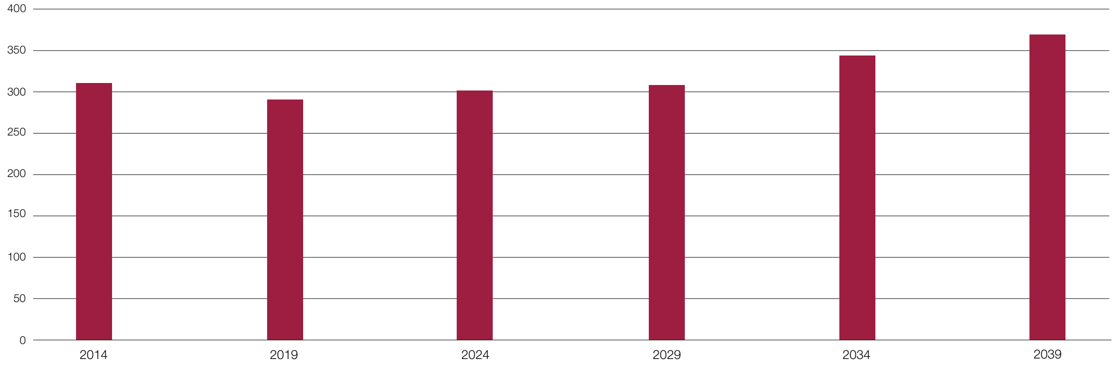
The 'triple lock'

Since 2011, the basic State Pension has been uprated annually by the triple lock: the higher of inflation (as measured by the Consumer Price Index), average earnings growth, or 2.5%.

Zoom Out
Zoom In+

The old age dependency ratio is increasing

The ratio is the number of people of pensionable age per thousand people of working age



Note
1 Forecasts based on 2014.

Source: Office for National Statistics (UK)

Zoom Out
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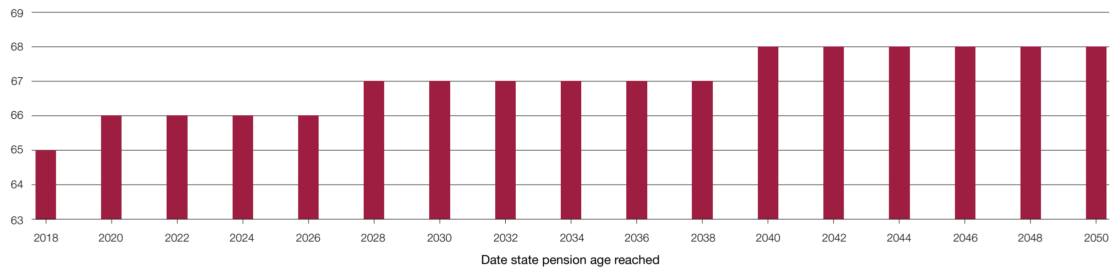
The State Pension age will be equalised at 65 for men and women from 2018 and rise to 68 by 2039-40



Note
1 Government is required to review the State Pension age during each Parliament. Reflects change announced July 2017.

Support for planning for retirement

DWP aims to increase saving for later life

Participation in workplace pensions has increased

The introduction of automatic enrolment into workplace pensions has helped reverse the decline in the numbers and amounts being saved into workplace pensions.

Automatic enrolment began in October 2012. It has increased the proportion of workers taking part in a workplace pension scheme. In 2016 the number of people enrolled in a workplace pension was 16.2 million.

The National Employment Savings Trust is now the largest defined contribution pension scheme in the UK by number of members

The Trust is the workplace pension scheme set up and funded by the government as part of the introduction of automatic enrolment. On 31 March 2017 it had 4.5 million members, and the scheme managed assets of £1.7 billion. These numbers are likely to increase as automatic enrolment is fully rolled out.

DWP provides the Trust with a loan drawdown facility to cover upfront costs. On 31 March 2017, this loan liability was £540 million.

Incentives to save into pensions

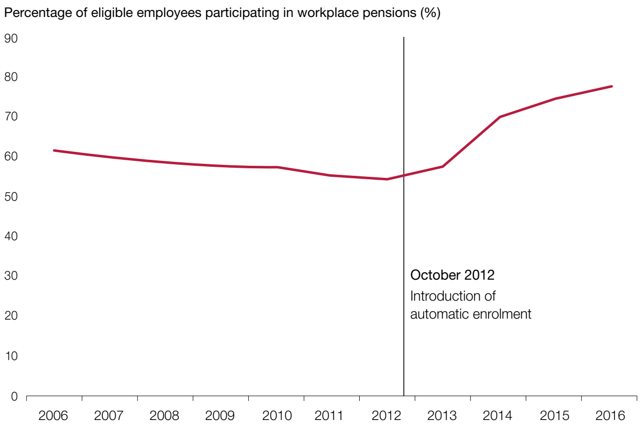
Tax relief on private pension savings make them an effective form of savings.

New pension freedoms since 2014 have increased the choice available at retirement.

Purchases of annuities have fallen as falling interest rates have reduced their value and more people cash out their pension pots. Cash withdrawals in 2015-16 exceeded sales of annuities.

Zoom Out Zoom In +

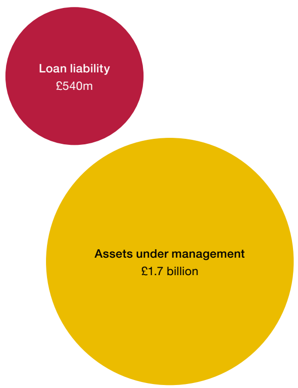
Participation in workplace pensions has increased



Source: Department for Work & Pensions, Workplace pension participation and saving trends statistics

Zoom Out Zoom In +

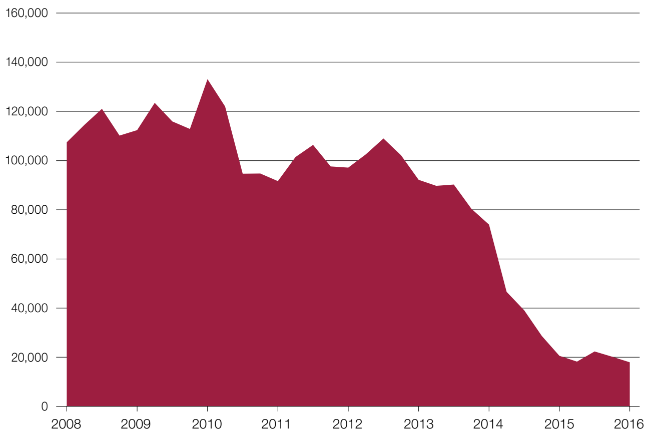
The National Employment Savings Trust is now the largest defined contribution pension scheme in the UK by number of members



Source: *National Employment Savings Trust annual report and accounts, 2016-17*

Zoom Out Zoom In +

Sales of annuities have fallen



Source: Association of British Insurers data

Private sector pensions

DWP aims to help working people save for a private pension

There has been a major shift in the private sector from defined benefit to defined contribution pension schemes.

Defined contribution pensions offer no guaranteed retirement income. Pension contributions are invested in a fund which builds up entitlement to a pension pot. The value at retirement depends on the fund's performance.

Defined benefit pensions offer the employee a guaranteed retirement income, based on a predetermined proportion of the employee's earnings. The most common defined benefit pensions are final salary, based on the employee's salary when they leave the company and number of years they worked there.

The number of people in defined benefit schemes is falling

Active UK membership of pension schemes by proportion of employees aged 16 or over:

	1997 (%)	2013 (%)
Defined benefit schemes	46	29
Defined contribution schemes	9	8

The fall in membership of defined benefit schemes has occurred in the private sector.

Active UK membership of defined benefit pension schemes:

	2000	2013
Public sector schemes	4.4 million	5.3 million
Private sector schemes	5.7 million	2.8 million

Source: Office for National Statistics, Pension Trends (2014)

Defined benefit schemes are in deficit and it is likely some will fail

Defined benefit scheme liabilities have been increasing relative to scheme assets over the past couple of years, which has implications for their sustainability.

Source: Pension Protection Fund 7800 Index

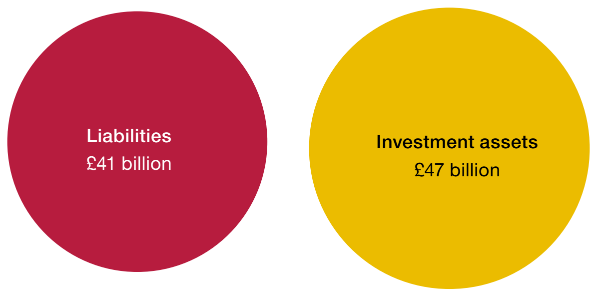
DWP's arm's-length body the Pension Protection Fund is responsible for protecting savers from failing defined benefit pension schemes

Although not covered by the Pension Protection Fund, recent closures of the Tata Steel and BHS pension schemes have highlighted the potential protection that the Fund can provide.

The Pension Protection Fund builds up **assets** through a levy on certain pension providers; returns on investment; and taking over assets of schemes that go bust.

Its **liabilities** relate to the commitments it owes to scheme members; provisions for future claims; and other investment liabilities.

On 31 March 2017, the Fund held assets of £47 billion and had liabilities of £41 billion, leaving it with a surplus of £6 billion.



Source: Pension Protection Fund Annual Report and Accounts 2016-17

Recent and planned developments

State Pension reforms

Triple lock protects value of the State Pension.

State Pension age equalised and increased.

Simpler new State Pension introduced.

State Pension top-up introduced for those retiring before April 2016.

Pension Credit reforms to increase accuracy of payments and reduce spending.

Automatic enrolment

Employers must enrol eligible workers into a pension scheme and make contributions towards it, to increase people's savings for retirement.

Other developments

Pension freedoms give people greater access to their pensions.

Lifetime ISA helps people save for buying their first home or retirement.

Note: Future dates are correct as of August 2017.

2010

April 2010
Start of State Pension age equalisation between men and women

2011

April 2011
Triple lock introduced

Acceleration of State Pension age equalisation

2012

October 2012
Introduction of automatic enrolment. Minimum contribution rate is 2%

2013

2014

April 2014
Transitionary pension freedoms introduced on use of private pensions

2015

April 2015
Full pension freedoms introduced on use of private pensions

June 2015
Automatic enrolment extends to smaller employers with fewer than 50 staff

October 2015
State Pension top-up via lump sum payment

2016

April 2016
New State Pension goes live

Savings element of Pension Credit removed, and recipients must report income changes when they occur

2017

April 2017
Introduction of lifetime individual savings accounts (LISAs)

2018

February 2018
End of roll-out of automatic enrolment

April 2018
Contribution rate increases to 5%

November 2018
Equalisation of state pension age at 65 for men and women

December 2018
Increase in state pension age to 66 begins

2019

April 2019
Minimum contribution rate increases to 8%

November 2019
End of automatic enrolment

2020

October 2020
Increase in state pension age to 66 completed

What are the things to look out for?

Issue	Future developments, risks and challenges
Encouraging people to save enough to have an adequate income in retirement	The overall impact of all government policies on people's ability and willingness to save is unknown. Although contribution rates to workplace pensions will rise in 2018 and 2019, increasing pressure on household incomes may affect opt-out rates from workplace pensions.
Managing the tension between pension reforms and plans to reduce long-term state spending	Because of an ageing population, the government forecasts that it will spend more on pensions and benefits for older people even taking account of the rising pension age. The government is committed to reviewing the State Pension age every five years.
Adequacy of safeguards to help people make informed decisions about pensions	DWP has a role in ensuring oversight of pension products to protect customers. In 2015 DWP removed restrictions on how people could use their private pension pots, giving more freedom to take lump sums, but bringing the risk that some cash-out their entire pots or fall for scams, leaving them with no income beyond the State Pension.
The impacts of pension reforms on different groups	The number of self-employed people, who have no obligation to pay into a pension, is growing. While they benefit from the new State Pension, they are less likely to contribute to a personal pension, and contribute less when they do. The number of defined contribution pensions has grown and the number of defined benefit pensions has fallen, especially in the private sector. Uprating the State Pension, and slower increases in the State Pension age, disproportionately benefits older people, and people in areas of the country, and socio-economic groups, with high life expectancy.

Children, parents and carers

Children and young adults

Child maintenance

Support for carers

What are the things to look out for?

Children and young adults

DWP aims for better outcomes for children, and to support young people into work

Benefits for children

Children who have mobility problems, or who need more care or supervision than a non-disabled child of the same age, may be eligible for Disability Living Allowance. In 2016-17 DWP spent £1.9 billion on payments of this benefit for around 430,000 children.

Benefits for parents

Many benefit claimants are parents. Around three million children live in families receiving Housing Benefit. In November 2016, 47,000 households receiving Universal Credit contained children, and 111,000 Jobseeker's Allowance claimants had children.

Around 400,000 lone parents, with a youngest child aged under five, claim Income Support. These claimants are starting to move onto Universal Credit.

Young people

Young people aged 18 to 21 years on Universal Credit 'full service' now undertake an intensive work-focused regime from the beginning of their claim. After six months, young people who have not found work will be supported to take on an apprenticeship, training or daily community work.

Reducing parental conflict

DWP has policy responsibility for reducing parental conflict. It funds online and in-person relationship support sessions via contracted providers. It reports on the proportion of children in couple-parent families in which one or both parents surveyed report relationship distress (for example, they quarrel most or all of the time). In 2013-14 this was 11.4%.

Child poverty

In April 2017 DWP published a new framework of action on outcomes for disadvantaged children and families. This followed: the repeal of the income-related targets set out in the Child Poverty Act 2010; the abolition of the government's cross-departmental child poverty strategy and unit, with the unit's functions subsumed into DWP's wider remit; and the introduction of new statutory measures that focus on parental worklessness and children's educational attainment. DWP continues to publish data on the proportion of children below certain low-income thresholds. This rose in 2015-16 to levels last seen in 2009-10.

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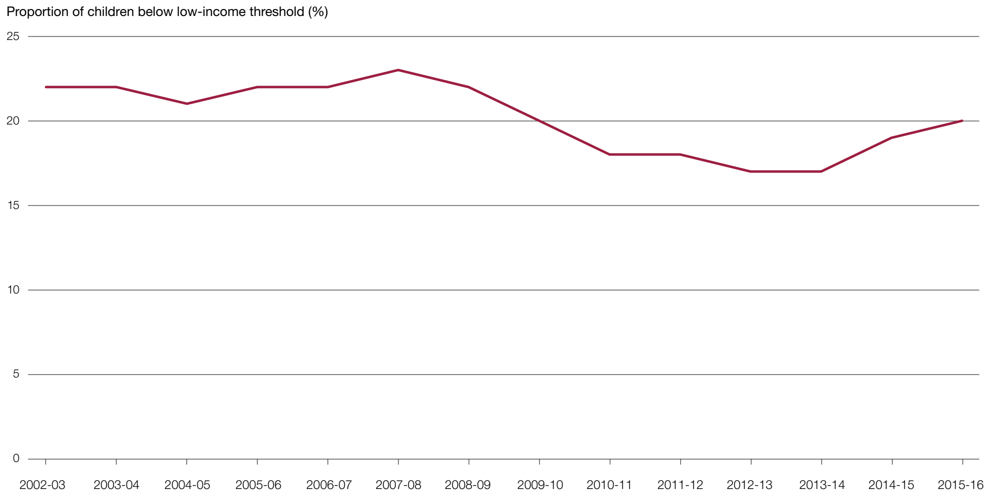
The proportion of children in relative low-income households rose in 2014-15 and 2015-16



Note

1 Before housing costs.

Source: Department for Work & Pensions, Households Below Average Income statistics

Child maintenance

Child maintenance is money paid between members of separated couples for the costs of their children. In 2013-14 there were 2.6 million separated families in Great Britain, of which around 1.5 million (56%) relied on DWP for their child maintenance arrangements. DWP encourages parents to make their own arrangements where possible. DWP is responsible for calculating, collecting and paying out child maintenance for families who use its schemes.

The Child Maintenance Service is replacing the Child Support Agency

DWP is closing its Child Support Agency, which administers its 1993 and 2003 child maintenance schemes. Since November 2013 all new applications have been to the new Child Maintenance Service scheme. DWP began to tell parents in 2014 that their old cases would close and that they would have to apply to the new scheme, or make their own arrangements. It plans to end all continuing payments on Child Support Agency cases by the end of 2018.

Most families do not have an arrangement in place after their Child Support Agency case is closed

DWP aims to encourage parents to make their own arrangements. DWP's research found that three months after case closure 56% of parents had no arrangement in place, compared with the 16% it originally expected.

Arrears of £4 billion in unpaid maintenance owed to children have built up

DWP assesses that more than £3 billion of this is uncollectable. It has not yet set out how it will manage the uncollectable arrears.

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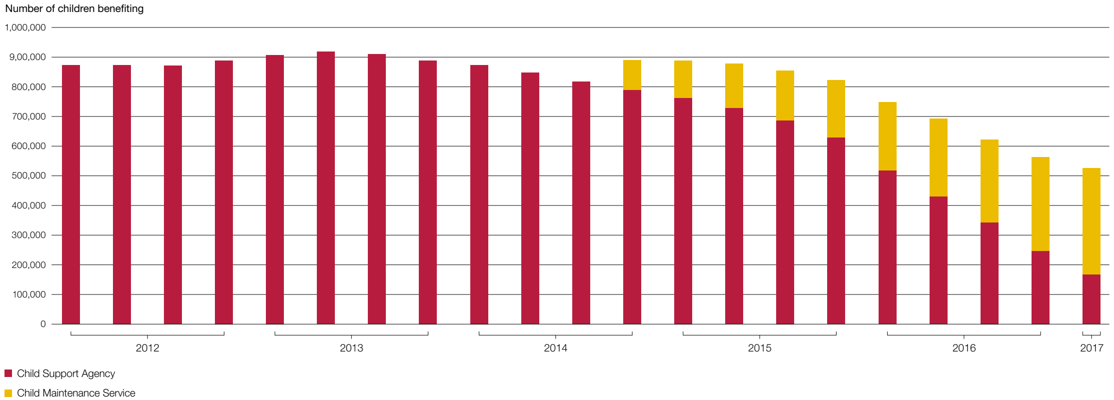
The number of children benefiting from DWP child maintenance schemes is falling

DWP encourages parents to make their own arrangements where possible



Source: Department for Work & Pensions statistics on the Child Support Agency and Child Maintenance Service

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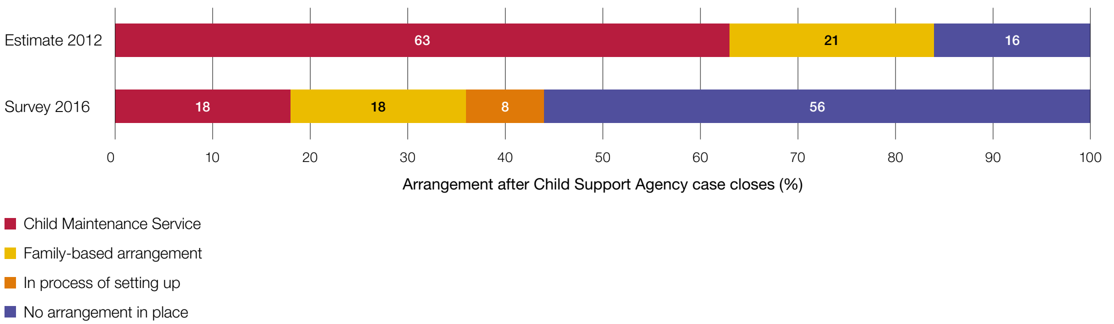
Fewer parents than the Department originally expected are applying to the new scheme when their Child Support Agency cases are closed



Source: National Audit Office, *Child maintenance: closing cases and managing arrears on the 1993 and 2003 schemes*, March 2017

Support for carers

The government also aims to support carers of all ages to enter, remain in and re-enter work.

The main way DWP supports informal carers (family, friends and neighbours) is through benefit payments. It pays Carer's Allowance to mainly working-age carers who provide care for 35 hours a week or more to someone claiming an eligible benefit.

It is not means-tested but the person who is cared for must receive certain benefits such as Personal Independence Payment.

Carer's Allowance is one of the benefits that will be devolved to the Scottish Parliament.

Other benefits

Some carers can receive higher payments of Employment and Support Allowance, Income Support, Pension Credit and Universal Credit. For example, 7,000 households received support through Universal Credit's caring element in December 2016.

Carer's Allowance

£62.70

Weekly amount of Carer's Allowance paid to most claimants in 2017-18

35 hours

Claimants must care for someone for 35 hours per week or more

1.2 million

Carer's Allowance claimants in 2016-17

£2.7 billion

Total Carer's Allowance paid in 2016-17

What are the things to look out for?

Issue	Future developments, risks and challenges
Timing of closure of remaining Child Support Agency cases	It is taking DWP longer than expected to close Child Support Agency cases. By September 2016 DWP had closed 33% of active cases, against an expectation of 50%. It plans to end payments on 799,000 cases by November 2018, and will then need to close 588,000 cases without continuing payments but with arrears of unpaid maintenance at a later date. It has not announced this date.
Outcomes for families who do not join the new scheme	Many more parents have no arrangement in place after case closure than DWP expected. In 2012 DWP estimated that 63% would join the new Child Maintenance Service scheme. In a 2016 survey it found that 18% had joined, while 56% had no arrangement in place.
How the £4 billion worth of unpaid child maintenance will be collected	Arrears build up when child maintenance is not paid. DWP assesses that most (£3 billion) of the arrears balance is uncollectable, for example due to lack of contact with the parent who owes the money. DWP plans to publish a new strategy for addressing arrears in 2017.
How best to support carers	Carers seek financial security and to maintain their health and well-being. They may wish to combine caring with employment where possible. An estimated 360,000 do not claim the Carer's Allowance to which they are entitled.

Appendices

Appendix One – Exiting the European Union

DWP is responsible for managing the delivery of funding from the EU to local authorities and other organisations in England through the European Social Fund.

Potential impact of exiting the European Union on DWP

In December 2016, DWP's Accounting Officer told the Committee of Public Accounts that the top concerns for his Department following Brexit, were:

- **Immigration and the labour market** – ensuring that the UK's future immigration policy allows the UK labour market to function well.
- **Migrants' access to benefits** – deciding what access to UK benefits future migrants from the EU will have.
- **Reciprocal arrangements with other countries** – exploring how these agreements may look in future.

The European Social Fund

The **European Social Fund** provides financial assistance for vocational training, retraining and job creation schemes, for example employment support programmes run by local authorities. The **Youth Employment Initiative** is part of this, supporting people aged under 25 into work.

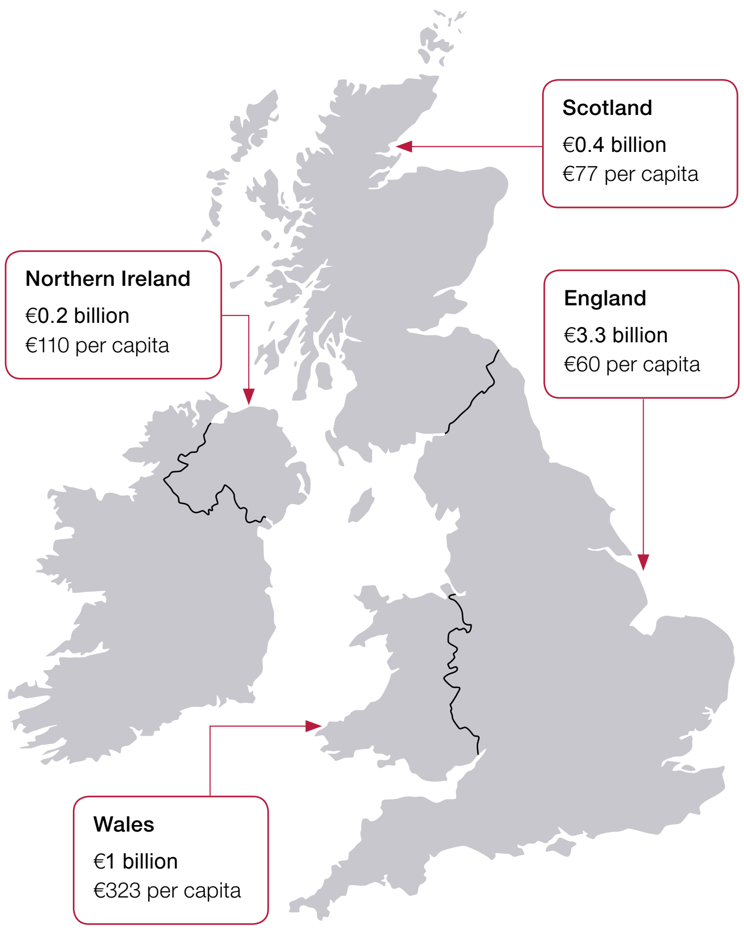
DWP is responsible for managing the delivery of this funding in England and had expected to receive €3.3 billion from the EU for the 2014 to 2020 programme. HM Treasury has guaranteed to support signed European Social Fund projects that continue after the UK leaves the EU.

DWP received £1.5 million in EU income in 2016-17. The amount received has changed over time according to the stage of EU programmes. DWP received £0.3 billion in 2014-15.

Funding flows via DWP from the European Commission to local authorities and others

European Commission
↓
DWP
↓
Co-financing organisations including DWP
↓
Local authorities and other providers

European Social Fund allocations to be channelled through UK public bodies, 2014 to 2020



Source: National Audit Office, *Briefing on EU-UK finances*, December 2016

Appendix Two – The welfare cap

The welfare cap

The **welfare cap** aims to increase control over future spending on some benefits, by encouraging the government to make decisions that will keep future benefit spending within the cap.

The welfare cap is a cash cap on forecast (not actual) spending on certain benefits. This is £126 billion in 2021-22. It includes just over half of total spending on benefits and tax credits.

Following changes introduced in 2016, the Office for Budget Responsibility now expects spending to be on course to meet the cap. The government will review the level of the cap and announce any change in autumn 2017.

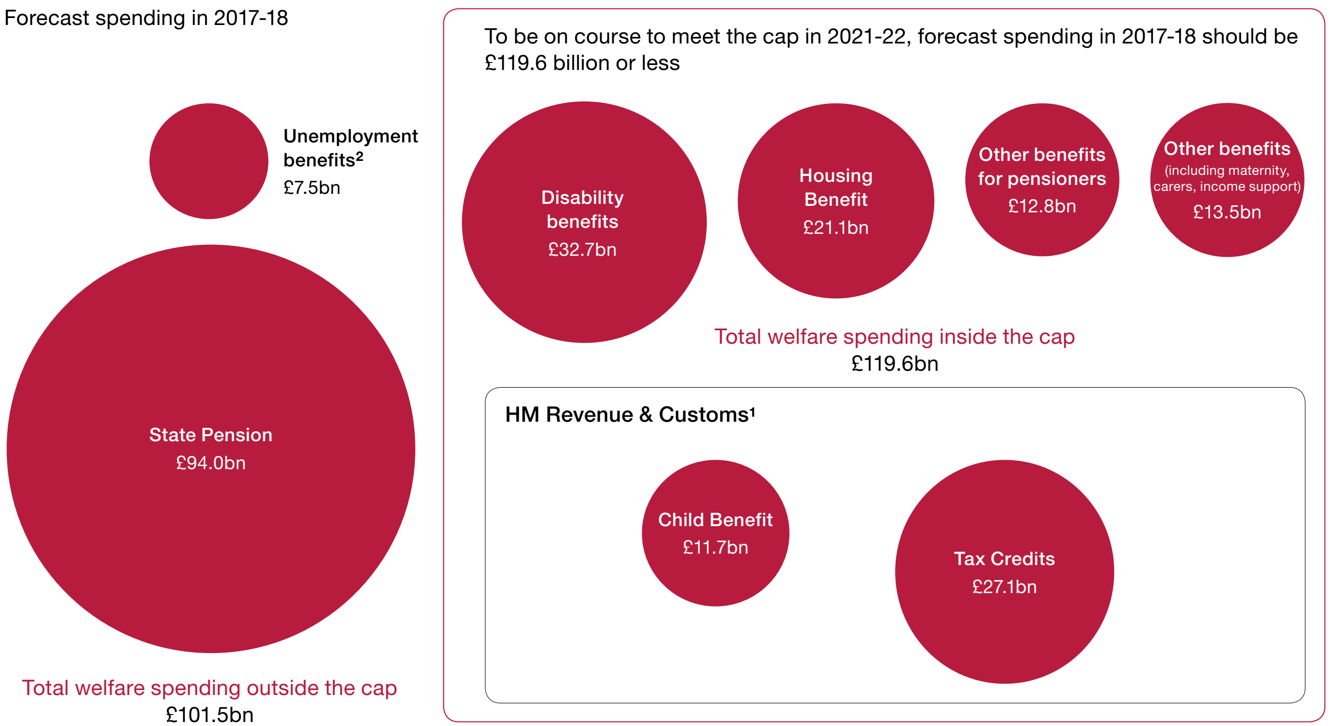
The **benefit cap** is different: it is a limit on how much households can receive in certain benefits.

Note
1 National Audit Office, Managing the welfare cap, April 2016.

Zoom Out Zoom In+

DWP is on course to meet the welfare cap in 2021-22

Forecast welfare spending in 2017-18 is £221.1 billion, with 54% of this (£119.6 billion) inside the cap



Notes
1 Some spending is also by the Department for Business, Energy & Industrial Strategy, and the Department for Communities in Northern Ireland.
2 Jobseeker's Allowance, Universal Credit and £2.5 billion of social security spending in Northern Ireland.

Source: Office for Budget Responsibility, Economic and Fiscal Outlook, March 2017

Appendix Three – Weekly benefit payments 2017-18

People can receive more than one benefit and amounts vary according to personal circumstances

Benefits aimed at working-age adults	Typical weekly payment or equivalent[1]
Bereavement Support Payment	£23.08 to £80.77 for up to 18 months; £2,500–£3,500 lump sum
Employment and Support Allowance	£102.15 or £109.65 (existing claims); £73.10 or £109.65 (new claims)
Disability Living Allowance	£22.00 to £141.10
Housing Benefit	Up to £261 for a one bedroom property
Incapacity Benefit	£106.40
Income Support	£73.10
Jobseeker's Allowance	£73.10
Personal Independence Payment	£22.00 to £141.10
Statutory Sick Pay	£89.35
Statutory Maternity Pay	£140.98
Severe Disablement Allowance	£75.40
Universal Credit	£73.34

Benefits aimed at older adults	Typical weekly payment or equivalent[1]
Attendance Allowance	£55.65 or £83.10
Carer's Allowance	£62.70
New State Pension	£159.55
Pension Credit	£159.35
State Pension	£122.30
TV licences for over 75s	£2.83
Winter Fuel Payment	Up to £5.77

Administered by HM Revenue & Customs	Typical weekly payment or equivalent
Child Benefit	£20.70 for eldest child, £13.70 per additional child
Child Tax Credit	Up to £10.48 plus up to £53.46 per non-disabled child
Working Tax Credit	£37.69

1 Single people aged 25+.

Some people get more

Some claimants receive higher payments, for example due to their caring responsibilities, age, or health conditions.

Some people get less

The **benefit cap** is a limit on certain benefits for households. Expressed per week it is:

- £258 for a single adult outside Greater London.
- £296 for a single adult in Greater London.
- £385 for households with children outside Greater London.
- £442 for households with children in Greater London.

Sanctions reduce benefit payments for up to 156 weeks for some claimants of Universal Credit, Jobseeker's Allowance, Employment and Support Allowance and Income Support.

Certain claimants deemed to have **spare bedrooms** and certain claimants with more than **two children** receive lower payments.

Appendix Four – Staff and pay 2016

DWP has the largest workforce in the civil service, with the lowest average pay. In 2016-17 it employed 74,600 staff at a cost of £2.6 billion. More than 85% of staff do operational delivery, with the remainder in other roles such as policy. DWP was one of three departments to see its staff numbers fall by more than one-third between 2010 and 2016.

DWP, like the rest of the civil service, has skills gaps. The civil service has a shortage of the skills that it needs to deliver planned departmental transformation, major projects and preparations to exit the European Union. It is working to improve workforce planning and to build specialist capability through cross-government 'functions'. But this will take time to take effect.

DWP aims to create a smaller, better-trained workforce with more capability in commercial and digital skills. Capability is a challenge facing DWP, and we have commented on deficiencies in these areas in the past. For example, in 2015 we found that many of its commercial team lacked sufficient business knowledge.

DWP has around 11,000 frontline work coaches in jobcentres. They must balance the potentially conflicting roles of coach and monitor of conditions, and face claimants who are increasingly likely to be harder to help. DWP aims to recruit more frontline work coaches while streamlining and automating back-office processes.

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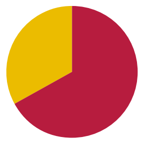
Workforce in Department for Work & Pensions 2017

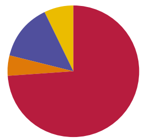
Civil service average

Gender



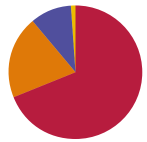
	DWP	Civil service average
Female	67%	54%
Male	33%	46%

Disability



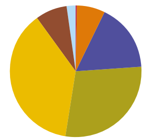
	DWP	Civil service average
Non-disabled	74%	61%
Not declared	5%	14%
Not reported	14%	18%
Disabled	7%	7%

Ethnicity



	DWP	Civil service average
White	69%	68%
Not declared	20%	13%
Ethnic minority	10%	9%
Not reported	1%	10%

Age



	DWP	Civil service average
16–19	0.4%	0.5%
20–29	7%	12%
30–39	17%	21%
40–49	29%	26%
50–59	38%	32%
60–64	8%	7%
65 and over	2%	2%

Number of staff (full-time equivalent)

	2012	2013	2014	2015	2016	2017
Staff numbers	88,626	92,530	83,942	78,743	74,662	74,549

Position on 31 March, core Department only

Pay multiples 2016-17

	Civil service	DWP
Ratio of median salary to highest paid employee's salary	11.3	8.8
Band of highest paid director's total remuneration (£)	285,000–290,000	195,000–200,000
Median salary (£)	25,350	22,420

Sources: Office for National Statistics, Civil Service Employment Survey

Appendix Four *continued* – Staff attitudes and engagement

The government has conducted its **Civil Service People Survey** annually for the past eight years. The result of the most recent survey was published in November 2016. The DWP response rate was 68%, compared with the civil service average of 65%.

DWP's **overall engagement** score has risen every year for five years, and is now slightly above the civil service average. The improvement in attitudes and engagement from 2015 to 2016 was a civil-service-wide trend. The **highest score** was on 'having a clear understanding of DWP's organisational objectives and purpose', and 'understanding how my work contributes to these'.

DWP staff's **lowest score**, in line with the rest of the civil service, was on pay and benefits (whether 'my pay adequately reflects my performance'; satisfaction with the total benefits package; and whether pay is reasonable compared to people doing a similar job in other organisations).

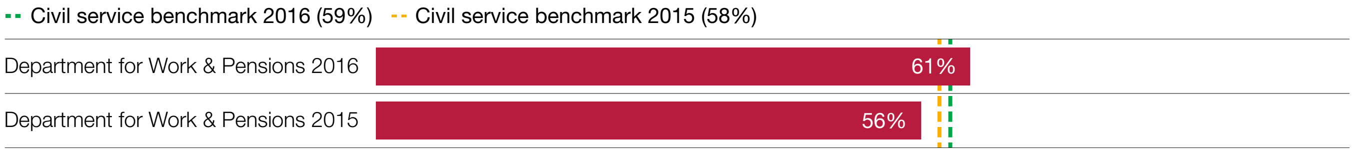
However, pay and benefits showed the **biggest improvement** between 2015 and 2016. In 2016 DWP introduced an agreement to increase pay for some lower-paid staff above 1% in exchange for being expected to be available for work between 8am and 8pm, and on Saturdays (the **Employee Deal**). Most staff (80%) had agreed to go onto these terms by July 2017.

Attitudes of staff in 2016 compared with 2015 – Department for Work & Pensions

Key
- Results in 2016
- Increase since 2015
- Decrease since 2015
- No change

	Results in 2016	Change since 2015	Civil service average
My work	74%	+2%	75%
Organisational objectives and purpose	87%	+1%	83%
My manager	75%	+2%	68%
My team	86%	+1%	80%
Learning and development	62%	+3%	50%
Inclusion and fair treatment	79%	+2%	76%
Resources and workload	75%	+1%	73%
Pay and benefits	40%	+11%	31%
Leadership and managing change	48%	+4%	43%

Engagement index 2016



Sources: Civil Service People Survey 2016 and 2015

Appendix Five – Sponsored public bodies

DWP sponsors 12 public bodies, which employ around 4,000 staff[1]

Name	Description	Type of body	Staff in 2016-17 (full-time equivalent)
The Health and Safety Executive	The regulator for work-related health and safety in Great Britain. It seeks to reduce work-related death and serious injury in workplaces through work including inspection, advice, awareness-raising and enforcement.	Executive	2,549
The Pensions Regulator	The UK regulator of work-based pension schemes. It gives guidance to trustees, employers, pension specialists and business advisers.	Executive	527
The Office for Nuclear Regulation	Responsible for regulation of nuclear safety and security in the UK.	Public corporation	564
BPDTS Ltd, Benefits and Pensions Digital and Technology Services	A new government-owned company designed to provide IT services to DWP.	Government-owned company	503
The Pension Protection Fund	In part a successor to the Financial Assistance Scheme, the Fund pays compensation to members of eligible defined benefit pension schemes that become insolvent when there are not enough assets in the scheme for compensation.	Public corporation	347
The National Employment Savings Trust (NEST) Corporation	Runs a not-for-profit defined contribution pension scheme obliged to accept any employer, to ensure that all employers have access to suitable, low-charge pension provision to meet their duty to enrol all eligible workers.	Executive and public corporation	243

1 Position as of June 2017. The total number of full-time equivalent staff in DWP's public bodies is higher than the number in the 'DWP group' because three bodies are outwith DWP's accounting boundary: the Pension Protection Fund, the National Employment Savings Trust and the Office for Nuclear Regulation. In addition, DWP's Remploy Pension Scheme Trustee is a corporate trustee who oversees the pension scheme for approximately 18,000 former employees of Remploy. In 2016-17, DWP also co-sponsored the Social Mobility Commission with the Department for Education, which from 2017-18 is now sponsored by the Department for Education alone.

Appendix Five – Sponsored public bodies *continued*

Name	Description	Type of body	Staff in 2016-17 (full-time equivalent)
The Pensions Advisory Service	Gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangement.	Executive	84
The Pensions Ombudsman and the Pension Protection Fund Ombudsman	Investigates complaints about personal and occupational pensions. It has legal powers to settle complaints and disputes.	Tribunal	54
The Social Security Advisory Committee	Provides impartial advice on social security and related matters. It scrutinises most of the complex secondary legislation that underpins the social security system.	Advisory	5
The Industrial Injuries Advisory Council	An independent scientific advisory body that looks at industrial injuries benefit and how it is administered.	Advisory	4
The Disabled People's Employment Corporation	Manages Remploy's residual assets and liabilities, and will be liquidated in 2017-18.	Executive	<1