

SOCIAL POLICY FOCUS

NAO BRIEFING: WELFARE, WORK AND EDUCATION



Welcome to the latest edition of Social Policy Focus, a regular bulletin of recent National Audit Office work in the Welfare, Work and Education fields.

This edition again highlights the wide range of our work in the education and social policy fields. We have examined issues affecting, among others, pensioners, children, employers and people with disabilities. We have looked at how successfully government is operating a major network of contact centres as well as delivering programmes for improving skills and helping people into work. We have considered how government is tackling two major concerns – the complexity of the benefits system and how to improve poorly performing schools. And our work looks beyond the UK to consider how performance at home in education and in tackling fraud and error in social security benefits compares with that in other countries.

All the published reports in this briefing are available to download from our website at www.nao.org.uk/publications/index.htm and if you would like to know more about our work we would be very happy to hear from you – contact Jeremy Lonsdale on welfare and work (020 7798 7412) and Angela Hands on education issues (020 7798 7851).



National Audit Office



Improving skills through technology

Extending access to learning through technology: Ufi and the learndirect service

The Department for Education and Skills established Ufi in 1998 to deliver learning in new ways and help address the skills gap in the workforce. It has grown from an idea to an organisation providing 500,000 learners a year with the opportunity to improve their skills at either one of 2,400 learndirect centres, or work or from their home computer. It has established a national advice line and website that provide around six million advice sessions a year on careers and learning opportunities. In addition, Ufi has since 2003 been responsible for co-ordinating the network of 6,000 UK online centres across England. Since 1998 to the end of July 2005, Ufi and the learndirect service have received £930 million of education funding.

Overall we found that Ufi has done a good job establishing the learndirect service in a relatively short period and has pushed the boundaries of learning methods. We looked at the operation of Ufi and the learndirect service and, building upon the success already achieved, identified five areas where performance should be improved:

- reducing costs;
- maximising the benefits of the infrastructure and tools it has created;
- making sure that services are sustainable;
- expanding work with employers; and
- improving consistency of learner assessment and persuading more learners to continue learning.

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Recommendations included:

- Ufi should take action to reduce the costs of its four-tier delivery chain. By identifying and removing both duplication and unproductive administration in the chain, Ufi may be able to remove one or more of the intermediate tiers – the regional offices or learndirect hubs, or slim each of the tiers substantially.
- Ufi should examine how it can support rural centres and those dealing with disadvantaged learners if they become unsustainable under the current funding arrangements.
- Ufi's increasingly high quality learning materials have the potential to be used more widely across the education sector. The Department for Education and Skills should help potential users to explore and disseminate ways of using materials effectively in their different educational contexts.
- Ufi should raise awareness of learndirect services for businesses and extend services to more small and medium-sized enterprises.
- Ufi should require learndirect providers to continue to improve their quality and consistency of assessment of learners' needs and work closely with learners to help them move on to appropriate learning.

What employers want from skills training

Employers' perspectives on improving skills for employment

A more skilled workforce is vital for national productivity and the delivery of public services. Better skills are also important for the country to maintain its position in an increasingly competitive global economy. Despite expenditure by employers in both public and private sectors estimated at £23.7 billion on education and training, including around £7 billion through the Learning and Skills Council, six per cent of employers have skill shortage vacancies and 20 per cent have skills gaps, costing around £165,000 a year in a typical business with 50 employees. Recent research estimates that, on average, an eight per cent increase in the proportion of trained workers can lead to a 0.6 per cent increase in UK productivity, as measured by the value added per hour worked.

Our report found that employers generally acknowledge the economic benefits from training and skills development at higher levels and expect to bear at least a proportion of the costs. However, doubts that some employers have about the value of skills training, particularly at lower skill levels, must be addressed by more streamlined communication with employers, by developing flexible and affordable training genuinely targeted on business needs, through incentives to employers, and effective channels through which employers can influence skills training.

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Our report made the following recommendations:

- The Learning and Skills Council, in collaboration with other organisations, should address the large number of organisations, bodies, and information sources on skills development by co-ordinating coherent information and advice for employers on improving skills.
- Training providers and people acting as brokers between providers and employers should meet business needs by focusing on innovative and affordable training, and providing the training at a time and place that is convenient to employers and employees.
- In addition to reflecting national priorities, public funding should be tailored to encourage more training to meet skills shortages and regional priorities.
- The Sector Skills Councils are well placed to take a lead on the matters considered in our report, but the different councils are at different stages of development and are operating in a complex environment. They need sufficient time and capacity to develop as genuinely employer-led bodies providing sector expertise in developing skills training and formal qualifications.
- The Department and the Learning and Skills Council should minimise the risk of public subsidy displacing employers' own investment in training by seeking to maximise value for money from the National Employer Training Programme by using public sector funds to leverage funding by employers of skills training that will benefit their businesses.

A good school for every pupil

Department for Education and Skills: Improving poorly performing schools in England

All children and young people deserve a good education that helps them to develop their skills, knowledge and personal qualities. Most schools in England do provide a good standard of education, but there are still too many poorly performing schools. A poor education affects young people's prospects of further or higher education and of employment, and can have a wider adverse impact on local communities.

The Department for Education and Skills and Ofsted use several definitions to identify schools that are performing poorly and need additional support. National initiatives and local action are helping to reduce the number of these schools. However, more can be done to prevent poor performance in the first place, to speed up the improvement of poorly performing schools, and to support improved schools in sustaining their achievements. More frequent Ofsted inspections, introduced in September 2005, could help by spotting signs of trouble earlier.

The government spent around £840 million in England in 2004-05 to help prevent poor performance and to turn around schools, excluding the costs of academies. These initiatives are having an effect, for example with reducing numbers of schools missing targets for minimum pupil achievement.

Support and challenge from governing bodies and strong leadership from headteachers are essential elements of school recovery and in maintaining high achievement into the future. Schools benefit from support from a number of sources including other schools, the community and local authorities in order to sustain improvement.

We sent a practical guide for governors to all chairs of governors. An online printable copy can be found at http://www.nao.org.uk/publications/nao_reports/05-06/0506679_governors_leaflet_printer.pdf. To order extra copies please contact *Sian Jones* on 020 7798 5469 or e-mail sian.jones@nao.gsi.gov.uk



Key recommendations are:

- The Department and local authorities need to combine their efforts to identify schools at risk and intervene before they fail.
- To recover quickly, poorly performing schools need to give priority to improving school leadership and establishing a positive culture centred on teaching and learning.
- Poorly performing schools need an assessment of their potential to improve and a plan that minimises the number of 'pupil years' lost to a poor education.
- Ofsted should introduce a risk-based approach to selecting schools for inspection and for following up the progress of schools in Special Measures or with a Notice to Improve.
- More needs to be done to identify and tackle the barriers that discourage potentially suitable candidates from becoming headteachers.

Working when disabled

Gaining and retaining a job: the Department for Work and Pensions' support for disabled people

There are almost 10 million disabled people in Great Britain – around one in six of the population. In 2004, of the 6.7 million disabled people of working age, 50 per cent were in employment compared to 75 per cent of the working age population as a whole. The government has committed to increasing the employment rate of disabled people and reducing the difference between their employment rate and the overall rate.

The Department for Work and Pensions spends around £300 million on a broad portfolio of programmes and schemes to help more than 125,000 disabled people find and retain work. These are managed by Jobcentre Plus and contracted out to approximately 500 providers in the public, private and voluntary sectors. We looked at the key programmes, their costs, outcomes and the way in which they are managed. We concluded that all programmes were broadly valued by participants. Some programmes, such as Access to Work and Remploy Interwork, were cost effective and well managed while others, such as Workstep and Remploy could benefit from rationalisation, better management information and improved productivity.

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Our recommendations:

- The Department should rationalise its suite of individual programmes to provide a more flexible modular approach that can be more easily tailored to individual needs.
- The Department needs to improve the quality of its management systems for programmes and schemes.
- The Department should focus more resources on helping people stay in work and build upon the findings from current pilots.
- The Department should re-engineer the profile of Remploy businesses to improve overall value for money and ensure support is in place to help those individuals affected find alternative employment if necessary.
- The Department should achieve enhanced efficiency through better contracting, using the quality and price of the services it purchases through proper benchmarking, open competition and appropriate use of its power as a bulk purchaser.



Informing the public

Department for Work and Pensions: Using leaflets to communicate with the public about services and entitlements

The need to convey information in accessible formats is a challenge for the Department. It needs to provide information that is complete and accurate, but must also make the information concise and comprehensible to people with widely differing reading abilities. Despite the increased use of new technology, leaflets remain essential for many customers. The Department published around 245 separate leaflets in 2005-06 and printed over 24 million copies in total. The total costs associated with the preparation, revision, storage and circulation of leaflets are not known by the Department. The risks of inaccurate or out of date information being available in these leaflets are considerable for both the Department and individuals. The laws and regulations governing, for example, work programmes change frequently, meaning that leaflets must be updated regularly. Keeping leaflets up-to-date remains a constant challenge.

Our report looked at how effectively the Department manages the risk of providing inaccurate information in its leaflets, in particular the accuracy of leaflets; accessibility of information; and the availability of leaflets. Responsibility for leaflets is dispersed, with no ownership of the overall end to end process. We examined the costs of leaflets and estimated, for the first time, that leaflets cost the Department around £31 million a year. Despite this expense, the Department cannot be sure that the information in them is correct and we found that information in leaflets is not always accessible to the people it is intended for. Copies of leaflets were not widely available at the Departmental and external sites we visited. Only 50 per cent of the Department's offices were able to provide the leaflets required.

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Recommendations include that the Department should:

- review the need for each of the current leaflets and significantly reduce the number published.
- establish a central database of all its leaflets to help improve the management of information products, moving away from a system where each product is managed to one where individual pieces of information can be identified and updated in all the products it appears in.
- agree a set of key design standards and monitor compliance of these standards through a central team with a senior manager able to challenge decisions and resolve disputes.
- agree what material should be available locally with clear guidelines for local offices on what leaflets should be stocked as a minimum, including information for all customer groups rather than the group the local office is primarily aimed at.
- rationalise supply and distribution arrangements so that the Department can make efficiency savings and end duplicate arrangements.

Delivering a better service

Delivering effective services through contact centres

The Department for Work and Pensions delivers benefits, pensions and employment services to its 28 million customers. The Department's key delivery agencies increasingly use their 62 contact centres to deal with their customers, usually by telephone. They answer more than 33 million incoming calls, make seven million outgoing calls, as well as handling at least 300,000 e-mails, 300,000 faxes and four million incoming letters and application forms.

We examined the cost-effectiveness, accessibility and quality of service of the contact centres operated by Jobcentre Plus, The Pension Service and the Disability and Carers Service. We found that customers have a high level of satisfaction with contact centre staff, for instance 97 per cent of customers said they were dealt with politely. However, not all customers attempting to call the Department's contact centres are successful in getting through to speak to a member of staff. In 2004-05, only 56 per cent of calls were answered, which left 21 million calls unanswered. The call answering rate has improved to 84 per cent in 2005-06 but there is still scope for improvement and recent improvements must be sustained in the longer term.

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Our recommendations include:

- **There are more than 55 numbers to call for different purposes, which can be confusing for customers.** The Department should press ahead with plans to rationalise and reduce the number of telephone numbers by 2007.
- **The Department has gaps in its management information that limit its ability to forecast customer demand for its contact centres.** The Department should keep more complete call records, improve its forecasts and ensure that workforce management tools are deployed in all agencies.
- **Many contact centre agents have been redeployed from elsewhere in the Department on flexi-time contracts that do not match contact centre hours.** The Department should improve efficiency and answer more calls more quickly by ensuring that staff's core hours are matched with customer demand patterns.
- **The Department's quality measures are too focused on operational metrics, but a wider definition of quality is needed.** The Department should develop a tool for performance measurement that focuses on customer experience at the centre and is used by contact centre managers to constantly identify service improvements.



Benefits can be less complex

Dealing with the complexity of the benefits system

The complexity of the benefit system is widely recognised as a key factor in the performance of the Department for Work and Pensions. It affects the ability of staff to administer benefits efficiently, as well as the ability of customers to easily understand what is expected of them. The Committee of Public Accounts has repeatedly recommended simplification to help reduce levels of error by staff and customers and combat fraud against the benefit system. Complexity is also a factor deterring the take-up of benefits by groups such as pensioners, and for decision-making errors, which result in 250,000 appeals a year.

An appropriate degree of complexity exists where there is a balance between the system being complex enough to meet the needs of a wide range of different individuals in various circumstances, yet straightforward enough to run efficiently. The Department has taken opportunities to simplify benefits, both when new ones such as Pension Credit are introduced and in making incremental simplifying changes, for example, to Housing Benefit. Initiatives to standardise and streamline processes and improve delivery offer opportunities to remove complexity from dealings with customers.

However, we consider the appropriate balance has not yet been reached. This is indicated by:

- the additional work required to detect and address fraud and error – which stood at £2.6 billion in 2004-05 – and to measure progress in reducing it;
- the re-work required to recover overpayments, deal with customer contacts generated by delays and misunderstandings, and manage the appeals process;
- the degree of customer support required, illustrated for example by the numbers of people seeking assistance on benefit issues from advisory bodies; and
- the adverse effects of complexity on some key policy objectives such as tackling poverty.

Dealing with the problems associated with complexity is a long-term project which will require a systematic and strategic approach focusing on the system as a whole. Our report encourages the Department to develop a strategy to tackle the problem in the short and long term taking account of the following principles below.

In response to our report, the Department announced the creation of a Benefit Simplification Unit and has since produced a guide to simplification. Recommendations to ministers for benefit changes are required to follow this guide.

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Key principles

- 1 Designing new benefits to deliberately reduce complexity
- 2 Systematically removing anomalies and realigning provisions
- 3 Simplifying customer input
- 4 Simplifying processes and rationalising requirements
- 5 Sharing information and avoiding duplication of effort
- 6 Using technology to protect customers from complexity
- 7 Making the most of external scrutiny mechanisms such as the Social Security Advisory Committee, the Department's Audit Committees and Regulatory Impact Assessments



Helping pensioners

Progress in tackling pensioner poverty: Encouraging take-up of entitlements

This report examines the progress made by the Department for Work and Pensions in encouraging pensioners to take up welfare benefits, since our previous report to Parliament in 2002. We also assess whether the Department has the right strategy to tackle the remaining challenges and secure high take-up in the future. Since our previous report there have been important changes to the delivery of benefits for pensioners, including the setting up of The Pension Service, implementing Pension Credit and introducing Joint Teams to encourage partnership working at a local level. Our overall conclusion is that The Pension Service has made real and substantial progress in helping pensioners to secure their entitlements using new and well thought through approaches, but will need to build on this work to improve take-up still further.

Key recommendations are:

- Targets set for The Pension Service by the Department should reflect the need to promote work to tackle pensioner poverty more widely than simply encouraging take-up of Pension Credit.
- The Department should improve further the data on who is not claiming, especially on Housing Benefit, Council Tax Benefit, and Attendance Allowance.
- Targeting of local work should be improved by bringing together data sources and encouraging local autonomy.
- The Department should develop its monitoring of cost-effectiveness to inform future strategy and the targeting of local resources.
- A clear policy is needed on The Pension Service's wider role as a gateway to other services.

2.7 million pensioner households now receive Pension Credit, one million more than received its predecessor the Minimum Income Guarantee but the target to pay Pension Credit to three million households in 2006 will not be met. In 2004-05, pensioners did not claim between £1.46 and £2.07 billion in Pension Credit. Our statistical modelling suggests that take-up of Pension Credit is lower in less deprived areas, rural areas, areas with large minority ethnic populations and areas with older pensioners.

The Pension Credit PSA target has been successful in concentrating efforts on maximising take-up, but the benefit is only one of a number available to low income pensioners, some of which can have just as important an impact. For example, we estimate that increasing take-up of Pension Credit by ten per cent would lift an extra 94,000 – 107,000 pensioners out of poverty, while a similar increase in take-up of Housing and Council Tax benefits would move 130,000 out of poverty.

Our report highlights the need to develop local work to reach those who are not claiming benefits to which they are entitled, and proposes the creation of a wider target to tackle pensioner poverty.

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Improving child support

Child Support Agency – Implementation of the Child Support Reforms

The system of child support was last reformed when the Child Support, Pensions and Social Security Act 2000 introduced a new Child Support scheme which came into force from March 2003. The main features of the Reforms were the introduction of new rules for child support and a simplified calculation for maintenance, supported by a new IT system and a substantial business restructuring.

The problems with the Agency are well publicised. Our report is intended to be constructive by not only providing an objective assessment of why problems arose, but by highlighting key lessons that the Department can take forward as it implements its Operational Improvement Plan and any proposals for redesigning Child Support currently being developed by Sir David Henshaw. The report provides an independent assessment of why the problems arose; the impact on the quality of service provided to customers; and the action taken by the Child Support Agency in response to the problems and the lessons learnt.

We found that where it works well the Agency manages to secure regular contributions from non-resident parents, estimated to be in excess of £5 billion since the Agency was formed in 1993. Problems with the new IT system and organisational difficulties, however, have meant that the Reforms have not been implemented effectively and the Agency continues to underperform significantly, with large numbers of customers not yet benefiting from the new arrangements. The Reforms have so far cost £540 million for a scheme that has performed no better than its

predecessor, rising to around £770 million by 2010 when the contract with its IT provider, Electronic Data Systems, ends. Including the costs of the Reforms, it cost the Agency 70 pence to collect each £1 of maintenance in 2004-05.

The impact on customers has been significant. Some 333,000 cases are waiting to be processed by the Agency and one in four applications received since March 2003 are still waiting to be cleared. An estimated 36,000 cases have become stuck in the system due to IT failures, requiring 700 Agency staff to progress these cases manually. At present there is an estimated £3.5 billion of outstanding maintenance to be collected and one in three non-resident parents when asked to pay fail to do so.

It is now clear that the reform programme was over-ambitious and introducing such a complex IT system was at the upper end of what was achievable. To develop a new IT system at the same time as making fundamental changes to the Agency's business structure added to the risks of the project, particularly given that the Agency was already underachieving and overstretched when the reforms were announced in 1999.

A Child Support Agency operational improvement plan, involving new investment of up to £120 million, was launched in February 2006 which appears to address the barriers preventing the Agency from performing effectively.

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Taking this plan forward we recommended that the Agency must ensure that:

- complete, accurate and timely management information is available to enable management at all levels to monitor performance and identify quickly where problems arise;
- it stabilises the IT system so that stuck cases can be progressed and new applications do not encounter problems;
- an Agency wide strategy is developed to re-establish confidence in the child support arrangements; and
- it maintains a robust approach to governance and risk management that has developed during implementation of the Reforms.



Comparing education internationally

A compendium of published information on education provision and achievement in 10 countries

For members of the Committee of Public Accounts, and others with an interest in the education sector, this report sets the context of the education sector and illustrates how it compares internationally.

Caution is required when comparing education data from different countries because of limitations on data availability and comparability, and the impact of social systems beyond education on the measured educational indicators. Nevertheless, the information in this report provides valuable insights into the United Kingdom's position and trends in education relative to nine other countries (Australia, Canada, France, Germany, Italy, Japan, New Zealand, Sweden and the United States). The report covers: education systems and the learning environment (including financial resources invested in education), access to education, and educational achievements and impacts.

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Leading the way in combating benefit fraud and error

International benchmark of fraud and error in social security systems

The high levels of estimated fraud and error in expenditure on benefits – £2.6 billion in 2004-05 – have led to the Comptroller and Auditor General qualifying the Department for Work and Pensions' accounts, and those of the former Department of Social Security, for 16 years. But the problems are mirrored overseas, in countries such as USA, Ireland, Canada and New Zealand.

This report, based on research carried out by RAND Europe across eight countries, found that fraud and error overpayments are a major problem for many countries, but the UK has a better understanding than other nations of the problems and is doing more to tackle them. The Department is ahead of agencies in other countries when it comes to addressing fraud and is doing more to monitor and prevent customer and official error.

The Department has invested in professional training for fraud investigators; introduced a national anti-benefit fraud advertising campaign; increased the capacity of the National Benefit Fraud Hotline to receive information from the public about fraud; is working with other government departments to match information and data; and has produced a risk profile to help identify claims which are more likely to be fraudulent.

Although it is making progress in reducing fraud and error, the Department stands to gain from learning more about novel approaches developed by other administrations. Given the progress in understanding, controlling and reducing fraud and error, the Department is well placed to take the lead in encouraging the sharing of lessons learnt in different countries.

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Current work

We are continuing to look at other important areas and expect to publish reports on the following subject in the next 12 months.

Jobcentre Plus: Delivering effective services through Personal Advisers

Jobcentre Plus employs over 9,000 Personal Advisers who provide guidance and advice to help people find work. They are central to the government's efforts to increase levels of employment and reduce the number in receipt of benefits. As welfare reform progresses, it will be increasingly important to get the best out of this valuable resource. Our study looks at barriers to Personal Adviser productivity and identifies ways in which advisers could be used more effectively. A report is planned to be published in autumn 2006.

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Sure Start Children's Centres

A key government aim has been to improve outcomes for children and families in deprived areas. The Sure Start initiative was designed to achieve this. There are currently around 800 Sure Start Children's Centres in deprived areas, planned to rise to 3,500 throughout England by 2010. We are examining the challenges that local authorities, centre managers and staff have faced in setting up the new centres. In particular, we are focusing on whether centres are delivering their intended outcomes, reaching the most disadvantaged children and families, and optimising their costs. A report is planned to be published before the end of 2006.

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Improving procurement in further education colleges in England

There are nearly 400 further education colleges in England, with a total procurement spend of £1.6 billion. Colleges vary widely in type, size and location, and many may be too small to support a dedicated procurement function. They may find it difficult to access expertise and information to help them. The Department for Education and Skills and the Learning and Skills Council are seeking efficiency savings of £75 million from procurement in further education by 2008.

The study is examining how procurement by further education colleges can be made more efficient, cost-effective and sustainable. It will complement the work

being done by the Department and the Council to support colleges in improving procurement. The information collected during the study will be developed into a resource which can be shared across the sector. A report is planned to be published in autumn 2006.

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Department for Education and Skills: The Academies Programme

The Academies Programme is a major element of the Department of Education and Skills' strategy for improving poorly performing schools and schools in challenging circumstances. The Department launched the Academies Programme in March 2000. The first three academies opened in 2002. As at September 2006, there were 46 open academies.

Academies are publicly funded schools, located in disadvantaged areas, that operate outside the control of local authorities and are set up as companies limited by guarantee with charitable status. Each academy has a sponsor who can be an individual or an organisation from business, faith or voluntary groups, who work in partnership with central government, local authorities and schools. In return for an investment of around £2 million towards capital costs, the sponsor is able to input into the school curriculum, ethos, specialism and building, and appoints governors to the academy's governing body. The Department meets the rest of the capital and running costs.

The study is examining whether the Academies Programme is cost-effective, and covers the following key issues:

- Is the Academies Programme meeting its objectives in tackling low attainment in deprived areas?
- Are the set up and running costs of academies comparable with schools in similar circumstances?
- Are the lessons from the Academies Programme and individual academies being identified and widely applied?

A report is planned to be published in early 2007.

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