

Departmental Overview 2019-20

Department for Work & Pensions



National Audit Office



October 2020

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

We are the UK's independent public spending watchdog

Department for Work & Pensions

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The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent. In 2019, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.1 billion.

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About the Department

The Department for Work & Pensions (DWP) is responsible for the delivery of welfare, pensions and child maintenance policy.

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

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

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

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

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

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

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

DWP serves more than 20 million claimants and customers, including:

People seeking employment

For example, Jobcentre Plus

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

People planning for or in retirement

For example, The Pensions Service

Provides pensions, benefits and retirement information for current and future pensioners in the UK and abroad. Services delivered include State Pension and Pension Credit, along with responsibility for Winter Fuel Payments and Cold Weather Payments.

Children and young families

For example, Child Maintenance Service

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

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

People with a disability or health condition















For example, the Work and Health Programme

Aims to help people to enter into and stay in work, using the expertise of private, public and voluntary, and community sector providers. Support typically involves coaching, action-planning and access to additional provision.






For full list of services available to each user group, see 'Performance report' section of Department for Work & Pensions, *Annual Report and Accounts 2019-20*.

How the Department is structured

DWP is led by the Secretary of State for Work and Pensions with the Permanent Secretary as its most senior civil servant. The departmental group includes the core Department and 13 public bodies.

Core Department							
Director General groups							
							
Service Excellence	Change	Digital	Finance	People and Capability	Work and Health Services	Policy	Legal
Responsible for:	Responsible for:	Responsible for:	Responsible for:	Responsible for:	Responsible for:	Responsible for:	Responsible for:
<ul style="list-style-type: none"> Child Maintenance Service  The Pensions Service  Retirement services Fraud, error and debt Dispute resolution Business continuity Resilience and crisis management Customer experience directorate 	<ul style="list-style-type: none"> Major change projects and programmes Universal Credit programme  	<ul style="list-style-type: none"> Digital and business transformation services Information management 	<ul style="list-style-type: none"> Finance function Commercial function Planning and performance management reporting Business strategy Governance advice Security Business partnering 	<ul style="list-style-type: none"> Organisation design and development HR services and business partnering Talent and engagement People strategy 	<ul style="list-style-type: none"> Jobcentre Plus  Universal Credit operations  Working age and disability benefits  Employment support programmes 	<ul style="list-style-type: none"> Supporting ministers Looking ahead and developing proposals for change Managing the Department's welfare spending 	<ul style="list-style-type: none"> Legal advice and support

DWP's 13 public bodies employ around 4,500 people with expenditure of £486 million in 2019-20.¹

Public corporations	Executive non-departmental public bodies	Tribunal or advisory non-departmental public bodies	Other
<ul style="list-style-type: none"> Pension Protection Fund National Employment Savings Trust Office for Nuclear Regulation 	<ul style="list-style-type: none"> The Pensions Regulator  Health and Safety Executive  BPDTS Limited  Money and Pensions Service  Disabled People's Employment Corporation 	<ul style="list-style-type: none"> The Pensions Ombudsman  Pension Protection Fund Ombudsman Industrial Injuries Advisory Council Social Security Advisory Committee 	<ul style="list-style-type: none"> Remploy Pension Scheme Trustees Limited

¹ Excluding public corporations which fall outside DWP's accounting boundary.

How the Department spends its money

DWP is the largest spending government department. In 2019-20, its total expenditure was £199.1 billion.

In 2019-20 the Department spent £190.8 billion on benefit payments from Annually Managed Expenditure (AME).

The majority of these payments are to pensioners (£112.4 billion). This is mostly expenditure on the State Pension, which continues to increase every year, and excludes disability and health-related benefits paid to pensioners.

The cost of running DWP in 2019-20 was £6.0 billion (including £0.1 billion of capital costs). The £6.0 billion comes from the Departmental Expenditure Limit (DEL).

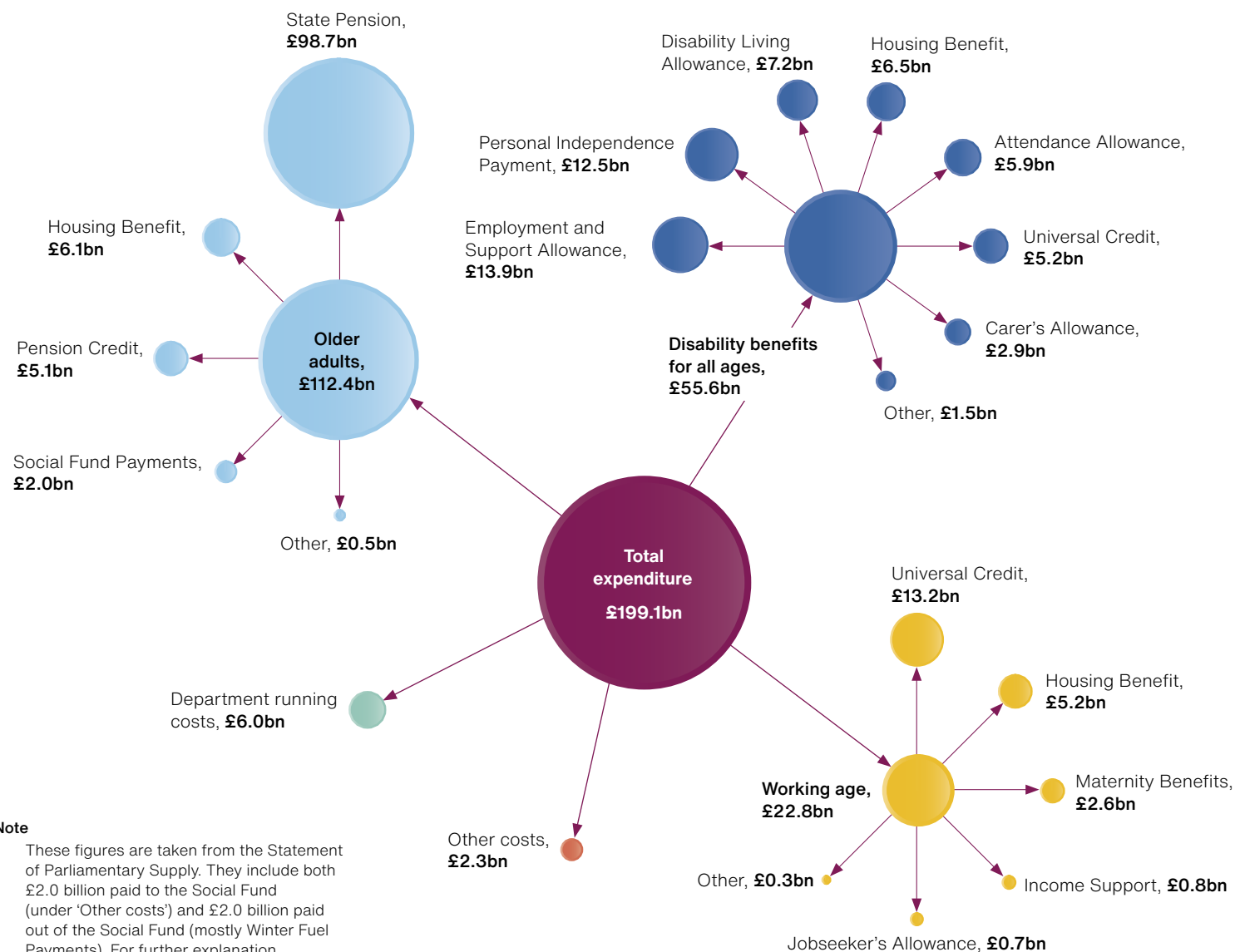
DWP also pays a number of smaller benefits from DEL, such as Discretionary Housing Payments, Vaccine Damage Payments and New Enterprise Allowance, which totalled £137 million in 2019-20.

There are two types of DWP expenditure:

- **Departmental Expenditure Limit (DEL)** which DWP can control and is subject to limits set in Spending Reviews.
- **Annually Managed Expenditure (AME)** which is more difficult to predict, manage or forecast, so is not subject to multi-year spending limits set in Spending Reviews. It includes most benefits.

See [Public sector spending guidance](#)

Figure 1: Spend by the Department for Work & Pensions in 2019-20



Note

- 1 These figures are taken from the Statement of Parliamentary Supply. They include both £2.0 billion paid to the Social Fund (under 'Other costs') and £2.0 billion paid out of the Social Fund (mostly Winter Fuel Payments). For further explanation, see the accounts.

Source: Statement of Parliamentary Supply, Department for Work & Pensions Annual Report and Accounts 2019-20

Financial management

More efficient administration

Over the past decade, DWP has spent more on benefits (which mostly comes from its AME budget) while spending less on administering benefits and employment support (which mostly comes from its DEL budget).

In our 2019 Departmental Overview we said it was a challenge for DWP to stay within its 2019-20 budget, as it represented a significant reduction on 2018-19. DWP requested a ministerial direction for potential breach of DEL spending limits due to its COVID-19 response but ultimately stayed within its budget for 2019-20.

In 2018, DWP had reviewed and improved its financial planning process.¹ This helped it to prioritise its spending in 2019 and review where cost could be taken out from customer journeys, without 'salami slicing' budgets. It was also aided in meeting its budget by using funding allocated for exiting the EU to defer planned staff reductions and build additional resilience.²

Planned increase in capacity

The Department's planned expenditure for 2020-21 was £6.42 billion. DWP has since received additional funding from HM Treasury to help deliver the government's 'Plan for Jobs'. DWP may also need to request further additional DEL budget given the economic downturn caused by COVID-19. It is hiring new staff and is no longer planning a reduction in staff numbers. As a result, DWP now expects to spend significantly more in 2020-21, with the final amount to be confirmed at the Supplementary Estimate.

See 'Employment support' and 'Impact of COVID-19' sections for details.

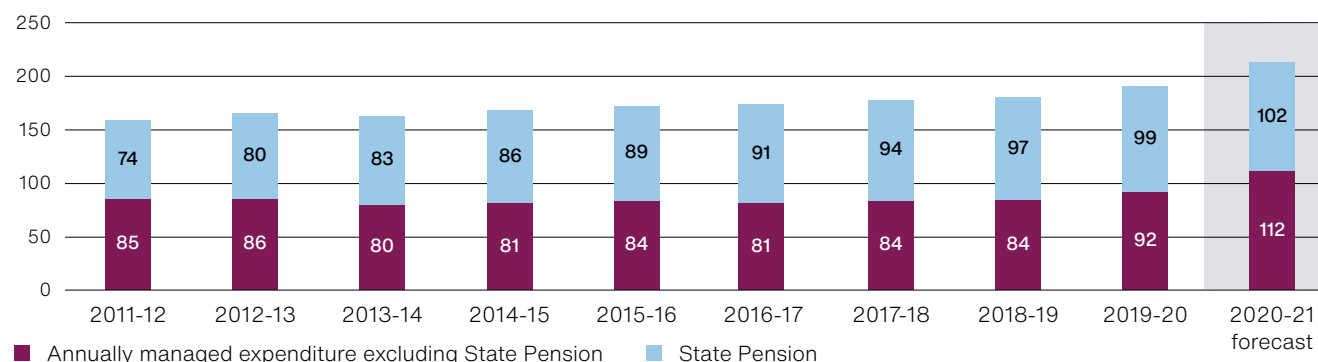
¹ Comptroller and Auditor General, *Improving government's planning spending framework*, Session 2017-2019, HC 1679, National Audit Office, November 2018 page 38.

² Comptroller and Auditor General, *The cost of EU Exit Preparations*, Session 2019-2021, HC 102, National Audit Office, March 2020, page 23.

Figure 2: Department for Work & Pensions' Annually Managed Expenditure (AME) is increasing

In 2019-20, DWP's Resource AME spend increased by £10 billion primarily due to the annual up-rating of pensions and the transfer of HM Revenue & Customs Tax Credit claimants on to DWP's Universal Credit. DWP forecasts it will increase by £22.4 billion in 2020-21, with £15.7 billion of this being as a result of COVID 19

Resource AME spend (£bn)

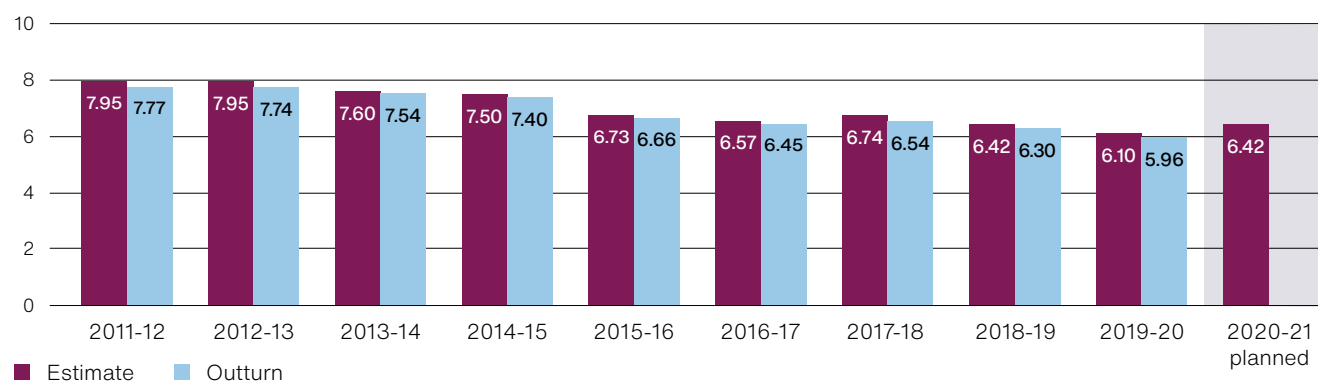


Source: National Audit Office analysis of Department for Work & Pensions' financial statements and Main Estimate 2020-21 Select Committee Memorandum (April 2020)

Figure 3: Department for Work & Pensions' Department Expenditure Limit (DEL) was falling but is now rising

DWP's running costs have fallen by more than £1.8 billion in nominal terms since 2011-12. It now expects these costs to rise in 2020-21, with the final amount to be confirmed at the Supplementary Estimate

DEL spend (£bn)



Note

1 2020-21 planned figure is per DWP's 2019-20 Annual Report and Accounts. The Department expects to spend significantly more due to COVID-19, with the final amount to be confirmed at the Supplementary Estimate.

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

Staff and pay

DWP reduced its workforce by 28% between 2012 and 2020 but expects to significantly increase its staff numbers in 2020-21 to manage the increased demand for its services due to COVID-19.

Despite DWP reducing its headcount by nearly 30,000 staff since 2011-12, its staffing costs have remained relatively stable at around £3 billion a year due to an increase in employer pension contributions and staff pay. DWP's pension contributions have increased in line with Cabinet Office civil service pension policy. In 2016 DWP agreed with HM Treasury a limited four-year pay flexibility as part of an 'employee deal scheme' whereby staff received a pay rise in return for contractual changes that allow an extension of customer service hours into the evenings and Saturdays.

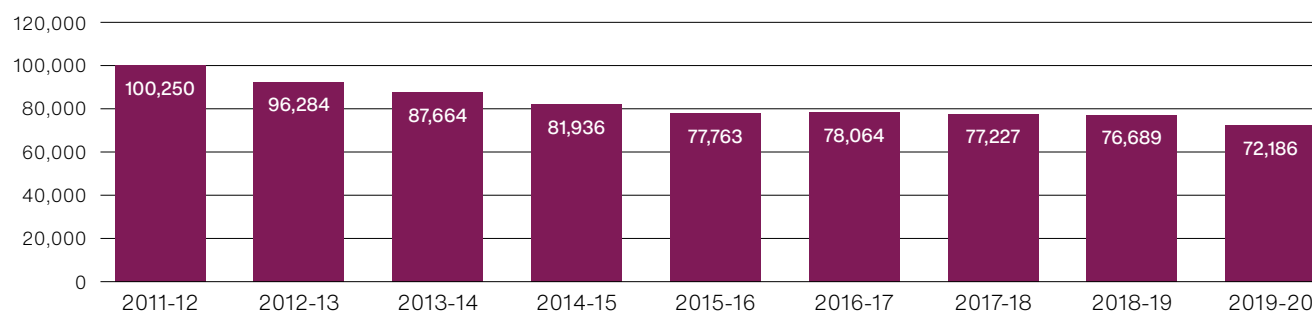
DWP must manage a range of uncertainties in determining its future staffing requirements:

- The ongoing COVID-19 situation has a significant impact on DWP and has already necessitated recruiting around 7,000 additional staff between April and August 2020 to manage the demand for Universal Credit services, with a further 17,000 recruits planned by March 2021 (see 'Impact of COVID-19' section for details).
- DWP needs to be prepared to respond to demands linked to the UK's exit from the European Union. As well as ensuring sufficient operational resilience in preparation for any increase in unemployment, DWP can also be required to assist wider EU Exit work across government.
- DWP needs to manage an increasing caseload of Universal Credit claimants as rollout completes. Tax Credits claimants are expected to transfer to Universal Credit by September 2024.

Figure 4: Department for Work & Pensions staff numbers

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

Number of staff (FTE)



Notes

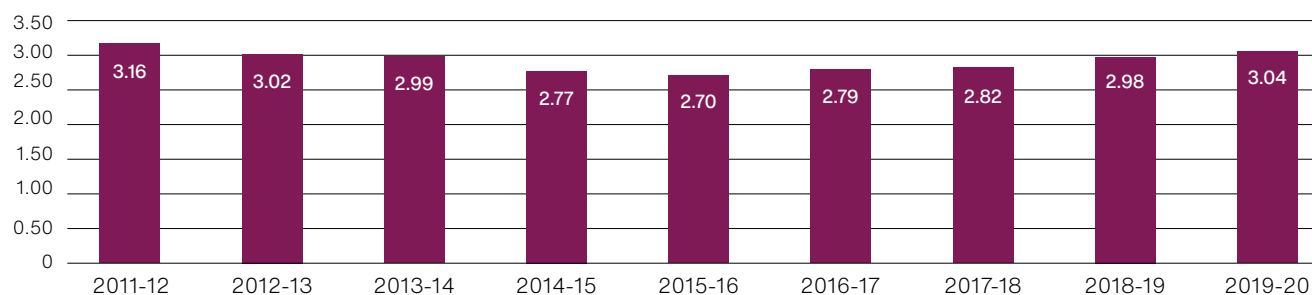
- 1 The departmental group staffing numbers do not include DWP's arm's-length bodies BPDS and The Pension Ombudsman which were 1,043 FTEs as at 31 March 2020.
- 2 Staff numbers are as at 31 March each year.

Source: Department for Work & Pensions Annual Report and Accounts 2019-20

Figure 5: Department for Work & Pensions staff costs

Staff costs have remained stable at around £3 billion a year

Staff costs (£bn)



Note

- 1 Staff costs include BPDS and The Pensions Ombudsman.

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

Staff and pay continued

Staff diversity

DWP has a diverse workforce compared to the civil service average but recognises a remaining challenge in ensuring greater diversity in its Senior Civil Service (SCS) grades. For example, 67% of DWP staff across all grades are women, compared with 48.6% in the SCS. This leads to a mean gender pay gap of 5.3% in 2019.

DWP has committed to increasing the representation of under-represented groups at all levels, including by setting targets for 2025 for new entrants to the SCS for

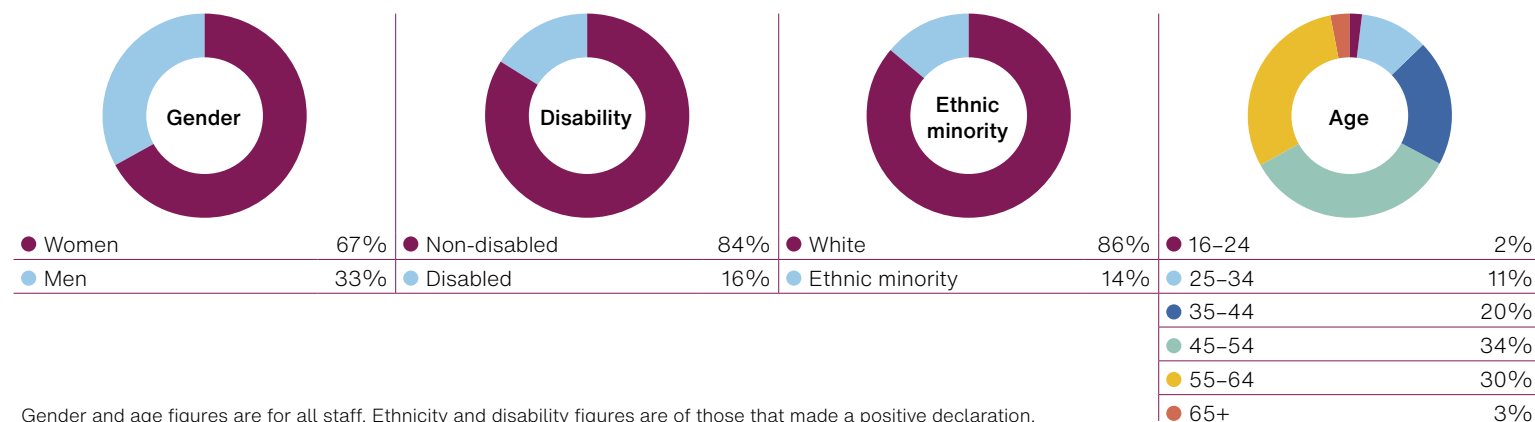
13% ethnic minorities
12% disabled people
50% women

In 2019-20, there were 10 new DWP SCS grade appointments. Of those who made a positive declaration, 20% had a declared disability, 40% were women, and 17% identified themselves as being from an ethnic minority background.

Staff pay

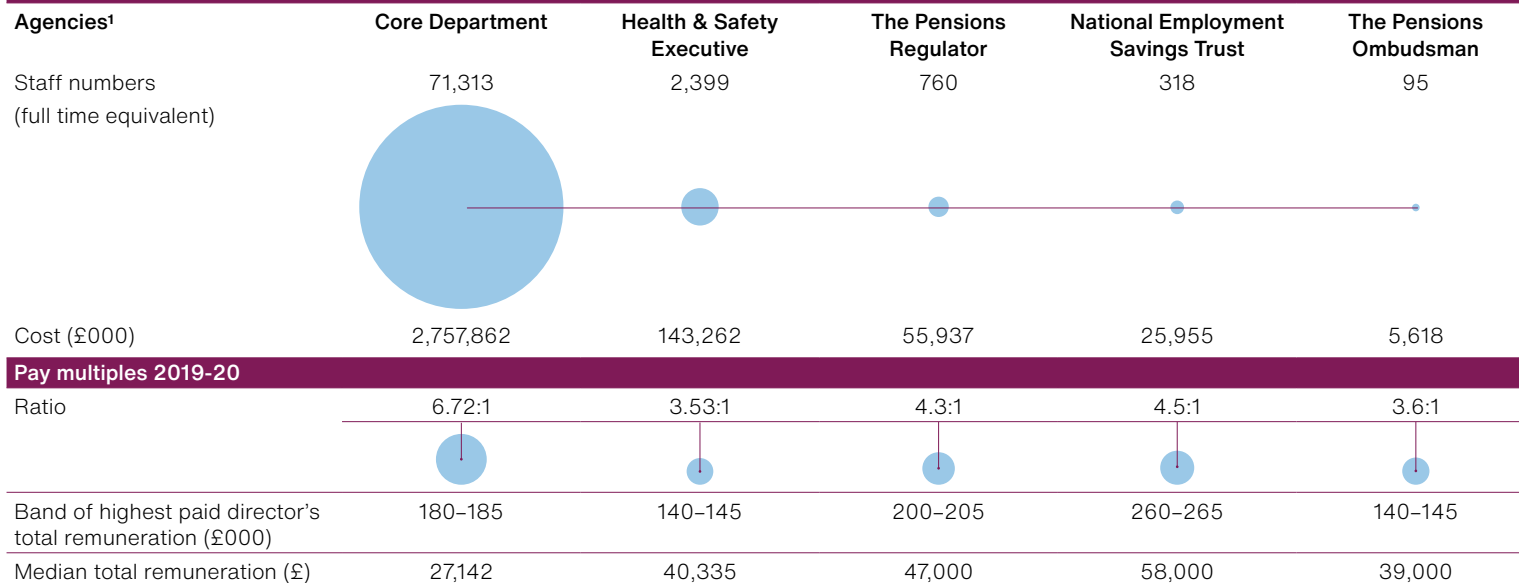
DWP has a high proportion of junior staff with 82.5% of staff at Executive Officer (EO) grade and below. Its median salary of £27,142 is lower than the civil service average of £28,180.

Workforce in the Department for Work & Pensions 2019-20 (core department)



Gender and age figures are for all staff. Ethnicity and disability figures are of those that made a positive declaration.

Staff breakdown 2019-20










Notes




- Only DWP's public bodies with published 2019-20 accounts available at the time of publication have been included in these tables.
- Staff numbers are the average number of staff employed during the year.

Source: National Audit Office analysis of 2019-20 Annual Report and Accounts for the Department for Work & Pensions, the Health and Safety Executive, The Pensions Regulator, the National Employment Savings Trust and The Pensions Ombudsman

Civil Service Annual People Survey

There has been very little movement in DWP's People Survey results between 2018 and 2019 and the Department is broadly in line with the civil service average.

Theme	Result in 2019 (%)	Result in 2018 (%)	Change (Percentage points)	Civil service average in 2019 (%)	Variance from civil service average (%)
 Employee engagement index	 59	 59	 0	 63	 -4
 My work	 72	 73	 -1	 77	 -5
 Organisational objective and purpose	 84	 85	 -1	 83	 1
 My manager	 73	 74	 -1	 71	 2
 My team	 85	 85	 0	 82	 3
 Learning and development	 60	 61	 -1	 55	 5
 Inclusion and fair treatment	 79	 79	 0	 79	 0
 Resources and workload	 75	 74	 1	 74	 1
 Pay and benefits	 36	 37	 -1	 34	 2
 Leadership and managing change	 45	 46	 -1	 49	 -4
Response rate	67	68	-1		

 Increase
 Decrease
 No change

Source: See full survey results at: [Civil Service People Survey](#)

The UK's exit from the European Union

On 31 January 2020 the United Kingdom left the European Union and, under the terms of the Withdrawal Agreement between the UK and the EU, entered a transition period during which existing rules continue to apply. New rules on trade, travel and business between the UK and the EU will come into place on 1 January 2021.

DWP's exiting the EU challenges

DWP's objective is to ensure its policies, operations and arm's-length bodies continue to operate effectively after the transition period. It currently has three projects relating to preparations for the end of the transition period:

- DWP is responsible for aspects of the EU's social security coordination (SSC) system, which allows EU citizens to access certain benefits while in the UK, and covers the export, aggregation and uprating of pensions and certain UK benefits in the EU. DWP is leading the cross-government approach to determining eligibility for SSC under the Withdrawal Agreement, working with other departments to produce guidance, and is part of the government's negotiations on the UK's future relationship with the EU.
- The Health and Safety Executive has regulatory responsibilities relating to chemicals and Health and Safety. It is supporting government activity focused on making necessary changes to the chemical regimes and to Health and Safety legislation following the UK's exit from the EU.
- DWP is preparing its systems and guidance so that it can administer benefits in line with the new immigration system, which is due to come into effect at the end of the transition period. It has already changed rules governing how family members of Persons of Northern Ireland can access working age benefits.

Between June 2016 and January 2020, DWP spent £157 million on preparations for EU Exit; the majority of this was in 2019-20. This was in response to new demand pressures associated with EU Exit, and to maintain and build Service Delivery operational resilience in preparation for any future indirect impacts of EU Exit.

HM Treasury allocated £18 million in 2020-21 to support planning and implementation for EU transition.

European Social Fund (ESF)

DWP is responsible for €3.5 billion of EU funding in England under the ESF over the current programming period (2014 to 2020), which aims to address employability and skills needs.

DWP works with other bodies and local partners and selects projects in line with the Operational Programme agreed between DWP and the European Commission. DWP seeks reimbursement from the European Commission for payments it makes to projects.

The government has guaranteed payments due under the ESF to the end of 2023, which provides assurance for the delivery of the programme following the UK's exit from the EU.

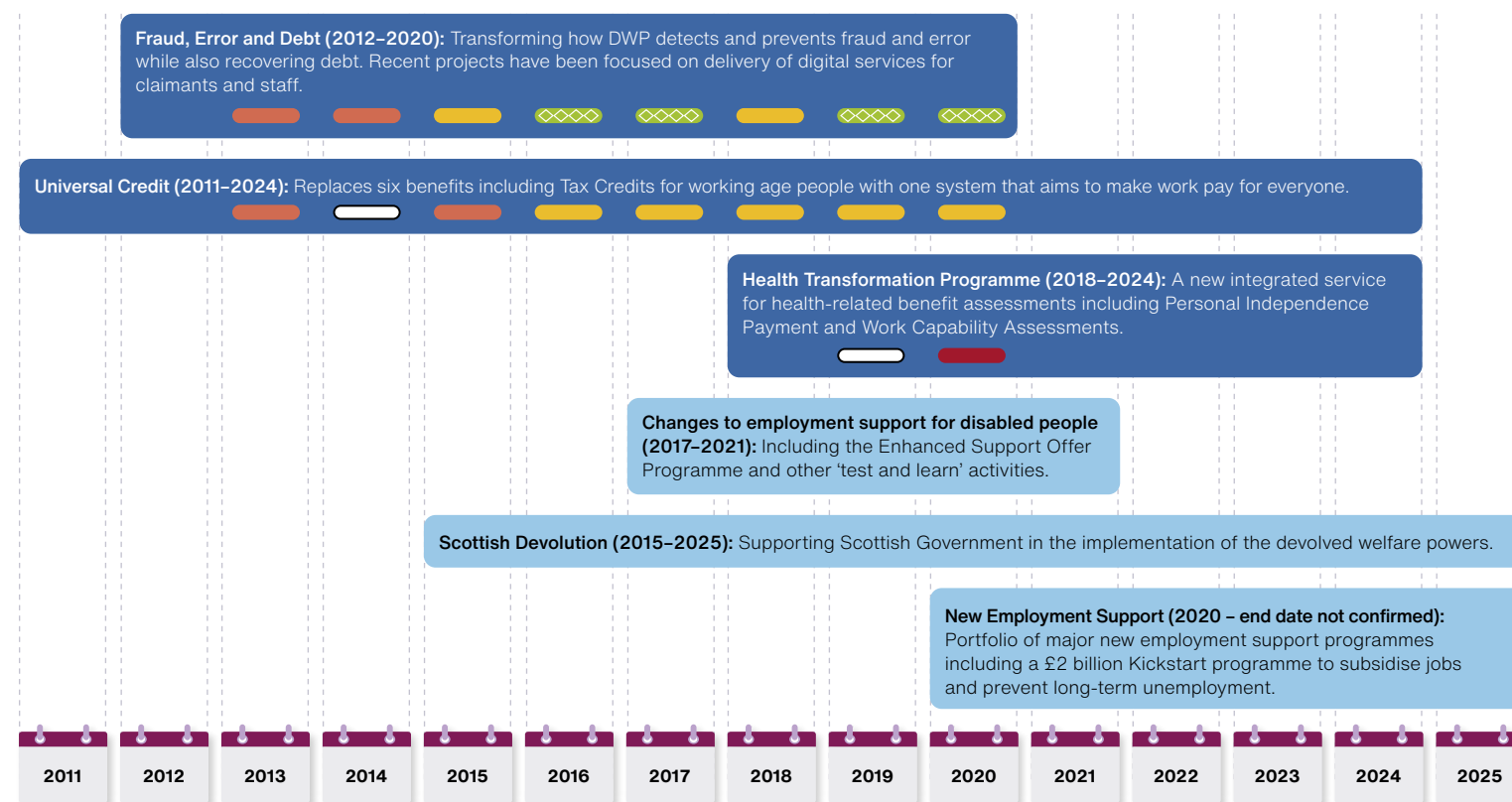
The European Commission introduced easements to ESF as a result of COVID-19. The Department also told us it has implemented changes to processes and requirements designed to enable the programme to continue to target the most vulnerable in society as well as providing additional support to directly address the impact of COVID-19 and contribute to local area recovery plans.

The devolved administrations in Scotland, Wales and Northern Ireland, as well as HM Government of Gibraltar, have responsibility for administering ESF outside of England.

Major programmes and key developments

DWP has three programmes included in the Government's Major Projects Portfolio (GMPP). It is also responsible for delivering changes to employment support and supporting Scottish devolution.

Figure 6: Department for Work & Pensions' Government Major Projects Portfolio and internal programmes



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

IPA's rating of the likely successful delivery of the project appears:

- Red band: Unachievable
- Orange band: In doubt
- Yellow band: Feasible
- Green band with 'X' pattern: Probable
- Green band with vertical lines: Highly likely
- White band: Reset

Note

1 Ratings are shown from 2013, when the IPA was established. The Health Transformation Programme was not rated by the IPA in the 2017-18 financial year.

Source: National Audit Office Analysis of Department for Work & Pensions' data and Infrastructure and Projects Authority Annual Reports

COVID-19 Update

DWP paused the majority of its change programmes in order to respond to COVID-19

Fraud, Error and Debt

Majority of the programme paused in March 2020. DWP intends to re-plan these components in the context of its longer-term response. Some elements accelerated in order to deal with new demands presented by COVID-19.

Universal Credit

As at March 2020, the forecast implementation cost had increased by £1.4 billion since the 2018 Full Business Case. DWP has not yet forecast the impact of COVID-19. 'Move to UC' managed migration pilot and other changes suspended.

Health Transformation Programme

Only business-critical work progressed, with more than 70% of Health Transformation staff redeployed to the front-line. Planned procurement of three-year contracts replaced by a shorter maximum two-year extension of the existing contracts from August 2021–2023. Reviewing scope and vision, with approval planned by the end of 2020.

Changes to employment support for disabled people

Enhanced Support Offer programme paused in March 2020. Uncertain whether any of the planned activity for 2020-21 will go ahead.

Scottish Devolution

Some devolution activity paused at the request of Scottish Government. Priority work continuing includes key 2020 deliverables already announced, continuation of work for the transfer of Disability Living Allowance Child services and Personal Independence Payment, and early work on winter benefits.

New Employment Support

Announced in response to anticipated economic downturn due to COVID-19. See 'Employment support' section for details.

Part One

Fraud, error and debt

DWP estimates it overpaid £4.6 billion of benefits in 2019-20 (2.4% of all benefit expenditure) and underpaid £2 billion of claimants' entitlements (1.1% of all benefit expenditure). This is the highest-ever recorded level of fraud and error in DWP's benefits.

Fraud and error

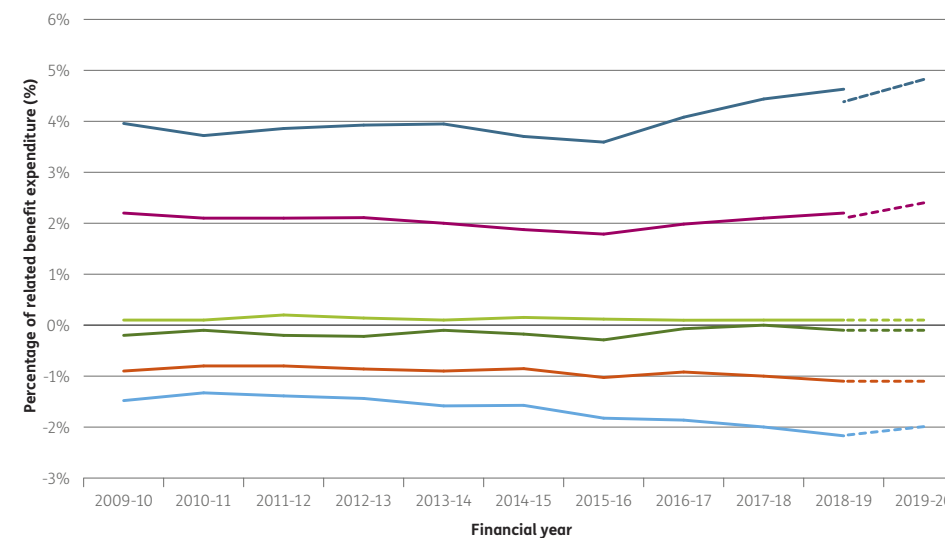
The Comptroller and Auditor General (C&AG) has qualified DWP's accounts every year since 1988-89 due to material levels of fraud and error. He qualified the 2019-20 accounts for fraud and error in all benefits except State Pension, because State Pension having relatively simple conditions of entitlement, it has very low fraud and error. The overpayment rate was 4.8% and the underpayment rate was 2% across all the other benefits.

Key trends in 2019-20

- The overpayment rate increased for Universal Credit, Employment and Support Allowance and Pension Credit, but decreased for Housing Benefit and Personal Independence Payment.
- The underpayment rate decreased for Universal Credit, Employment and Support Allowance and Pension Credit, but increased for Housing Benefit

Figure 7: Overpayments and underpayments for all benefits excluding State Pension

Benefit overpayments are at their highest estimated rates and have risen consistently since 2015-16



Note

1 See Figure 2 of the Report by the Comptroller and Auditor General in the Department for Work & Pensions' Annual Report and Accounts 2019-20 for details on methodology changes.

Source: Comptroller and Auditor General's report on the Department for Work & Pensions Annual Report and Accounts 2019-20

What has the NAO recommended?

DWP needs to reduce fraud and error by:

- 1 iteratively improving and measuring the effectiveness of its controls so that it can reduce fraud and error and demonstrate that its controls are cost-effective;
- 2 establishing a better mechanism for informing Parliament of the potential impact on fraud and error of future changes made to benefit policy and operations; and
- 3 setting annual targets for the gross level of fraud and error by benefit so that it can show the progress of its initiatives to reduce fraud and error.

- Universal Credit has 9.4% overpayments, the highest estimated rate of any measured benefit. This was particularly due to higher than expected fraud by claimants whose income is not captured by HM Revenue & Customs real-time income data and fraud from claimants misstating their capital and housing costs. It also had higher than expected levels of official error.
- Relaxing of normal controls in the claims process (known as 'easements') in response to COVID-19 is likely to substantially increase the rate of fraud and error in 2020-21 (see 'Impact of COVID-19' section for details).

Claimants owed DWP £5.8 billion at March 2020 for benefit overpayments, loans and Universal Credit advances.

Debt management

The amount claimants owe to DWP has increased since 2016-17:

- HM Revenue & Customs is transferring an estimated £6.8 billion of gross Tax Credits debt for active claims to DWP by the end of 2024. Between 2016-17 and 2019-20 the gross transfer of Tax Credits debt from HM Revenue & Customs to DWP amounted to £3 billion. DWP is developing proposals with HM Revenue & Customs on what remaining debt from past claims should also transfer.
- The amount of debt for Universal Credit advance payments has increased as the number of claimants on Universal Credit has increased.
- DWP expects that by 2022-23, the largest source of new debt will be Universal Credit overpayments and advances.

Universal Credit advances fraud

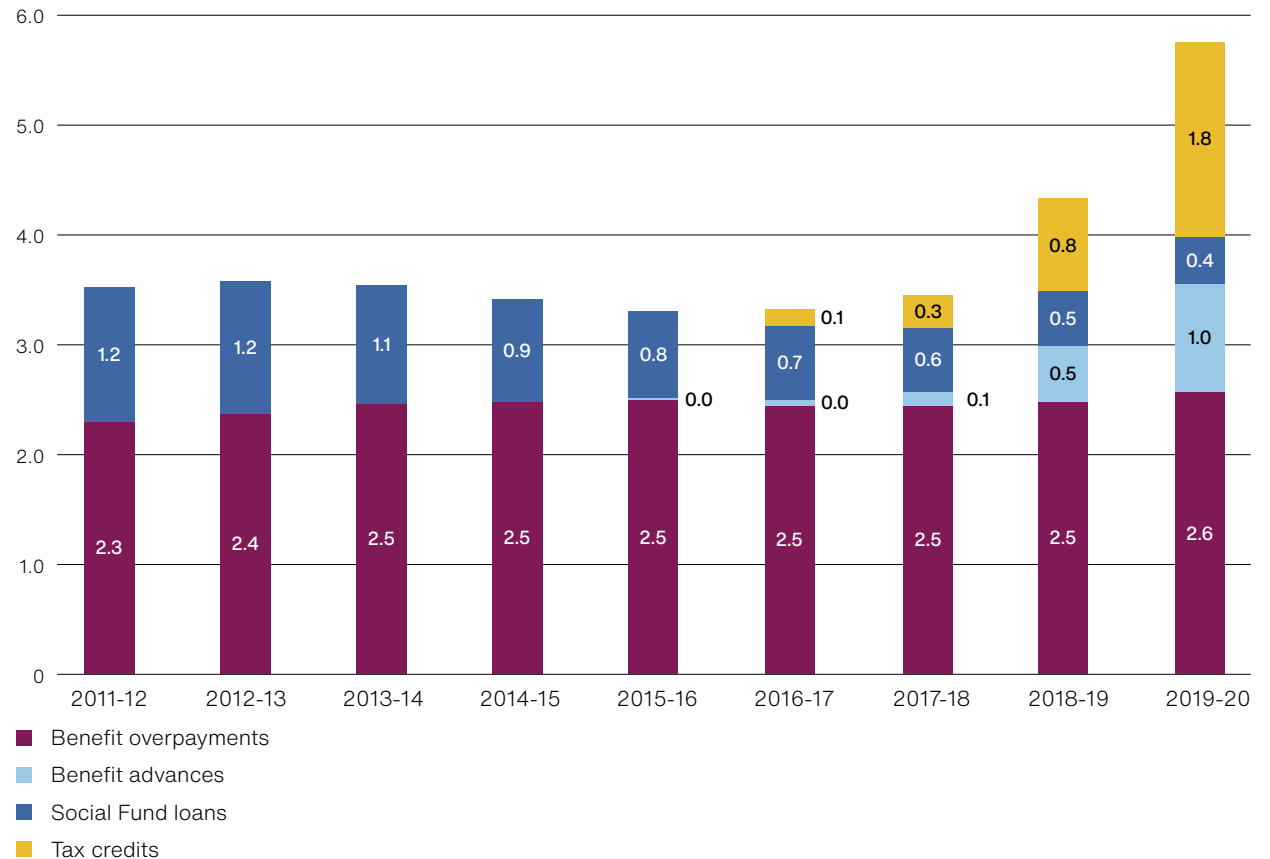
The National Audit Office's report *Universal Credit advances fraud* (March 2020) found that between mid-2018 and December 2019 there were an estimated 150,000 cases of advances fraud, with an estimated value of up to £221 million. By the end of 2019 DWP had taken an initial look at around one-third of those cases and completed 7,500 cases. DWP imposed £1.2 million in 'administrative penalties' as a result of fraudulent payments.

DWP plans to recover all the fraudulent advances payments, but this is uncertain and may take many years, and the Department acknowledges it will need to write off some of the debts.

Figure 8: The Department for Work & Pensions' gross debt balance from overpayments and advances

The amount claimants owe to DWP has increased in 2019-20

Gross debt balance from overpayments and advances (£bn)



Notes

- 1 Debt is shown in nominal terms and is not the same as estimates of the extent of fraud and error reported in Figure 7. The gross debt balance does not include DWP's impairments. Impairments are overpayments which DWP deems it is unlikely to recover.
- 2 Excludes Housing Benefit debt, recovery of which sits with local authorities.
- 3 Debt relating to Carer's Allowance for claimants in Scotland is not included from 2018-19 following devolution of this benefit to the Scottish Government.
- 4 Amounts may not sum due to rounding.

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

Part Two

The impact of COVID-19

As a result of the COVID-19 pandemic, DWP saw unprecedented demand for working age benefits as social distancing advice began to take effect across the UK and national lockdown commenced on 23 March 2020.



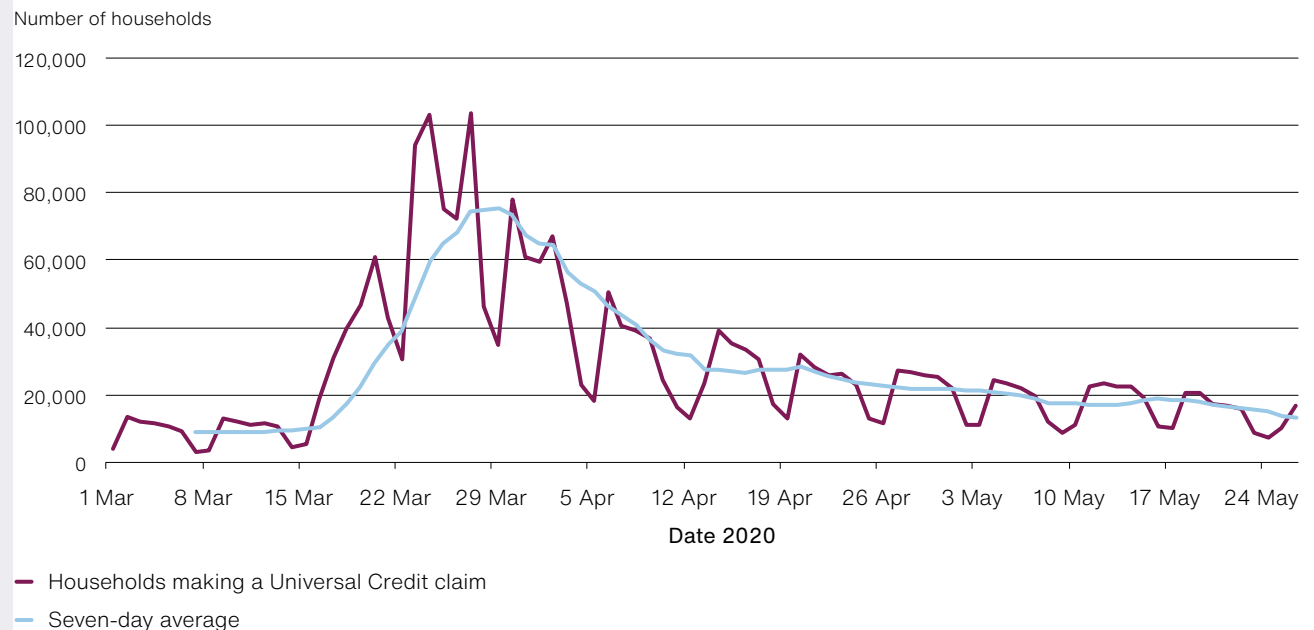
The immediate challenge COVID-19 presented to DWP

Surge in demand for benefit

From 1 March to 26 May 2020, the Department received 2.4 million new household claims for Universal Credit, with a peak of more than 100,000 a day. Other benefits, such as New Style Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA), have also seen increases in claims over this period.

Figure 9: Daily numbers of households making a Universal Credit claim, March to May 2020

There was a large increase in the number of households making a Universal Credit claim in the second half of March. The claim rate has since reduced to less than twice the rate before the first COVID-19 peak



Notes

- 1 Data here come from the management information (MI) tables the Department publishes on gov.uk and is for Great Britain only.
- 2 As stated by the Department, the MI is a view of what is recorded on the administrative data systems and has not been quality assured and processed to the standards required to be official statistics.
- 3 The MI presents the number to 'declarations'. This counts the number of claims made with a declaration of the claimant's personal circumstances. The Department's official statistics on the number of claims discounts those claims with a declaration where the claimant is moving from one Universal Credit claim to another.

Source: Comptroller and Auditor General's report on the Department for Work & Pensions Annual Report and Accounts 2019-20

DWP faced significant challenges as it attempted to meet the upsurge in demand for services. See pages 16 and 17 for details of how DWP has responded to these challenges.



The immediate challenge COVID-19 presented to DWP *continued*

Surge in contact levels

Long telephone hold times for claimants trying to contact DWP meant the Department encouraged claimants to claim online if possible and used outgoing telephony for the most vulnerable claimants. DWP told us that hits for the gov.uk webpages for Universal Credit and New Style JSA and ESA increased in line with benefit claims.

Increased staff absence

At its peak (31 March 2020), the number of DWP employees on Special Leave with Pay due to COVID-19 was 20,174 (25.5% of the workforce). As of 8 September 2020, this had reduced to 773 (1.0% of the workforce).

Office-based workforce

DWP had to change its ways of working and rollout IT very quickly. DWP's processes required most staff to work in its offices, service centres and jobcentres to access its systems and claimant data. Prior to the onset of COVID-19, it had not equipped many for home working.

Supply chain impact

DWP's priority has been to support and sustain suppliers to maintain their cash flow and sustain jobs in the supply chain. DWP has made circa £15 million of supplier awards in total as a direct result of Procurement Policy Note 02/20 (this is Cabinet Office guidance providing for government bodies to make payments to their suppliers to ensure service continuity during and after the COVID-19 outbreak).

2.4 million

New household claims for
Universal Credit from
1 March to 26 May 2020.



A peak of more than

100,000

new household claims for Universal Credit a day.



The Department announced several changes to the welfare system to support people whose work had been affected by COVID-19.

Easements to controls within the normal benefits claim process

From March 2020, DWP made a number of 'easements' to the normal process of applying for benefits to adapt it for the lockdown environment and allow it to respond to the unprecedented levels of demand.

Example easement applied from March 2020	Easement status at September 2020
<p>Reduced face-to-face contact:</p> <ul style="list-style-type: none"> No longer required claimants to attend a jobcentre for a face-to-face interview. Suspended all routine face-to-face visits with the exception of those customers who require additional support. Suspended all face-to-face provider assessments, benefit reviews and reassessments for health and disability-related benefits. 	<p>Jobcentre capacity is increasing to provide more services for claimants face-to-face, including labour market support, National Insurance number applications and interviews under caution.</p>
<p>Reduced some checks on the information claimants provide including the verification of their identity and circumstances.</p>	<p>Introduced additional steps to strengthen verification of ID for new claimants.</p>
<p>Suspended Claimant Commitments to search and be available for work.</p>	<p>All claimants required to undertake work-search activity. From mid-July 2020, Claimant Commitment appointment and follow-on interventions in place for new claims to Universal Credit.</p>
<p>Paused debt recovery.</p>	<p>Restarted recovery of previously paused overpayments. Phased reintroduction of recovery of new overpayments commencing from late September.</p>

Increases in benefit payments

In March 2020, DWP increased the amount and availability of certain benefits, including:

Universal Credit

- Standard allowance (and basic element of Working Tax Credit) increased by £1,040 a year for 12 months.
- Local housing allowance increased from April 2020 to the 30th percentile of market rents for private renters claiming Universal Credit (or Housing Benefit).
- Minimum Income Floor requirements for self-employed people temporarily relaxed for those expected to work or look for work for the duration of the outbreak.
- Repayment period for Universal Credit advances extended to 24 months (from October 2021). The maximum debt deduction will also be reduced from 30% to 25% of the standard allowance.

Statutory Sick Pay

- Paid from first day of sickness rather than fourth and extended to include those unable to work because they are asked to stay at home in line with government advice.
- Claimants allowed an 'isolation note' online from NHS 111 instead of a Fit Note from GP.
- Small and medium-sized enterprises (SMEs) can receive help with paying COVID-19-related SSP (two weeks per employee).

Employment and Support Allowance

- Claimants are eligible for new-style ESA from Day 1 rather than Day 8 of period off work.

Carer's Allowance

- Changes to regulations which allow unpaid carers in England and Wales to continue to claim Carer's Allowance if they have a temporary break in caring due to COVID-19.

In August 2020, the government announced a **new one-off payment of up to £182 for people on low incomes in areas with high rates of COVID-19**. This is available to people receiving either Universal Credit or Working Tax Credit. It is administered by the Department of Health & Social Care.

£15.7 billion

DWP's estimate of how much benefit expenditure will increase by in 2020-21 as a result of COVID-19.



The Department significantly reorganised itself and re-profiled its work to respond to the surge of demand for working age benefits caused by COVID-19.

Redeployment of workforce

DWP redeployed around 10,000 staff at different points during its initial response, moving them from policy, back-office roles and other benefits and services into new claim handling roles, to maximise its jobcentre and service centre capacity. Figure 10 shows a snapshot of changes between February and April 2020.

Recruitment of new staff

DWP has been steadily recruiting new staff in a series of waves:

- From April to August 2020, DWP increased its number of Administrative Officers (the most junior grade) by about 4,100, and borrowed around a further 3,000 seconded from other government departments, Capita and Serco.
- By November 2020, DWP aims to recruit a further 8,000 staff, made up of 4,500 work coaches and 3,500 full-time equivalent staff in service centres.
- By March 2021, DWP aims to recruit a further 9,000 Universal Credit work coaches to deliver on the commitment to double the number from 13,500 to 27,000.

De-prioritisation of other work

DWP paused most of its change activity, analytical research, fraud investigation and debt recovery to transfer staff to process and check new claims. It also reduced its capacity in areas such as appeals, pensions and child maintenance.

Move to remote working

DWP established a 'Virtual Service Centre' so around 1,000 staff could manage claimants' calls from home. By July 2020, more than 20,000 devices had been delivered to facilitate staff working from home for the first time.

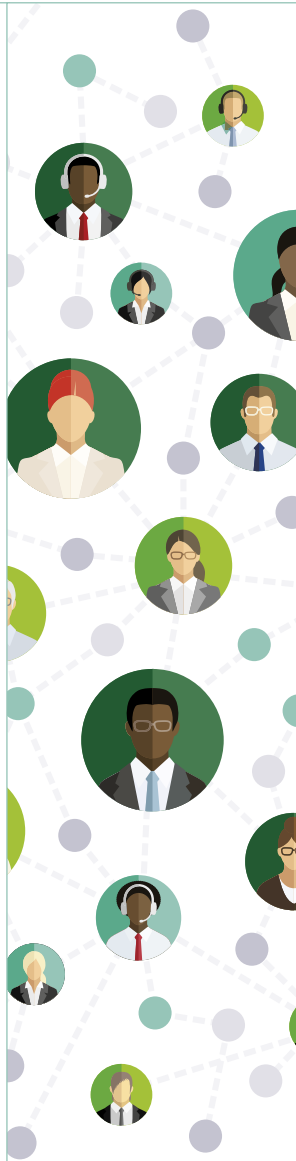


Figure 10: Redeployment of the Department for Work & Pensions' staff during COVID-19

DWP redeployed staff from policy, back-office roles and other benefits and services into new claim handling roles, to maximise jobcentre and service centre capacity during COVID-19

	Number of staff February 2020 (FTE)	Number of staff April 2020 (FTE)	Number of staff Movement
Increased staff in processing claims			
Service delivery			
Universal Credit (service centres)	6,638	13,147	+6,509
Legacy benefits (working-age)	3,354	5,351	+1,997
Disability Services	5,945	6,053	+108
Service delivery total	15,937	24,551	+8,614
Decreased staff in other areas of the business			
Functions			
Finance	1,886	1,679	-207
People and capability	1,196	1,190	-6
Digital	2,647	2,545	-102
Comms	238	229	-9
Central Analysis and Science	95	79	-16
Policy (includes Private Office)	1,117	1,022	-95
Change	838	551	-287
Functions total	8,018	7,295	-723
Service delivery			
Child Maintenance Group	4,745	3,305	-1,440
Counter Fraud, Compliance and Debt	7,519	2,793	-4,726
Customer Experience	3,217	2,076	-1,141
Retirement Services	4,929	4,401	-528
Service Excellence Director	10	10	0
Service Planning & Design	1,220	988	-232
Service Transformation	129	71	-58
Universal Credit (jobcentres)	23,219	23,150	-69
Service delivery total	44,988	36,794	-8,194

Note

1 FTE – full-time equivalent.

Source: Department for Work & Pensions' data

The Department managed to process the new claims, but at the risk of increased fraud and error.

Early indicators of performance



Payment timeliness

More than 89%

of new claims paid on time and in full from 1 March 2020 to 26 May 2020 (preliminary statistics).

Fraud and error

More than 143,000

referrals of potentially fraudulent cases made to the Department's specialist fraud team between 6 March 2020 and 5 June 2020.

Issuing payments

1,185,240

advance payments issued between 1 March 2020 to 26 May 2020.

Key risks and issues facing DWP now include:



Fraud and error



Fraud and error is likely to increase significantly as a result of the easements and using some inexperienced staff to process new claims.

Restarting its transformation programmes



DWP has to restart its major change programmes including the Universal Credit programme and the Health Transformation Programme.

Safety of staff and claimants



DWP has worked to establish a safe operating environment for jobcentres and its operational centres. It is also working to increase its home working in the long term.

Working through backlogs



DWP has to process all the backlogs created by transferring staff to the new claims process, including debt management, Child Maintenance Service and other benefits.

Increasing its operational capacity



DWP is exploring acquiring new estate to accommodate social distancing and its new work coaches. It needs to increase its digital support and training capacity to support the larger workforce.

Preparing for a second wave



DWP is exploring how to sustain its staffing and operational capability in the event of a second wave of COVID-19, so as to be able to maintain more services.

Part Three

Employment support

Post-COVID-19, DWP expects to increase its employment support intended to help people to find and stay in work. Traditionally, it has done this through coaching and training provided directly through its network of jobcentres and external providers, making grants to create jobs and help people stay in work, and incentivising positive employer behaviour.

DWP's employment support traditionally falls into four broad categories with the majority being supply side driven (that is, focusing on individuals rather than employers).

See [Supporting disabled people to work](#) for more information.



National contracted provision

For example, the Work and Health Programme:

Specialised employment support for people with disabilities and long-term unemployed people delivered via private-sector providers. Personalised support typically involves coaching, action-planning and access to additional provision.



Jobcentre support

For example, work coach support:

One-to-one coaching to assess needs and motivations and support claimants in their work-search. Wider offer includes referral to other pre-programme support (work experience and skills training).



Grant-based employment support

For example, Access to Work:

A grant available to support disabled people in, or about to move into, work. Intended to help with the extra costs of adjustments to the workplace beyond employer obligations under the Equality Act 2010. Individual support is capped at £59,200 per year (2019-20).



Employer behaviour incentives

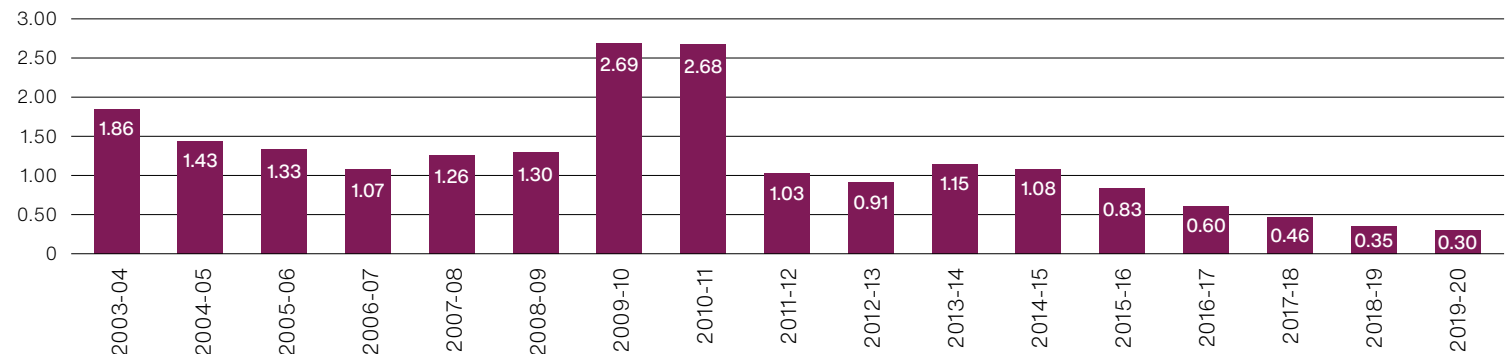
For example, Disability Confident:

Voluntary scheme to help employers to improve their approach to recruiting and retaining disabled people. There are three accreditation levels with the highest level requiring external validation of the employer's approach.

Figure 11: Department for Work & Pensions spend on employment programmes from 2003-04 to 2019-20

DWP's spending on employment programmes has matched the economic cycle, with a peak following the 2008 financial crisis, and was at its lowest in 2019-20. It now expects this to increase

Employment programmes spend (£bn)



Note

1 Figures show spending in real terms (2018-19 prices).

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

DWP announced a range of additional employment support provision intended to minimise levels of unemployment due to COVID-19.

In July 2020, HM Treasury published a 'Plan for Jobs', intended to spur the UK's recovery from COVID-19. This set out new DWP provision including:

1

New Kickstart scheme

Job creation scheme providing six-month work placements. Funding covers the National Minimum Wage for 25 hours a week, and the associated employer National Insurance Contributions and Employer Minimum Automatic Enrolment contributions. Focused on supporting young people who are on Universal Credit and are deemed to be at risk of long-term unemployment.

Forecast to cost

£2 billion

up to 2022-23

2

Expansion of jobcentre support

Doubling the number of work coaches to 27,000 by March 2021. Jobcentres increasing the amount of face-to-face support offered by putting in place measures including fitting screens, social distancing signage, face coverings and hand sanitisation facilities

Forecast to cost

£0.9 billion

in 2020-21¹

3

Expansion of national contracted provision

Work and Health Programme expanded to offer personalised support for up to six months, for jobseekers who have been unemployed for more than three months (Job Entry Targeted Support).

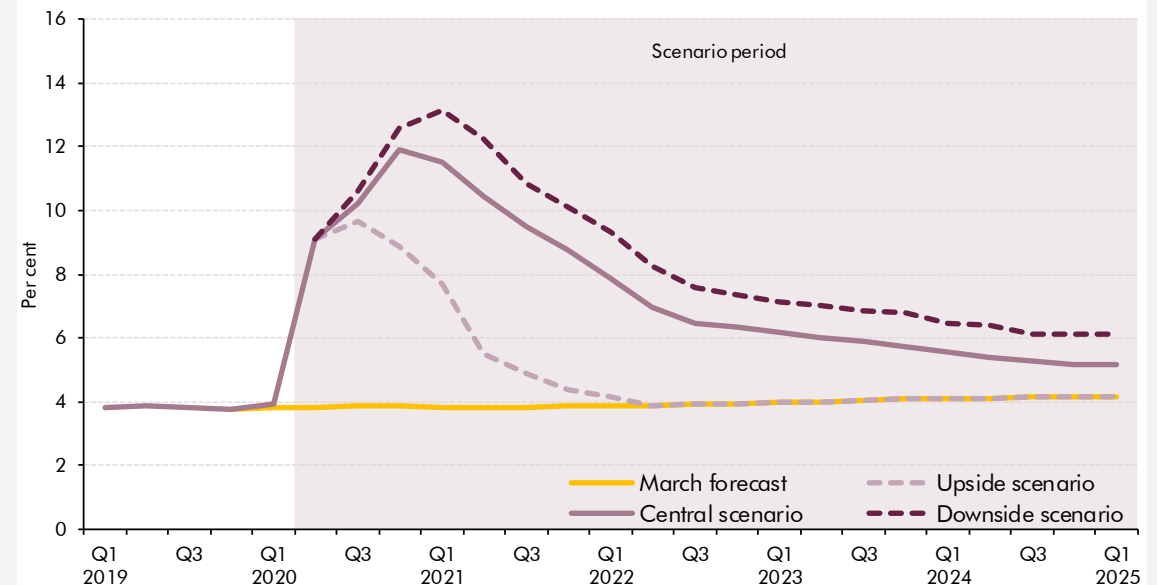
Forecast to cost

£0.1 billion

in 2020-21¹

Figure 12: Unemployment rate: Office for Budget Responsibility scenarios versus March forecast

The Office for Budget Responsibility's (OBR's) central scenario shows unemployment peaking at around 12% by the end of 2020, compared with the March 2020 forecast of around 4%






Source: Office for National Statistics and the Office for Budget Responsibility

¹ Spending beyond 2021 will be settled at the autumn 2020 Spending Review.

The NAO has previously reported across a range of employment support and similar programmes across government. The lessons learned and recommendations identified will continue to be relevant for DWP as it rolls out its new support.

Figure 13: Employment support lessons learned and recommendations from previous National Audit Office (NAO) work

Theme		Examples of issues identified	Examples of previous recommendations
	Evidence base: without clear evidence about which programmes are effective, decisions on how to allocate resources cannot be based on knowledge of effectiveness, even when programmes have been running for a long time.	Supporting disabled people to work ¹ study found that the evidence base for most of the eight programmes reviewed was weak or unavailable. DWP had not developed a plan that identified or responded to all the gaps in the evidence base.	<ul style="list-style-type: none"> Clearly set out how current gaps in evidence will be addressed by test and learn activities.¹ Ensure best use is made of external research, such as academic research, to address gaps in the evidence base.¹
	Additionality: ensuring maximum impact by assessing what the programme achieves over and above what would have happened without the programme.	In the 'Train to Gain' ² apprenticeship scheme around 50% of trainers would have arranged the same or similar training in the absence of the programme.	<ul style="list-style-type: none"> Set out clear measures for the impact of the programme, and indicate the level of impact it is aiming to achieve.³ Examine ways of raising additionality, such as by further increasing the focus on 'hard to reach' groups.²
	Targeting: different user groups have different needs and programmes must be appropriately targeted to ensure additionality.	Many fewer harder-to-help claimants were referred to the Work Programme than expected, leading the Department to revise projections for referrals of Employment and Support Allowance claimants for 2011-12 downwards by 60% and later extend the prognosis requirement for this group from six to 12 months to increase referrals. ⁴	<ul style="list-style-type: none"> Monitor services and assess whether they are meeting the broad range of user needs. Improve the information held to better track users' needs as well as whether support needed is reaching them and whether there are any gaps in provision.⁵

Notes

¹ See *Supporting disabled people to work*, March 2019.




² See *Train to Gain: Developing the skills of the workforce*, July 2009.

³ See *The apprenticeships programme*, March 2019.

⁴ See *The introduction of the Work Programme*, January 2012 and *The Work Programme*, June 2014.

⁵ See *Gaining and retaining a job: the Department for Work & Pensions' support for disabled people*, October 2005.

Figure 13: Employment support lessons learned and recommendations from previous National Audit Office (NAO) work *continued*

Theme		Examples of issues identified	Examples of previous recommendations
	Market capacity: when using external providers to deliver employment support, this is dependent on there being a market of providers with the capacity to deliver this support.	<p>Spending on contracted employment support provision has significantly reduced over the past 10 years, which may impact the market's capacity to expand.</p> <p>Supporting disabled people to work⁶ study found that, despite introducing a 10-year employment support market strategy in 2017 to build a stronger pipeline of suppliers capable of providing new types of integrated support, DWP had not yet mapped the whole wider market for employment support beyond its own supply chain.</p>	<ul style="list-style-type: none"> ● Develop an overall commercial strategy which would support longer-term market development and capacity-building. It should clarify the role of in-house provision and how it will complement contracted-out services.⁷ ● Map the provision and funding available for employment support.⁶ ● Develop a framework for assessing the quality of the provision to which work coaches refer customers and use this to manage transparent approved provider lists.⁶
	Perverse incentives: some oversight and contract management mechanisms can unintentionally incentivise undesired behaviours.	'Parking' of harder-to-help claimants was an issue in the Work Programme, ⁸ with spending allocated to these payment groups reduced by 54% from the original bids. Under 'Payment by Results' contracts, providers may prioritise users who are easier-to-help since less effort and expense are required to help them achieve the desired outcomes and hence receive payment. ⁹	<ul style="list-style-type: none"> ● Review whether payment groups require different minimum service standards and monitor standards by payment group, to ensure that contractors are not 'parking' people.⁸ ● Gather other standard measures of services in order to identify good practice or potential 'parking'.⁸
	Fraud: fraud or improper practice can lead to incorrect reporting of results and loss of public funds.	New Deal programmes were susceptible to fraud. Outcomes that triggered payments were difficult to verify, checks relied on complex records held by providers and there were no checks with employers. ¹⁰	<ul style="list-style-type: none"> ● Consider fraud risks at every stage of the process. For example, ensure delivery of outcomes can be validated and is checked before payment, assess providers' controls before appointment and regularly review how controls are working in practice, and have appropriate channels for investigating fraud cases.¹⁰

Notes continued

⁶ See *Supporting disabled people to work*, March 2019.

⁷ See *Contracted out health and disability assessments*, January 2016.

⁸ See *The Work Programme*, June 2014.

⁹ See *Payment by results analytical framework*, June 2015.

¹⁰ See *Preventing fraud in contracted employment programmes*, May 2012.

Source: Cited National Audit Office reports published between 2005 and 2019

Part Four

Customer service

DWP has a strategic objective to transform its services to deliver an effective welfare system for citizens when they need it.

Measuring customer service performance

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

- **Customer satisfaction with DWP services:** Customer satisfaction scores were not produced this year due to COVID-19 interrupting fieldwork. In 2018-19, customer satisfaction was 81% and had declined steadily since 2016-17.
- **New claims processed within DWP's planned timescales for each benefit:** The proportion of new claims processed within planned timescales has also fallen steadily in recent years. This measure also includes Universal Credit for the first time in 2019-20.

Universal Credit

The NAO reported on Universal Credit in July 2020 and found that payment timeliness had increased from 55% in January 2017 to 90% in February 2020. However, DWP needs to do more to support vulnerable claimants by better understanding and addressing the needs of vulnerable people and those with more complex claims, who may be at greater risk of struggling under the Universal Credit regime.

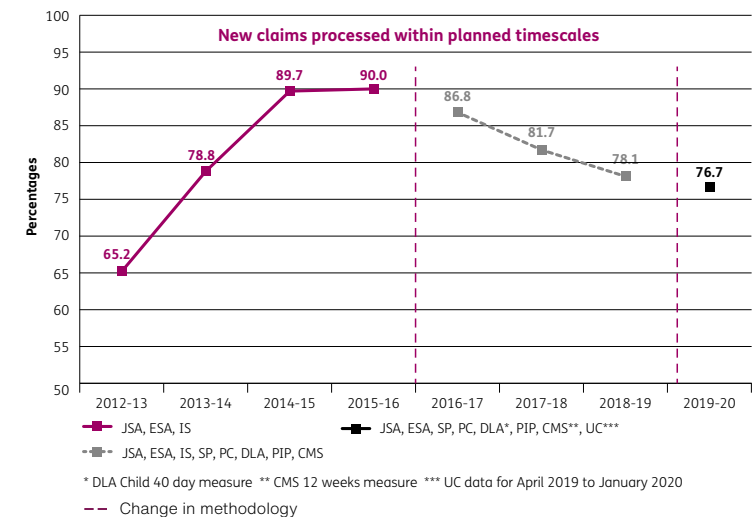
Child Maintenance Service (CMS)

In 2017, the NAO published an investigation into *Child maintenance: closing cases and managing arrears on the 1993 and 2003 schemes* and identified several customer service issues, including poor communication. CMS published statistics show that customer service issues are ongoing. In the quarter to December 2019:

- ▶ **96%** of new applications were cleared within 12 weeks.
- ▶ **77%** of calls to the service were answered.
- ▶ **2,410** new official complaints were received against a caseload of 506,000.
- ▶ **86%** of change of circumstances were cleared within 28 days.

Figure 14: New claims processed within planned timescales

The proportion of new claims processed within planned timescales has fallen steadily in recent years



Notes

- 1 Data for years 2010-11 to 2015-16 is based on Jobseekers Allowance (JSA), Employment and Support Allowance (ESA) and Income Support (IS). Data for 2016-17 to 2018-19 includes new claims for JSA, ESA, IS, State Pension (SP), Pension Credit (PC), Personal Independence Payment (PIP), Disability Living Allowance for Children (DLAc), and Child Maintenance (CMS). Data for 2019-20 no longer includes IS and now includes new claims for Universal Credit (UC).
- 2 Due to the change in the methodology in 2016-17 and 2019-20, the data are not directly comparable.

Source: Department for Work & Pensions Annual Report and Accounts 2019-20

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

Customer complaints about DWP

In 2019-20, DWP received 39,319 complaints. This was 12% fewer than in 2018-19, mainly because DWP received fewer complaints relating to State Pension age changes. DWP suspended action on complaints about the State Pension age changes while it was considered by a judicial review.

If people are unhappy with the outcome of their complaint to DWP, they can ask the Independent Case Examiner (ICE) to investigate. There were 3,285 customer complaints about DWP to ICE in 2019-20. This was 41% more than in 2015-16 (2,324) but fewer than in 2018-19 (4,189).

Unresolved ICE complaints can be taken to the Parliamentary and Health Service Ombudsman. In 2018-19, the ombudsman partly upheld four of the 30 complaints it considered concerning DWP (two of the upheld cases related to the Child Maintenance Service).

DWP moved from a two-tiered complaint process to a priority-led one-tier approach to allow staff to be deployed to front-line services to respond to COVID-19.

Customer disagreements with DWP's benefit and child maintenance decisions

People who disagree with a DWP decision about benefits or child maintenance can ask DWP to look again at the decision – this is called a 'mandatory reconsideration'. In July 2020 DWP's mandatory reconsiderations led it to revise:

66% of Employment and Support Allowance (ESA) decisions reconsidered, leading to the claim being allowed (10% in March 2016); and

37% of Personal Independence Payment (PIP) decisions reconsidered leading to a change in award (16% in March 2016).

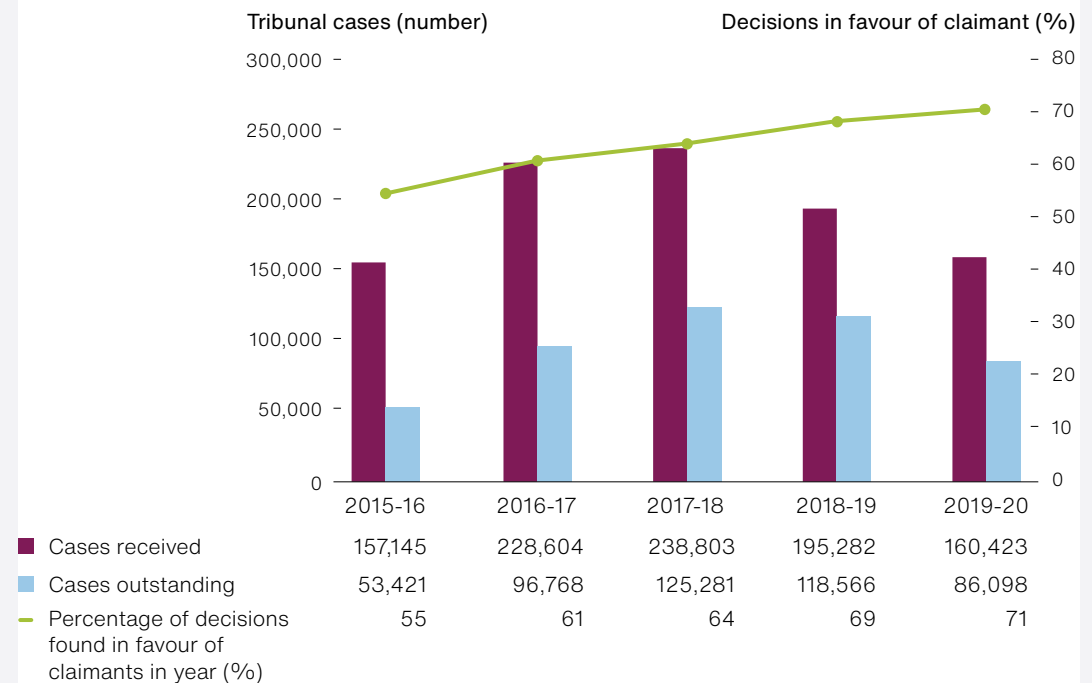
The increase in the proportion of revised decisions is caused by a number of factors, including the introduction of Universal Credit replacing income-related new claims to ESA, and the new operational approach to gather additional evidence from the claimant at the mandatory reconsideration stage.

Customer appeals against DWP's benefit decisions

Following a mandatory reconsideration, claimants can choose to appeal against a decision through the Social Security and Child Support Tribunal. The tribunal is increasingly overturning DWP benefit decisions: 71% of decisions were in favour of the claimant in 2019-20, compared with 55% in 2015-16. Most appeals to the tribunal relate to the health assessment for ESA, Universal Credit or PIP. Since PIP was introduced 3.9 million initial decisions following an assessment have been made up to March 2020; 5% have been overturned at a tribunal hearing. Between April 2014 – March 2020, 5 million ESA (post Work Capability Assessment) decisions have been made. Of these, 4% have been overturned at a tribunal hearing.

Figure 15: Social Security and Child Support Tribunal cases and decisions

The percentage of decisions found in favour of claimants is increasing



Notes

- 1 Social Security and Child Support Tribunal only.
- 2 Personal Independence Payment and Employment and Support Allowance together account for 71% of cases received in 2019-20.

Source: National Audit Office analysis of Ministry of Justice Tribunal statistics