



National Audit Office

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

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 1178-I Session 2005-2006 | 21 July 2006

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National Audit Office

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

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Comptroller and Auditor General
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18 July 2006

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EXECUTIVE SUMMARY

In 2002 our report *Tackling pensioner poverty: Encouraging take-up of entitlements* examined efforts by the Department for Work and Pensions to increase pensioners' take-up of benefits. Since this report, the Government has made important changes to the benefits to pensioners and their delivery through The Pension Service, created in 2002 as an executive agency of the Department for Work and Pensions (the Department). These changes include introducing Pension Credit to replace the Minimum Income Guarantee as the main income-related benefit for those of pension age, and supplementing the State Pension which is the most important pensioner entitlement in financial terms and has very high take-up. Following our report, the Committee of Public Accounts made a number of recommendations.¹ This report assesses the progress the Department has made against those recommendations, and what challenges remain. Our accompanying Technical Report documents our methodology and findings in greater detail.² Our overall conclusion is that since our 2002 report The Pension Service has made real and substantial progress in helping pensioners to secure their entitlements using new and well thought through approaches, but at the same time there remains more to be done.

BOX 1

People of pensionable age – key facts

- One in six people in the United Kingdom is aged 65 or over and this proportion is set to increase.
- The average age of pensioners is going up.
- The current generation of older people is the most affluent ever.
- State benefits account for a large proportion of most pensioners' income.
- In the last decade the proportion of pensioners living in relative poverty¹ has fallen from 27 per cent to 17 per cent, which was an estimated 1.8 million pensioners in 2004-05.

NOTES

1 DWP (2006) *Households Below Average Income, 2004-05*. Based on 60 per cent median equivalised income, after housing costs. This is a standard measure used, for example by the Social Exclusion Unit and the OECD, and others. This is the measure used throughout the report when we refer to relative poverty.

Has the Department implemented the Public Accounts Committee's recommendations?

On setting targets?	Yes – for take-up of Pension Credit but not at a local level and not for other benefits (see Part 2 of this report)
On communicating effectively with pensioners?	Yes – but more still needs to be done for harder-to-influence pensioners (Part 3)
On working in partnership?	Yes – but there is limited evidence of cost-effectiveness (Part 4)
On simplification and reducing duplication?	Yes – but more needs to be done (Part 5)

What has been achieved?

- 2.7 million pensioner households now receive Pension Credit, one million more than received its predecessor the Minimum Income Guarantee. This is about 61 to 69 per cent of the eligible population (3.7 million to 4.2 million pensioner households).³
- The Pension Service has met its target to pay the Guarantee element of Pension Credit – which helps the poorest pensioners – to 2.1 million households (about 70 to 81 per cent of those eligible).
- The Pension Service created a new board-level post to drive increased take-up of entitlements and is taking a joined-up approach looking at a range of benefits and services for pensioners.
- The Pension Service Local Service delivers a high-quality face-to-face service for pensioners who need it.
- Progress has been made on simplifying the processing of benefits.

What challenges remain?

- The 2006 PSA target to pay Pension Credit to three million households will not be met.
- There has been a fall in take-up of Housing Benefit and Council Tax Benefit.

1 House of Commons Committee of Public Accounts (2003), *Tackling Pensioner Poverty: Encouraging take-up of entitlements*, Twelfth report of Session 2002-03, HC 565. We quote conclusions from this report at the start of Parts 2 to 5 of our report.

2 *Progress in tackling pensioner poverty – Technical Report* HC 1178-II, 2006-07.

3 Take-up rates refer to 2004-05, the latest year for which data is available. Claimant numbers relate to February 2006 – early estimate.

- Some groups of pensioners – such as those in less deprived areas, rural areas, areas with large minority ethnic populations, and areas with older pensioners – are less likely to claim (see Figure 1 on page 6).

But, the latest take-up figures are at least one year old and do not reflect some of the recent good work by The Pension Service.

What works?

- The Pension Credit marketing strategy works well for most customers.
- The Pension Service Local Service provides a high quality customer service and targets harder-to-influence pensioners.
- The Local Service looks at all benefits for pensioners, not just Pension Credit.
- The Pension Service is successfully working in partnership with local government and voluntary sector organisations.

Has the Department got the right strategy?

Yes, particularly if...

- take-up continues to be encouraged across all pensioner benefits.
- there is more local work to target disadvantaged groups which are not always identified by scans of national data.
- there is better monitoring and measurement of activity impact.
- more automatic administrative processes are introduced as soon as practicable.

What more needs to be done?

- 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.

See page 7 for detailed recommendations.

Value for money assessment

The Pension Service has made good progress in tackling pensioner poverty since our last report, in particular:

Effectiveness

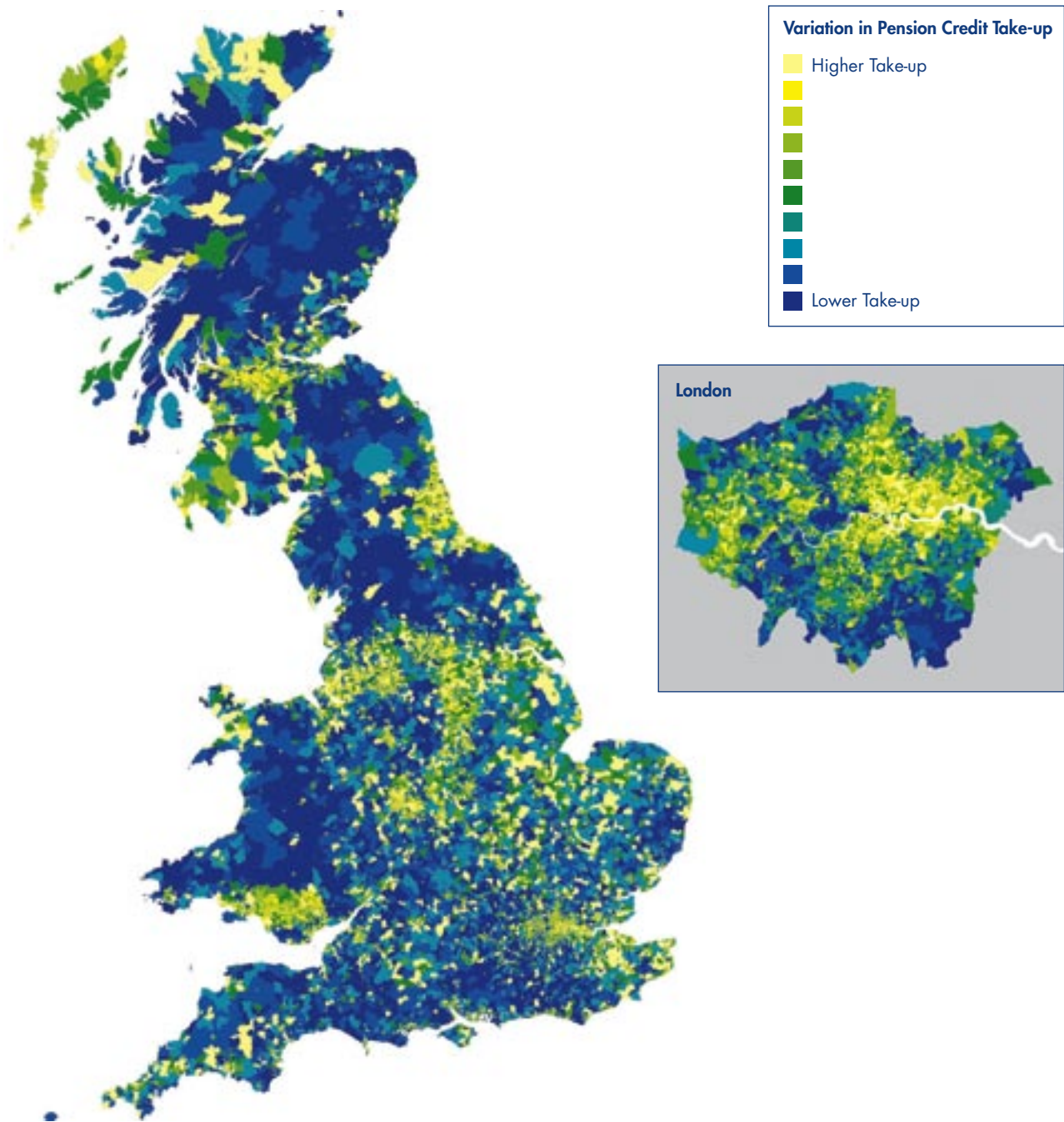
- The Pension Service Local Service delivers a high-quality service to pensioners which generates £1.9 billion in additional benefits for pensioners each year.
- The Pension Service has made good efforts to streamline and simplify benefit applications.
- The Pension Service has made good progress in working with partners.

Efficiency and Economy

- The Pension Credit advertising campaign was twice as cost-effective in increasing benefit take-up as the campaign for its predecessor the Minimum Income Guarantee: for every £1 spent on advertising, £55 was paid out in additional benefits for pensioners.
- Local Service activity is of necessity face-to-face and therefore resource-intensive, generating £7 in extra benefit for pensioners visited per pound spent. However, many of those helped by the Local Service are from the most vulnerable groups and would lose entitlements without its help.
- The Pension Service is making good use of data to target activity.

Challenges remain, as some pensioners are still not claiming benefits to which they are entitled, although in part this is because some pensioners are making a conscious choice not to do so. The latest data does not yet reflect the progress made by the Department, but overall our assessment is: **The Pension Service has a good strategy in place to increase take-up by pensioners and tackle pensioner poverty. This should deliver increasing value for money in the future.**

1 Some areas have lower take-up of Pension Credit



Source: National Audit Office analysis (Technical Report, Chapter 2)

NOTES

- 1 This figure represents variation in take-up of Pension Credit. For example areas shaded dark blue have, according to our model, lower levels of Pension Credit take-up than those areas shaded yellow.
- 2 The ten different colours on the map represent levels of take-up according to our model. We have not provided detailed figures because although our model can estimate which areas have higher or lower take-up it cannot produce reliable take-up rates that could be compared with published statistics.
- 3 Our statistical modelling suggests that, controlling for other factors, take-up of Pension Credit is lower in less deprived areas, rural areas, areas with large minority ethnic populations, and areas with older pensioners. See Chapter 2 of our Technical Report.

RECOMMENDATIONS

Although The Pension Service has succeeded in increasing Pension Credit claimants to 2.7 million households, it will need to take a different approach to reach people who have still not claimed their entitlements. Progress has been made by local service activity, but given that face-to-face activity is resource-intensive, achieving full take-up this way would be very expensive. In the long term, more joined-up processes using a common IT system could allow claims to be generated automatically and help reduce non-take-up. But until this is possible, The Pension Service's strategy of broadening its approach is right. We recommend that it should apply the lessons from Pension Credit to other benefit entitlements. In particular:

1 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 has a Public Service Agreement target to pay Pension Credit to three million households by February 2006, rising to 3.2 million by 2008. The existence of a target has been successful in concentrating The Pension Service's efforts on maximising take-up of this new benefit. But Pension Credit is only one of a range of benefits and services for which low-income pensioners may be eligible, and raising take-up across these will have a greater impact on reducing poverty. Setting a series of national targets for different services would be unwieldy and potentially lead to misdirected effort. A more effective performance measure would capture all relevant activity, including measures to increase saving for retirement, in line with wider government objectives. There is no widely agreed definition of pensioner poverty, but the Department is commissioning research into suitable measures. Development of a broader target would need to draw on this research for appropriate definitions and methodologies, and on the experience of delivery organisations to ensure practicability and that indicators are measurable (paragraphs 1.6, 2.3, 2.8).

2 The Department should improve further the data on who is not claiming, especially on Housing Benefit, Council Tax Benefit and Attendance Allowance.

The Department has used data on benefits, occupational pensions and private savings to identify pensioner households potentially eligible for Pension Credit, and sent the details to Pension Centres and the Local Service so that they can follow this up with targeted calls and visits. The Pension Service has also used its records to identify and contact Pension Credit recipients who ought to be receiving Housing Benefit and Council Tax Benefit. It should build on this by using the techniques successfully used for Pension Credit to identify potential recipients of the other income-related benefits, especially in view of the apparent fall in take-up of these benefits. For disability-related benefits, the Department needs to develop a better understanding of the factors relating to successful claims and progress its feasibility work on the scope for estimating take-up rates for Attendance Allowance (paragraphs 2.2, 2.14, 3.2, 3.7).

3 Targeting of local work should be improved by bringing together data sources and encouraging local autonomy.

Our analysis of data to estimate local variations in take-up indicates that there are areas of relatively lower take-up even of Pension Credit, where The Pension Service efforts have been concentrated, and these are likely to be replicated for other benefits. These gaps may represent people unwilling to apply, newly eligible pensioners unaware of entitlements, or people whom nationally driven activity has not reached. Working out which groups are affected and how to reach them can only be done with the assistance of local knowledge. At the same time, our survey has identified relatively little locally-directed work to target groups who are not claiming entitlements, and Local Service managers have little autonomy. The Pension Service should strengthen the role of the Partnership Liaison Manager to allow greater flexibility in Local Service activities, and all agencies responsible for delivering pensioner services need to work together to become more responsive to local needs. The Pension Service has reiterated its commitment to rolling out partnerships with local authorities in joint teams (paragraphs 2.9, 3.7, 3.13, 4.3).

RECOMMENDATIONS *continued*

4 The Department should develop its monitoring of cost-effectiveness to inform future strategy and the targeting of local resources.

Our fieldwork and literature review (Technical Report, **Chapter 6**) identified a lack of systematic evaluation of take-up work, particularly its cost-effectiveness, and limited understanding of the reasons for variations in take-up. We could not carry out our own evaluation because sufficient data on the costs of activities had not been collected locally. Furthermore, we could not make comparisons between different approaches because the Local Service offices take a standard approach across the country, and because there was no data on the baseline level of take-up (for instance, if an area did not make big improvements, it could be because take-up there was already high). More differentiated locally targeted activity, as recommended above, must be supported by monitoring and evaluation, to improve understanding of what works and to identify when to curtail activities that are no longer productive (paragraphs 3.13, 4.4, 4.13).

5 A clear policy is needed on The Pension Service's wider role as a gateway to other services.

The Pension Service aims to work with partners to provide a gateway to a network of entitlements and services for older people, available in future through a single point of contact. At present, it is not clear to what extent staff should point customers towards wider services, and Pension Centre staff do not always feel they have the capacity to do so. The Department should clarify what role it expects the elements of The Pension Service to play in providing links with other services, and train staff accordingly (paragraphs 3.7, 5.2-3, 5.9-10).



PART ONE

The Department for Work and Pensions has a key role in tackling pensioner poverty

Pensioner poverty has fallen over the last decade but there is still some way to go

1.1 The United Kingdom's population is ageing. One in six people in the UK is aged 65 or over and this proportion is set to increase.

- On average, those of pensionable age are getting older: the proportion aged 85 or over rose from seven per cent in 1971 to 12 per cent in 2004.
- Pensioners have become better off over the past decade. Between 1994-95 to 2004-05 (the latest year for which data is available), their average net income grew by 31 per cent in real terms, compared with real average earnings growth of 16 per cent across the economy as a whole.
- State benefits still make up a large portion of pensioners' income. The State Pension is the most important pensioner entitlement with expenditure of nearly £50 billion a year, and is taken up by 11.5 million pensioners. 34 per cent of pensioner households receive income-related benefits and 23 per cent get disability benefits. Part of the rise in pensioner incomes is the result of rising benefit income.⁴

1.2 Between 1994-95 and 2004-05 the proportion of pensioners living in relative poverty fell from 27 per cent to 17 per cent, which was an estimated 1.8 million pensioners

in 2004-05. This indicates that the Department has made good progress but there remain a significant number of pensioners in low income households – the measure of relative poverty we use in this report⁵ (see **Figure 2 overleaf**).

1.3 There is a growing recognition among researchers that poverty and disadvantage are not only about low income. A recent report by the Government's Social Exclusion Unit⁶ highlighted aspects of disadvantage that can be just as important for older people as the amount of money they have (see **Box 2**).

BOX 2

Pensioner poverty is about more than money, pensioners can be excluded from:

social relationships	contact with friends and family
cultural activities	such as going out to the cinema or theatre
civic participation	such as being a member of a local voluntary group, political activity
basic services	such as health services and local shops
neighbourhood	feeling safe in your local area
financial products	such as bank accounts or loans
material consumption	such as being able to afford household utility bills or an annual holiday

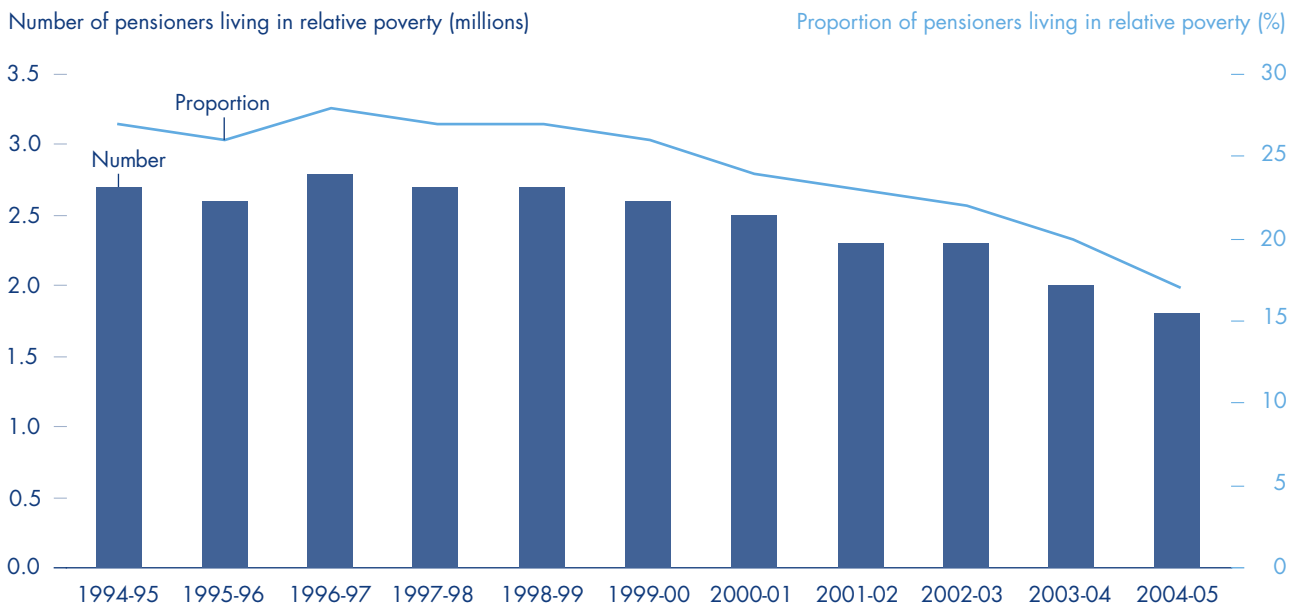
Source: Social Exclusion Unit

⁴ Department for Work and Pensions (2006), *Pensioners' Incomes Series 2004-05*.

⁵ DWP (2006), *Households Below Average Income, 2004-05*. A measure based on 60 per cent median equivalised income, after housing costs. This is a standard measure used, for example by the Social Exclusion Unit and the OECD. This is the poverty measure used throughout the report when we refer to relative poverty.

⁶ Office of the Deputy Prime Minister (2006), *A Sure Start for later life: ending inequalities for older people*, A Social Exclusion Unit Final Report.

2 The number and proportion of pensioners living in relative poverty has fallen since 1994-95



Source: Department for Work and Pensions, Households Below Average Income 1994-95 to 2004-05

3 The main benefits for pensioners, 2004-05

	Number of recipients (thousands) ¹	Total value (£ million) ²
State Pension	11,500	48,800
Pension Credit	2,700	6,000
Housing Benefit	1,500	4,500
Attendance Allowance	1,500	3,700
Disability Living Allowance	2,700	2,600
Winter Fuel Payments	11,500	2,000
Council Tax Benefit	2,400	1,800
Carer's Allowance	23	39
Social Fund	n/k	33

Source: Departmental data

NOTES

1 Figures for State Pension, Attendance Allowance, Disability Living Allowance, Pension Credit and Carer's Allowance are for February 2005 from the *Work and Pensions Longitudinal Study*. Housing Benefit and Council Tax Benefit figures are from the *2005 Departmental Report*. The Winter Fuel Payments figure is for the winter of 2004-05 and comes from *The Pension Service Annual Report and Accounts 2004-05*.

2 Actual outturn for 2004-05 taken from the *Benefit Expenditure Statistics 2006, Table 5*.

The Department is responsible for delivering a range of benefits and entitlements to pensioners

1.4 The Department for Work and Pensions aims to 'combat poverty and promote security in retirement for today's and tomorrow's pensioners'. During 2004-05 the Department paid over £71.2 billion in benefits and entitlements to pensioners. The most important benefit in financial terms is the State Pension (see **Figure 3**). Virtually all pensioners who are entitled to it do claim. The Pension Service writes to them at their last known address as they approach their state pension age and invites them to claim. They can do this over the telephone if they wish without having to complete a claim form.

1.5 The Pension Service was set up in April 2002 as an executive agency of the Department for Work and Pensions to provide a co-ordinated service for pensioners (**Box 3**). In 2004-05 the Pension Service paid £57.5 billion to around 11.5 million people⁷ and its total operating costs were £831 million, of which staff costs were £353 million. The Pension Service delivers its services to pensioners through:

7 The Pension Service Annual Report and Accounts, 2004-05.

- **Pension Centres** which handle applications and queries, as well as processing benefit claims. Pension Centres employ around 11,000 full-time-equivalent staff (as at December 2004) at a staff cost of £232 million in 2004-05. This has since reduced to 9,230 full-time-equivalent staff at March 2006, at a staff cost of £202 million in 2005-06; and
- the **Local Service** which provides a face-to-face service for pensioners through home visits and information points. The Local Service employs around 2,500 full-time-equivalent staff, at a staff cost of £72 million and £69 million in 2004-05 and 2005-06 respectively.

In 2004 The Pension Service appointed a board-level Customer and Acquisition Director to focus on driving up take-up of pensioners' entitlements.

1.6 Pension Credit was introduced in October 2003 to help reduce pensioner poverty. The Department has a Public Service Agreement (PSA) target to pay Pension Credit to three million households by the end of February 2006, rising to 3.2 million households by 2008; and Pension Credit has been the focus of much of The Pension Service's activity toward increasing take-up. As well as the State Pension, pensioners may be entitled to other benefits such as Housing Benefit, Council Tax Benefit, Attendance Allowance and Carer's Allowance (see **Box 5 overleaf**).

BOX 3

The Pension Service aims:

- to combat poverty among today's pensioners;
- to encourage future pensioners to save for their retirement through the private sector, and to provide security for those likely to rely on state provision; and
- to further improve and modernise services for today's and future pensioners.

Of the benefits in **Figure 3**, **The Pension Service delivers:**

- the **State Pension**, paid to men aged 65 plus and women aged 60 plus subject to National Insurance Contributions
- **Pension Credit** which guarantees a minimum income to people aged 60 plus (see **Box 4**); and
- **Winter Fuel Payments** which provides pensioners with help towards the cost of fuel bills

Source: *The Pension Service*

Benefit take-up is important for reducing pensioner poverty

1.7 There is little consensus on how poverty should be defined and measured. However, tackling lack of income is widely seen as a major step towards reducing poverty among pensioners. This is why increasing benefit take-up is such an important issue for the Department and The Pension Service in their efforts, on their own and with others, to tackle pensioner poverty. **Figure 4 overleaf** shows that relative poverty rates for pensioners not claiming entitlements are much higher than for those receiving their benefits. We estimate that ten per cent higher take-up of Pension Credit would lift an extra 94,000 to 107,000 pensioners out of poverty. Housing Benefit and Council Tax Benefit take-up is as important for reducing pensioner poverty as take-up of Pension Credit: 10 per cent higher take-up of these benefits would move up to a further 130,000 out of poverty (**Figure 5 overleaf**).

BOX 4

Pension Credit was introduced in October 2003, replacing the Minimum Income Guarantee as the main vehicle for income support paid to pensioners. It is an income-related benefit designed both to guarantee a minimum income for all pensioners and to encourage saving for retirement. It has two parts:

Guarantee Credit – which guarantees anyone aged 60 or over a minimum weekly income.

In 2006-07 this is:

- £114.05 for a single person; or
- £174.05 for a couple living together.

These amounts may be more if an individual has caring responsibilities or is severely disabled.

Savings Credit – an extra amount which rewards people aged 65 or over who have saved for their retirement.

In 2006-07 the maximum payable each week is:

- £17.88 for a single person; or
- £23.58 for a couple living together.

Source: *The Pension Service*

BOX 5

- **Housing Benefit** is an income-related benefit to help people on low incomes to pay their rent. It can cover up to 100 per cent of a recipient's rent. Pensioners receiving the Guarantee element of Pension Credit are automatically entitled to full Housing Benefit.
- **Council Tax Benefit** is an income-related benefit to help low income people to pay their Council Tax bills. It is worth up to 100 per cent of a recipient's Council Tax bill. Pensioners receiving the Guarantee element of Pension Credit are automatically entitled to full Council Tax Benefit.

*Housing Benefit and Council Tax Benefit are both administered by **Local Authorities**.*

- **Attendance Allowance** provides financial help to people who become severely disabled at age 65 or over, for the extra costs of care due to the effects of disability. There are two rates of Attendance Allowance dependent on the level of care. In 2006-07 it is worth up to £62.25 a week.
- **Disability Living Allowance** provides financial help to people who become severely disabled, under the age of 65, for the extra costs of care due to the effects of disability. Disability Living Allowance remains payable after a person reaches 65. There is a care component for people who need help with personal care and a mobility component for people who need help getting around. In 2006-07 these are worth up to £62.25 and £43.35 per week.
- **Carer's Allowance** is paid to people who have to care for someone who receives Attendance Allowance or Disability Living Allowance. In 2006-07 it is worth £46.95 a week.

*Attendance Allowance, Disability Living Allowance and Carer's Allowance are all administered by the **Disability and Carers Service**, an executive agency of the Department for Work and Pensions. The Disability and Carers Service was established in 2004 and exists to support disabled people and their carers.*

- **The Social Fund** provides loans and grants to meet expenses that people in low-income households find difficult to pay out of their regular income, including Budgeting Loans, Crisis Loans, Community Care Grants and Funeral Payments. It is administered by **Jobcentre Plus**.

4 Pensioners who are entitled but not claiming entitlements are more likely to be poor

	Proportion of pensioners living in relative poverty	
	Receiving the benefit (Per cent)	Entitled but not claiming (Per cent)
Pension Credit	27	53
Housing Benefit	29	70
Council Tax Benefit	30	41

Source: Department for Work and Pensions (2006), Income Related Benefits Estimates of Take-up 2003-04 and Pension Credit Estimates of Take-up 2004-05

NOTES

- 1 Relative poverty measure based on 60 per cent equivalised income, after housing costs.
- 2 Figures are latest available. Pension Credit figures are for 2004-05. Housing Benefit and Council Tax Benefit figures are for 2003-04.

5 Higher take-up of benefits would move thousands of pensioners out of relative poverty

	Number of pensioners brought out of relative poverty by a 10 per cent increase in take-up	
	Lower estimate	Higher estimate
Pension Credit	93,800	107,100
Housing Benefit	71,300	83,300
Council Tax Benefit	46,400	47,300

Source: National Audit Office analysis of Department for Work and Pensions (2006), Income Related Benefits Estimates of Take-up 2003-04 and 2004-05

NOTES

Relative poverty measure based on 60 per cent median equivalised income. These figures are calculated on the assumption that, if higher take-up was achieved, the proportion of those receiving the benefit who were in relative poverty would stay the same as it is for current recipients. The increases in take-up are calculated taking an increase of 10 percentage points on the upper and lower estimates of take-up respectively for each benefit. The following must be considered when interpreting these figures:

- they are subject to wide confidence intervals and should be used to assess the relative importance of take-up of different benefits rather than the exact number of people who would be moved out of relative poverty by higher take-up;
- looking at numbers who are moved over the chosen poverty line does not take into account those people whose income is substantially increased by benefit take-up and who are moved close to but not over the poverty line; and
- the figures are sensitive to technical assumptions about how poverty is measured, for example the way income is equivalised and the effect of 100 per cent take-up on the median.

1.8 In 2003-04, pensioners did not claim £1.6 to £2.3 billion in Pension Credit and hundreds of millions of pounds of Housing Benefit and Council Tax Benefit (Figure 6). Take-up of disability-related benefits is much harder to assess because of the difficulty in estimating eligibility from survey data. The last time this was attempted, in 1998, pensioners' take-up of Attendance Allowance was between 40 and 60 per cent. Nevertheless, the United Kingdom is the only country which regularly produces official estimates of take-up, and the available research evidence indicates that non-take-up of social assistance is at least as much of a problem in other countries (see our Technical Report, Chapter 7).

What our report covers

1.9 This report examines the progress made by the Department for Work and Pensions and The Pension Service in tackling pensioner poverty since 2002, when we last reported. In 2003, the Committee of Public Accounts made a number of recommendations to the Department on how it could increase benefit take-up (see our Technical Report, Chapter 8). We assess the Department's progress against those recommendations, outline the current situation, and consider the Department's plans for the future. The report covers efforts to encourage take-up of benefits by those eligible in Great Britain. Error and fraud, which can result in overpayments of benefit and payments to people who are not eligible, are the subject of regular National Audit Office reports to Parliament and are not covered here.

1.10 Our study focuses on the Department's efforts to help today's pensioners, particularly through benefit payments. We do not consider here the longer-term issues around pension provision and saving for retirement, as these raise quite different challenges and are comprehensively covered by the recent Pensions Commission Report.⁸

1.11 The Department cannot tackle poverty on its own. The Department and The Pension Service work with many different bodies to improve pensioners' quality of life, including local authorities, general practitioners, and voluntary organisations such as Age Concern and Help the Aged. Part 4 highlights the importance of joined-up working among these different parties, and describes what The Pension Service is doing to encourage joint working.

6 Pensioners are not claiming billions of pounds of entitlements

	Amounts pensioners are not claiming (£ billion)	
	Lower estimate	Higher estimate
Pension Credit	1.63	2.37
Housing Benefit	0.31	0.61
Council Tax Benefit	0.88	1.14

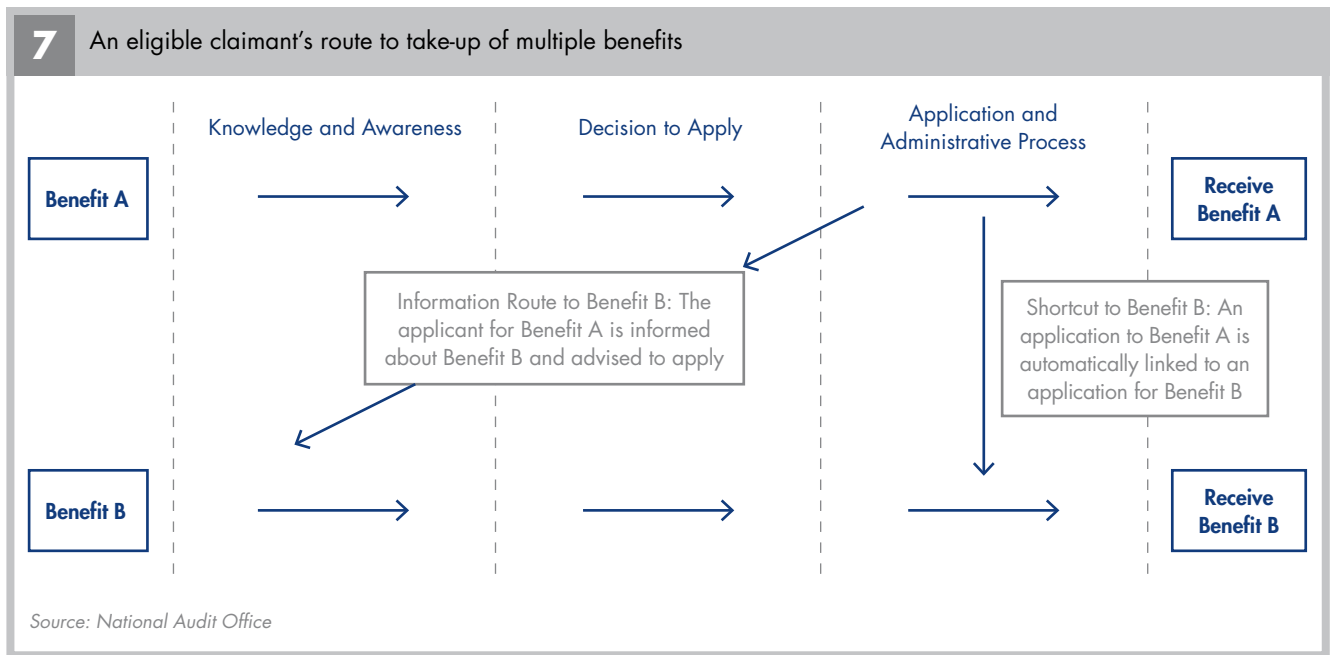
Source: Department for Work and Pensions (2006), *Income Related Benefits Estimates of Take-up 2003-04*

NOTE

¹ Estimates are based on 2003-04 for consistency. More recent data is available for Pension Credit. In 2004-05 pensioners did not claim between £1.46 and £2.07 billion.

1.12 In this study we have focused on Pension Credit, where The Pension Service concentrated its initial efforts, but we also examine work being done to encourage take-up of other key entitlements which may not be claimed, including: Housing Benefit; Council Tax Benefit (administered by local authorities); Attendance Allowance; and Carer's Allowance (administered by the Disability and Carers Service). Our analysis is based on a model of take-up developed by the study team. This model is a way of separating out the different influences on an individual pensioner's take-up of multiple benefits and is illustrated in Figure 7 overleaf. An important feature of this model is that it allows take-up to be considered at a systemic level, looking at multiple benefits at the same time rather than considering each benefit in isolation. The model also shows the importance of joining-up the application processes for different benefits when trying to increase take-up.

⁸ Pensions Commission (2005), *A New Pensions Settlement for the Twenty-first century: The Second Report of the Pensions Commission*.



1.13 Our work also draws on other recent National Audit Office reports on the Department for Work and Pensions, in particular:

- *Dealing with the complexity of the benefits system* (November 2005);
- *Using leaflets to communicate with the public about services and entitlements* (January 2006); and
- *Delivering effective services through contact centres* (March 2006).

1.14 Our report covers:

- benefit take-up and identifying pensioners who are not claiming entitlements (**Part 2**);
- raising awareness and encouraging pensioners to apply for benefits (**Part 3**);
- partnership working (**Part 4**); and
- simplifying the process of claiming benefits (**Part 5**).

PART TWO

Benefit take-up and identifying pensioners who are not taking up entitlements

Committee of Public Accounts 2003 report, conclusion no. 1

On setting targets for improving take-up rates

“The Department has begun to focus more on increasing levels of take-up of some benefits. The creation of The Pension Service is a positive step, focusing more on pensioners and their needs than administering individual benefits. The success of the new approach will depend on The Pension Service having stretching targets for take-up and improving the quality of information on take-up levels.”

It is inherently difficult to measure the take-up of benefits but The Pension Service is using the information it has to identify pensioners who may be entitled to Pension Credit

2.1 It is inherently difficult to estimate take-up rates (see Box 6). To calculate the number of people eligible for an income-related benefit, for example, we need to have highly detailed information about income levels in society. This means relying on surveys, such as the Family Resources Survey, which are snapshots and are inevitably out of date quickly, and which have very wide margins of error. For disability-related benefits, estimating take-up levels is even more difficult, because no reliable surveys exist which give sufficiently detailed information on disability to estimate levels of eligibility.

BOX 6

It is difficult to measure take-up accurately

$$\text{Take-up rate} = \frac{\text{number receiving the benefit}}{\text{number eligible for the benefit}}$$

The **number of people receiving a benefit is known accurately** from the Department for Work and Pensions' records.

The **number of people eligible for a benefit is estimated** through surveys.

Estimating eligibility through surveys has a number of problems:

- it is difficult to design survey questions to assess people's eligibility because of the complexity of benefit rules;
- survey data is prone to problems such as under-reporting and mis-reporting of entitlement;
- it takes time to carry out and analyse surveys so the information is often out of date; and
- small sample sizes lead to wide confidence intervals which make it difficult to measure change over time.

2.2 As part of its approach to finding the right people to contact about Pension Credit, The Pension Service has worked hard to get the best out of the data it holds. Over the past two years it has carried out searches of its benefits data ('scans') to identify those possibly eligible for Pension Credit. Lists of people likely to be eligible are then contacted and encouraged to apply. The Pension Service has made continual improvements to the data it uses, including sharing data with Her Majesty's Revenue & Customs and recording better information on why people are unwilling to claim. Considering the inherent

limitations on take-up data, this represents a significant advance. This approach to identifying possible Pension Credit claimants could be extended to other income-related benefits, such as Housing Benefit and Council Tax Benefit, and the Department has begun work in this area.

A million more pensioners receive Pension Credit than received the Minimum Income Guarantee but some have still not claimed benefits they are entitled to, and may not do so

2.3 Pension Credit is now paid to around 2.7 million households, around a million more than received its predecessor, the Minimum Income Guarantee. The Department is committed to a Public Service Agreement target to pay Pension Credit to three million households by the end of February 2006, rising to 3.2 million households by 2008. After an initial rapid rise, growth in the number of Pension Credit claimants has flattened out over the past year and the Department has recently reported that the 2006 PSA target will not have been met (**Figure 8**). Definitive figures on the number of households receiving Pension Credit in February 2006 will not be available until around August 2006, so it is not yet possible to state exactly how close the Department came to meeting its 2006 PSA target.

2.4 There has been some recent improvement in the time taken to derive estimates of Pension Credit take-up from the data in the Family Resources Survey. 2004-05 is now the most recent year for which take-up rates are available and these cover the first 18 months after the introduction of Pension Credit (in October 2003). The take-up rate for Pension Credit at the end of 2004-05 was estimated to be between 61 and 69 per cent, which suggests that between 1.1 and 1.6 million eligible pensioners were not claiming Pension Credit.⁹

2.5 When assessing the performance of The Pension Service in encouraging benefit take-up it is important to remember that the take-up figures are at least a year out of date. The Pension Service has made good efforts, particularly in joining up different benefits, simplifying processes, and providing high-quality home visits which are not reflected in the take-up figures but which we expect to have a positive impact in the future. Early indications suggest that take-up of Pension Credit has begun to increase, although it is too early to say conclusively.¹⁰ The work of The Pension Service to increase benefit take-up is discussed in **Parts 3, 4 and 5**.

The target to pay Guarantee Credit – aimed at the poorest pensioners – to 2.1 million households was met a year early

2.6 **Box 4 (page 11)** shows that Pension Credit comes in two parts: Guarantee Credit, which is similar to the previous Minimum Income Guarantee, and Savings Credit. The Pension Service has met the target of paying Guarantee Credit – the part of Pension Credit aimed at pensioners with the lowest incomes – to 2.1 million households by 2006. Take-up among those entitled to the Guarantee Credit was between 70 and 81 per cent in 2004-05; this compares favourably with Minimum Income Guarantee where take-up was 62 to 74 per cent.

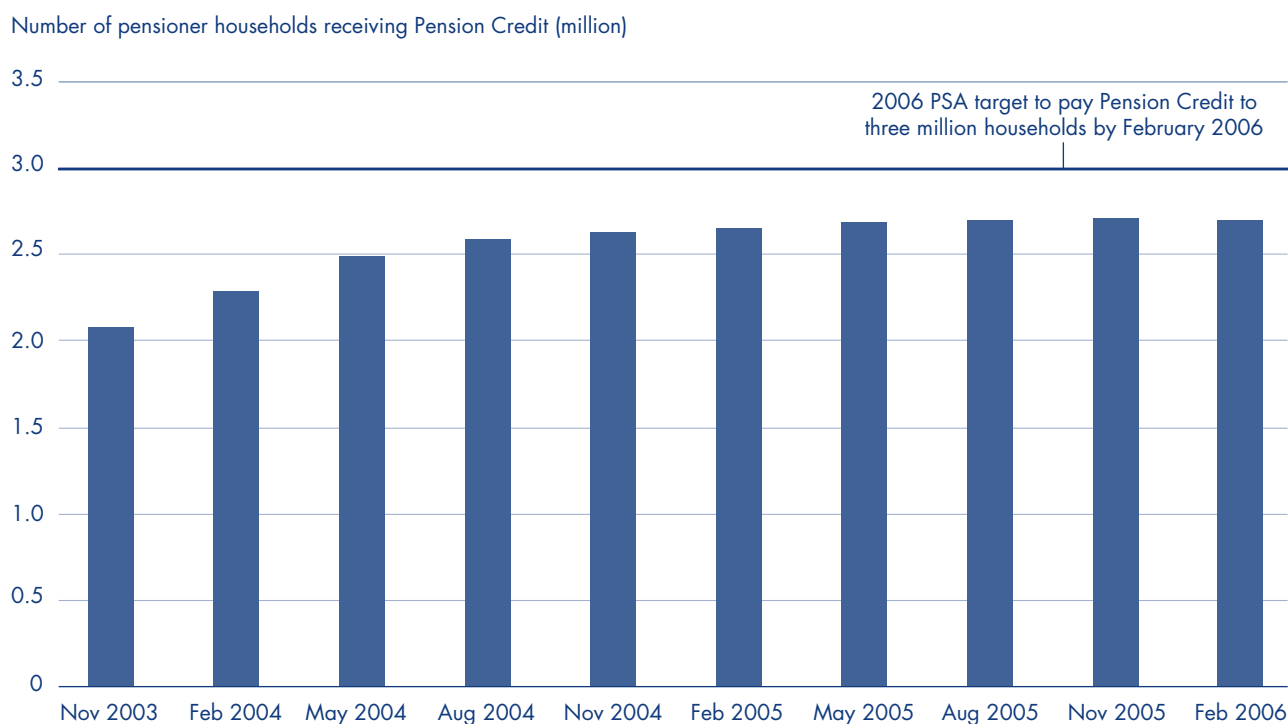
2.7 There has been less success in encouraging people to claim if they are entitled only to the savings element of the Pension Credit, of which take-up is much lower, at 43 to 50 per cent for those entitled to only the Savings Credit in 2004-05. Savings Credit has some features which make high take-up more difficult to achieve (**see Box 7**). For instance, many of those not receiving Savings Credit are entitled to relatively small amounts, and some assume they are not entitled at all (**see paragraph 2.10**).

2.8 Although The Pension Service will not have met its 2006 PSA target on Pension Credit, the target has been useful in focussing attention on the issue of take-up, and was helpful in increasing take-up of a new benefit. Focusing on a single benefit, however, may raise difficulties in the future. The Pension Service accepts that action on pensioner poverty involves the whole range of benefits and services to which older people need access, and it is increasingly acting to give advice and encourage take-up across this range (**see Part 3**). This wider perspective should be reflected in a high-level target to reduce pensioner poverty.

⁹ Department for Work and Pensions (2006), *Pension Credit Estimates of Take-Up in 2004-05*.

¹⁰ *Pension Credit Estimates of Take-Up in 2004-05*, p16.

8 Progress towards the Pension Credit target



Source: Department for Work and Pensions, *Work and Pensions Longitudinal Study*

NOTE

1 February 2006 is based on an early estimate from the Departmental Report 2006. Final figures for February 2006 will be available in August 2006.

Some groups of pensioners are less likely to claim Pension Credit

2.9 Some types of people are less likely to claim their entitlements. Our statistical modelling suggests that, controlling for other factors, take-up of Pension Credit is lower in less deprived areas, rural areas, areas with large minority ethnic populations, and areas with older pensioners.¹¹ Possible explanations for these findings, suggested by existing research and our experience on case study visits, are shown in **Box 8 overleaf**.

BOX 7

Some features of the Savings Credit make it harder to achieve high take-up

- Many pensioners are eligible for small amounts.
- Pensioners are used to benefits being reduced when they have savings so they find Savings Credit difficult to understand.
- Many pensioners who were not entitled to benefits in the past have become entitled to Savings Credit but do not think they are eligible.
- Small amounts of Pension Credit can lead to reductions in other benefits, for example Housing Benefit.
- Savings Credit is a new benefit and it takes time to build awareness.

Source: These features are associated with lower take-up rates in a number of sources including Department for Work and Pensions (2006), *Income related benefits: estimates of take-up 2004-05* and many of the sources identified in our literature review (Technical Report, Chapter 6).

11 Details of the data and methodology used for this modelling are included in our Technical Report, Chapter 2.

BOX 8

Some areas have lower take-up of Pension Credit

Type of area

Why might Pension Credit take-up be lower?

Less deprived areas

- In richer areas there are **fewer people receiving benefits** than in deprived areas, so pensioners are less likely to know someone receiving Pension Credit. Awareness of Pension Credit is therefore likely to be lower.
- In less deprived areas there is likely to be **less activity within the voluntary sector** to encourage take-up.
- People living in less deprived areas are more likely to have **other assets or savings**. Research has shown that entitled people from those groups are less likely to claim.

Rural areas

- **Isolation** from friends and family, and from voluntary and advice agencies, may be more of a problem in rural areas. Advice from these sources is an important trigger to claiming.

Areas with large minority ethnic population

- **Language barriers** may make the application process more difficult. Administrative factors such as lack of a birth certificate or National Insurance number may present problems.

Areas with large populations aged over 80

- Older pensioners are more likely to face **multiple barriers**, such as mental and physical ill-health and social isolation, which may make benefit take-up more difficult.

Source: Areas identified by National Audit Office statistical model of benefit take-up (Technical Report, Chapter 2). Reasons for lower take-up are from National Audit Office, *Tackling pensioner poverty*, HC 37, 2002-03; also see Literature Review (Technical Report, Chapter 6), in particular Barnard et al (2003) *Delivering benefits and services for black and minority ethnic older people*, Department for Work and Pensions Research Report No. 201.

2.10 Many of those not applying for Pension Credit are entitled to relatively small amounts. Around 35 per cent are entitled to less than £10 a week, and 65 per cent to less than £20 a week. This is not to say that these amounts are insignificant – our previous report *Tackling pensioner poverty* (2002) showed that relatively small amounts of additional income can have a large impact on quality of life. However, it does suggest that those entitled to small amounts are less likely to apply for benefits, because they think the amount of money due to them is not worth the effort of making a claim, or because those entitled to smaller amounts are more likely to think they are not eligible for benefits at all, for example because they have become newly entitled or are on the edge of entitlement.¹²

2.11 There are many other reasons why someone may not apply for a benefit to which they are entitled, which were discussed in our previous report. Recent research by the Department for Work and Pensions¹³ identified perceived ineligibility as the main barrier to take-up of Pension Credit. The Pension Service has also identified that, even when the Local Service contact pensioners and tell them they may be entitled to Pension Credit, many pensioners are unwilling to make an application. The main reasons people give for being unwilling to apply for Pension Credit are shown in **Figure 9**. Research has found that around three out of 10 people identified as a potential recipient of Pension Credit indicate they are highly resistant to claiming.¹⁴ So raising awareness is not enough and encouraging pensioners to apply is an important factor in increasing take-up (see **Part 3**).

¹² Department for Work and Pensions (2006), *Pension Credit Estimates of Take-Up in 2004-05*.

¹³ Talbot et al (2005), *Encouraging take up: awareness of and attitudes to Pension Credit*, DWP Research Report No. 234; Bunt et al (2006) *Understanding the Relationship between the barriers and triggers to claiming Pension Credit*, DWP Research Report No. 336.

¹⁴ Talbot et al (2005) *Encouraging take-up: awareness of and attitudes to Pension Credit*, DWP Research Report No. 234.

9 When The Pension Service contact pensioners about Pension Credit, many are unwilling to apply

The main reasons given for not applying for Pension Credit, when contacted by The Pension Service, are:

	Per cent
'Have sufficient to live on'	35.0
Confidentiality reasons	20.0
Pension Credit might impact on Housing Benefit/ Council Tax Benefit	7.0
Pension Credit too low, not worth applying	3.5
Other	35.0

Source: National Audit Office analysis of Pension Service data

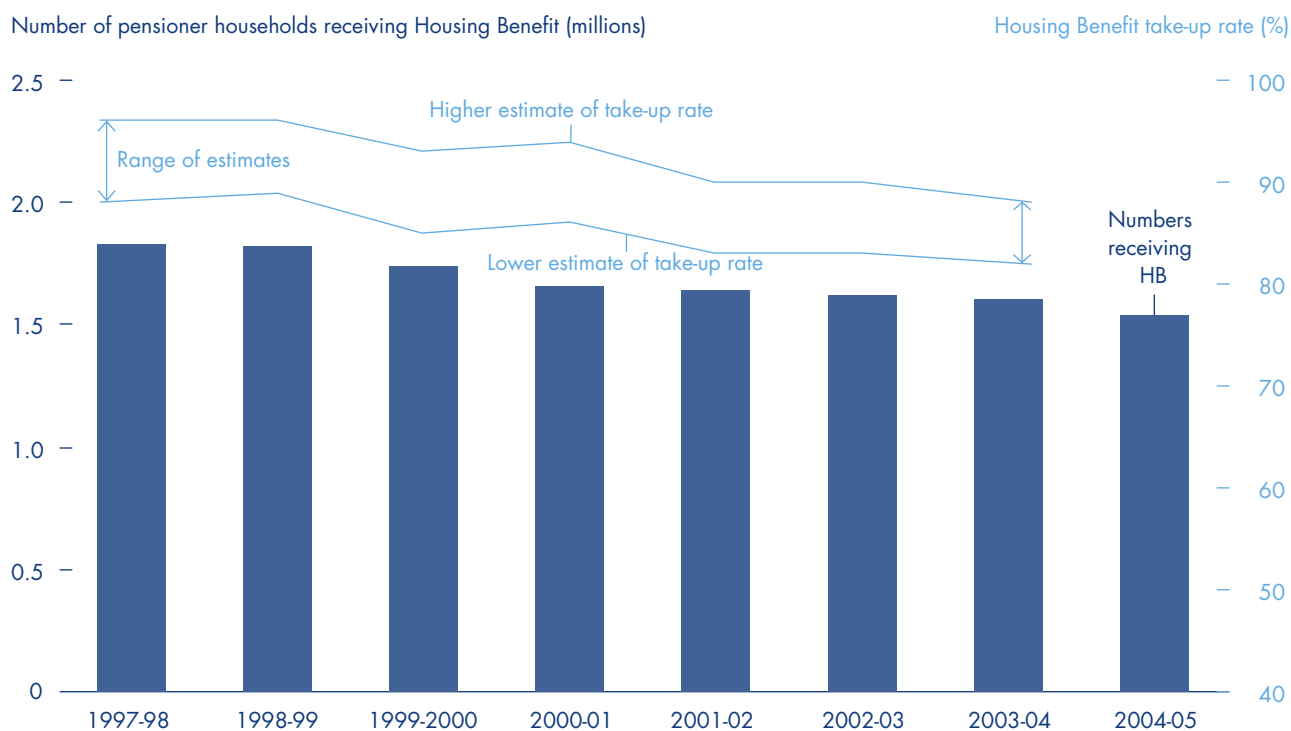
NOTE

We do not know whether the pensioners in this sample were eligible or not, as they decided not to apply before having their entitlement checked.

Some pensioners also do not claim other entitlements

2.12 For 2003-04 take-up of Housing Benefit by pensioners was between 82 and 88 per cent, with between 210,000 and 360,000 not claiming entitlements (**Figure 10**).¹⁵ Council Tax Benefit take-up by pensioners in the same period was between 53 and 59 per cent, with between 1.68 and 2.08 million not claiming (**Figure 11 overleaf**). Take-up of Housing Benefit and Council Tax Benefit by pensioners actually declined over the last seven years for which data is available: from 1997-1998 to 2003-04 take-up by pensioners of Housing Benefit fell by up to five percentage points and Council Tax Benefit by 10 percentage points. This trend is of concern because, as paragraph 1.7 shows, take-up of these benefits is very important for reducing pensioner poverty.

10 Housing Benefit: households receiving benefit, and take-up rates, have both declined



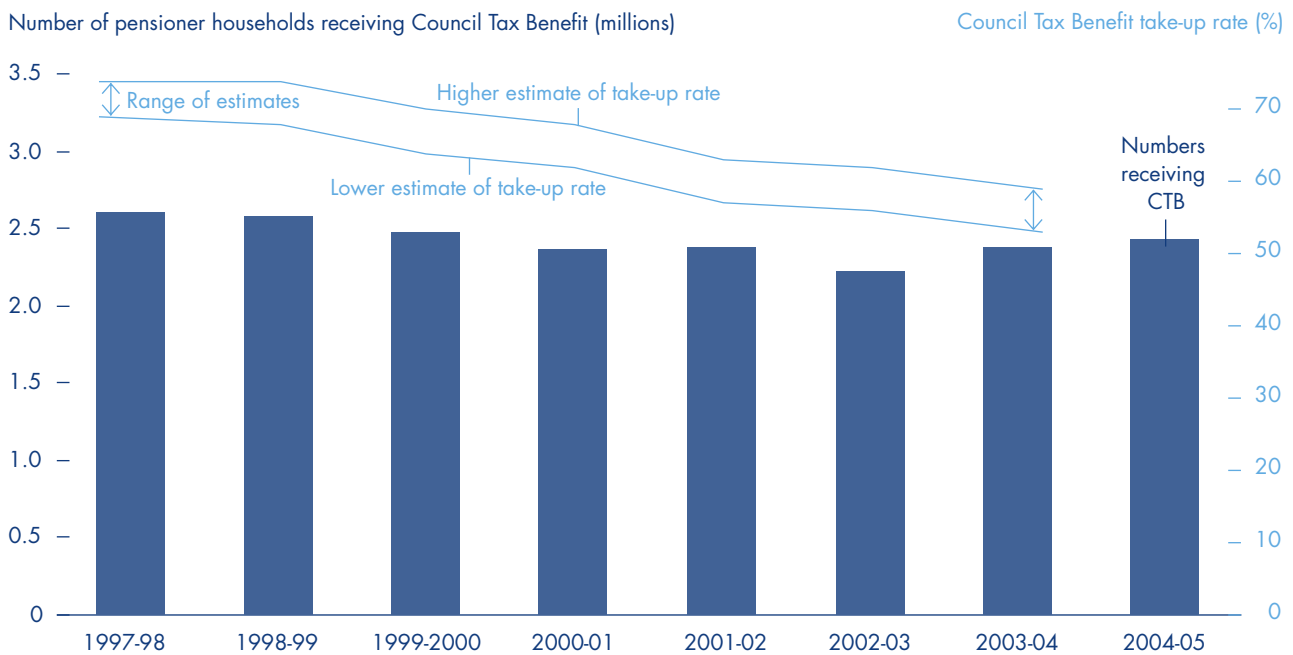
Source: All figures for 1997-98 to 2003-04 are from Department for Work and Pensions (2006) *Income Related Benefits: Estimates of Take-Up 2003-04*. The 2004-05 figure for the number of pensioners in receipt of Housing Benefit comes from the Department for Work and Pensions *Departmental Report 2005*.

NOTE

Basis for recipient figures for 2004-05 are inconsistent compared with recipient figures for 2003-04 and earlier, which are based on an average through the year.

15 Department for Work and Pensions (2006), *Income Related Benefits: Estimates of Take-Up 2003-04*. This is the most recent year for which take-up rates are available.

11 Council Tax Benefit: households receiving benefit, and take-up rates, have both declined



Source: All figures for 1997-98 to 2003-04 are from Department for Work and Pensions (2006) *Income Related Benefits estimates of take-up*. The 2004-05 figure for the number of pensioners in receipt of Council Tax Benefit comes from the Department for Work and Pensions *Departmental Report 2005*.

NOTE

Basis for recipient figures for 2004-05 are inconsistent compared with recipient figures for 2003-04 and earlier, which are based on an average through the year.

2.13 Analysis of the most recent data suggests that much of this decline is caused by lower take-up rates among pensioners newly brought into entitlement by increases in benefit rates, perhaps because they are less aware of their eligibility.¹⁶ The Pension Service and local authorities have been making efforts to counteract the decline of take-up in Housing Benefit and Council Tax Benefit, including by shortening the Housing Benefit/Council Tax Benefit application form; joining up the application processes for Housing Benefit/Council Tax Benefit and Pension Credit; and holding a take-up campaign (see Parts 3, 4 and 5). 60,000 additional Pension Credit recipients were invited to apply for Housing Benefit and Council Tax Benefit using the new forms between September 2005 and March 2006.

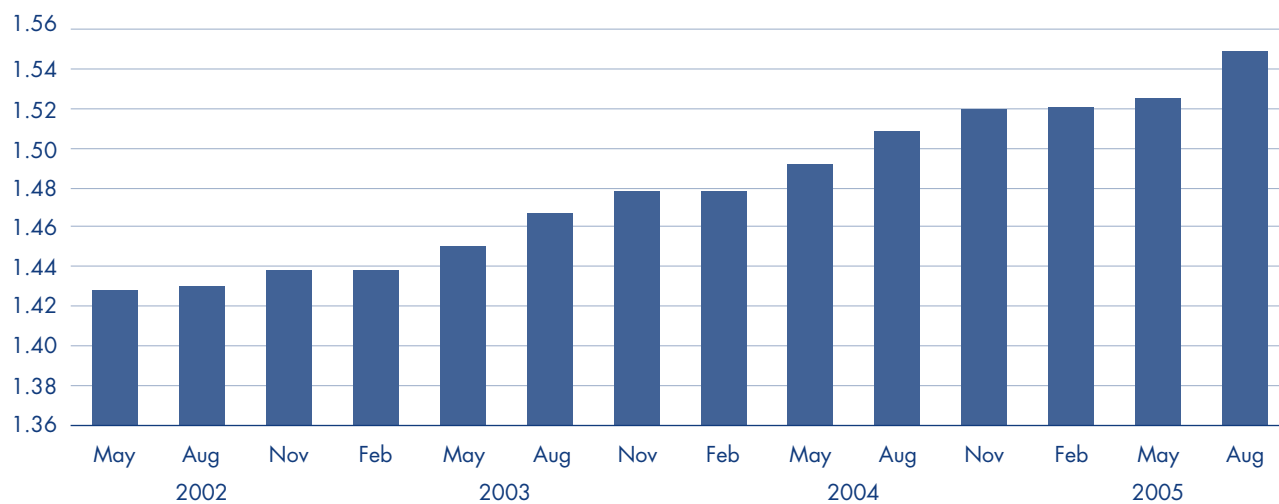
2.14 Low take-up also appears to be an issue for Attendance Allowance and Carer’s Allowance. Discussions with Local Service visiting officers during our local case studies suggest that there may be large numbers of eligible pensioners who do not claim these benefits. This is despite the number of claimants of both Attendance Allowance and Carer’s Allowance rising in recent years (see Figures 12 and 13). However, official take-up statistics for disability-related benefits have not been published since 1998¹⁷ because suitable data do not exist. More research is required to understand whether it is possible to estimate the scale of non-take up. The Department has commissioned a study, in summer 2006, to assess the feasibility of producing reliable take-up estimates for the disability benefits and to explore the reasons for non-take up. Results are expected in 2007.

16 Department for Work and Pensions (2006), *Income Related Benefits: Estimates of Take-Up 2003-04*.

17 First findings from the disability follow up to the Family Resources Survey (Research Summary 5). Craig and Greenslade, 1998. Subsequently an independent study published in 2005 (DWP Research Report Series no. 267, Purdon et al, 2005) concluded that no existing data source is suitable for measuring Disability Living allowance and Attendance Allowance take-up because of the complexity of assessing eligibility for the benefits and new work is required.

12 The number of Attendance Allowance claimants is rising

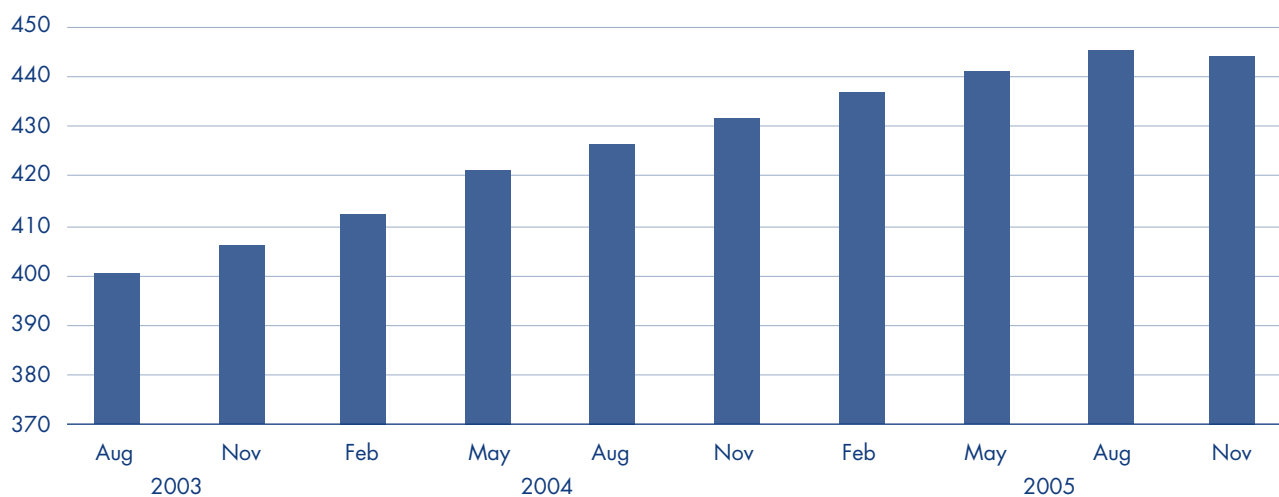
Number of Attendance Allowance claimants (millions)



Source: Department for Work and Pensions, Work and Pensions Longitudinal Study

13 The number of Carer's Allowance claimants is rising

Number of Carer's Allowance claimants (thousands)



Source: Department for Work and Pensions, Work and Pensions Longitudinal Study

PART THREE

Raising awareness and encouraging pensioners to apply

Committee of Public Accounts 2003 report, conclusion no. 3

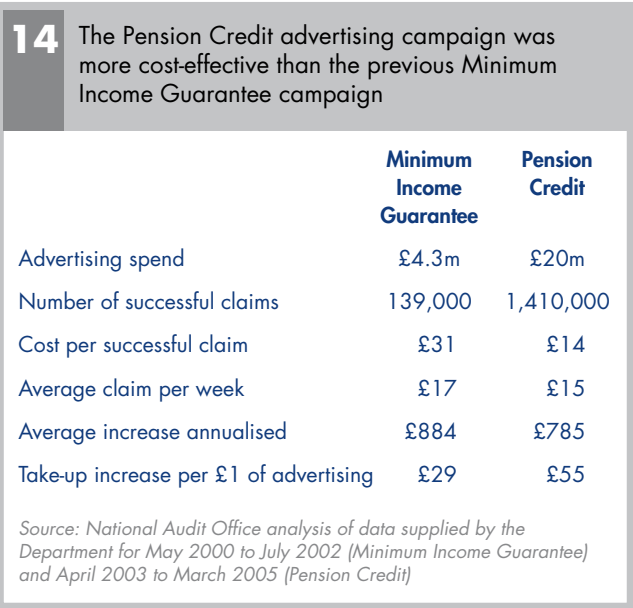
On communicating effectively with pensioners

“Many pensioners find it difficult to obtain information on benefits, and rely heavily on what friends and relatives tell them. The Department has started to issue better literature and should continue to find simple and imaginative ways of communicating complex information to pensioners, their relatives, and others including health service professionals who come into contact with them, to widen awareness of what benefits are available.”

The Pension Service has implemented an effective marketing campaign to increase Pension Credit take-up

3.1 When it was set up, The Pension Service’s main initial priority was to manage the introduction of Pension Credit. Taking account of lessons learned from the national take-up campaign for the Minimum Income Guarantee and previous local activity, it adopted a phased and targeted approach to its take-up strategy for Pension Credit. The approach has enabled The Pension Service to manage the levels of demand generated and ensure that its administration was not overwhelmed when Pension Credit was first launched.

3.2 The Pension Credit marketing campaign was designed specifically to target potential claimants using sophisticated data-matching techniques. A central part of the campaign has been the extensive use of direct mail, TV and press advertising to promote awareness and generate take-up of Pension Credit, at a cost of around £22 million.¹⁸ The Pension Credit advertising campaign was twice as cost-effective in increasing benefit take-up as the previous Minimum Income Guarantee campaign, with every £1 spent on the Pension Credit campaign leading to an additional £55 in benefits paid out (Figure 14).



18 £20 million for 2003-04 and 2004-05. £2 million expenditure for 2005-06.

3.3 The marketing campaign succeeded in raising awareness of Pension Credit. At least 80 per cent of pensioners have heard of Pension Credit, compared with only 24 per cent¹⁹ recognition of its predecessor – the Minimum Income Guarantee. Research shows that the media campaign was a significant contributing factor.²⁰ In our previous report *Tackling pensioner poverty* (2002) we found the most common way people found out about benefits was through informal networks, such as friends and family, whereas in recent research the most frequently cited source of information about Pension Credit was television advertisements.

3.4 There is less robust evidence about pensioners' awareness of other income-related benefits or disability benefits. Our 2002 survey showed that 43 per cent of low-income pensioners felt they knew a fair amount about help with paying rent or Council Tax, and only 24 per cent felt they knew much about benefits for pensioners with a disability. There has been little quantitative research into awareness of Housing Benefit or Council Tax Benefit, although high awareness of Housing Benefit can be assumed from its relatively high take-up level (see paragraph 2.12). Recent research in the North West of England²¹ showed 64 per cent awareness of Council Tax Benefit across age groups, but the respondents said their knowledge of the benefit was low.

3.5 Attendance Allowance and Carer's Allowance are complex benefits which are poorly understood, and during our case study work we found that awareness of both benefits was low. Research by the Department found that although pensioners may know that disability benefits exist, they are often unsure of what they are, the eligibility criteria and how to claim them.²² For example, some people believe that in order to claim Attendance Allowance you need to be receiving professional care to claim it, or would be obliged to do so if you received it. Many applications for these benefits are through representatives who are well-informed. Because there are large numbers of unsuccessful claims for disability benefits, the Department has not wished to encourage further nugatory claims by mounting general take-up campaigns for these benefits. Instead, the Disability and Carers Service is putting the emphasis on improving the accessibility of its services, including simplified claim processes, online claims facility, better communication and working more closely with local authorities and voluntary organisations.

It is not enough to raise awareness – people must be encouraged to claim

3.6 The Department has been more successful in getting the right message across with its Pension Credit campaign than with previous campaigns. A key change in strategy was to position Pension Credit in people's minds as an entitlement, rather than a benefit. Around 75 per cent of Pension Credit claims were successful, compared with 45 per cent of claims arising from the Minimum Income Guarantee campaign, providing a good indication that for the majority of pensioners the Department has got the message right.

3.7 The Pension Service recognised that, whilst the Pension Credit campaign worked well for most people, more was needed to encourage harder-to-influence pensioners to apply. In 2005-06 the Pension Service changed its marketing approach to one that focuses on the customer instead of Pension Credit as a product. The revised approach involves more Local Service work – visits based on better national data scans and promoting take-up of benefits delivered by other agencies, such as Housing Benefit and Council Tax Benefit. This was in response to:

- the previous approach no longer reaching as many potential Pension Credit claimants;
- continued evaluation of, and learning from, earlier phases of the marketing campaign;
- falling take-up of Council Tax Benefit;
- better data on non-recipients and greater understanding of the impacts on them of increasing take-up: The Pension Service identified that a cross-benefit approach helped 75 per cent of pensioners they visited, compared with 40 per cent when the focus was solely Pension Credit; and
- research commissioned by the Department to enhance understanding of the pensioner population who are not claiming entitlements, enabling differentiation by common characteristics, for example: pensioners who have misconceptions and information gaps, pensioners who are reluctant to apply and need encouragement and pensioners who may never apply.

19 Talbot et al (2005), *Encouraging take up: awareness of and attitudes to Pension Credit*, DWP Research Report No. 234; NAO survey for our 2002 report *Tackling pensioner poverty*.

20 Literature Review – see Technical Report, Chapter 6.

21 A survey commissioned by the Association of Greater Manchester Authorities exploring low uptake of benefits among eligible residents, MORI, November 2005.

22 Sykes et al (2005), *Understanding the service needs of vulnerable pensioners: Disability, ill-health and access to The Pension Service*, DWP Research Report No.263.

3.8 To help inform future strategy, The Pension Service is collecting data on the reasons why some pensioners choose not to claim (see [Figure 9, page 19](#)) and is gaining an understanding of what eventually triggers a person to claim. Recent research found that the most common trigger to claiming was a personal visit from the Local Service.²³ The Pension Service is also piloting some highly targeted and localised marketing activity on local areas with relatively low take-up of Pension Credit.

3.9 For disability related benefits research has found that an important trigger for a person to claim is if they had been actively encouraged to do so by professional staff, such as medical staff, social workers or others, including the Local Service.²⁴ This encouragement was seen to ‘authorise’ or ‘legitimise’ a claim, giving people ‘permission’ to make an application.

The Local Service is an integral part of The Pension Service’s strategy but has limited autonomy in determining the work it does

3.10 The Local Service, which employs 2,500 full-time-equivalent staff, provides nationwide coverage of benefit take-up work targeted specifically at pensioners, with 131 local teams across England, Scotland and Wales. This is in contrast to the past when we reported wide variation in take-up work under the Benefits Agency,²⁵ with only 49 out of 400 offices actively promoting take-up. In the year to December 2005 the Local Service generated additional benefits for pensioners worth around £260 million a year. As a conservative estimate, these benefits will be worth £1.9 billion over the duration of the benefit claim.

3.11 The Local Service now offers pensioners full entitlement checks across all benefits – such as Attendance Allowance or Council Tax Benefit. This change in approach is evident in [Figure 15](#). On home visits they also assess other needs, such as help with the garden, or having a smoke alarm fitted. Where appropriate the Local Service will provide relevant information or will make a referral to a third party. Whilst predominantly providing a face-to-face service through home visits, the Local Service also carry out a range of local activities to promote and encourage take-up of entitlements, such as speaking at local community centres or attending flu jab clinics to raise awareness of entitlements.

3.12 The Local Service offers a personalised service to its customers. We found staff to be highly experienced, have a wealth of knowledge about benefits and have a personal style and approach well suited to the service needs of pensioners. Many of those helped by the Local Service are from the most vulnerable groups, such as older pensioners who have health problems or disabilities, and would not claim entitlements without its help. However, providing a face-to-face service is resource-intensive and The Pension Service will need to carefully balance the needs of the customer with the business demands of the organisation. Further details of our findings on the Local Service are in [Chapter 3](#) of our Technical Report.

3.13 The Local Service is a vital part of The Pension Service’s strategy to deliver a joined-up local service and in finding pensioners who are still not claiming. However, in the areas we visited we found the Local Service’s responsiveness to local needs to be restricted by national directives:

- The Local Service receive referrals from national lists, the Pension Credit dedicated telephone Application Line and Pension Centres. Although this means it can focus on informing and persuading pensioners rather than on identifying those who are not claiming entitlements, this approach has little regard to local knowledge. Each Local Service has at least one Partnership Liaison Manager to promote take-up and engage with local partners (see [Part 4](#)), but however, we found the Local Service felt inhibited in the amount of outreach work it could undertake.
- Awareness of the Local Service is low. The Pension Service does not advertise the Local Service on a national level as the preferred option is to route the customer to a Pension Centre. Although research has found that pensioners prefer the telephone as the most convenient and useful way to access information, there is still a strong preference for a personalised service, particularly among more vulnerable pensioners²⁶. The Local Service does not have locally managed budgets for advertising and with promotional activities limited there is a risk that the vulnerable groups will continue to lose entitlements if they are not aware they can contact the Local Service.

²³ Bunt et al (2006), *Understanding the Relationship between the barriers and triggers to claiming Pension Credit*, DWP Research Report No. 336.

²⁴ Sykes et al (2005), *Understanding the service needs of vulnerable pensioners: Disability, ill-health and access to The Pension Service*, DWP Research Report No.263.

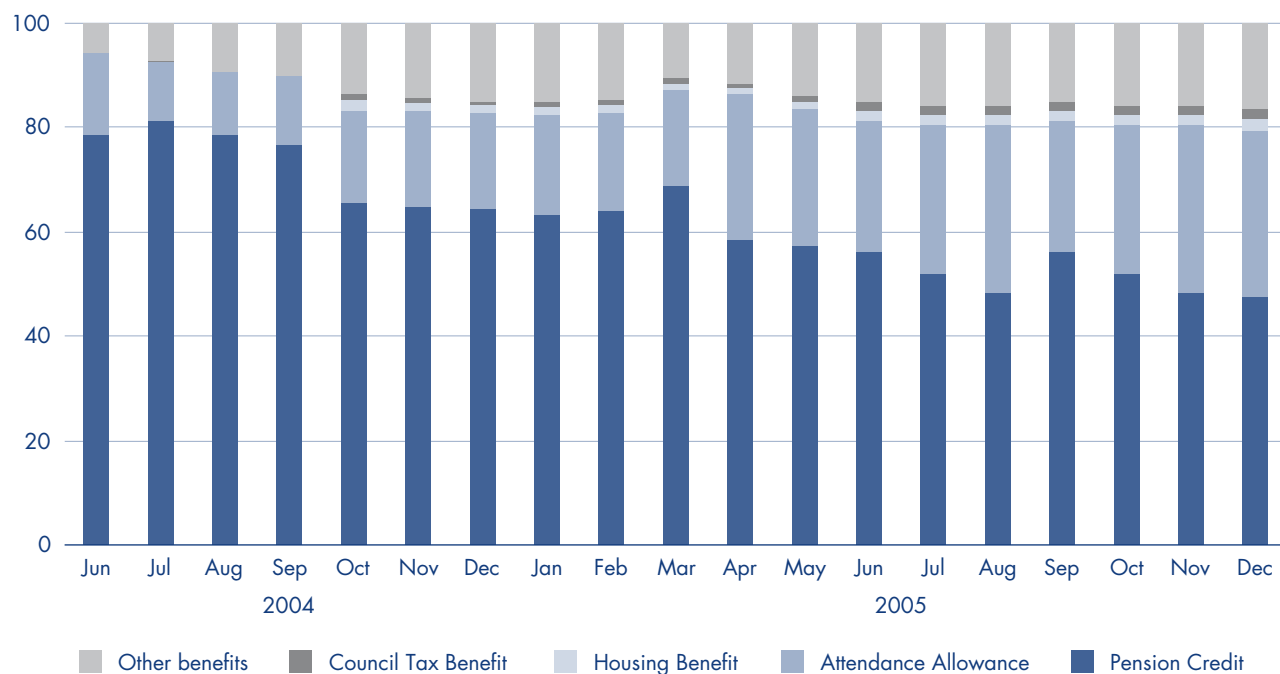
²⁵ The Pension Service, along with Jobcentre Plus and the Disability and Carers Service replaced the Benefits Agency.

²⁶ Sykes et al (2005), *Understanding the service needs of vulnerable pensioners: Disability, ill-health and access to The Pension Service*, DWP Research Report No.263.

15 There is evidence that the Local Service is delivering an increasingly holistic approach to take-up

Proportion of total monthly benefit (£) claimed where Local Service has contributed to the claim

Per cent



Source: National Audit Office analysis of Pension Service data

PART FOUR

Working in partnership with others

Committee of Public Accounts 2003 report, conclusion no. 4

On working with others in cost-effective ways

“Many other organisations have an interest in encouraging take-up and it would be wasteful to duplicate their efforts. The Department and The Pension Service are developing partnerships, for example locally with local authorities and nationally, through the Partnerships Against Poverty forum. There are also examples of good practice in taking advantage of the contacts that others have with pensioners to provide information, but limited published data on what works. The Department should take a lead in identifying and disseminating successful approaches, so that resources can be targeted effectively.”

There are many organisations involved in take-up work

4.1 The Pension Service recognises that it cannot overcome barriers to take-up on its own. In our previous report *Tackling pensioner poverty* (2002) we noted that most targeted take-up work was at that time undertaken by voluntary sector organisations, such as Age Concern and Citizens Advice Bureaux and a number of local authorities, all of which have considerable experience in identifying pensioners who are not taking up their entitlements. To gain an indication of the level of current activity and the range of organisations involved in take-up we conducted a survey of local authorities. 250 out of 445 local authorities responded (56 per cent response rate).

Chapter 4 of our Technical Report gives the results in full.

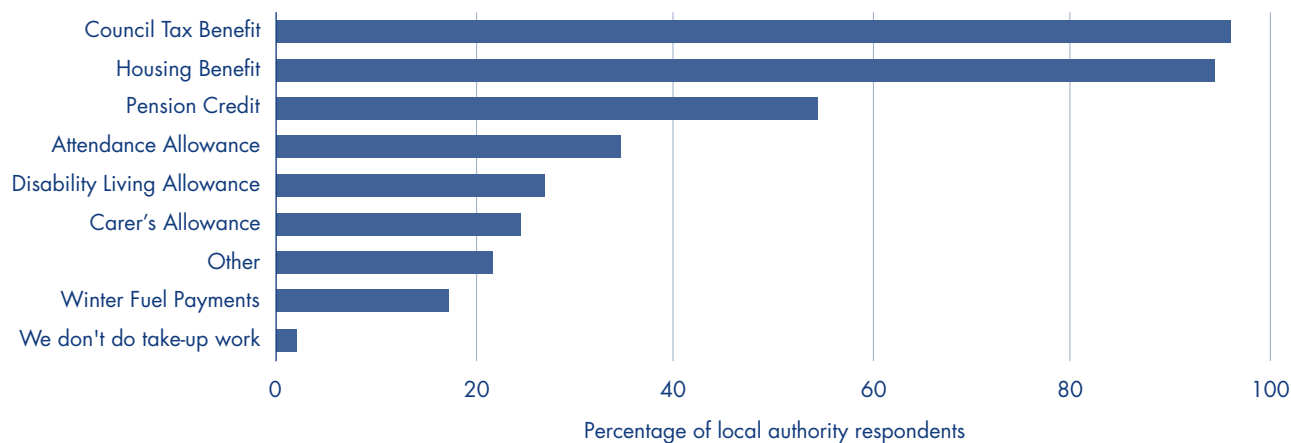
4.2 Almost all the respondents (98 per cent) do some form of take-up work (although there is a risk that the results may be skewed by the fact that local authorities active in take-up work were more likely to respond to the survey). The most commonly cited reasons for doing take-up work are:

- to ensure all pensioners are receiving the benefit to which they are entitled;
- as part of the local authorities anti-poverty strategy to alleviate poverty and reduce deprivation; and
- to maximise local income and improve the local economy.

The majority of take-up work is for Housing Benefit and Council Tax Benefit but over half of local authorities said they do take-up work for Pension Credit (**Figure 16**). Nearly all respondents work in partnership with at least one other local organisation to encourage take-up, and over a third work with an organisation in the voluntary sector (**Figure 17**).

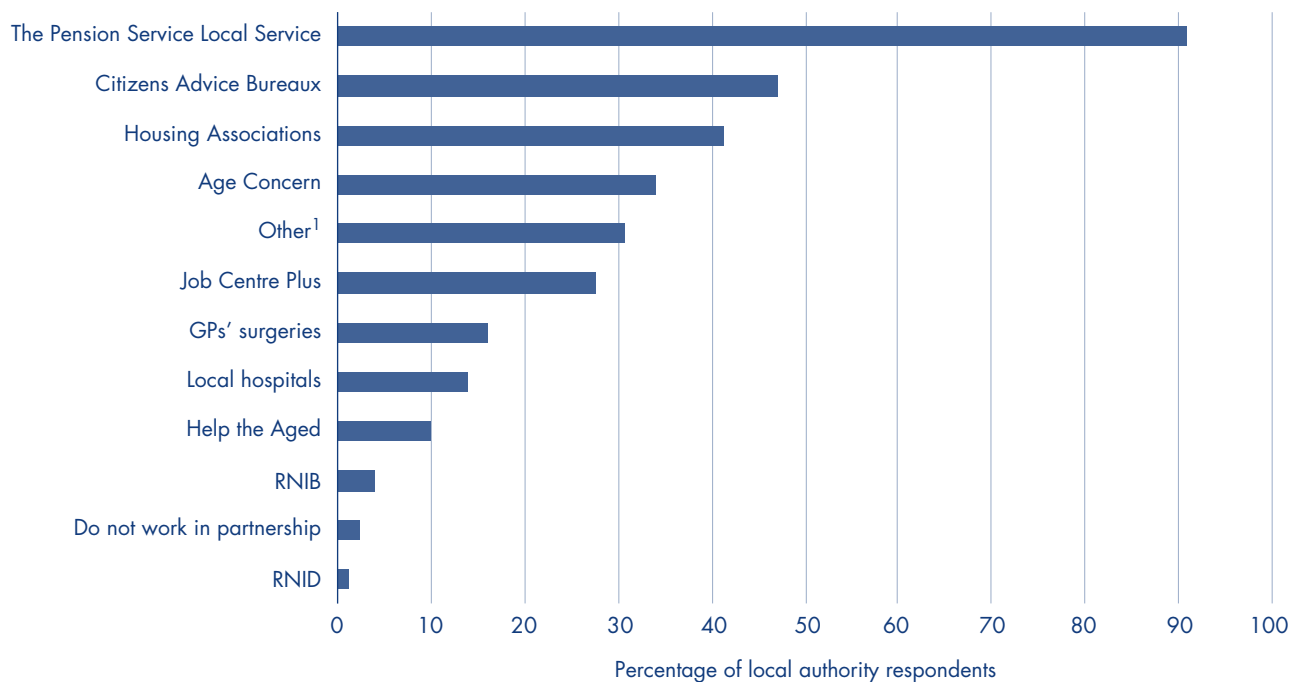
4.3 When asked what is considered the most effective way of increasing take-up, the most frequent responses were home visits (36 per cent) and data-matching scans (21 per cent), with many local authorities stating that home visits are most effective when used in conjunction with data scans or following a targeted mail shot. Our survey also found there was only limited targeting of harder-to-reach pensioner groups, with many respondents expressly stating they specifically do not target any groups, including pensioners, in order not to differentiate or exclude people.

16 Local authorities do take-up work for a range of benefits



Source: National Audit Office survey of local authorities based on responses from 250 local authorities

17 Local authorities work in partnership with a range of organisations



Source: National Audit Office survey of local authorities based on responses from 250 local authorities

NOTE

¹ Over a third of respondents stated 'other' as partnership work with welfare rights agencies and one fifth of respondents stated 'other' as work with other local authorities. A range of partnerships were given for the remaining 'other', including social services, carer's networks, libraries and the Royal British Legion.

4.4 As in 2002, at the local level there is only weak evaluation of the effectiveness of take-up activity, making it difficult to compare activity or assess what works best in what circumstances. Only a quarter of respondents claimed to have a take-up target specifically for pensioners. Where targets are in place three quarters are set internally and are generally based on additional benefit or number of additional claimants per annum.

Benefits of joint working

4.5 Joint working has benefits for both the customer and the organisations working together in partnership (**Box 9**). Joint working can improve pensioners' experience of the benefits system by providing a better quality of service in one contact and removing the need for separate visits from both The Pension Service and local authority staff. The more organisations that are involved in a partnership, the greater the opportunity for staff to share their expertise and knowledge across all pensioner benefits, whilst equipping visiting staff with a wider range of products and services to offer the pensioner.

4.6 Joint working can provide partner organisations with access to a wider shared source of customers who are not claiming entitlements. Our local case studies found that good referral sources can be achieved with local partnerships where strong communication links are in place and where partners are well informed of the benefits and services they each can offer. **Figure 18** and **Chapter 3** of our Technical Report give examples of joint working.

The Department is committed to forming local partnerships

4.7 The Department and The Pension Service are working with other organisations to help to encourage pensioners to take up their entitlements (**see Box 10 on page 30**). The Department has established the Partnership Fund and The Pension Service is developing local teams (Joint Teams) with partner organisations so that they can pool their advice into one visit to pensioner households. The Pension Service is also setting up Alternative Offices in the local communities, enabling local organisations to deal with applications for pensioner benefits paid by the Department for Work and Pensions. These initiatives are part of the Department's overall strategy – which includes the Link-Age Plus²⁷ programme – to provide pensioners with a single gateway to community services. Link-Age Plus is a current initiative being piloted with eight local authorities to test a one-stop shop approach for older people's services. Pensioners will be able to access a range of community based services including leisure, learning, volunteering and social opportunities from one place.

4.8 Joint Teams work under a formal Memorandum of Understanding. There is reluctance by some local authorities to participate in Joint Teams (see paragraph 4.11), but the Local Service is making good progress in forming local partnerships in its attempts to avoid duplication of take-up work.

4.9 Most Partnership Fund schemes target harder-to-reach pensioner groups, for example minority ethnic groups, pensioners with sensory impairment and pensioners living in rural areas. The variety of initiatives is wide but the number of innovative ideas was limited. **Chapter 5** of our Technical Report provides a summary review of the Partnership Fund schemes.

²⁷ The Link-Age programme was initially launched in 2004. The programme has been further developed and is now referred to as Link-Age Plus. It follows an approach set out in *A Sure Start for later life: ending inequalities for older people*, Social Exclusion Unit Final Report, 2006.

BOX 9

Benefits of joint working

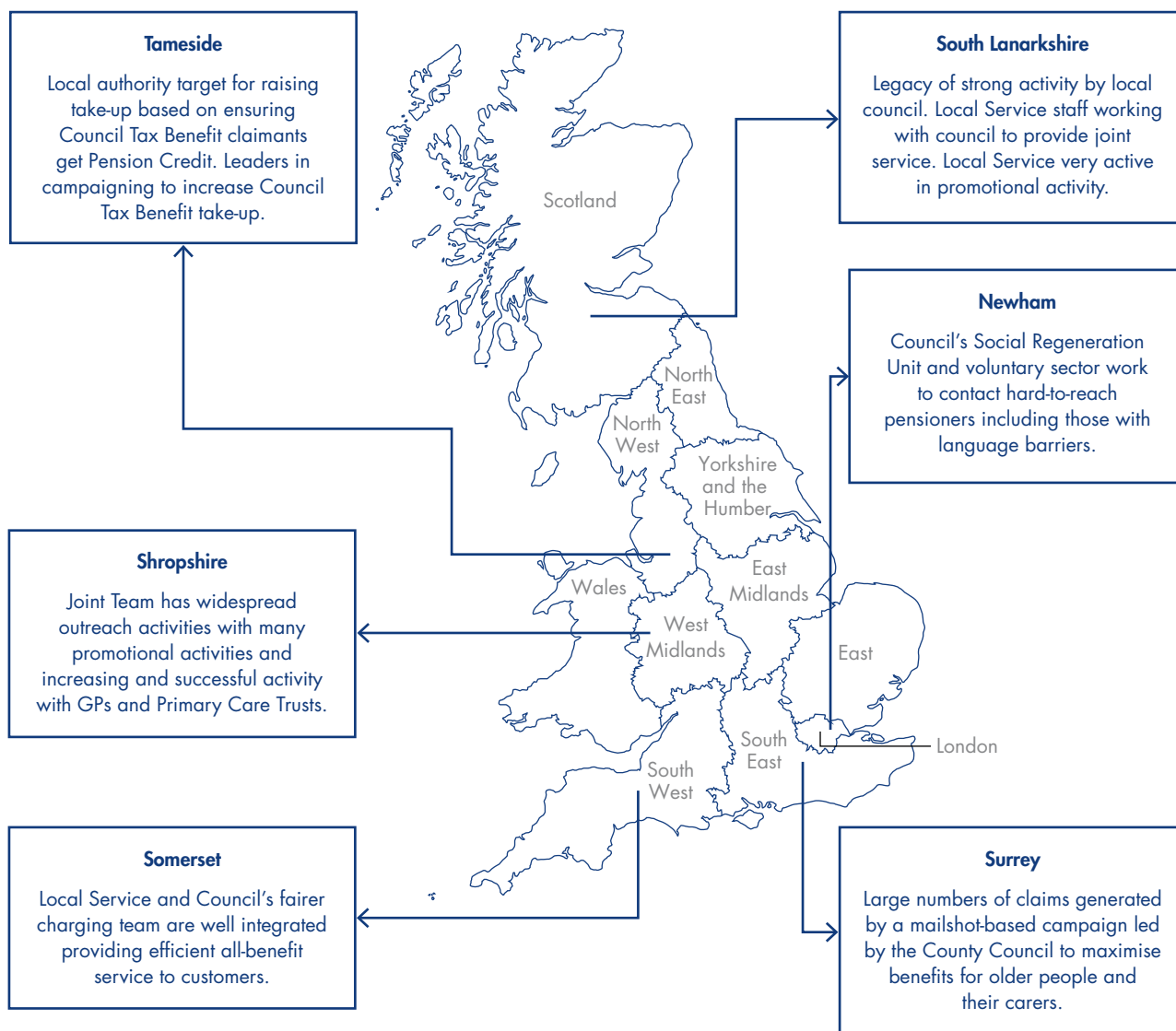
For the customer

- Can receive information about several benefits and services at a single point of contact.
- Can receive a full benefit check.
- Additional service needs can be assessed and information provided or referrals made.

For the partner organisations

- Reduces duplication of take-up work.
- Sharing benefit expertise across organisations.
- Larger source of visit referrals, extending the reach of organisations involved.

18 Examples from local case studies of joint working



Source: National Audit Office

BOX 10**The Department is committed to forming local partnerships**

Initiative	Purpose	Who delivers it?
Joint Teams		
88 teams established since 2003 (as at March 2006) Aim is for around 200 Joint Teams nationwide.	Pensioner households receive only one visit for financial and benefit related matters instead of being visited by both The Pension Service and local authority. Visiting officers also seek to identify the range of service needs the older person might have (e.g. the need for a handy person).	Teams are made up of Local Service staff, local authority staff (social care and/or financial assessment staff) and voluntary sector staff.
The Partnership Fund		
172 contracts, funded over two years (from 2005-06) (£13m)	To provide short-term funding to run innovative pilots, aimed at finding effective ways of encouraging harder-to-reach pensioner groups to claim the benefits to which they are entitled. The principal objective of the Partnership Fund is to learn from what works. The Department has commissioned a full evaluation scheduled to report in early 2007.	A range of community, voluntary and not-for-profit organisations receiving funding.
Alternative Offices		
255 offices established (as at March 2006)	To enable other organisations to deal with Department for Work and Pensions benefit claims and document verification. Offers an alternative face-to-face service for pensioners who prefer not to deal with a Government Department or who prefer not to post personal documents for verification.	Local authority and voluntary organisations.

4.10 Alternative Offices have potential benefits for the customer as they offer a choice for those people who prefer to deal with their local authority or local voluntary organisation. They also remove a barrier for those pensioners who are reluctant to post personal documents for verification, which is useful as The Pension Service does not have a permanent high street presence. However, we found a number of issues that had limited their progress to date in the areas we visited. In particular:

- there is some resistance from voluntary sector organisations as they feel involvement will compromise their independence;
- the Local Service is responsible for training Alternative Office staff but this is proving to be resource-intensive in some areas; and
- there is a risk that the time and resources invested in training will be wasted if staff are unable to use the skills they have acquired in the event of low demand.

Joint Teams provide a framework for partnership working

4.11 The Pension Service is committed to having a Joint Team for each primary tier local authority (over 200 in total) but some third parties have concerns which may prevent The Pension Service meeting this goal (**Box 11**). Some areas have well-established networks and see no advantage in being part of a Joint Team. However, Joint Teams formalise the partnership, which is a significant advantage in helping to overcome barriers to sharing data caused by technical difficulties and data protection rules.

4.12 Whilst there are many benefits to having a Joint Team, we found a number of organisational issues which can impact on their smooth running (**Box 12**). We also found a lack of central support from The Pension Service for Local Service delivery managers, particularly when trying to establish Joint Teams. Negotiating the terms and conditions of a Joint Team with partner organisations requires a different set of skills than the day-to-day management of Local Service delivery, yet there has been no assessment of managers' skills and training needs. The managers need to know what budget and resources they have to negotiate with but this information is not readily available. Once a Joint Team has been established, Local Service delivery managers would benefit from some training in change management to help address some of the organisational issues identified in Box 12.

BOX 11

Barriers to forming a Joint Team – views from third parties

- Uncertainty over future Local Service strategy so reluctant to commit resources.
- Department is too prescriptive, taking little account of local initiatives.
- Local Service is constrained and directed by national directives.
- Concern with loss of independence.
- Concern that pensioners are not being fully informed of their right to appeal and are losing access to independent sources of advice.

Source: National Audit Office

4.13 The Department has attempted some initial evaluation of Joint Teams but since each local area is different this is not a simple exercise. Early analysis indicates that where the Local Service is part of a Joint Team there is potential to be more cost-effective. However, the analysis did not measure outcomes of Joint Team activity, and there is a lack of reliable baseline data which could be used to do this. At present there is a need for increased levels of administrative support in a Joint Team due to the limitations of computer systems but solutions are currently being piloted to address IT problems.

BOX 12

Problems experienced by Joint Teams

- Conflicting priorities across different organisations.
- Different IT systems not able to communicate with each other.
- Different staff terms and conditions to work around.
- Finding suitable accommodation for the team.
- Single-structure management versus joint management by all organisations involved.

Source: National Audit Office

PART FIVE

Simplifying and joining up processes

Committee of Public Accounts 2003 report, conclusion no. 2

On simplifying processes and reducing duplication in information collection

“Systems for administering benefits in central and local government have grown up separately, and there are technical and data protection barriers to sharing data. As a result, people must still provide the same information to different agencies. There remains significant scope to simplify processes, use information more effectively, and reduce duplication. We have repeatedly expressed concerns about the Department’s computer systems and the impact of their weaknesses on customer service. The Department has an on-going IT strategy, but 2006, the promised date for significant improvements in information technology systems, is nearing without clear evidence of progress.”

Simplifying and joining up processes is important for increasing benefit take-up

5.1 Simplifying the processes of applying for benefits can help to increase take-up in two ways. First, if it is easier to claim a benefit, people are more likely to begin the process. A long and complicated application form might be enough to put a pensioner off applying for a

benefit, whereas a shorter form – or doing away with the need for a form – would be less of an impediment. A great deal of research has been done on the importance of the application process as a barrier to take-up.²⁸

5.2 The second way in which simplification of processes can increase take-up is by preventing people having to make a separate claim in the first place. Joining up the application processes for different benefits, so that an application for one benefit automatically triggers an application for other benefits, means that claimants can be prevented from losing entitlements. This preventative approach is better for claimants in that they do not have to fill in multiple forms or contact a number of different organisations. It also raises the potential for efficiency savings because if non-take-up can be prevented at the outset then there will be less need to invest resources to increase take-up.

5.3 The Department’s overall transformation programme, intended to streamline services across its agencies, will not be completed until 2010 or beyond.²⁹ In the interim the Department and The Pension Service are making improvements on simplifying processes and reducing duplication of the information they collect. Our report *Dealing with the complexity of the benefits system*³⁰ recommended a strategy to tackle complexity in the short and long term, and the Department has put in place a Simplification Unit to progress this work.

²⁸ Summarised in Appendix D of our previous report *Tackling pensioner poverty: encouraging take-up of entitlements* (HC 37, 2002-03).

²⁹ The Department’s transformation programme is covered in more detail in our report on *Delivering effective services through contact centres* (HC 941, 2005-06).

³⁰ National Audit Office, *Dealing with the complexity of the benefits system* (HC 592, 2005-06).

There has been some good work on simplifying processes but more needs to be done

5.4 Pension Credit is designed to be simpler for the customer than the Minimum Income Guarantee it replaced, especially in its treatment of financial capital and changes of circumstances. The application process is easier for the claimant and there is a dedicated telephone application line which takes around 70 per cent of Pension Credit applications. The Pension Service regularly monitors service quality and has consistently found high levels of customer satisfaction among those applying for Pension Credit via the Pension Credit Application line.³¹

5.5 The Pension Service has improved the linkages between Pension Credit and Housing Benefit and Council Tax Benefit, so that those pensioners receiving Pension Credit should now find it simpler to apply for the other two linked benefits. The following are the main advances:

- Pensioners receiving the Guarantee element of Pension Credit are automatically passported to 100 per cent Housing and Council Tax Benefit entitlement.
- The Housing and Council Tax Benefit application form has been shortened to three pages (reduced from 40 pages).
- During 2005-06, The Pension Service and local authorities contacted pensioners receiving Pension Credit but not Housing Benefit and Council Tax Benefit, to invite them to apply for these benefits.
- Since December 2005, customers who contact the Pension Credit Application line to make an application for Pension Credit are able to claim Housing and Council Tax Benefit during the one phone call.

5.6 However, complexity still exists both in terms of eligibility and in application processes. We found the following to be significant areas of complexity:

- Pensioners are still experiencing difficulties in completing application forms without assistance, and this is especially noticeable in relation to Attendance Allowance.³²
- There is particular confusion over Carer's Allowance and the impact this entitlement has on Pension Credit. If an individual or partner is entitled to Carer's Allowance then they may qualify for the carer premium element of Pension Credit and so receive a higher amount of Pension Credit. Our fieldwork indicated that pensioners were not well informed of this entitlement (see **Box 13**).
- There is a difference in treatment for Housing Benefit and Council Tax Benefit with respect to financial capital limits for those receiving Pension Credit. In some circumstances this can lead to two individuals with negligible difference in income or savings being treated differently for help with rent and Council Tax Benefit.

BOX 13

Getting the order right – Carer's Allowance, underlying entitlement and Pension Credit

Mr and Mrs Parker (aged 75 and 72) receive Pension Credit as a couple. Mr Parker receives State Pension. Mrs Parker is disabled and receives Disability Living Allowance (medium rate and mobility). Mr Parker cares for his wife and meets the eligibility criteria to be entitled to Carer's Allowance¹. Mr Parker receives State Pension so he will not get paid Carer's Allowance instead he will be deemed to have an "underlying entitlement" to Carer's Allowance, which may qualify him for the carer premium element of Pension Credit. In order to receive the carer premium for Pension Credit he must still apply for Carer's Allowance, to provide evidence of his underlying entitlement to increase his assessable income for Pension Credit.

Source: Case observed on National Audit Office field visit

NOTE

¹ If an individual is looking after a severely disabled person for at least 35 hours a week they may be entitled to Carer's Allowance. The individual must be getting Attendance Allowance or the equivalent rate of Disability Living Allowance for care needs. They cannot get Carer's Allowance if they earn above £84 a week after allowable expenses. Basic State Pension and other benefits may affect whether Carer's Allowance can be paid to the individual.

³¹ *Pension Credit Customer Application Line 2004 Market Research Report for DWP; and The Pension Service Customer Survey 2005.*

³² Sykes et al (2005), *Understanding the service needs of vulnerable pensioners: Disability, ill-health and access to The Pension Service*, DWP Research Report No.263; Barnard et al (2005) *Representing Pensioners*, DWP Research Report No.248.

5.7 The Department has work ongoing to further simplify claim processes and reduce duplication. These include:

- The Pension Service is working on customer journey scenarios and the sequence of applying for benefits to improve the relevance of questions used by contact centre staff.
- A series of improvements are being made to Carer's Allowance as a result of the 'Fairer 4 Carers' project. These include better signposting, new leaflets to issue with the underlying entitlement decision, and improving communication between the Disability and Carers Service and The Pension Service to prevent pensioners claiming Carer's Allowance and Pension Credit in the wrong order (see Box 13).
- The Disability and Carers Service working with The Pension Service to examine the customer experience and identify opportunities for improvement for pensioners using The Pension Service and claiming disability benefits.

The Pension Service aims to provide a 'gateway' to related entitlements and services but staff are uncertain over the extent of this role

5.8 The Local Service makes a significant contribution to improving the customer experience for pensioners, and hiding complexity, by acting as a 'gateway' to related entitlements and services (see Part 3). Pension Centres aim to offer a similar service to those customers who contact The Pension Service by telephone, which is the preferred route for most customers. Our recent report on contact centres³³ examined the quality of interaction between the customer and contact centres. Overall we found high levels of satisfaction with aspects of the service offered by contact centres. In particular Pension Centres are above target in aspects such as speed of response, accessibility and quality of interaction but below target on the quality of information provided to the customer, although performance in this area is improving.

5.9 The Local Service is more proactive in signposting customers and being responsive to their needs, in particular with vulnerable pensioners.³⁴ Research found that whilst Pension Centre staff generally do their best to help with a wide range of needs some have expressed concerns about being too intrusive when enquiring about other possible needs over the telephone and are uncertain as to the extent of assistance they should be providing.

5.10 The Pension Service has chosen not to use scripts in its Pension Centres in order to ensure that the service provided is flexible enough to meet the wide range of customer needs. Although staff are given guidance on how to answer frequently asked questions, there is a risk that without comprehensive training in benefits staff are not sufficiently equipped to assist pensioners with wider benefit needs. The Pension Service is developing a series of scenarios to assist staff to identify pensioners who may be entitled to Attendance Allowance or Carer's Allowance.

³³ National Audit Office, *Delivering effective services through contact centres* (HC 941, 2005-06).

³⁴ Sykes et al (2005), *Understanding the service needs of vulnerable pensioners: Disability, ill-health and access to The Pension Service*, DWP Research Report No.263.

APPENDIX ONE

Methodology

1 A full description of our methodology is given in the accompanying Technical Report.

Data analysis

2 The Pension Service uses Department for Work and Pensions benefits data and information from Her Majesty's Revenue & Customs on occupational pensions and private savings to identify people who are likely to be eligible for Pension Credit. We used this information to look at how pensioners who are likely to be eligible for Pension Credit but are not receiving it are distributed across the country. We applied multiple linear regression model at a small area level to identify those factors that explain variations in the number of pensioners not taking up entitlements. We used management information from the Local Service to investigate Local Service activity including: the types of visits they carry out; the number and value of benefits they help pensioners to apply for; the number of full benefit entitlement checks they have carried out (see our Technical Report, [Chapter 2](#)).

Local case studies

3 In order to understand the level and type of take-up activity happening at a local level we selected six areas to visit. The areas were selected to cover a range of demographics and provide a variety of local area partnerships. The six areas were: South Lanarkshire; Tameside; Shropshire; Somerset; Newham; and Surrey. Four of the areas had Joint Teams established.

4 In each area, we visited the Local Service team, local authorities, a range of voluntary sector organisations, and where possible an Alternative Office. We held 45 interviews with a range of staff, including the Local Service delivery manager, the Local Service area manager, visiting staff (from The Pension Service and local authority), welfare rights advisers, local authority benefit managers and voluntary sector staff. We shadowed 15 visiting staff and observed 38 visits to pensioners' homes (see Technical Report, [Chapter 3](#)).

Survey of local authorities

5 To supplement the work of the case studies we sent an electronic survey to 445 local authorities to identify the type of take-up activity carried out by local authorities,

their involvement with local partners and what targets they have in place for take-up. We received 250 replies (see Technical Report, [Chapter 4](#)).

Review of Partnership Fund contracts

6 We carried out a desk review of the Partnership Fund files (67 out of 172 awarded contracts) to determine the types of organisations involved and the initiatives adopted. At the time of our fieldwork the organisations receiving Partnership Funding were only in their first year of operation. The principal objective of the Partnership Fund is to learn from what works and the Department has commissioned a full evaluation of the initiatives scheduled to report in early 2007 (see Technical Report, [Chapter 5](#)).

Analysis of existing research and use of National Audit Office studies

7 Prior to starting this follow-up study we commissioned a literature review from Jay Wiggan and Professor Colin Talbot, University of Nottingham, to provide a post 2002 review of the literature on issues of pensioner poverty and take-up of entitlements (see Technical Report, [Chapter 6](#)).

8 Since 2002 the Department has commissioned various pieces of independent research on issues surrounding take-up of pensioner entitlements. This work, which we would not wish to duplicate, provided data to answer some of our detailed study questions (see Technical Report, [Bibliography](#)).

9 We have also drawn on other recent National Audit Office studies, in particular: *Dealing with the complexity of the benefits system* (HC 592, 2005-06); *Communicating with the public* (HC 455, 2005-06); and *Delivering effective service through contact centres* (HC 941, 2005-06).

Interviews with key Departmental staff

10 We conducted interviews with relevant staff in the Department for Work and Pensions, The Pension Service and the Disability and Carers Service. These included staff from the Customer and Acquisitions Directorate and from policy teams.