



National Audit Office

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**Departmental Overview**

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The performance of the Department  
for Work & Pensions 2013-14

OCTOBER 2014

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Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

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# Introduction

## Aim and scope of this briefing

- 1** The primary purpose of this report is to provide the Work & Pensions Select Committee with a summary of the Department for Work & Pensions' activity and performance since April 2013, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).
- 2** Part One summarises the Department's activity over the past year. Part Two examines developments in this Parliament. Part Three considers recent reviews by the NAO of the Department's activities.
- 3** The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

# Part One

## About the Department

### **The Department's responsibilities**

**1.1** The Department for Work & Pensions (the Department) is responsible for paying benefits to those who are entitled to receive them, including the unemployed, pensioners, disabled people and carers, and for providing help to people without jobs to get into work. In 2013-14, it paid out £163.3 billion in benefits. The Department is responsible for welfare, pensions and child maintenance and administers benefits to over 22 million claimants and customers.

**1.2** The Department for Work & Pensions' priorities are:

- helping to reduce poverty and improve social justice;
- helping people to find and stay in work;
- enabling disabled people to fulfil their potential;
- helping people save more for their retirement through workplace pensions and making the State Pension simpler and fairer;
- recognising the importance of family in providing the foundation of every child's life; and
- improving services to the public by providing value for money and reducing fraud and error.

## How the Department is organised

**1.3** The Secretary of State for Work & Pensions has overall responsibility for the Department. The Departmental board is chaired by the Secretary of State and includes the ministerial team, non-executive directors and executive directors. The Departmental board is responsible for overall strategy and operational issues affecting the Department's performance. The board is supported by two subcommittees:

- the Departmental Audit and Risk Assurance Committee reviews the adequacy and effectiveness of governance, internal controls, risk management and associated assurance processes, and provides independent advice to the Principal Accounting Officer and the board; and
- the Nominations Committee is responsible for identifying and developing leadership and high potential, scrutinising the incentive structure, and succession planning.

**1.4** Robert Devereux is the Permanent Secretary and is responsible for the executive management of the Department. He is directly accountable to Parliament for expenditure and management. The Permanent Secretary is supported by an Executive Team (**Figure 1**) which is responsible for planning, resourcing and management of the Department.

**1.5** The Department provides services in a number of ways, for example through Jobcentre Plus, The Pension Service, the Child Maintenance Service. Jobcentre Plus and The Pension, Disability and Carers Service ceased to be executive agencies from October 2011. Child Maintenance Group, formerly with arm's-length bodies status, became part of the Department on 1 August 2012.

### Jobcentre Plus

**1.6** Jobcentre Plus helps people move from benefits into work and helps employers fill vacancies. It also deals with benefits for people who are unemployed or unable to work because of a health condition or disability. In 2013-14, the Department helped around 2.8 million people leave Jobseeker's Allowance with over 79% leaving within the first 6 months; advertised 4 million job vacancies for around 390,000 employers and carried out 25 million adviser interviews to help people prepare for work.

### The Pension Service

**1.7** The Pension Service provides pensions, benefits and retirement information for current and future pensioners in the UK and abroad. This includes paying:

- State Pension.
- Pension Credit.
- Winter Fuel Payments.
- Cold Weather Payments.

**Figure 1**  
How the Department for Work & Pensions is organised (as at 31 March 2014)



**Notes**

- 1 As at 31 March 2014.
- 2 Mayank Prakash was appointed Director General for Technology, heading the Corporate Information Technology directorate, in September 2014.
- 3 Neil Couling replaced Howard Shiplee in September 2014 as Senior Responsible Owner for Universal Credit.

Source: *Department for Work & Pensions Annual Report and Accounts 2013-14*

## Child Support Agency and Child Maintenance Service

**1.8** Child maintenance is financial support that helps towards a child's everyday living costs when their parents have separated. For people who can't make their own family-based arrangements, the Child Support Agency and Child Maintenance Service calculate how much maintenance the paying parent should pay to the receiving parent and, if necessary, collect the maintenance payments. In 2013-14, the number of children benefiting from maintenance was 871,800.

**1.9** The administration of child maintenance was the responsibility of the Child Maintenance and Enforcement Commission until July 2012 when its functions were transferred to the Department. This change gave ministers more direct control, responsibility and accountability for the delivery of child support strategic and operational policy as well as ongoing and future child maintenance reforms.

## Where the Department spends its money

**1.10** The Department spent £170.7 billion (**Figure 2**) in 2013-14,<sup>1</sup> of which £163.3 billion was State Pension and benefit payments.

## Departmental Expenditure Limits

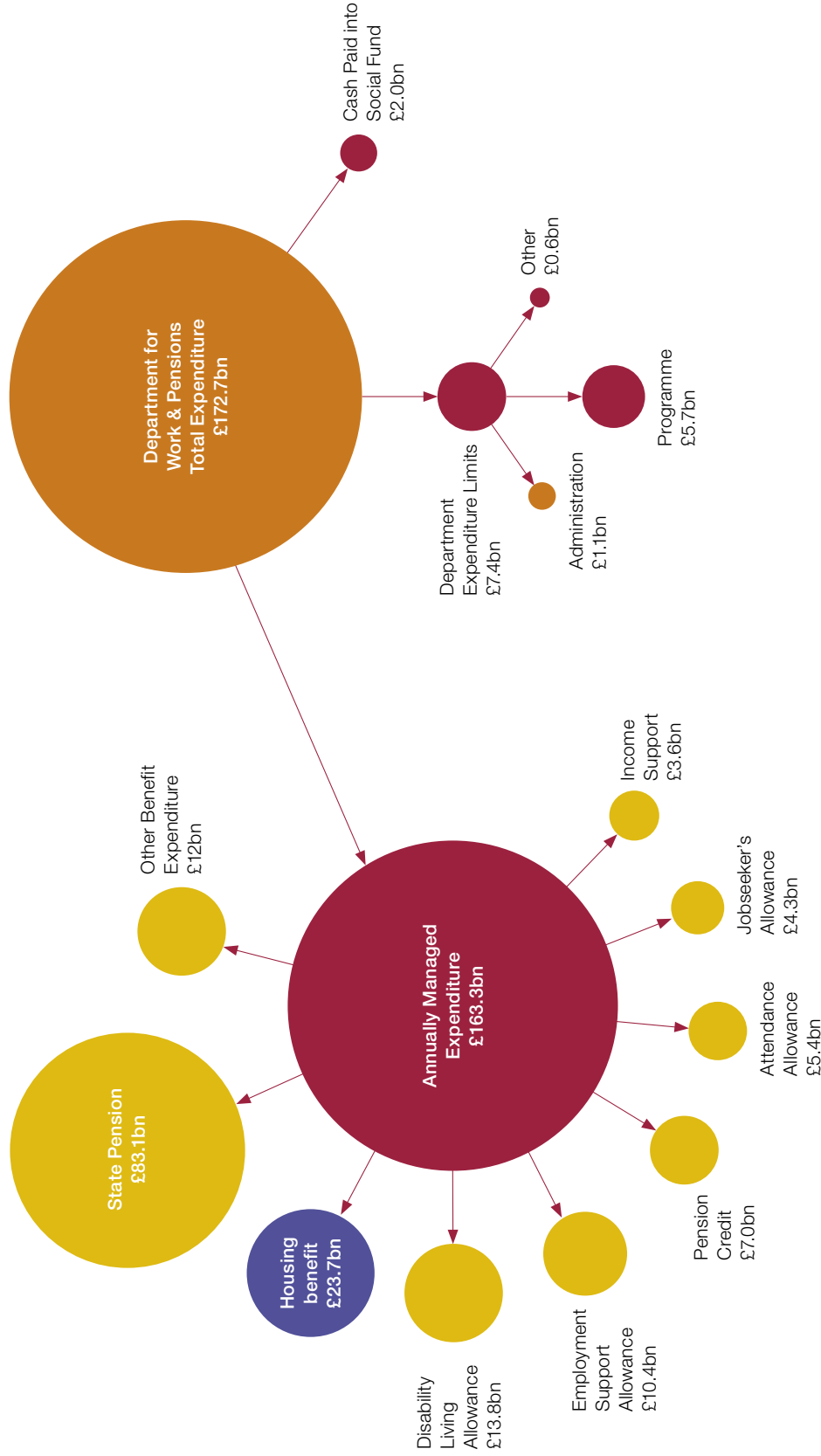
**1.11** The government budget that is allocated to and spent by the Department is known as the Departmental Expenditure Limit, or DEL. This is spending on the running of services and the everyday cost of resources such as staff. The Department spent £7.4 billion on running the Department's daily operations and funding administrative costs of a number of arm's-length bodies.

**1.12** In 2013-14, the Department paid around £3 billion to its suppliers, of which Employment Programmes (33%), Information Technology (26%) and Estates (19%) were the largest cost items. The Department paid out £636.8 million to its Work Programme providers in 2013-14.

<sup>1</sup> Comptroller and Auditor General, *Department for Work and Pensions Annual Report & Accounts 2013-14*.



**Figure 2**  
Where the Department spent its money in 2013-14 (£bn)



**Notes**

- 1 Administration relates to expenditure incurred outside of the provision of front-line services and includes business support functions, non-public facing accommodation and depreciation.
- 2 Programme spend includes the Department's contracted employment programmes and support to non-departmental public bodies, local authorities and the Child Maintenance Group.
- 3 Other is the cost of providing front-line services and includes the cost of administering benefit payments, contracted employment programmes, public facing accommodation and support for local authorities.

## Annually managed expenditure

**1.13** Annually managed expenditure, or AME, is the amount spent on programmes which are demand-led – such as welfare, tax credits or public sector pensions. It is spent on items that may be unpredictable or not easily controlled.

**1.14** The cost of benefits and pensions is largely funded directly by HM Treasury and National Insurance contributions. The Department runs the largest public expenditure spending programme across government.

**1.15** In 2013-14, the Department's Annually Managed Expenditure on benefits was within budget at £163.3 billion compared to £160.8 billion in 2012-13. The Department spent £139.6 billion directly on benefits it administered and £23.7 billion on Housing Benefit, administered by local authorities. It paid £83.1 billion in State Pension in 2013-14.

**1.16** The Department's preliminary estimates show that total overpayments due to fraud and error in 2013-14 are £3.3 billion (2012-13 – £3.5 billion), which equates to 2% of total benefit expenditure.

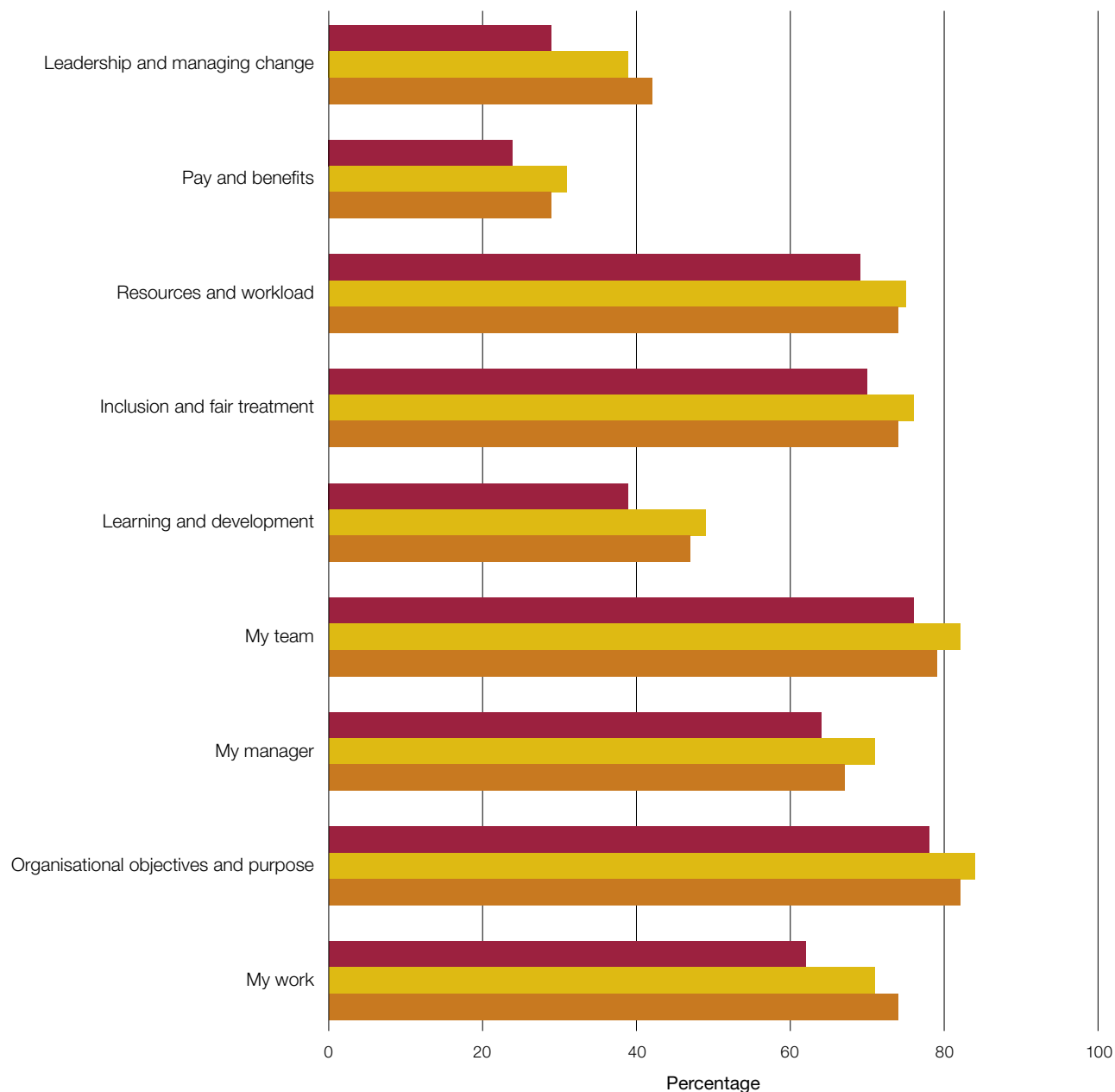
## Staff attitudes

**1.17** The government has conducted its Civil Service People Survey annually for the past 5 years. The most recent survey was carried out during October 2013. Continuing our practice in past briefings, we summarise here the views of the Department's staff on a number of key issues, and compare them to benchmarks for the civil service as a whole. Detailed results for all departments are reproduced in Appendix Two.

**1.18** The Department is above benchmarks for the themes covered by the Civil Service People Survey, with the exception of the 'leadership and managing change' and 'my work' categories (**Figure 3**). The Department's staff engagement score – which measures employee commitment to organisational goals and values and motivation to contribute to organisational success – stood at 54% (**Figure 4** on page 12). This is an increase of 6 percentage points from 2012 and up 10 percentage points from 2011.

**Figure 3**

Department for Work & Pensions staff attitudes by Civil Service People Survey theme



- Department for Work & Pensions 2012
- Department for Work & Pensions 2013
- Civil service benchmark 2013

**Notes**

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2013 benchmark is the median per cent positive across all organisations that participated in the 2013 Civil Service People Survey.

Source: National Audit Office analysis of the Civil Service People Survey

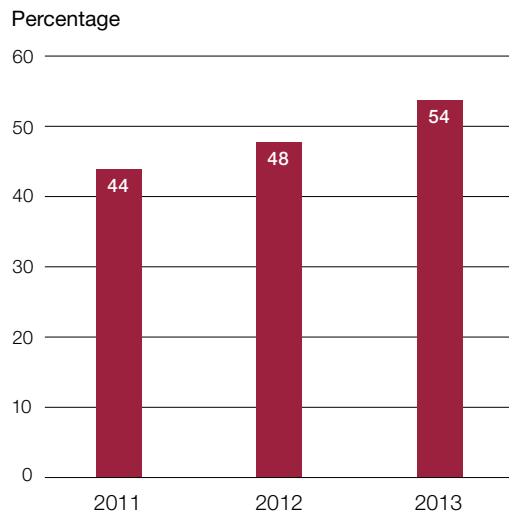
**1.19 Figure 5** suggests that the Department mirrors the rest of the civil service in its relative strengths and weaknesses in these areas. The Department scores better than the civil service benchmark in 7 of the 13 categories but worse on staff feedback on its senior management.

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**Figure 4**

Department for Work & Pensions staff attitudes – Staff Engagement 2011 to 2013

**Feedback from staff on Staff Engagement is improving consistently**

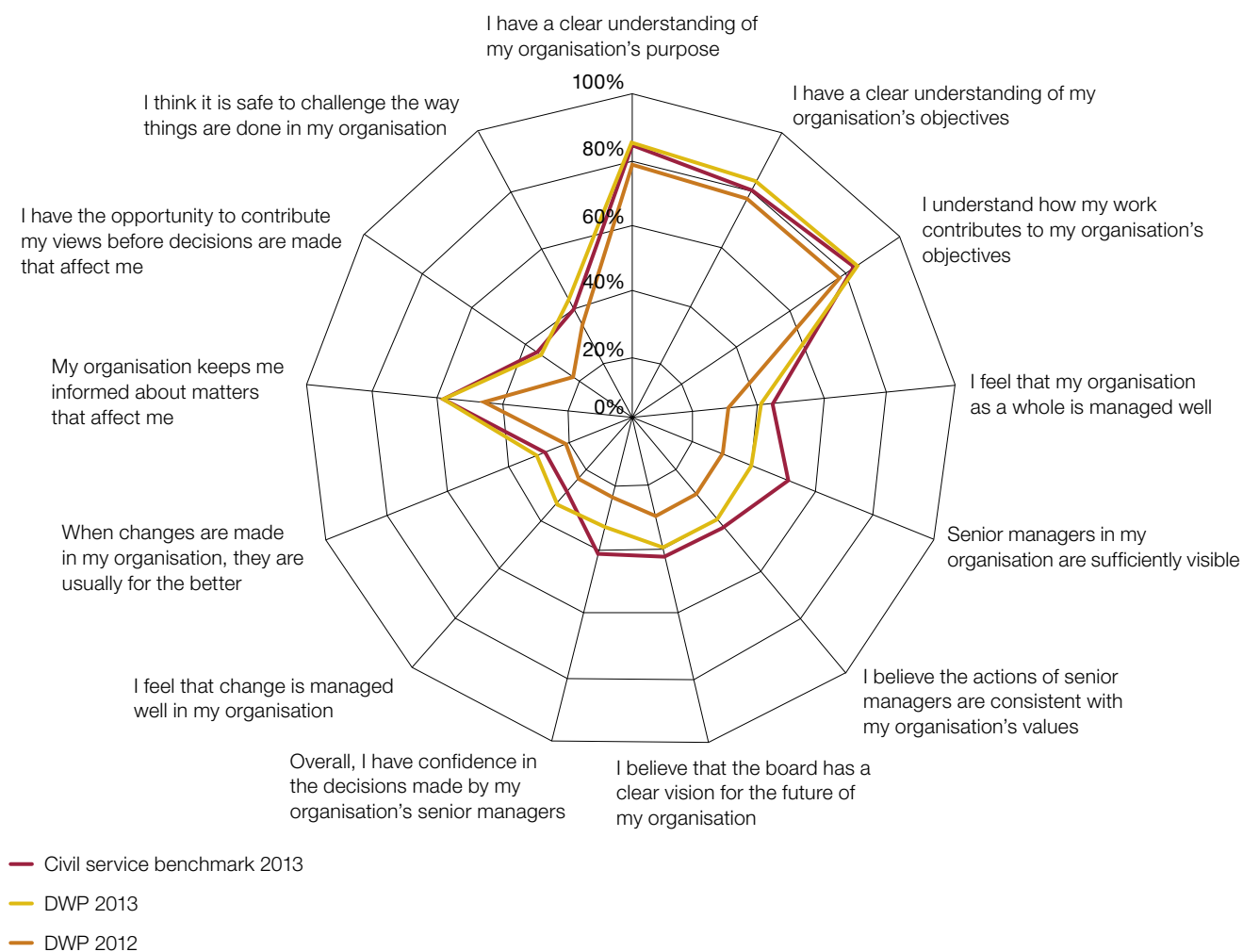


Source: National Audit Office analysis of the Civil Service People Survey

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**Figure 5**

Detailed breakdown of DWP's staff attitudes to 'leadership and managing change' and 'organisational objectives and purpose' themes



**Notes**

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2013 benchmark is the median per cent positive across all organisations that participated in the 2013 Civil Service People Survey.

Source: National Audit Office analysis of the Civil Service People Survey

# Part Two

## Developments in this Parliament

### Changes to the Department's spending

**2.1** In 2010, the government announced it would deliver welfare savings worth £18 billion in 2014-15. A further £3.6 billion savings in 2015-16 were announced in the Autumn Statement of 2012.<sup>2</sup> As a result, the Department introduced a number of measures to reduce the welfare bill. This included a switch to Consumer Price Index for the annual indexation of benefits and pensions, and steps to control costs in Housing Benefit and Disability Living Allowance. A proportion of the savings were recycled to fund a new triple guarantee that the Basic State Pension will be uprated by an annual increase in line with wages, prices or 2.5%, whichever is the highest.

**2.2** The 2010 Spending Review announced a package of reforms, including capping household benefit payments, reducing spending on Council Tax Benefit by 10% and localising delivery, intended to save £490 million a year from 2013-14, and freezing the maximum Savings Credit award in Pension Credit for 4 years, saving £330 million a year by 2014-15. The 2013 Spending Review announced new measures designed to support people to move into work and to improve welfare spending control.

**2.3** The Department has reported a £2 billion reduction in baseline spending in 2013-14<sup>3</sup> (£5.4 billion baseline spend compared to £7.4 billion in 2009-10) which contributed to cumulative savings of £5.7 billion since 2009-10.<sup>4</sup> One of the main sources of cost reduction has been a reduction in staff numbers. The Department has reduced the number of its staff by over 24,500 staff between December 2009 and March 2014 (**Figure 6**).

2 HM Treasury, Spending Round 2013, Cm 8639, June 2013, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209036/spending-round-2013-complete.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf)

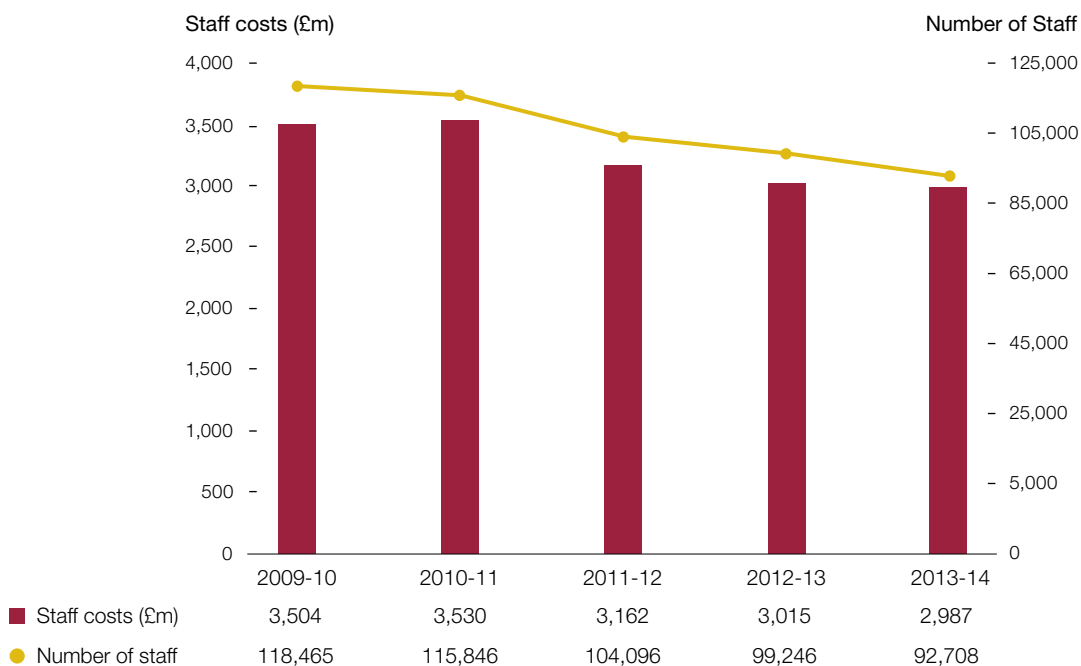
3 Baseline budgeting uses current spending levels as the 'baseline' for establishing future funding requirements and assumes future budgets will equal the current budget adjusted for inflation and any efficiencies. Baselines exclude non-recurrent costs so that fair comparisons can be made over time.

4 Cumulative baseline savings between 2009-10 and 2013-14.

**Figure 6**

## Departmental staff costs and numbers

The Department's staff numbers and costs are reducing

**Note**

1 Staff cost data have been rounded.

Source: National Audit Office analysis of Department for Work &amp; Pensions Annual Reports and Accounts

**2.4** The Department has also made reductions in the cost of administration during this Parliament, for example, in reducing the costs of its estate and payments for goods and services. It has reduced its payments for goods and services by 26% since 2009-10 and the cost of its estate by 23% in the same period.<sup>5</sup> Combined, this is a reduction in costs of £364 million in 5 years.

**2.5** In relation to benefit expenditure, State Pension has increased by 24% from 2009-10 from £67 billion to £83 billion. Both Housing Benefit and Disability Living Allowance have increased year on year in this Parliament (**Figure 7** overleaf).

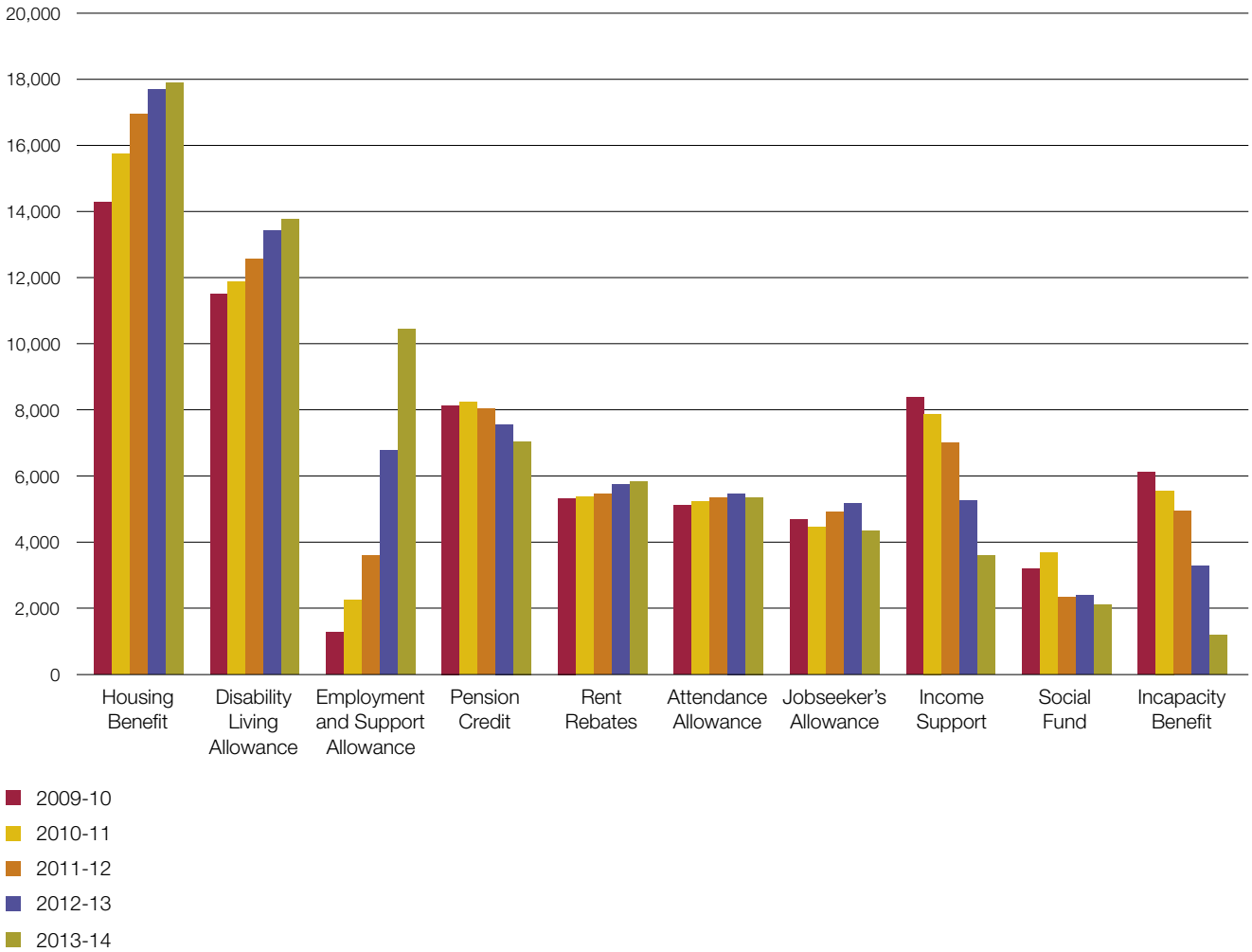
<sup>5</sup> Restated figures for 2009-10 from the 2010-11 Department for Work & Pensions Annually Reported Accounts used to ensure like-for-like comparison.

**Figure 7**

The Department's spending on selected benefits 2009-10 to 2013-14

**Housing Benefit and Disability Living Allowance has increased year on year**

£ million



Source: Annex 7, Expenditure Tables, Department for Work & Pensions Annual Report and Accounts 2013-14



## Fraud, error and debt

**2.6** Preliminary data for 2013-14 show the level of benefit overpayments due to fraud and error was 2% of total benefit expenditure. This is a fall of 0.1 percentage point from 2012-13 but is not statistically significant. The percentage of total benefit expenditure underpaid in 2013-14 was 0.9%, the same as 2012-13.

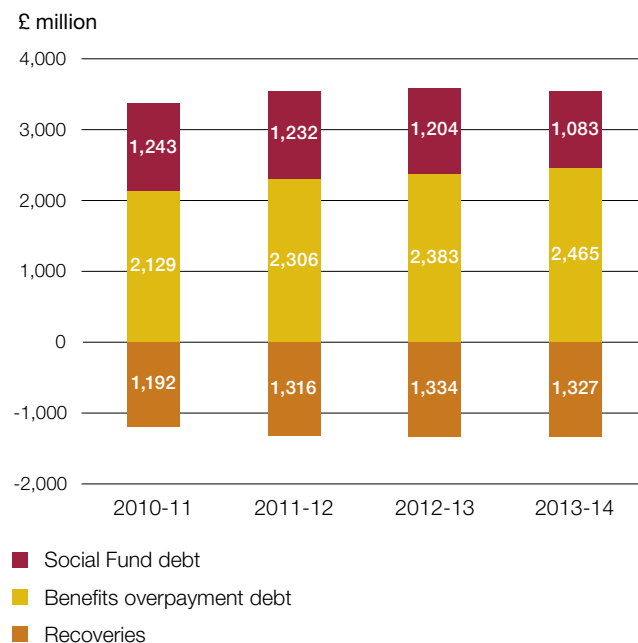
**2.7** The total value of benefit related debt owed to the Department as at 31 March 2014 is £3.6 billion. While Social Fund debt has reduced from £1.2bn to £1.1bn, the amount owed to the Department's from benefit overpayments has risen from £2.1 billion in 2010-11 to £2.5 billion in 2013-14. However, this was the first year that the overall level of debt has not increased for a number of years. In 2013-14 the Department recovered £1.3 billion of debt compared to £1.2 billion in 2009-10.

**2.8** After a rise in 2011-12, the amount of debt the Department recovers has remained static at around £1.3 billion a year (**Figure 8**). The Department reported in its Annual Report and Accounts that the value for money of debt recovery has improved. In 2010-11, for every £1 spent on recovery the Department recouped £15.66, by 2013-14 this figure has risen to £22.88.

### Figure 8

#### Value of debt recovered 2010-11 to 2013-14

The amount of debt the Department recovered has remained static



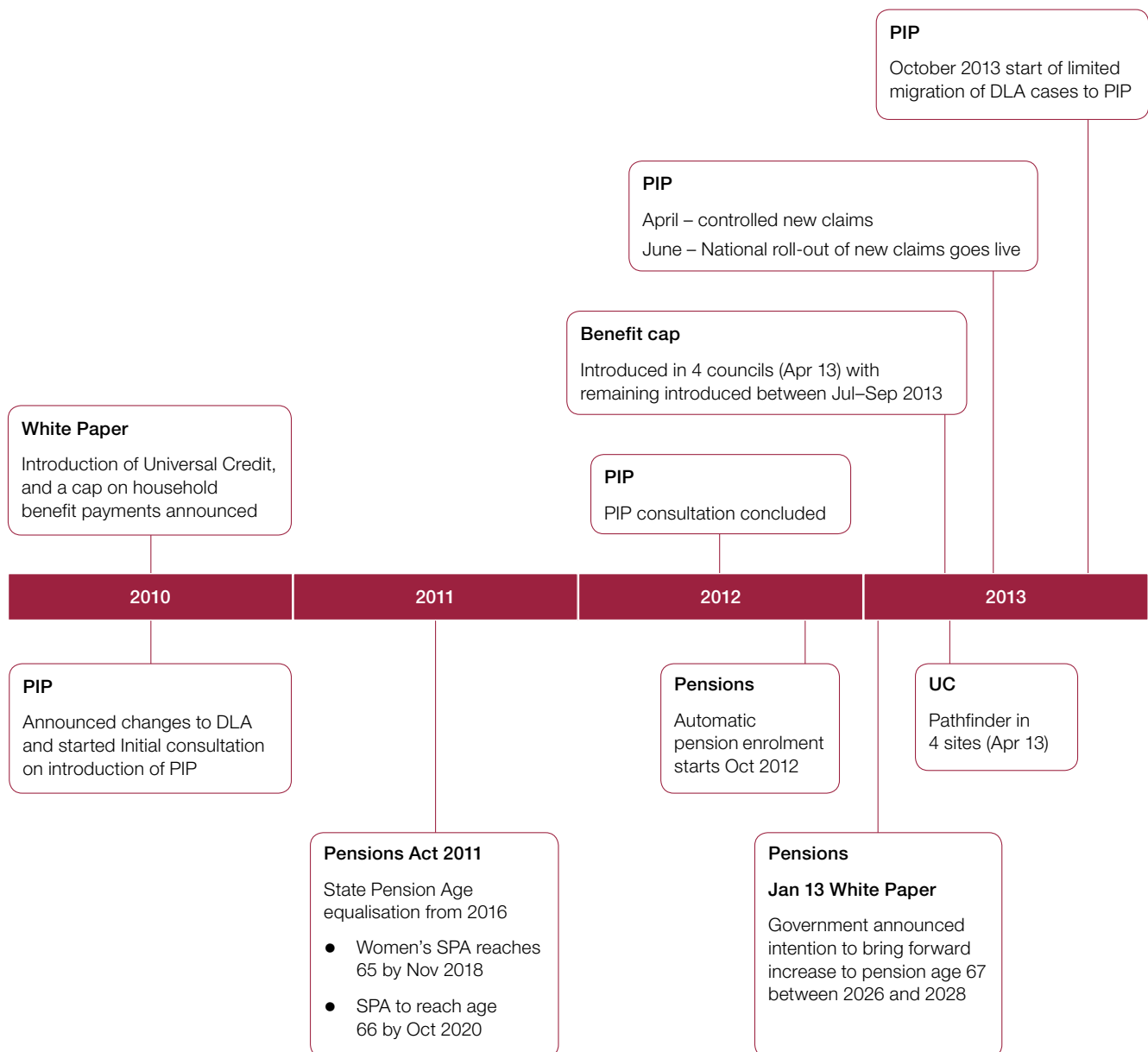
Source: National Audit Office analysis of *Department for Work & Pensions Annual Report and Accounts 2013-14*

## Welfare reforms

**2.9** From 2010, the Department has been implementing significant reforms to the welfare system (**Figure 9**).

**Figure 9**  
The Department’s welfare reform programme

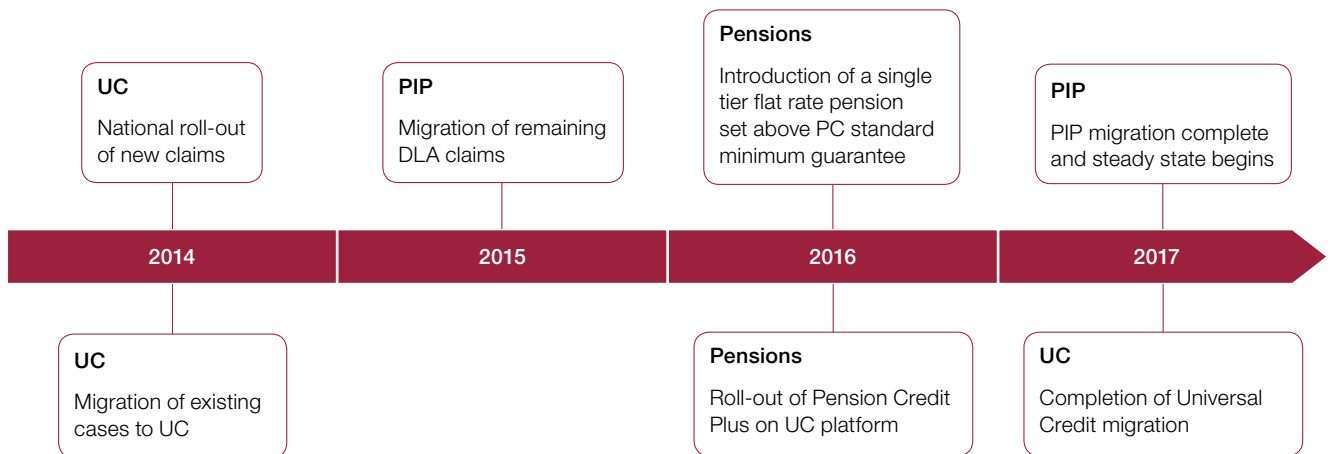
**Welfare reform timeline**



**Note**

1 The timeline refers to the original plans of the Department.

Source: National Audit Office analysis of departmental documentation



## Working age

### Universal Credit

**2.10** The Department is introducing a major reform to the benefits systems called Universal Credit. It will replace 6 main benefits with a single monthly payment for people in work or out of work, smoothing the transition from welfare to work. The Department and HM Revenue & Customs spent £67 billion on these benefits in 2012-13 – one-third of their combined spending on benefits, state pensions and tax credits. Universal Credit is designed to make work pay, as financial support will be withdrawn at a slower rate than under the current system.

**2.11** The Department began a Universal Credit Pathfinder on 29 April 2013, where it trialled Universal Credit for a limited number of customers. It originally planned a progressive roll-out of Universal Credit from October 2013, but while the Pathfinder has remained and increased in scope and scale (the pathfinder is currently available in over 50 jobcentres in England, Wales and Scotland), the national roll-out has not yet commenced. In September 2014, the Department announced plans to roll-out Universal Credit to all jobcentres and local authorities from early 2015.

**2.12** In 2013-14, the Department spent £5.9 million in Universal Credit benefit payments. As of 14 August 2014, the provisional caseload figures show that a total of 11,070 people were on Universal Credit.<sup>6</sup> As of 14 September 2014 a total of 26,140 people had made an application for Universal Credit.<sup>7</sup> In its October 2011 business case, the Department expected the Universal Credit caseload to reach 1.1 million by April 2014, but reduced this to 184,000 in the December 2012 business case.

**2.13** In the C&AG's report on the Department's 2012-13 Annual Report and Accounts, he reported on the considerable weaknesses in the Department's financial controls over the Universal Credit programme. In particular, both the NAO and the Committee of Public Accounts expressed concerns over the weaknesses in financial governance, reporting and controls within the programme, and the limited Departmental review and challenge over the quality, efficiency and value of services being delivered by suppliers. The Department accepted these findings and all the recommendations made by the Committee of Public Accounts. It has taken steps to strengthen financial controls and supplier management, through the development and implementation of revised financial procedures, financial assurance arrangements and financial reporting.

6 Department for Work & Pensions, Universal Credit – experimental official statistics to August 2014, 17 September 2014, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/355142/universal-credit-statistics-first-release-aug-2014.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/355142/universal-credit-statistics-first-release-aug-2014.pdf)

7 Department for Work & Pensions, The number of people making a claim application to universal credit, September 2014, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/359509/ad-hoc-statistics-people-making-claim-universal-credit.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/359509/ad-hoc-statistics-people-making-claim-universal-credit.pdf)

## Housing Benefit

**2.14** The Department is also reforming Housing Benefit. As part of the measures announced in the budget of June 2010 and the Spending Review of October 2010, the government announced changes to Housing Benefit which aimed to reduce annual expenditure by around £2.3 billion. These included reductions to Local Housing Allowance rates for private rented sector claimants and deductions in payments to social sector tenants in under-occupied homes.

## Benefit Cap

**2.15** The Household Benefit Cap was introduced from 15 April 2013 and was implemented by September 2013. This limited the total amount of benefit that working age people can receive. Household benefit payments are capped at £350 per week for a single adult with no children and £500 per week for couples, with or without children, and lone parent households – the equivalent of £26,000 per year.

**2.16** Between 15 April 2013 and 31 May 2014, over 45,800 households had their Housing Benefit capped. At May 2014, 18,800 of these were no longer subject to the Benefit Cap – including 7,400 households now in receipt of Working Tax Credit, which is exempt from the Benefit Cap.<sup>8</sup>

## The Work Programme

**2.17** The Department introduced the Work Programme in June 2011 which offers support to the long-term unemployed. It has also implemented new measures to help the long-term unemployed into work and created a new sanctions regime to ensure that people receiving benefits actively seek work.

**2.18** The Department expected to pay contractors £1.7 billion between June 2011 and March 2014. It actually paid contractors £1.4 billion (83%) because there were fewer outcomes than expected.

**2.19** Between June 2011 and March 2016, the Department expects to refer 2.1 million people to the Work Programme. By June 2014, it had referred 1.61 million people, 76 per cent of the total. Around 331,000 people had achieved job outcomes, and 728,000 had completed two years on the Work Programme.

<sup>8</sup> Department for Work & Pensions, Benefit Cap: GB households capped to May 2014, 7 August 2014, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/341890/benefit-cap-may-2014.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341890/benefit-cap-may-2014.pdf)

**2.20** Our report on the Work Programme in July 2014 found that it has helped people claiming Jobseeker's Allowance who have completed two years get into and stay in work at about the same rate as previous welfare-to-work schemes.<sup>9</sup> This performance has not so far achieved the Department's higher expectations, but it expects recent improvements to continue. The Department did not clear the findings in this report on the grounds that they did not reflect the Department's view of the relevant facts.

## **Disabled people**

### **Personal Independence Payment**

**2.21** Personal Independence Payment (PIP) is replacing Disability Living Allowance for working age claimants (16–64 years). Personal Independence Payment is based on an assessment of individual needs and aims to make sure financial support is targeted at those who face the greatest challenges to living independently.

**2.22** By 31 July 2014, the Department had received 490,000 claims for Personal Independence Payment and 106,000 people were being paid the benefit.<sup>10</sup> Our report found that as at February 2014, the Department has delivered Personal Independence Payment to budget. During 2013-14, the Department expects to stay within its £101 million budget for implementing the programme and has met budget requirements in previous years.<sup>11</sup>

**2.23** In mid-2013, backlogs developed and the Department made far fewer claim decisions than it expected. Backlogs have developed at each stage of the claimant process. Both the Department and assessment providers have processed fewer claims than they expected, despite the number of new claims being in line with expectations. By 25 October 2013, the Department had made only 16% of the number of decisions it expected, over 166,000 people had started new claims for Personal Independence Payment and 92,000 claims had been transferred to the assessment provider and not yet returned to the Department – nearly three times the volume expected by the Department at this stage.

**2.24** Claimants face delays, and the Department is not able to tell them how long they are likely to wait, potentially creating distress and financial difficulties. We examined a sample of claims completed in the first 6 months of processing (which are likely to have had shorter delays) and found that claims from terminally ill claimants took an average of 28 days to process against the Department's working assumption of 10 days. Claimants are given back dated payments if they are awarded Personal Independence Payment but face uncertainty and costs while they wait. For new claimants this may include difficulties paying for care, housing costs and other daily living costs.

9 Comptroller and Auditor General, Department for Work & Pensions, *The Work Programme*, Session 2014-15, HC 266, July 2014.

10 Department for Work & Pensions, Personal Independence Payment official statistics: April 2013 to July 2014, 17 September 2014, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/355653/pip-july-2014.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/355653/pip-july-2014.pdf)

11 Comptroller and Auditor General, Department for Work & Pensions: *Personal Independence Payment: early progress*, Session 2013-14, HC 1070, National Audit Office, February 2014.

## Employment and Support Allowance

**2.25** Employment and Support Allowance was introduced on 27 October 2008 to replace Incapacity Benefit, Income Support (paid because of an illness or disability) and Severe Disablement Allowance. Initially it only replaced new claims and the migration of existing claims did not begin until spring 2011. The migration process was expected to be finished by March 2014.

## Assessments

**2.26** The Welfare Reform Act 2007 established the Work Capability Assessment as a means of distinguishing between people who could not work because of health related problems from those who were fit for some work or could, with support, eventually return to work.

**2.27** Together with the assessment of new claims, the Department uses Health Assessments to review eligibility of existing claimants of:

- Disability Living Allowance for The Personal Independence Payment; and
- incapacity benefits (Incapacity Benefit, Severe Disablement Allowance and Income Support for incapacity for work) for Employment and Support Allowance.

## Personal Independence Payment

**2.28** The Department pays Atos Healthcare and Capita Health and Wellbeing (Capita) to assess claimants' daily living and mobility needs. The Department expects to pay assessment providers £127 million each year from 2018-19 to complete assessments for new claims and existing claims requiring a review.

## Employment and Support Allowance

**2.29** Regulations laid before Parliament on 29 March 2010 provided for the migration of 1.5 million incapacity benefit claimants to Employment and Support Allowance between October 2010 and March 2014, if they satisfied the Work Capability Assessment. In total, 1.3 million claimants had started the Incapacity Benefit Reassessment process by the end of September 2013.

**2.30** The Department's Governance Statement reported that the volume of assessments undertaken has fallen consistently below demand, with a detrimental impact on customer service and implications for forecast expenditure on sickness and disability benefits. In March 2014, the Department agreed with Atos Healthcare that they would exit from this contract before the existing contract end date of August 2015. The procurement of a new, single national provider began in March 2014 and is expected to be complete by October 2014, with the transition to the new provider taking place by early 2015.

## Remploy

**2.31** Remploy is a non-departmental public body of the Department for Work & Pensions (the Department) and a public corporation. It is a company limited by guarantee and is funded by government grants and revenue generated from its commercial activities. In 2011-12, Remploy's businesses made an operating loss of £49 million and received £53 million in government subsidies.

**2.32** Businesses, known officially as Remploy Enterprise Businesses, employed disabled people directly to make a range of items including automotive parts and school furniture. These 12 businesses employed 2,150 disabled people across 54 factories in 2011-12.

**2.33** In March 2012, the Department announced that it would withdraw subsidies to Remploy's factories. Between August 2012 and December 2013, Remploy disposed of its factories, either selling them as entire businesses or closing them down and selling sites and machinery.

## Pensioners

**2.34** The state pension age is changing to reflect increases in life expectancy and to ensure the state pension system is sustainable. The Department is reforming state and private pensions to help people provide for security in later life, including Automatic Enrolment. It is introducing a simple New State Pension from April 2016 to make it easier for people to know what they'll get from the state in retirement.

**2.35** Automatic enrolment, which started to roll out in October 2012, places a legal duty on employers to enrol their eligible employees into a workplace pension. Automatic enrolment continued to be implemented by employers in 2013-14 via a staged approach which will continue until 2018. Large employers (with over 250 employees) completed their staging dates in February 2014. Over 4 million workers have been automatically enrolled into a workplace pension since October 2012.<sup>12</sup>

## Separated families

**2.36** The 2.5 million separated families in the UK have several options for arranging child support. Around 1.1 million (40%) rely on statutory government-run schemes that assess, collect and make payments. Other families set up their own (family-based) arrangements or use the court system. Around 600,000 families have no arrangement at all.

<sup>12</sup> The Pensions Regulator, Automatic enrolment declaration of compliance report, September 2014, available at: <http://thepensionsregulator.gov.uk/docs/automatic-enrolment-monthly-registration-report.pdf>



**2.37** The 2012 child maintenance scheme replaces the existing 1993 and 2003 (legacy) statutory schemes for child support and introduces charges (application fee of £20 and ongoing collection fees of 4% for the receiving parent and 20% of payments due for the paying parent) for statutory services. The Department expects many parents to come to their own family-based arrangements instead. It expects the number of children benefiting from family-based arrangements to increase by over 300,000 between 2013-14 and 2018-19.

**2.38** The Department estimates the 2012 scheme will cost £950 million up to 2022-23. The Department's estimate of the total cost of setting up the 2012 scheme has increased by £70 million from its plans in April 2012. This is because of delays in the programme, extra testing and the use of a pathfinder approach. Delays have so far cost £39 million in testing and technical support to staff. Delays in setting up the data warehouse have cost a further £4 million in direct costs.

## **Vulnerable people**

**2.39** Since the Social Fund was introduced in 1988, welfare delivery has changed significantly. The government has reformed the Social Fund and Community Care Grants and Crisis Loans were abolished from 1 April 2013 to be replaced by schemes administered by local authorities.

## **Independent assessments of the Department's performance**

**2.40** In Part Three of this report, we look at the NAO's assessment of the Department's performance in 2013-14. Alongside our work and that of the Work & Pensions Select Committee, a number of other bodies regularly produce independent assessments of how the Department is doing and of the challenges it faces.

### **Fourth review of the Work Capability Assessment by Dr Paul Litchfield (December 2013)**

**2.41** The Welfare Reform Act 2007 provided for an independent assessment of the process in its first five years of operation. Dr Litchfield's report found an over-emphasis on the points scoring system, scope for improvement in ensuring people are treated with dignity and respect, and a need to simplify the process.<sup>13</sup>

**2.42** Dr Litchfield found that the Department has made good progress with implementing previous recommendations from Professor Harrington and some notable improvements have been made, such as the way people with cancer are treated. Some recommendations have not yet been fully acted upon and Dr Litchfield noted that better sharing of information with Work Programme providers should be a priority.

### Social Security Advisory Committee: The cumulative impact of welfare reform: a commentary (April 2014)

**2.43** The Social Security Advisory Committee is an independent statutory body that provides impartial advice on social security and related matters. The Committee published a report in April 2014 on the impact of welfare reform.<sup>14</sup> It found that some overall assessments of impact of welfare reform already exist, in particular for impacts across the income distribution, and across geographic areas. These impacts are largely negative, as they focus on the direct and immediate effect of reforms upon incomes, rather than any employment or behavioural effects, and because the potentially positive effects of Universal Credit are yet to be introduced on a national scale.

**2.44** The Committee noted that the government's programme of welfare reform is also intended to bring about longer-term positive impacts such as changes in claimant behaviour. Existing analysis has shown how reforms to social security have improved incentives to undertake employment. Yet it is too soon to assess the consequential impact of these improved work incentives on claimant behaviour.

### Major Projects Authority Annual Report (May 2014)

**2.45** The Major Projects Authority was established in 2010 to assess major government projects. It scores each project by a delivery confidence rating.<sup>15</sup> The Department has 12 major projects in progress, the same as in 2012. The Major Projects Authority annual report 2014 (**Figure 10**) provided a rating for each project.<sup>16</sup> Two projects, the benefit cap and child maintenance, have had improved ratings but New State Pension has moved from amber green to amber red.

**2.46** The Major Projects Authority reported that the Department has successfully implemented the benefit cap, with phased implementation starting from April 2013. National implementation was completed by the end of September 2013. The benefit cap has now been rolled out to all local authorities across the country.

**2.47** For child maintenance, the Major Projects Authority reported that the Department has implemented all of its previous recommendations. For New State Pension, the Major Projects Authority reported that clearance of actions from an October review is progressing well.

**2.48** The Major Projects Authority published data on government projects in September 2013. This report referred to the resetting of Universal Credit, culminating in the revised plans announced on 5 December 2013. These plans included the continued roll-out of Universal Credit to 10 pathfinder sites and the creation of a 'test and learn' strategy so that impacts of this live service shape further developments.

<sup>14</sup> Social Security Advisory Committee, *The cumulative impact of welfare reform: a commentary*, April 2014. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/324058/ssac\\_occasional\\_paper\\_12\\_summary.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/324058/ssac_occasional_paper_12_summary.pdf)

<sup>15</sup> Expressed as a 'RAG' rating – Red, Amber, Green.

<sup>16</sup> *Major Projects Authority annual report 2014*, May 2014 and Government Major Projects Portfolio data, September 2013.

**Figure 10**

## Major Projects Authority assessment of DWP Major Projects

Project	2012	2013
Central Payment System	●	●
Incapacity Benefit Reassessment	●	●
Benefit Cap	●	●
Child Maintenance Group Change	●	●
Youth Contract	●	●
Specialist Disability Employment Programme	●	●
Work Programme	●	●
Automatic Enrolment Programme	●	●
Fraud, Error and Debt Programme	●	●
Personal Independence Payment Implementation	●	●
New State Pension	●	●
Universal Credit Programme	●	

**Notes**

- 1 Universal Credit was assessed by the Major Projects Authority as being 'reset' in 2013.
- 2 The Major Projects Authority formally updates Delivery Confidence Assessment ratings each quarter, and the ratings (as of the previous September) are published each year in the *Major Projects Authority Annual Report*.

Source: *Major Projects Authority Annual Reports 2013 and 2014*

## Parliamentary and Health Service Ombudsman review (May 2014)

**2.49** The Parliamentary and Health Service Ombudsman (PHSO) can investigate complaints against the administrative actions of a wide range of government departments and other public bodies, or the actions of organisations acting on their behalf.

**2.50** In May 2014, the PHSO published *The Parliamentary Ombudsman's review of government complaint handling, 2013*.<sup>17</sup> During 2013, there were 2,703 (2012: 2,695) Department for Work & Pensions-related enquiries; of these 123 complaints were accepted for investigation, 12 were upheld or partly upheld and 42 were not upheld. The number of complaints accepted for investigation constituted 19% of the Ombudsman's total government-wide caseload in 2013.

<sup>17</sup> Parliamentary and Health Service Ombudsman, *The Parliamentary Ombudsman's review of government complaint handling 2013*, 6 May 2014, available at: [www.ombudsman.org.uk/improving-public-service/annual-government-performance-information](http://www.ombudsman.org.uk/improving-public-service/annual-government-performance-information)

**2.51** Key themes of complaints were inadequate remedies, no acknowledgement of mistakes, response not evidence based, factual errors in responses to the complaint, poor explanations and the response not being proportionate to the seriousness of the complaint. The Ombudsman cited the Child Support Agency in particular as providing it with a very good service and taking proactive action in response to enquiries.

#### Independent review of the operation of Jobseeker's Allowance sanctions validated by the Jobseekers Act 2013 (July 2014)

**2.52** In September 2013, the Department appointed Matthew Oakley, a member of the Social Security Advisory Committee, to carry out an independent review of Jobseeker's Allowance sanctions in July 2014.<sup>18</sup> The Review found that for the majority of claimants on mandatory back to work schemes, the sanctions system functions adequately. Between the introduction of the Work Programme in June 2011 and the end of December 2013, 18% (225,000) of individuals had received one or more decisions to apply a sanction for failure to participate on the Work Programme. According to the review, this suggests that the majority of claimants are fulfilling the obligations placed on them and have an adequate understanding of the broad system.

**2.53** The review also found that some claimants lacked a detailed understanding of the requirements placed on them and the processes surrounding sanctions. This was the case for some more vulnerable groups and claimants with specific barriers to work. The report concluded that if the sanctions regime and wider social security system is to be both fair and effective, it is essential that these issues are addressed. The report made recommendations on:

- improving the letters sent to claimants.
- broader communication improvements.
- improving claimants' understanding of what they are required to do.
- improving communication and understanding of the sanctions process.

<sup>18</sup> Matthew Oakley, *Independent review of the operation of Jobseeker's Allowance sanctions validated by the Jobseekers Act 2013*, July 2014, available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/335144/jsa-sanctions-independent-review.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335144/jsa-sanctions-independent-review.pdf)

## Independent Case Examiner for the Department for Work & Pensions (September 2014)

**2.54** The Independent Case Examiner reviews complaints made by users of certain government agencies and businesses that deal with benefits and financial support. The Independent Case Examiner published its Annual Report 2013-14 on the Department for Work & Pensions on 17 September 2014.

**2.55** The report found that 49% of the 796 complaints investigated by the Independent Case Examiner in 2013-14 were not upheld, 33% were partially upheld and 18% were fully upheld.<sup>19</sup> Allegations of the Department's staff within the Pension Service providing incorrect guidance on whether people may wish to defer their State Pension were a particular feature of this reporting year. Complaints received about the Department's debt management function were often disputes about a loan that has been taken out or the attempted recovery of an overpayment. Other common complaints included delays in processing benefits, dissatisfaction with the medical assessment process and child maintenance arrears.

## New Developments

**2.56** In 2014-15, the Department will continue to implement the welfare reforms outlined earlier. The Department is also running Health and Employment pilots and introducing the new Health and Work Service to help those with longer-term health conditions remain in work.<sup>20</sup> The Department will continue to roll-out Automatic Enrolment to more employers and prepare for the introduction of the New State Pension from April 2016.

**2.57** Phase 2 of the new child maintenance scheme started in June 2014 with the introduction of fees for the use of the statutory service. The Department has started to close 800,000 existing Child Support Agency cases and expects this to be completed by May 2018.

**2.58** In July 2014, the government invited bids to partner or provide a joint venture with Remploy Employment Services, a national provider of disability employment services. This could lead to the winning partner or investor and Remploy Employment Services staff operating as a social business in the private sector. Remploy believes that moving out of the public sector will give it the freedom to raise funding to operate in a more commercial and competitive way than was possible previously. It is anticipated that all current employees of Remploy Employment Services will transfer to the new company.

<sup>19</sup> *Independent Case Examiner for the Department for Work & Pensions Annual report 1 April 2013 – 31 March 2014*, September 2014, available at: [www.gov.uk/government/publications/dwp-complaints-annual-report-by-the-independent-case-examiner-2013-to-2014](http://www.gov.uk/government/publications/dwp-complaints-annual-report-by-the-independent-case-examiner-2013-to-2014)

<sup>20</sup> The Health and Work Service is being introduced to help improve sick absence management without changes to regulation. It will offer occupational health advice and assessment, at around 4 weeks of sickness absence, to identify issues preventing return to work and devise a plan to overcome these.

**2.59** The government has introduced a cap on certain aspects of welfare spending in the 2014 budget. Key items included in the cap are incapacity and disability benefits, Pension Credit, tax credits and most expenditure on Housing Benefit. The State Pension and Jobseeker's Allowance are not included. The cap places a limit on the amount that government can spend on these benefits in the years 2015-16 to 2018-19 (**Figure 11**).

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### **Figure 11**

Level of the welfare cap set out in Budget 2014

	<b>2015-16 (£bn)</b>	<b>2016-17 (£bn)</b>	<b>2017-18 (£bn)</b>	<b>2018-19 (£bn)</b>
Welfare cap	119.5	122.0	124.6	126.7

**Note**

1 A 2% margin above the cap allows for forecast fluctuations each year.

Source: HM Treasury, Budget 2014, 19 March 2014, Table A.1, p 87

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## Part Three

### Recent NAO findings on the Department

#### **Our audit of the Department's accounts**

**3.1** The NAO's financial audits of government departments and associated bodies allow the Comptroller and Auditor General (C&AG) to form an opinion on the regularity and truth and fairness of the government bodies' accounts. In the course of these audits, the NAO learns about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular issues. In this section, we look at the outcome of our most recent financial audit of the Department.

**3.2** The C&AG gave a qualified opinion on the Department's 2013-14 financial statements on 23 June 2014. This was because of the material level of fraud and error in its benefit expenditure, with the exception of state pension where the level of fraud and error is much lower. The Department's accounts have received similar qualified audit opinions since 1988-89.

**3.3** In contrast, the C&AG issued an unqualified audit opinion on the Social Fund White Paper Account 2013-14 for the first time since 2003-04.<sup>21</sup> This was due to the Department achieving a substantial and sustained reduction in the level of error for Social Fund benefits for the second year running. The C&AG also concluded that the Department provided sufficient assurance that the debt balance in the 2013-14 Account is complete and that all records underpinning the debt balance exist and are appropriately valued. This was the first year since 2009-10 that the Department was able to appropriately reconcile its Social Fund accounting and customer debt records.

**3.4** Alongside the financial statements, the C&AG published his report on the Department's Annual Report and Accounts.<sup>22</sup> The purpose of the report is to set out the reasons and context for the C&AG's qualified audit opinion by commenting on the key causes of fraud and error in benefit expenditure and the actions the Department is taking to reduce it.

**3.5** In order to reduce fraud and error, the Department needs to properly understand how and why overpayments arise in individual benefits. This requires the collection and analysis of data on fraud and error to identify key risk areas.

<sup>21</sup> The Social Fund White Paper Account records payments made to customers in accordance with Directions issued by the Secretary of State for Work and Pensions under the Social Security Contributions and Benefits Act 1992.

<sup>22</sup> Comptroller and Auditor General, *Department for Work and Pensions: Annual Report and Accounts 2013-14*, Session 2013-14, HC 13, National Audit Office.

**3.6** During 2013-14, the Department continued to undertake work to reduce the level of overpayments. Most of this effort has been work carried out through the Department's Fraud and Error Prevention Centres to review and update the data held by the Department on Pension Credit, Disability Living Allowance and a range of Working Age benefits. The centres utilise data scans and matching rules to identify cases with potential fraud and error for investigation. The centres also communicate directly with claimants to gather up to date information in an attempt to verify that benefit payments are being made correctly.

**3.7** For the future, the Department plans to increase the use of data matching against Real Time Information (RTI) income and earnings data held by HMRC. The Department has already started using RTI data to provide information on earnings as part of the calculation of claimants' Universal Credit entitlement. From July 2014 to March 2015, the Department also plans to carry out a bulk exercise to match RTI data against existing legacy benefits for some 8 million records. Once this exercise is complete, the Department will evaluate the results before determining whether it should extend the use of RTI data.

### **Our audits of the Department's effectiveness and value for money**

**3.8** The NAO's work to test the effectiveness and value for money of government spending in 2013-14 included a number of reviews of the Department's programmes. The principal findings of these, and in some cases the actions that have been taken since, are summarised below.

#### Working age

##### **Universal Credit (September 2013)**

**3.9** The Department is using Universal Credit to replace six means tested benefits for working-age households. In this report we assessed the implications for value for money of the Department's progress against its plans, and reviewed the Department's management of the programme.<sup>23</sup>

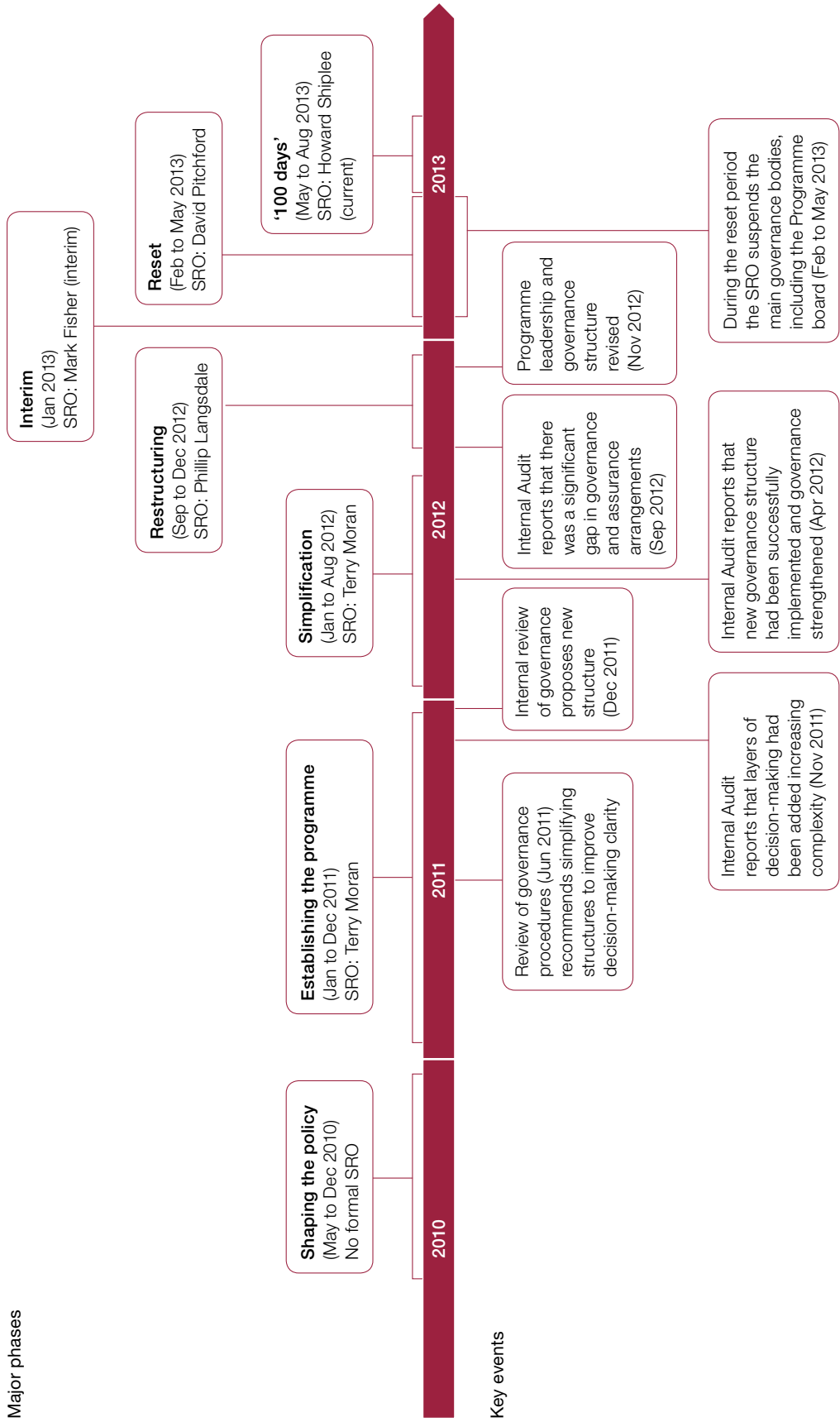
**3.10** Throughout the programme the Department lacked a detailed view of how Universal Credit is meant to work. The Department was repeatedly warned about the lack of a detailed 'blueprint', 'architecture' or 'target operating model' for Universal Credit. Over the course of 2011 and the first half of 2012, the Department made some progress but did not address these concerns as expected. By autumn 2012, the Department substantially restructured the programme in an attempt to address concerns, but by then had to focus on the short-term delivery of pathfinders.

**3.11** Between mid-2012 and early 2013, the Department experienced high turnover in the senior leadership of Universal Credit. Including the reset and the current director general for Universal Credit, the programme has had five different senior responsible owners since mid-2012 (**Figure 12**).

<sup>23</sup> Comptroller and Auditor General, *Department for Work & Pensions: Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office, September 2013.



**Figure 12**  
Universal Credit governance timeline



**3.12** In September 2013, we concluded that the Universal Credit programme had not achieved value for money. The Department delayed rolling out Universal Credit to claimants and had been unable to assess the value of the systems it spent over £300 million to develop. These problems represented a significant setback to Universal Credit and raised wider concerns about the Department's ability to deal with weak programme management, over-optimistic timescales, and a lack of openness about progress.

**3.13** We found that it is still entirely feasible the Department could implement Universal Credit successfully and go on to achieve considerable benefits for society. But to do so the Department needed to learn from its early mistakes. As it revised its plans the Department must show it can: exercise effective control of the programme; develop sufficient in-house capability to commission and manage IT development; set clear and realistic expectations about the timescale and scope of Universal Credit; and, address wider issues about how it manages risks in major programmes.

**3.14** We recommended that the Department produced a realistic plan with clear programme objectives, linked to policy design and service requirements. Programme team members and other stakeholders must be able to challenge the Department openly and escalate concerns.

**3.15** The Committee of Public Accounts reported on Universal Credit in November 2013 and recommended that the Department should:<sup>24</sup>

- ensure that new governance arrangements provide robust oversight of progress and that these arrangements are agreed by the Major Projects Authority. Responsibilities for programme management and different levels of assurance should be set out clearly;
- ensure it has comprehensive, relevant and clear information to assess progress; and
- complete its own impairment review as a matter of urgency; implement suitable payment controls; and demonstrate that it is getting value for money through future negotiations with suppliers.

The Department's revised plans should set out:

- A range of deliverable options to present to ministers, the Cabinet Office and HM Treasury detailing the services, processes and systems for Universal Credit.
- A clear strategy for IT development, demonstrating the best way forward for the programme and an accurate review of current investment which will not be needed in the long -term.
- Realistic ambitions on timescales and the amount that can be delivered online, and the impact of these on the costs and benefits of the new system.

<sup>24</sup> HC Committee of Public Accounts *Universal Credit: early progress*, Thirtieth Report of Session 2013-14, HC 619, November 2013.

- The milestones against which it can be held to account, such as: when each affected benefit will be replaced by Universal Credit; the migration of claimants on to the new system; and the availability of key services online.
- The budget for the remainder of the programme and the net benefits it expects will be delivered, explaining how these have changed compared to previous plans.
- The Department agreed all 8 recommendations made by the Committee of Public Accounts in a subsequent hearing to our report.<sup>25</sup>

### **The Work Programme (July 2014)**

**3.16** In our third report in July 2014 on the Department's Work Programme, the government's scheme to help long-term unemployed people to find and keep jobs, we reviewed its aims, performance and the adequacy and effectiveness of cost control measures.<sup>26</sup>

**3.17** After a poor start, we found that the performance of the Work Programme was similar to employment programmes the Department has run in the past. It is difficult to make direct comparisons with previous programmes but for roughly similar levels of performance the Department is paying around £41 million (2%) less for the Work Programme than it would have done under previous schemes.

**3.18** The Department's published statistics show improvement particularly for outcomes for people referred in early 2012 (**Figure 13** overleaf). We found that published data may have understated actual job outcomes and the Department forecast further improvements over the rest of the programme. At the same time the Department had reduced costs and reduced the risks of paying for poor performance. We concluded there were positive signs that the Work Programme had improved on previous welfare-to-work programmes and had the potential to offer value for money, particularly if the Department can achieve the much higher rates of performance that it now expects for the remainder of the programme.

**3.19** To demonstrate that the Work Programme offers value for money, the Department needed to show that it could build on recent improvements and deliver actual results to match the significant and sustained increases in performance it now expects. The Department has recognised it also needs to make changes to contracts and performance measures and reduce unnecessary payments. We also recommended that the Department should avoid rolling out future programmes before it has had time to develop contracts and the performance framework. The Department did not clear the findings in this report on the grounds that they did not reflect the Department's view of the relevant facts.

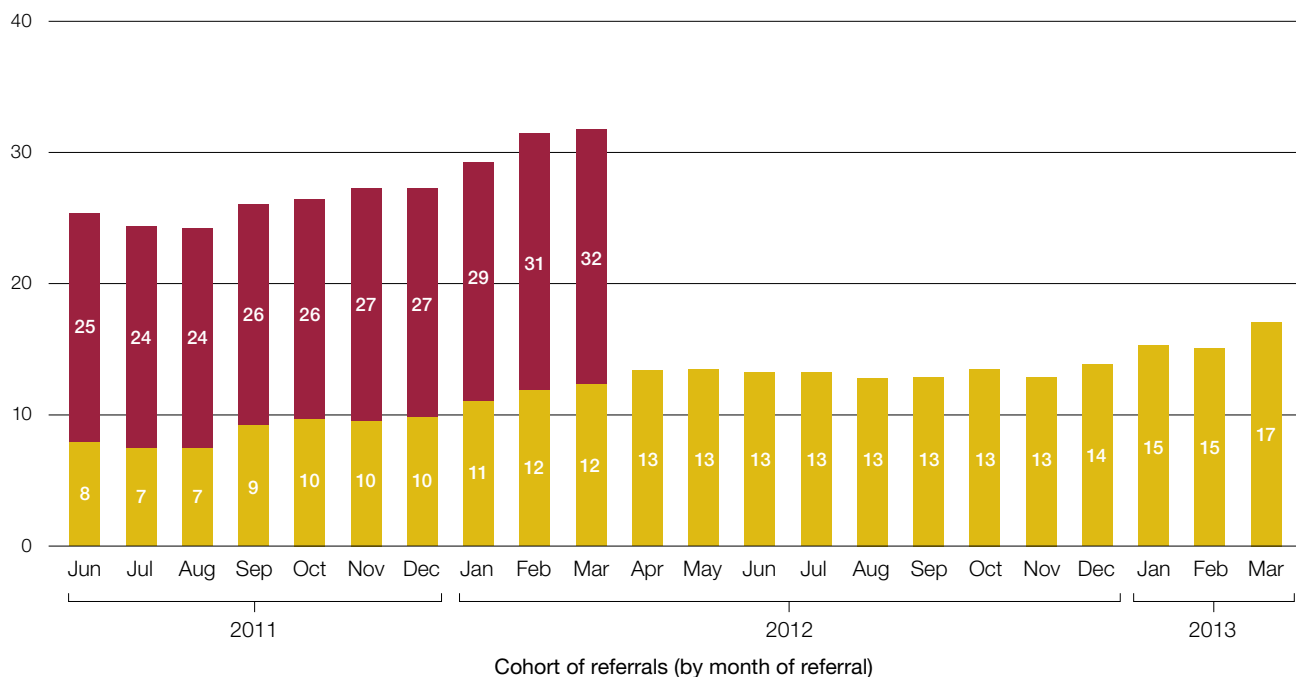
<sup>25</sup> Treasury Minutes Government responses on the Twenty-third to the Twenty-sixth, the Twenty-ninth and Thirtieth Reports from the HC Committee of Public Accounts (Session 2013-14), and progress on Government Cash Management. Available at: [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/270747/36048\\_Cm\\_8774.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/270747/36048_Cm_8774.pdf)

<sup>26</sup> Comptroller and Auditor General, *Department for Work & Pensions: The Work Programme*, Session 2014-15, HC 266, National Audit Office, July 2014.

**Figure 13**  
Jobseeker’s Allowance – cohort performance over time

Performance improved for cohorts starting in early 2012 and early 2013

Proportion of cohorts achieving a job outcome (%)



- Performance of completed cohorts measured 30 months after referral
- Outcomes measured 12 months after referral

**Note**

1 Performance of completed cohorts – cohorts for November 2011 to March 2012 have completed 2 years participation, but performance is measured 30 months after referral to include participants starting employment in the final months. We have included small and stable estimates for these participants for the last 5 cohorts.

Source: National Audit Office analysis of the Department for Work & Pensions’ published performance data

**Housing Benefit fraud and error (October 2014)**

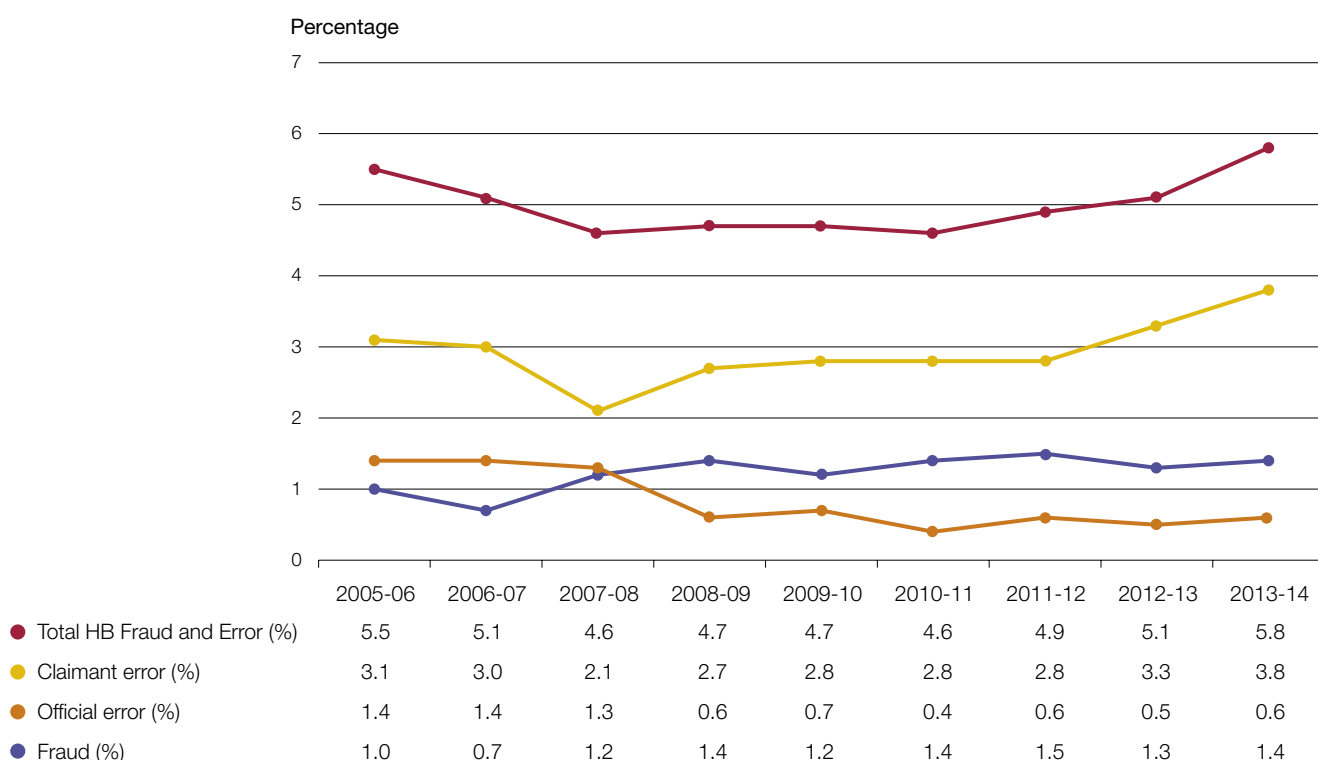
**3.20** Housing Benefit is a means-tested benefit to help people on low incomes pay rent. The Department and local authorities manage Housing Benefit. The Department sets policy, entitlement rules and shares data and guidance with local authorities. Local authorities have a statutory duty to undertake the day-to-day administration of Housing Benefit and pay claimants.

**3.21** The Department estimates that 5.8% of spending on Housing Benefit was overpaid in 2013-14 (**Figure 14**) compared to 4.6% in 2010-11. Housing Benefit accounted for 42% of all overpayments across the Department’s benefit spending in 2013-14. The reported increase in total overpayments is largely due to increases in claimant error, which rose from £590 million in 2010-11 to £900 million in 2013-14.

**Figure 14**

Housing Benefit overpayments due to claimant error, fraud and official error since 2005-06

Overpayments caused by claimant error have increased since 2007-08

Source: Department for Work & Pensions, *Fraud and Error in the Benefit System: Preliminary 2013/14 Estimates (Great Britain)*, May 2014

**3.22** Our report on Housing Benefit fraud and error considered recent trends, the Department's oversight and management, and the effectiveness of interventions to tackle fraud and error.<sup>27</sup>

**3.23** We concluded that Housing Benefit is a difficult benefit to administer and, with unclear responsibilities and limited investment, it is unsurprising that estimates of total overpayments have increased. The Department ultimately bears the financial costs of Housing Benefit and should have increased its focus on Housing Benefit fraud and error sooner, relying too heavily on incentives in the subsidy process and the valuable, but limited, data sharing and matching it provides. As a result, the management of Housing Benefit fraud and error has not delivered value for money over the last few years.

<sup>27</sup> Comptroller and Auditor General, *Department for Work & Pensions: Housing Benefit fraud and error*, Session 2014-15, HC 720, National Audit Office, October 2014.

**3.24** The Department has now recognised the need to do more and has been developing a new strategy to tackle fraud and error in Housing Benefit. New initiatives are not fully developed and it is too early to assess their impact. As it finalises its plans, the Department will need to show it has addressed the problems with local authority incentives, while also targeting interventions more on major areas of loss and exploiting data to identify riskier claims and strengthen decision-making.

### Support for people with disabilities

#### **Personal Independence Payment (February 2014)**

**3.25** Personal Independence Payment is a non-means-tested benefit to help disabled people with the additional costs of living with a disability. The Department is bringing in Personal Independence Payment to replace Disability Living Allowance for people who are between 16 and 64 years old.

**3.26** We found that the Department had introduced the core elements of Personal Independence Payment despite a compressed timetable. It had adopted a new IT system and learned from past experience in the way it manages contracted assessment providers. The Department also recognised the need to introduce major programmes in stages.

**3.27** But early operational performance was poor, leading to delays and uncertainty for claimants. In mid-2013, backlogs developed (**Figure 15**) and the Department has made far fewer claim decisions than it expected.

**3.28** In our view the Department did not leave enough time to assess potentially foreseeable problems with its own and providers' performance before rolling out successive phases of assessments. Because it may take some time to resolve delays the Department has increased the risk that the programme will not deliver value for money in the longer term. To achieve value for money the Department will need to show that it can reduce delays for claimants and deliver planned savings while maintaining the quality of its decisions.

**3.29** We recommended that the Department should: set out a clear plan for informing claimants about the likely delays they will experience while plans to improve performance take effect or in the event of problems in the future; test assessment providers' and departmental plans for dealing with backlogs and increased numbers of assessments; and test its operating assumptions across the whole claim process, to identify and prevent future bottlenecks.

**Figure 15**

## Expected and actual outstanding claims at 25 October 2013

**The Department made 16% of the decisions it had expected**

New claims process	Expected claims	Actual claims	Actual compared with expected (%)
Claims started	171,000	166,000	97
Evidence gathering forms returned	Not reported	Not reported	Not reported
Claims passed to assessment provider	143,000	109,000	76
Assessments completed	111,000	17,000	15
Decisions made	102,000	16,000	16
Reconsiderations requested	4,000	500	13
Appeals submitted	1,000	13	1

**Notes**

- 1 'Claims passed to the assessment provider' include claims awaiting assessment and completed assessments awaiting assessment report, audit or return to the Department. As at 25 October, 92,000 claims were outstanding with assessment providers.
- 2 'Assessments completed' shows assessments fully completed and returned to the Department for a decision.
- 3 Of the 16,000 decisions made, 10,000 claimants were eligible for Personal Independence Payment and 6,000 claimants were not.
- 4 The Department has not identified what is a reasonable volume of outstanding claims at each stage of the process.
- 5 Figures based on estimates from the Department's management information which have not been fully quality assured. They do not form part of the Department's official statistics. The Department is not yet able to break down the number of claims received.
- 6 In February 2014, the Department published high-level data on Personal Independence Payment new claims registered and decisions made, sourced from the Personal Independence Payment computer system. The data is provisional and subject to revision. It does not yet meet the minimum quality standard required by the UK Statistics Authority to be official statistics, but is robust enough to be published. There are discrepancies between the Department's published data and the management information presented to the programme board and used in this report. The Department has explained this is because of differences in timing and levels of data scrutiny.

Source: National Audit Office analysis of the Department for Work & Pensions' Personal Independence Payment management information

## Separated families

### **Child Maintenance 2012 scheme: early progress (June 2014)**

**3.30** The Department is introducing the 2012 child maintenance scheme to maximise the number of children benefiting from child maintenance arrangements, to resolve problems with previous schemes and to reduce government spending on administering child support. In our review we looked at the progress of the 2012 scheme, and in the light of previous problems introducing legacy schemes, we considered what the Department has done to reduce risks and prevent a repeat of past mistakes.<sup>28</sup>

**3.31** We found that the Department introduced the first phase of the 2012 scheme, and was approaching expected performance levels. This was positive, and all new applicants now apply through the 2012 scheme. We were concerned about signs that fewer parents intend to choose family-based arrangements (**Figure 16**), but this may change as the Department introduces fees. We were pleased to see that the Department is proceeding cautiously, and aiming to learn from experience. However, delivering value for money from the 2012 scheme as a whole will depend on winding up the remaining cases from legacy schemes, and implementing associated technology improvements successfully and these tasks lie ahead.

### **The Department in a cross-government context**

**3.32** In addition to our work on individual departments, the NAO looks at performance across government, in order to understand how different departments compare on important issues. Of the cross-government reports we have published in the last year, 5 have included substantial coverage of the Department.

## Transforming government's contract management (September 2014)

**3.33** Last year, a series of government contractor and contract management failures emerged. The Cabinet Office commissioned reviews of some of its contracts across government. The Home Office and the Department for Work & Pensions also commissioned internal reviews of contracts with a range of contractors. In total, central government tested 60 contracts for over-billing and 73 for contract management practice. The reviews found widespread problems in administering government contracts, including poor governance, record keeping and capacity issues.

**3.34** Our report in September 2014, looked at how government responded to the findings about its weak contract management in its procurement of services.<sup>29</sup> Although the report summarised some of the Department's contract management weaknesses identified in our reviews of the Work Programme and Universal Credit, it also cited two examples of good practice.

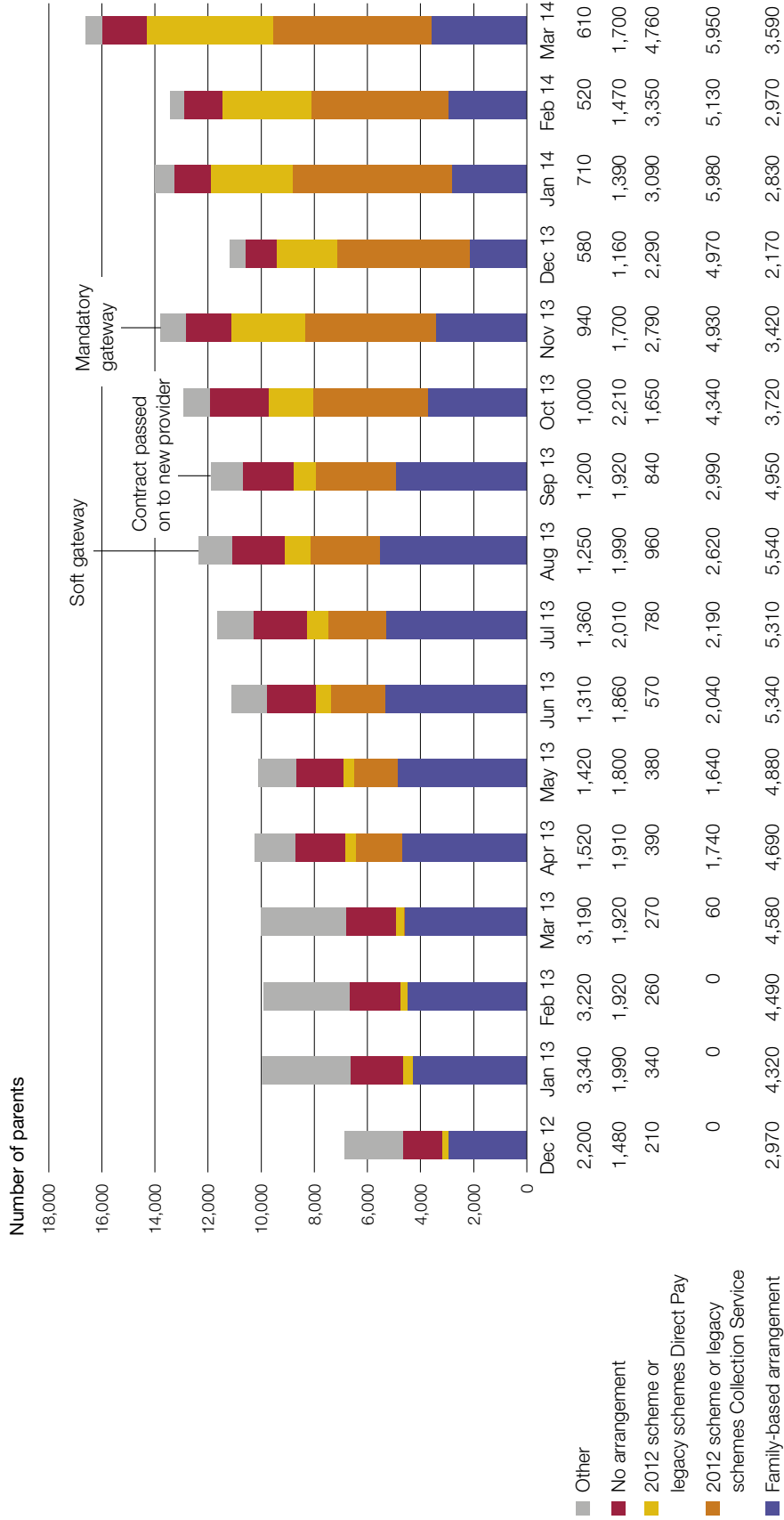
<sup>28</sup> Comptroller and Auditor General, *The Department for Work & Pensions: Child maintenance 2012 scheme: early progress*, Session 2014-15, HC 173, National Audit Office, June 2014.

<sup>29</sup> Comptroller and Auditor General, *Transforming government's contract management*, Session 2014-15, HC 269, National Audit Office, September 2014.



**Figure 16**  
Child Maintenance Options Service decisions

The number of clients choosing the 2012 scheme over family-based arrangements has increased



**Notes**

- 1 The data shows what the customer intends to do at the end of the telephone call, with options that may translate into action or a different result.
- 2 The Department launched a 'soft' gateway before fully introducing the Options Service.

Source: National Audit Office analysis of Departmental data

**3.35** For instance, poor senior oversight meant the risk profile on the Department for Work & Pensions' Work Programme was changed in the contractors' favour. The report also referred to the Department's inadequate financial control over supplier spending on Universal Credit.

**3.36** The Department has commissioned an external review to identify good practice in its contract management and improve consistency. It is also planning to manage different categories of contracts together by centralising its commercial staff under several senior category leads.

#### Managing debt owed to central government (February 2014)

**3.37** This report set out the landscape of debt owed to government, the strategic challenges, and the approach the centre of government (Cabinet Office and HM Treasury) has taken.<sup>30</sup> HM Revenue & Customs was owed the majority of this debt (£15.1 billion), while the Department for Work & Pensions and Ministry of Justice were owed nearly all the remainder (**Figure 17**).

**3.38** The Department, along with HM Revenue & Customs were cited as a good practice example because of their joint strategy since 2010 for tackling fraud and error in benefits and tax credits, which in the longer term contributes to the reduction in debt.<sup>31</sup>

#### Progress on public bodies reform (February 2014)

**3.39** This report focused on the simplification of the public body landscape and the achievement of benefits.<sup>32</sup> The transfer of child support functions from the Child Maintenance and Enforcement Commission to the Department on 31 July 2012 increased ministerial responsibility for, and control over, these functions.

#### Forecasting in government to achieve value for money (January 2014)

**3.40** We examined how departments produce and use forecasts to inform expenditure.<sup>33</sup> Good forecasting helps managers identify risks, but they need to take into account that data and assumptions can themselves be part of that risk. Our review cited the Department's Work Programme, noting that the data supporting key estimates, while the best available, was incomplete and assumptions had to be made. The Department made aggressive assumptions about the level of performance that could be achieved by the Work Programme and at what price. These assumptions created risk to the sustainability of current contracts that will need to be monitored closely.

30 Comptroller and Auditor General, *Managing debt owed to central government*, Session 2013-14, HC 967, National Audit Office, February 2014.

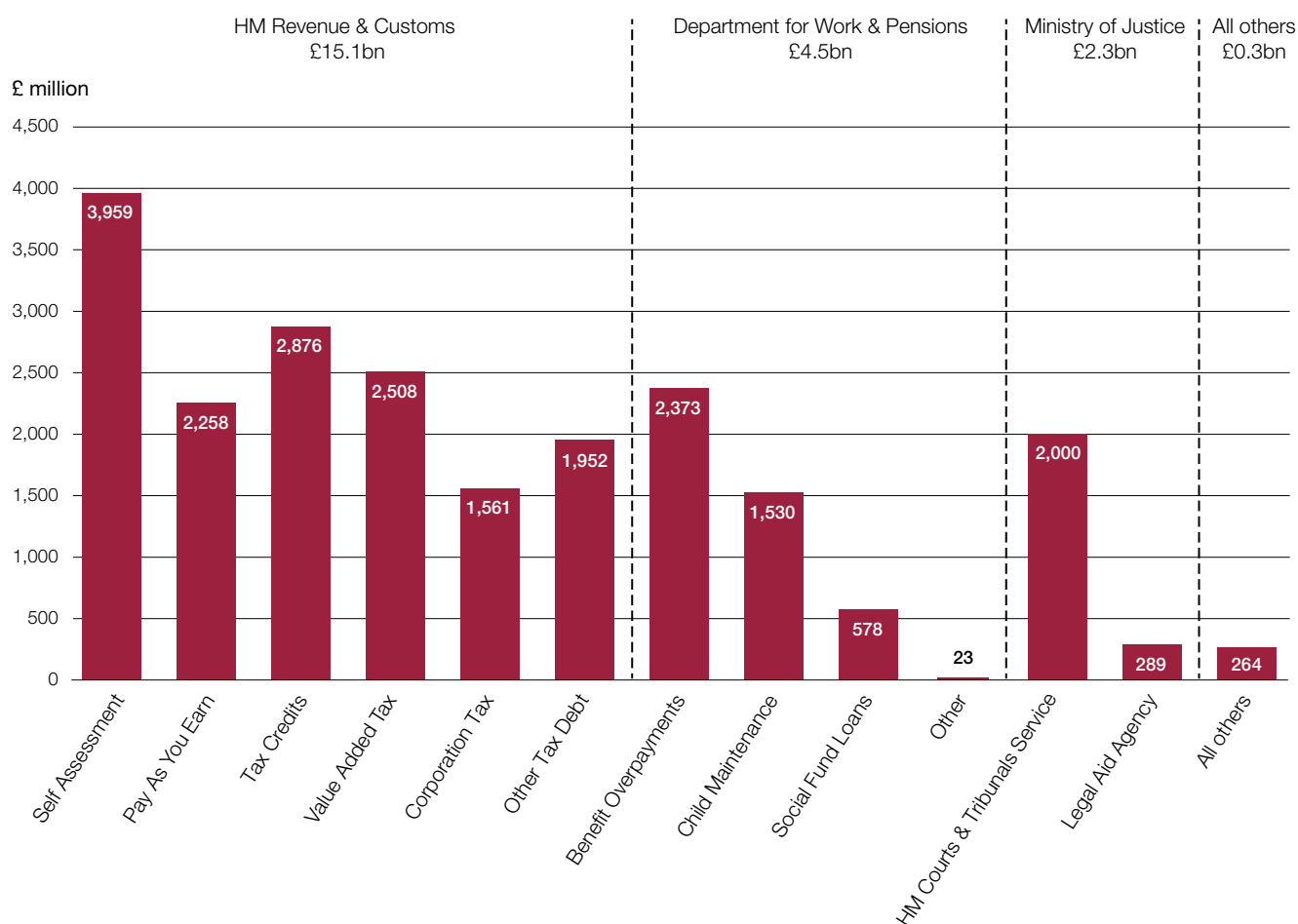
31 HM Revenue & Customs and Department for Work & Pensions, *Tackling fraud and error in the benefit and tax credits system*, October 2010.

32 Comptroller and Auditor General, *Progress on public bodies reform*, Session 2013-14, HC 1048, National Audit Office, February 2014.

33 Comptroller and Auditor General, *Forecasting in government to achieve value for money*, Session 2013-14, HC 969, National Audit Office, January 2014.

**Figure 17**  
Estimated overdue debt balances at 31 March 2013

Debt owed to government as at 31 March 2013, by type of debt



**Notes**

- 1 This chart is based on 2013 data from the Cabinet Office's survey of departments. Where debt balances were incomplete or missing entirely, we used 2012-13 financial statements, management accounts and other debt returns submitted to the Cabinet Office.
- 2 For HM Courts & Tribunals Service, the value of confiscation order debt at 31 March outside the agreed payment terms (overdue) was £1.3 billion. Debt from other financial impositions was £0.7 billion. HM Courts & Tribunals Service are not able to analyse this other debt between balances within and outside payment terms.
- 3 Student loans are included in 'All others'. Although loans total £46 billion, only a small fraction of this is overdue.

Source: National Audit Office analysis of financial accounts, management accounts and Cabinet Office data

## **NAO work in progress**

### Universal Credit

**3.41** We are undertaking a second review of the Department for Work & Pensions' Universal Credit programme. This is a planned follow-up to our first review *Universal Credit: early progress*, published in September 2013.<sup>34</sup> The review will examine the Department's progress in delivering its twin-track approach of expanding the current service, and developing a digital service that will be capable of delivering the full scope of Universal Credit.

### Lessons learned in implementing welfare reform

**3.42** We have started a review of the operational challenges faced by the Department in implementing welfare reform. This will draw on previous National Audit Office reports across welfare reforms to identify what has been learnt about implementing welfare reform. We will not conclude on value for money.

<sup>34</sup> Comptroller and Auditor General, *Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office, September 2013.

# Appendix One

## The Department's sponsored bodies at 1 April 2014

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### **National Employment Savings Trust**

(NEST) Corporation (Public Corporation):

Ensures all employers have access to suitable, low-charge pension provision to meet their new duty to enrol all eligible workers into a workplace pension automatically.

[www.nestpensions.org.uk](http://www.nestpensions.org.uk)

### **The Pensions Regulator (NDPB):**

Protects the benefits of members of work-based pension schemes, promotes and monitors good scheme administration and reduces the risk of situations arising that may lead to claims from the Pension Protection Fund. Maximises employer compliance with automatic enrolment duties.

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### **Pension Protection Fund (Public Corporation):**

Provides compensation to members of eligible defined benefit pension schemes whose employers become insolvent and where there are insufficient pension scheme assets to pay what was promised. Manages the Financial Assistance Scheme.

[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

### **The Pensions Advisory Service (NDPB):**

Provides independent and free pensions information and guidance to citizens.

[www.pensionsadvisoryservice.org.uk/](http://www.pensionsadvisoryservice.org.uk/)

### **Health and Safety Executive (NDPB):**

Responsible for encouragement, regulation and enforcement of workplace health, safety and welfare and for research into occupational risks in England, Scotland and Wales.

[www.hse.gov.uk/](http://www.hse.gov.uk/)

### **Office for Nuclear Regulation**

[www.onr.org.uk/](http://www.onr.org.uk/)

### **Independent Living Fund (NDPB):**

Provides money to help disabled people live an independent life in the community rather than in residential care.

[www.dwp.gov.uk/ilf/](http://www.dwp.gov.uk/ilf/)

### **Remploy Limited (Public Corporation):**

Provides support to transform the lives of disabled people and those who experience complex barriers to work by providing sustainable employment opportunities.

[www.remploy.co.uk](http://www.remploy.co.uk)

### **Pensions Ombudsman (NDPB):**

Determines complaints and disputes concerning occupational and personal pension schemes.

[www.pensions-ombudsman.org.uk/](http://www.pensions-ombudsman.org.uk/)

### **Pension Protection Fund Ombudsman (NDPB):**

Handles complaints and reviewable matters concerning the Pension protection Fund and Financial Assistance Scheme appeals.

[www.ppfo.org.uk/](http://www.ppfo.org.uk/)

### **Equality 2025 (NDPB)**

(Equality 2025 Members terms of appointment ended on 30 September 2013, at which point it ceased to exist)

<http://odi.dwp.gov.uk/equality-2025/index.php>

### **Industrial Injuries Advisory Council (NDPB)**

<http://iiac.independent.gov.uk/>

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# Appendix Two

## Results of the Civil Service People Survey 2013

Survey question (% 'strongly agree' or 'agree')	Department for Work & Pensions (excluding agencies)	Civil service benchmark
<b>Leadership and managing change</b>		
I feel that my department as a whole is managed well	40	43
Senior managers in my department are sufficiently visible	39	51
I believe the actions of senior managers are consistent with my department's values	39	43
I believe that the board has a clear vision for the future of my department	40	42
Overall, I have confidence in the decisions made by my department's senior managers	33	41
I feel that change is managed well in my department	34	29
When changes are made in my department they are usually for the better	30	27
My department keeps me informed about matters that affect me	58	58
I have the opportunity to contribute my views before decisions are made that affect me	35	36
I think it is safe to challenge the way things are done in my department	42	38
<b>Organisational objectives and purpose</b>		
I have a clear understanding of my department's purpose	85	85
I have a clear understanding of my department's objectives	83	80
I understand how my work contributes to my department's objectives	84	83

### Notes

- 1 These are summary results of the Civil Service People Survey 2013. Not all question scores have been included.
- 2 The score for a question is the percentage of respondents who strongly agree or agree to that question.
- 3 These figures relate to MoJ HQ only, not the whole Department.



## Appendix Three

### Publications by the NAO on the Department since April 2010

Publication date	Report title	HC Number	Parliamentary session
17 October 2014	Housing Benefit fraud and error	HC 720	2014-15
2 July 2014	The Work Programme	HC 266	2014-15
20 June 2014	Child maintenance 2012 scheme: early progress	HC 173	2014-15
3 April 2014	The disposal of Remploy businesses	HC 1183	2013-14
27 February 2014	Personal Independence Payment: early progress	HC 1070	2013-14
5 September 2013	Universal Credit: early progress	HC 621	2013-14
27 June 2013	Social Fund White Paper Account 2012-13	HC 393	2013-14
13 December 2012	A Commentary for the Committee of Public Accounts on the Work Programme Outcome Statistics	HC 832	2012-13
29 November 2012	Child Maintenance and Enforcement Commission Client Funds Account 2011-12	N/A	2012-13
1 November 2012	Managing the Impact of Housing Benefit Reform	HC 681	2012-13
18 October 2012	Department for Work and Pensions: Contract Management of Medical Services	HC 627	2012-13
1 August 2012	Review of the Data Systems for the Department for Work and Pensions	N/A	2012-13
12 July 2012	Department for Work and Pensions Resource Accounts 2011-12	HC 53	2010-2012
9 July 2012	Social Fund White Paper Account 2011-12	HC 454	2010-2012
16 May 2012	Preventing fraud in contracted employment programmes	HC 90	2012-13
14 May 2012	Child Maintenance and Enforcement Commission Client Funds Account	N/A	2010-2012
29 February 2012	Child Maintenance and Enforcement Commission: Cost Reduction	HC 1793	2010-2012



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<b>Publication date</b>	<b>Report title</b>	<b>HC Number</b>	<b>Parliamentary session</b>
24 January 2012	The introduction of the Work Programme	HC 1701	2010–2012
23 June 2011	Reducing costs in the Department for Work and Pensions	HC 1089	2010–2012
21 January 2011	Reducing losses in the benefits system caused by customers' mistakes	HC 704	2010-11
25 November 2010	Minimising the cost of administrative errors in the benefit system	HC 569	2010-11
22 July 2010	The Community Care Grant	HC 286	2010-11

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## Appendix Four

### Cross-government reports of relevance to the Department

Publication date	Report title	HC Number	Parliamentary session
4 September 2014	Transforming government's contract management	HC 269	2014-15
7 February 2014	Progress on public bodies reform	HC 1048	2013-14
31 January 2014	Forecasting in government to achieve value for money	HC 969	2013-14
13 November 2013	Infrastructure investment: the impact on consumer bills	HC 812-I	2013-14
8 October 2013	Confidentiality clauses and special severance payments follow up	HC 684	2013-14
8 July 2013	The 2012-13 savings reported by the Efficiency and Reform Group	HC 126	2013-14
19 June 2013	Building capability in the Senior Civil Service to meet today's challenges	HC 129	2013-14
13 March 2013	Integration across government	HC 1041	2012-13
27 February 2013	Improving government procurement	HC 996	2012-13
30 January 2013	Financial sustainability of local authorities	HC 888	2012-13
16 January 2013	Planning for economic infrastructure	HC 595	2012-13
18 October 2012	Managing budgeting in government	HC 597	2012-13
25 July 2012	Governance for Agile delivery		
11 July 2012	Regulating defined contribution pension schemes	HC 466	2012-13
20 June 2012	The effectiveness of internal audit in central government	HC 23	2012-13
13 June 2012	Central government's communication and engagement with local government	HC 187	2012-13
20 March 2012	The Government Procurement Card	HC 1828	2010-2012

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<b>Publication date</b>	<b>Report title</b>	<b>HC Number</b>	<b>Parliamentary session</b>
7 March 2012	Efficiency and reform in government corporate functions through shared services centres	HC 1790	2010–2012
2 March 2012	Improving the efficiency of central government property	HC 1826	2010–2012
2 February 2012	Cost reduction in central government: summary of progress	HC 1788	2010–2012
20 January 2012	Reorganising central government bodies	HC 1703	2010–2012
9 December 2011	Digital Britain One: Shared infrastructure and services for government online	HC 1589	2010–2012
14 September 2011	Means testing	HC 1464	2010–2012
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010–2012
20 March 2011	The Government Procurement Card	HC 1628	2010–2012
3 March 2011	Progress in improving financial management in government	HC 487	2010-11
18 February 2011	Managing the impact of changes in the value of the euro on EU funds	HC 759	2010-11
8 December 2010	The impact of the 2007-08 changes to public service pensions	HC 662	2010-11
14 July 2010	Taking the measure of government performance	HC 284	2010-11

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# Where to find out more

The National Audit Office website is  
**[www.nao.org.uk](http://www.nao.org.uk)**

If you would like to know more about the NAO's work on the  
Department for Work & Pensions please contact:

**Max Tse**  
Director  
020 7798 7254  
[max.tse@nao.gsi.gov.uk](mailto:max.tse@nao.gsi.gov.uk)

If you are interested in the NAO's work and  
support for Parliament more widely, please contact:

**Adrian Jenner**  
Director of Parliamentary Relations  
020 7798 7461  
[adrian.jenner@nao.gsi.gov.uk](mailto:adrian.jenner@nao.gsi.gov.uk)  
Twitter: @NAOorguk

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