



National Audit Office

OVERVIEW

# Department for Work & Pensions

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Departmental Overview 2022-23

We are the UK's independent public spending watchdog

December 2023

## About this overview

**This guide has been produced to support the Work and Pensions Committee in its examination of the Department for Work & Pensions' (DWP's) spending and performance. It summarises the key information and insights that can be gained from our examinations of DWP and related bodies and DWP's annual report and accounts. DWP spent more than £240 billion in 2022-23 to deliver welfare, pensions and child maintenance policy.**

The guide includes information on:

- how DWP is structured and where it spends its money;
- DWP's financial management; and
- findings from recent National Audit Office work.

### How we have prepared this guide

The information in this guide draws on the findings and recommendations from our financial audit and value-for-money programme of work, and from publicly available sources, including the annual report and accounts of DWP and its bodies.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value-for-money or other reports, details of our audit approach can be found in the appendix of each report, including the evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

### Other relevant publications

More information about our work on this sector, as well as information about our other recent and upcoming reports, can be found on the National Audit Office website.

### More information about central government accounting and reporting

You may also be interested in our interactive guide to *Good practice in annual reporting* (February 2023) which sets out good-practice principles for annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.



This report updates our previous overview, *Departmental Overview 2021-22: Department for Work & Pensions*, published in October 2022.

# Departmental Overview 2022-23

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#### About the National Audit Office

The National Audit Office (NAO) is the UK's independent public spending watchdog. We scrutinise public spending for Parliament and are 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 2022, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £572 million.

If you would like to know more about the NAO's work on the Department for Work & Pensions, or are interested in the NAO's work and support for Parliament more widely, please contact:

Parliament@nao.org.uk  
020 7798 7665

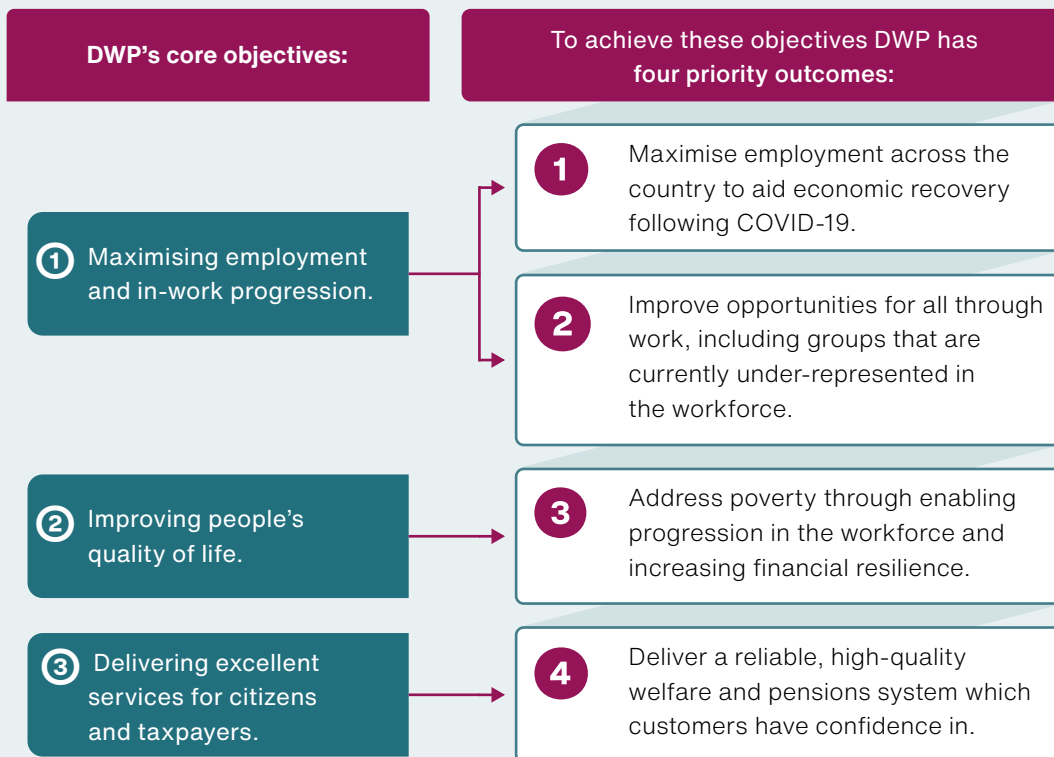


Part One • Overview

# About DWP

The Department for Work & Pensions (DWP) is responsible for the delivery of welfare, pensions and child maintenance policy. It aims to improve people's day-to-day lives and help them build financial resilience and a more secure and prosperous future.

DWP's **Outcome Delivery Plan** sets out three core objectives and four priority outcomes which applied during 2022-23.



At any one time, DWP makes benefit and pension payments to more than 20 million people to support them through life events such as being out of work, retirement and disability. DWP also provides a range of services to support people, with examples including:

**People seeking employment:** The Plan for Jobs delivers employment programmes and initiatives, such as the Restart scheme, to provide people with support to get back into work.

**Disabled people and people with health conditions:** The Work and Health Programme provides support to disabled people and people with health conditions on a voluntary basis.

**People planning for, or in, retirement:** The Money and Pensions Service provides people with access to information and guidance to help them make effective financial decisions.

**Children and families:** Get Help Arranging Child Maintenance is a free service to help parents decide the best maintenance arrangement for themselves and their children. The service also supports parents to put a maintenance arrangement in place.

For a full list of services available to each user group, see the 'Performance report' section of [Department for Work & Pensions Annual Report and Accounts 2022-23](#).

Part One - Overview

# How DWP is structured

DWP is led by the Secretary of State for Work and Pensions, supported by a team of ministers, with the permanent secretary as its most senior civil servant.








The departmental group (made up of the Core Department and four consolidated bodies) had 85,000 full-time equivalent (FTE) staff at March 2023.

The departmental family includes the departmental group, as well as a further eight public bodies and one pension scheme (Remploy Pension Scheme Trustees Limited).

The Core Department is managed in groups, each led by a director general. Legal support is provided by the Government Legal Department.

### Notes

- 1 DWP has additional corporate spending of £46 million.
- 2 DEL stands for Departmental Expenditure Limit and is the amount that government departments have been allocated to spend.
- 3 There are two director general roles within the Policy Group: Labour Market Policy and Implementation; and Disability, Health and Pensions.
- 4 Excluding public corporations, which fall outside DWP's accounting boundary.
- 5 Disabled People's Employment Corporation (GB) Ltd entered members' voluntary liquidation on 7 October 2017. The company is expected to be formally struck off in 2023-24.
- 6 The functions and staff of BPDTS Ltd have transferred to DWP. The company is expected to be formally struck off in 2023-24.
- 7 The role of the Pensions Ombudsman and the Pension Protection Fund Ombudsman are legally separate but, in practice, are delivered by the same person supported by a single organisation.

| The Core Department   |   |   |   |  |   |   |
|---|---|---|---|--|---|---|
| Director General groups <sup>1</sup>  |   |   |   |  |   |   |
| <br>Service Excellence   | <br>Work and Health Services   | <br>Change and Resilience  | <br>Policy <sup>3</sup>  | <br>Finance   | <br>Digital  | <br>People, Capability and Place |
| DEL spend <sup>2</sup><br><b>£1,106mn</b>   | DEL spend<br><b>£2,037mn</b>  | DEL spend<br><b>£599mn</b>  | DEL spend<br><b>£349mn</b>  | DEL spend<br><b>£2,394mn</b>   | DEL spend<br><b>£924mn</b>  | DEL spend<br><b>£1,353mn</b>  |
| Responsible for:  | Responsible for:  | Responsible for:  | Responsible for:  | Responsible for:   | Responsible for:  | Responsible for:  |
| <ul style="list-style-type: none"> <li>Counter fraud, compliance and debt</li> <li>Service transformation and service planning and delivery</li> <li>Customer experience</li> <li>Child maintenance</li> <li>Retirement services</li> </ul> | <ul style="list-style-type: none"> <li>Disability services</li> <li>Universal Credit</li> <li>Working-age operations</li> </ul>   | <ul style="list-style-type: none"> <li>Leadership and delivery of the Department for Work &amp; Pensions' (DWP's) Major Change Portfolio</li> </ul>   | <ul style="list-style-type: none"> <li>In-work progression and poverty strategy</li> <li>Supporting DWP's partnership with arm's-length bodies</li> <li>Labour market policy</li> <li>Health Transformation Programme</li> <li>Improving outcomes for disabled people, people with health conditions, pensioners and savers</li> <li>Social security coordination and welfare policy, including Universal Credit</li> </ul> | <ul style="list-style-type: none"> <li>Commercial procurement and contract management</li> <li>Security</li> <li>Financial management and control</li> <li>Allocation of resources</li> <li>Business strategy and departmental planning</li> </ul> | <ul style="list-style-type: none"> <li>Strategy, maintenance, integrity, value for money and continuous improvement of IT services and systems</li> </ul> | <ul style="list-style-type: none"> <li>Core HR functions</li> <li>Estates contract management</li> </ul>            |
| Departmental family   |   |   |   |  |   |   |
| DWP's public bodies employed around 4,300 FTE staff and had a net expenditure of more than £427 million in 2022-23 <sup>4</sup>   |   |   |   |  |   |   |
| Public corporations   | Executive non-departmental public bodies  | Tribunal or advisory non-departmental public bodies   | Other   |  |   |   |
| <ul style="list-style-type: none"> <li>Pension Protection Fund</li> <li>National Employment Savings Trust Corporation</li> <li>Office for Nuclear Regulation</li> </ul>   | <ul style="list-style-type: none"> <li>The Pensions Regulator ■</li> <li>Health and Safety Executive ■</li> <li>Disabled People's Employment Corporation (GB) Ltd<sup>5</sup></li> <li>BPDTS Ltd<sup>6</sup></li> <li>Money and Pensions Service ■</li> </ul> | <ul style="list-style-type: none"> <li>The Pensions Ombudsman<sup>7</sup> ■</li> <li>Pension Protection Fund Ombudsman<sup>7</sup></li> <li>Industrial Injuries Advisory Council</li> <li>Social Security Advisory Committee</li> </ul> | <ul style="list-style-type: none"> <li>Remploy Pension Scheme Trustees Limited</li> </ul>   |  |   |   |

■ Consolidated bodies that fall within DWP's accounting boundary and are part of the departmental group.

Part Two • How DWP uses its resources

# Where DWP spends its money

DWP has one of the largest expenditures of any government department. In 2022-23, its total expenditure was £240.1 billion.

The majority of DWP's expenditure relates to benefit payments, which totalled £234.8 billion in 2022-23. Most of this is Annually Managed Expenditure (AME). AME is more difficult to predict or control as it is spent on programmes that are demand-led, so is not subject to multi-year spending limits set in Spending Reviews.

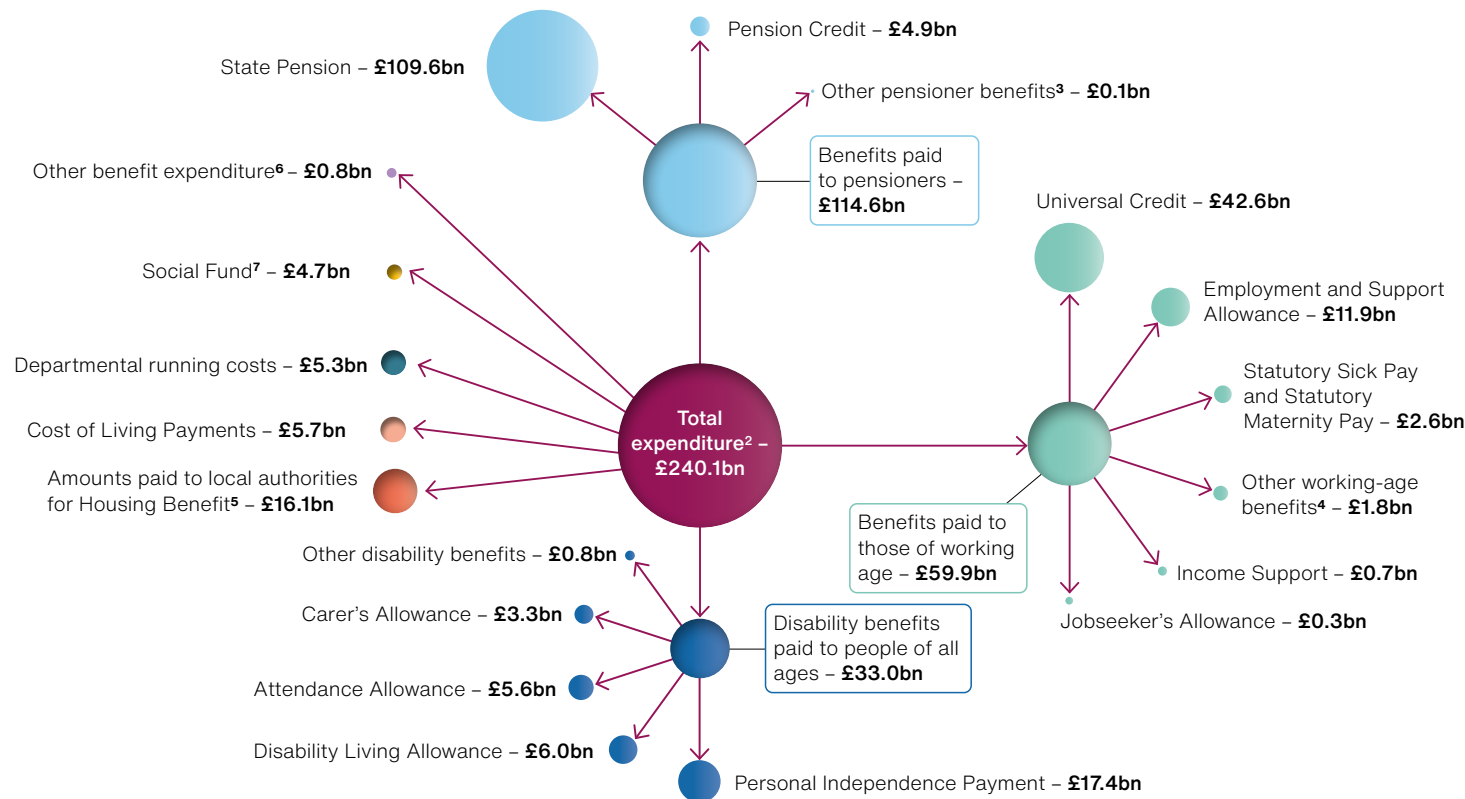
The largest element of benefit expenditure is paid to individuals of pension age. State Pension accounted for around 46.7% (£109.6 billion) of total benefit spending in 2022-23.

For people of working age, the largest element was Universal Credit. In 2022-23, this accounted for around 18.1% (£42.6 billion) of total benefit expenditure.

Disability benefits paid to people of all ages cost £33.0 billion and Housing Benefit cost £16.1 billion in 2022-23.

£5.3 billion of DWP's £9.1 billion Departmental Expenditure Limit (DEL) spending related to its running costs. The remainder related to discretionary benefit payments and programme costs. DEL is subject to spending limits set by government Spending Reviews.

Department for Work & Pensions spending 2022-23<sup>1</sup>



**Notes**

- Accounting for DEL and AME expenditure is set out in the *Consolidated Budgeting Guidance*. This differs from figures reported in the financial statements, which are determined by International Accounting Standards as interpreted by HM Treasury's *Government Financial Reporting Manual*. Due to these different bases, there are some differences in the reported numbers. Due to rounding, values may differ slightly from those in the DWP's *Annual Report and Accounts 2022-23*.
- Total expenditure of £240.1 billion relates to total operating expenditure. Net operating costs of £239.0 billion also include operating income, finance income and expense, and donated assets, which collectively reduce operating costs by £1.2 billion to £239.0 billion.
- Other pensioner benefits include the Christmas Bonus.
- Other working-age benefits include employment programmes, bereavement benefits and Maternity Allowance.
- Housing Benefit is administered by local authorities to pensioners and people of working age on behalf of DWP.
- Other benefit expenditure includes programme balances written off and other related expenditure.
- Social Fund Expenditure includes £2.6 billion relating to Pensioner Cost of Living Payments paid alongside their Winter Fuel Payment. Including this, DWP made total Cost of Living Payments of £8.3 billion.
- Totals may not sum due to rounding.

Source: Consolidated Statement of Comprehensive Net Expenditure, *Department for Work & Pensions Annual Report and Accounts 2022-23*



Part Two • How DWP uses its resources

## How DWP's spending has changed over time

### Benefit and pension expenditure

DWP makes benefit and pension payments to more than 20 million people at any one time through its Annually Managed Expenditure (AME). In 2022-23, these payments totalled £230.5 billion, around £14.4 billion (6.7%) more than in 2021-22. This trend is forecast to continue with a further increase of £35 billion in 2023-24.

Around 60% of AME spending relates to pensioners. Spending on the State Pension increased by £5.8 billion (5.6%) to £110.5 billion in 2022-23.

Benefits paid to working-age people increased by £7.4 billion (8.5%) to £94.8 billion in 2022-23, mainly driven by Cost of Living support payments of £5.7 billion.

Benefits paid to support claimants with a disability or health condition increased by £2.1 billion (5.0%) to £65.2 billion in 2022-23.

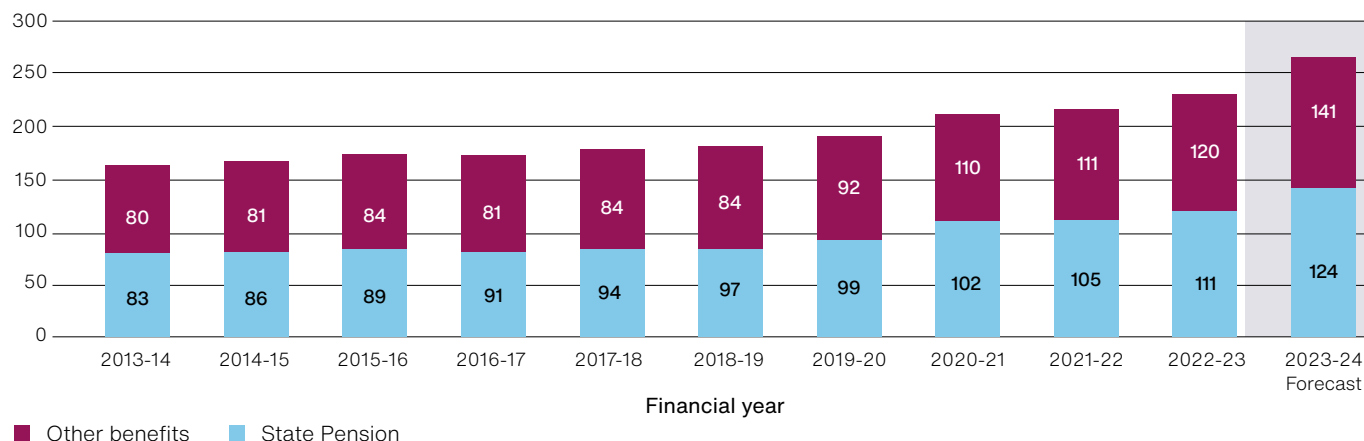
### Departmental running costs

DWP's Departmental Expenditure Limit (DEL) spending fell by £0.45 billion (4.7%) to £9.15 billion in 2022-23. This was higher than the amount set in Spending Review 2021 of £8.3 billion, mainly due to an extension of the Household Support Fund (£842 million).

DEL spending decreased by £1.6 billion between 2013-14 and 2019-20, but rose to more than £9 billion in both 2021-22 and 2022-23. It is forecast to remain stable at £9.82 billion in 2023-24.

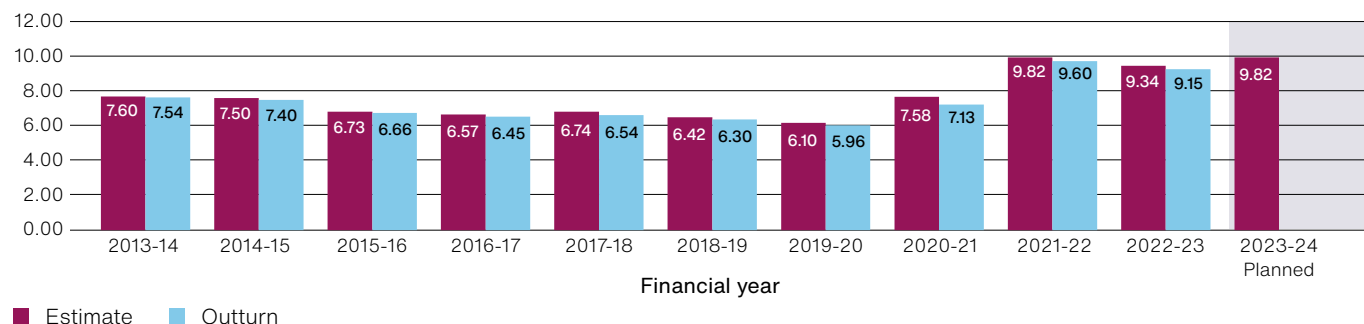
### Annually Managed Expenditure (AME)

#### Resource AME spend (£bn)



### Departmental Expenditure Limit (DEL)

#### Total DEL spend (£bn)



#### Notes

- The 2023-24 planned figure is per the *Main Estimate 2023-24 Select Committee Memorandum* (May 2023) and covers resource DEL and AME only.
- DWP's DEL spending covers its running costs, some discretionary benefit payments and programme costs. DEL spending is subject to spending limits set by government Spending Reviews.
- Accounting for DEL and AME expenditure is set out in the *Consolidated Budgeting Guidance*. In contrast, figures reported in the financial statements are determined by International Accounting Standards as interpreted by HM Treasury's *Government Financial Reporting Manual*. Due to these different bases, there are some differences in the reported numbers.

Source: National Audit Office analysis of Department for Work & Pensions financial statements and *Main Estimate 2023-24 Select Committee Memorandum* (May 2023)

Part Two • How DWP uses its resources

## Staff and pay

DWP's total staff costs fell by 2.8% from £3.87 billion in 2021-22 to £3.76 billion in 2022-23 (see graph opposite). DWP expects staff costs to remain stable in 2023-24.

DWP reduced its full-time equivalent (FTE) workforce by 17.7% between 2013-14 and 2019-20 before increasing staff numbers by nearly the same amount between 2019-20 and 2020-21. DWP increased staff numbers, mostly through temporary and fixed-term contracts, as it managed the increased demand for benefits during the COVID-19 pandemic.

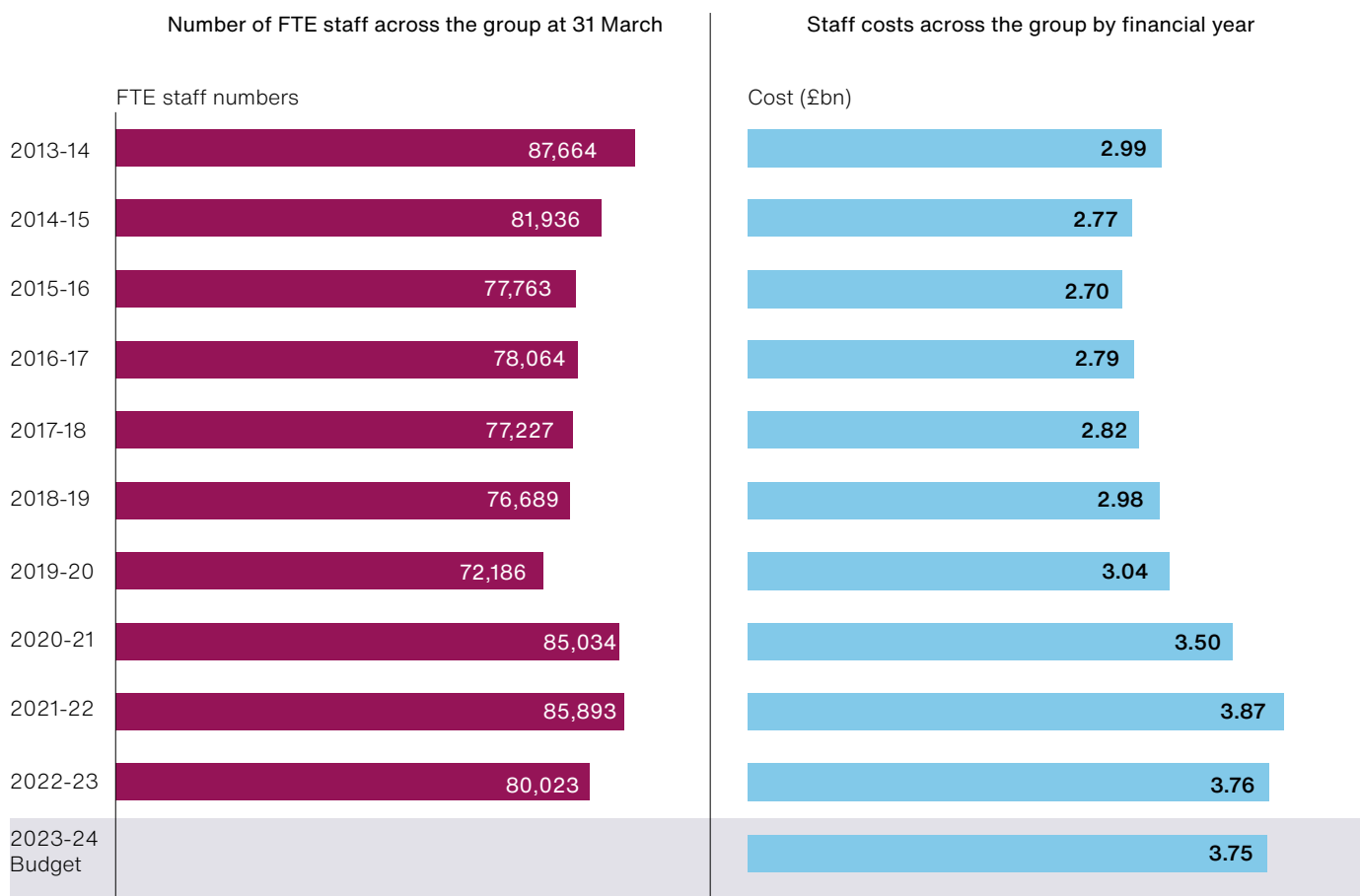
As those temporary and fixed-term contracts expired, some but not all staff moved to permanent contracts. This contributed to an overall reduction in FTE staff numbers of 5,870 (6.8%) in 2022-23 (see graph opposite). The Ministry of Justice overtook DWP as the largest department based on the number of FTE staff.

DWP has a higher percentage of female employees (64.3%) than the civil service average (54.6%). It also has the highest proportion of junior grade staff of all departments, with 76.2% of staff at executive officer grade or below, compared with the civil service average of 53.4%.

At March 2023, DWP had the highest number of its staff in the North East and the North West, with 28,395 staff (32.4%) based in these regions. DWP had 9,190 (10.5%) of its staff based in London – this is a lower proportion than the UK civil service as a whole, which had 20.0% of staff based in London.

### Department for Work & Pensions (DWP) staff numbers and cost, 2013-14 to 2023-24

Across the departmental group, total full-time equivalent (FTE) staff numbers and total staff costs both fell in 2022-23, after increasing in the previous two years



Source: Staff numbers from *Department for Work & Pensions Workforce Management Information 2022-23* and previous years; staff costs from *Department for Work & Pensions Annual Report and Accounts 2022-23* and previous years



Part Two • How DWP uses its resources

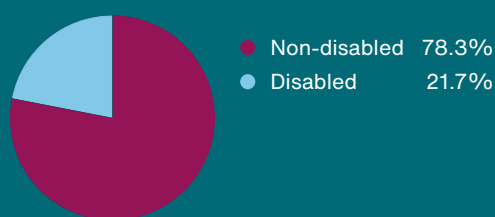
# Staff and pay continued

## Department for Work & Pensions staff demographic characteristics

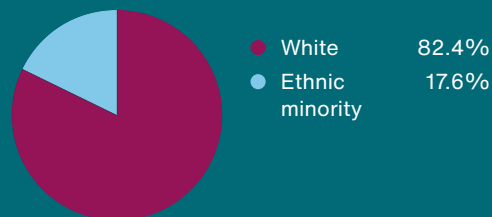
### Gender



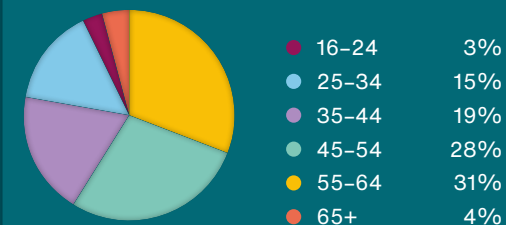
### Disability



### Ethnicity



### Age



#### Notes

1. Data are accurate at March 2023.
2. DWP encourages individuals to share voluntarily their personal diversity information but not every member of staff does so. The data for disability and ethnicity include only those staff who have shared their information.

Source: National Audit Office analysis of data from *Department for Work & Pensions Annual Report and Accounts 2022-23*

### Gender pay gap

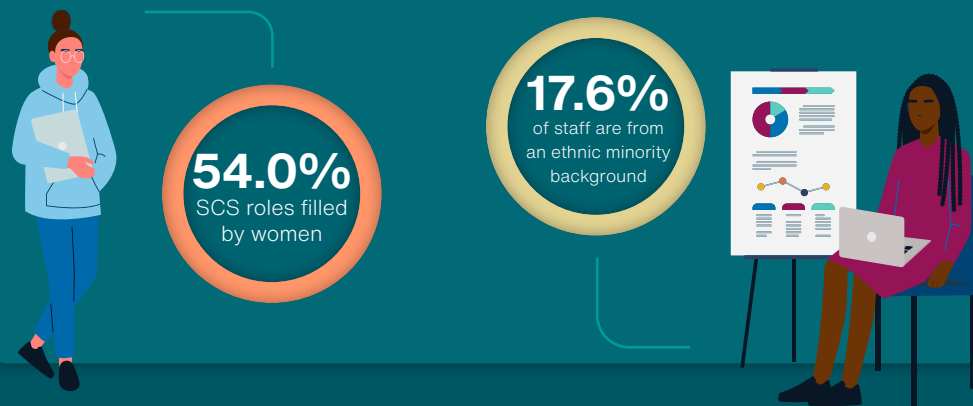
DWP's mean gender pay gap decreased by 0.4 percentage points from 5.9% in 2022 to 5.5% in 2023. The mean gender pay gap for the civil service also fell, from 8.5% in 2022 to 8.1% in 2023. As the composition of DWP's workforce is constituted of significantly more female (64%) than male (36%) employees, females are relatively under-represented at higher grades (senior executive officer and above), and slightly over-represented at lower grades. This contributes to the gender pay gap.



### Staff diversity

DWP continues to have a diverse workforce compared with the civil service average. It has made improvements to representation across all grades but has more work to do at 'feeder grades' (senior executive officer, and grades 6 and 7) to reach proportionate gender representation. In 2018, DWP set a target that by 2025 it would achieve gender parity of 50% for all newly promoted senior civil servants (SCS), those new to DWP, or new to the SCS role within DWP. DWP has since exceeded this target every year. The proportion of SCS roles filled by women rose from 39.2% in 2017 to 54.0% in 2023.

Overall, ethnic minority representation across DWP grew from 13.0% in March 2019 to 17.6% in March 2023, with increases across all grades. This was mainly driven by increases at the executive officer grade where DWP has focused its recruitment activity.

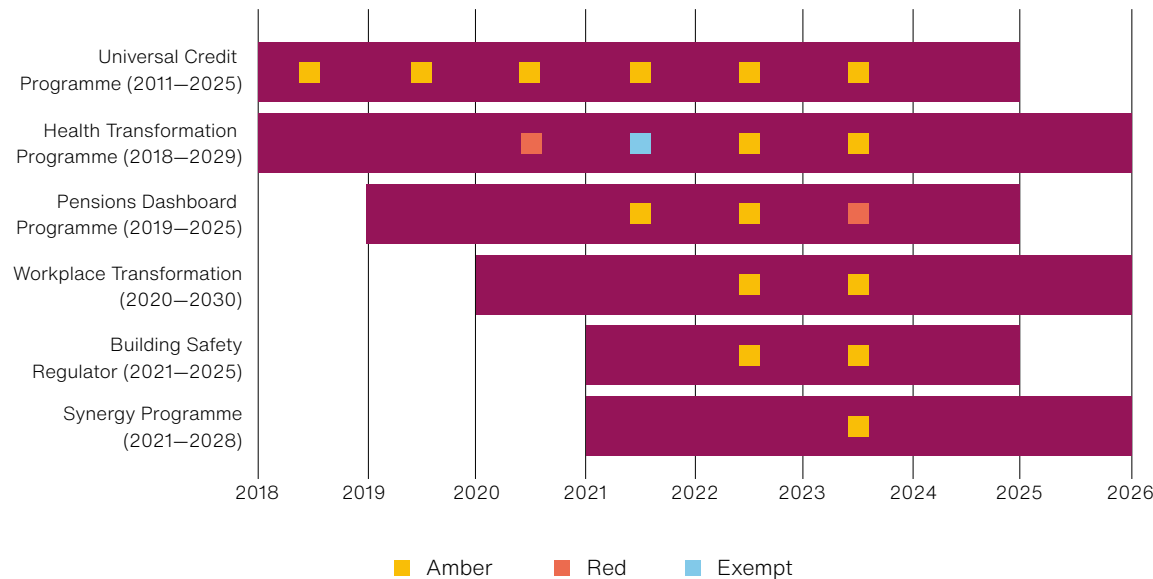


Part Two • How DWP uses its resources

## DWP's major programmes

DWP's Major Change Portfolio comprises six programmes included in the Government Major Projects Portfolio (GMPP).

### DWP's Government Major Projects Portfolio programmes



**Note**

- Projects in the Government Major Project Portfolio are risk-rated by the Infrastructure and Projects Authority (IPA). The IPA published risk ratings over the life of these programmes and these are shown in the coloured squares for each project, in each year. The ratings indicate the IPA's evaluation of the likelihood of a project achieving its aims and objectives, and doing so on time and on budget:
  - Amber: Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
  - Red: Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.
  - Exempt: Data can be exempt from publication under exceptional circumstances.

Source: National Audit Office analysis of Infrastructure and Projects Authority, *Annual Report on Major Projects 2022-23*, July 2023

### DWP programmes included in the GMPP

#### Universal Credit

Universal Credit replaces six legacy benefits and Tax Credits for working-age people, bringing together in- and out-of-work systems into one, with the aim of making work pay. There are currently around six million people receiving Universal Credit. Most of these were new applications, or claimants whose circumstances changed or who chose to switch from legacy benefits. At the end of 2022, some 2.5 million households remained on legacy benefits. DWP has now started to move these claimants to Universal Credit through a process it calls managed migration.

#### Health Transformation Programme

Through the Health Transformation Programme, DWP is aiming to transform benefit services for disabled people and people with health conditions by developing and creating a single new Health Assessment Service. The programme is planning to procure new functional assessment service contracts, modernise the service, and support the reform proposals set out in the March 2023 publication *Transforming Support: Health and Disability White Paper*. The programme aims to deliver:

- improved claimant experience, including reduced journey times and improved claimant choice in terms of channel to claim;
- more effective and efficient service for the taxpayer, reducing reliance on paper and integrating service delivery, and reducing demand for health assessments by triaging; and
- greater capability to innovate and deliver change, including the white paper reforms.

## DWP's major programmes continued

### DWP programmes included in the GMPP continued

#### Pensions Dashboard Programme

Pensions dashboards will allow individuals to view information about their pensions, including State Pension, online, securely and in one place, thereby supporting better planning for retirement and financial wellbeing. Dashboards should also help people reconnect with any lost pension pots. The Pensions Dashboard Programme, under the supervision of the Money and Pensions Service, is responsible for delivering the digital architecture which underpins pensions dashboards. In March 2023, the Minister for Pensions announced that the programme would be reset to allow more time to deliver the technical solution to enable the connection of pension providers and schemes.

#### Workplace Transformation Programme

The Workplace Transformation Programme is a 10-year programme which aims to deliver efficiencies and enable modernisation and transformation within DWP's estate. It will focus on how and where DWP staff will work, determining future locations and working practices. Alongside this, DWP has a structured programme of essential works to ensure its ageing buildings remain safe and functional for claimants and staff. Together these measures aim to result in a smaller and greener estate and support the government's Places for Growth initiative, which seeks to drive growth across the UK.

#### Building Safety Regulator

The Building Safety Regulator is being established under the Health and Safety Executive, in response to Dame Judith Hackitt's 2018 *Independent Review of Building Regulations and Fire Safety*. It will lead the regulatory regime to protect people and places in all forms of buildings. The Building Safety Regulator will have three key functions:

- Leading the implementation of the new, more stringent regulatory regime for higher risk residential buildings in scope.
- Promoting competence among industry professionals and regulators who have key roles in delivering safe, high-performing buildings.
- Oversight of the building safety and performance system.

#### Synergy Programme

DWP is collaborating with the Department for Environment, Food & Rural Affairs, the Home Office and the Ministry of Justice in a cluster as part of the government's Shared Services Strategy. Synergy is a business transformation programme to replace the current services provided by Shared Services Connected Limited and focuses on simplifying and aligning processes, data systems and services, to transform users' experiences and drive interoperability between departments. The aim of the programme is increased productivity and value for money, provided through a single Software as a Service Enterprise Resource Planning platform and Business Process Service. The four departments have committed to working as a single cluster, but individual departments remain responsible for their own departmental transformations.



Part Three • Financial management

# Fraud and error in benefit expenditure

The C&AG's audit opinion has been qualified for 35 years. The C&AG qualified his opinion on the regularity of DWP's 2022-23 accounts due to the material level of fraud and error in benefit expenditure.<sup>1</sup>

## Overpayments

Fraud and error in benefit expenditure has fallen but remains above pre-pandemic levels. The amount of benefits (excluding State Pension) overpaid fell in 2022-23 from a record high in the previous year. DWP estimates overpayments were 6.6% (£8.2 billion) in 2022-23, compared with 7.7% (£8.6 billion) in 2021-22 (see graph opposite). This was mainly due to a fall in the level of self-employed Universal Credit claimants and DWP reintroducing rules intended to prevent self-employed claimants understating their income, which it had relaxed during the COVID-19 pandemic.

DWP estimates that one in three Universal Credit claims were incorrect in 2022-23, around half of which were overpaid or underpaid by £200 or less per month. It estimates that 18% of Universal Credit cases contain overpayment due to claimant fraud.

## Underpayments

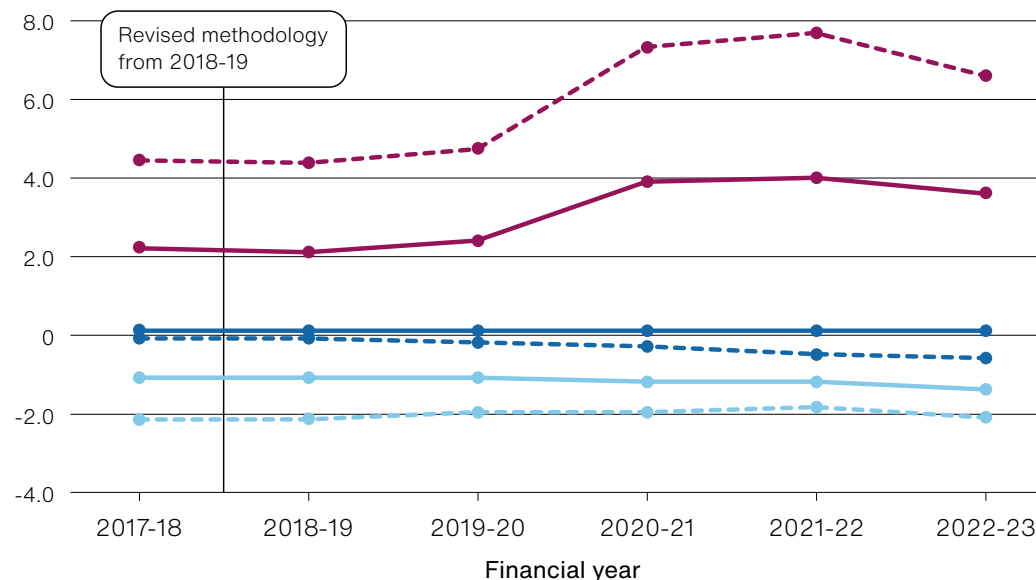
Benefit underpayments have increased and DWP is dealing with multiple historical issues. Underpayments were 1.4% (£3.3 billion) in 2022-23, an all-time high. Most of the increase came from Personal Independence Payment (PIP) recipients failing to inform DWP that their medical needs had increased. DWP's estimate of underpaid PIP increased to 5.1% (£900 million) in 2022-23 from 3.8% (£570 million) in 2021-22.

Page 14 provides more information about underpayments in State Pension.

Estimated levels of overpaid and underpaid benefit expenditure, 2017-18 to 2022-23<sup>1</sup>

Fraud and error in benefit expenditure remains significantly elevated compared with pre-COVID-19 pandemic levels

Proportion of benefit expenditure (%)



|   | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|---------|---------|---------|---------|---------|---------|
| — All overpayments                          | 2.2     | 2.1     | 2.4     | 3.9     | 4.0     | 3.6     |
| - - Overpayments (excluding State Pension)  | 4.4     | 4.4     | 4.7     | 7.3     | 7.7     | 6.6     |
| — All underpayments                         | -1.1    | -1.1    | -1.1    | -1.2    | -1.2    | -1.4    |
| - - Underpayments (excluding State Pension) | -2.2    | -2.2    | -2.0    | -2.0    | -1.9    | -2.1    |
| — State Pension overpayments                | 0.1     | 0.1     | 0.1     | 0.1     | 0.1     | 0.1     |
| - - State Pension underpayments             | -0.1    | -0.1    | -0.2    | -0.3    | -0.5    | -0.6    |

**Note**

<sup>1</sup> See full report for notes.

Source: Comptroller and Auditor General, *Report on Accounts, Department for Work & Pensions*, National Audit Office, July 2023 (Figure 1)

**Note**

<sup>1</sup> We exclude State Pension from the qualification because it has a significantly lower level of annual fraud and error. Removing it makes it easier to understand trends in fraud and error in other benefits. Further details can be found in the *Report on Accounts, Department for Work & Pensions*, July 2023.

Part Three • Financial management

# DWP's plan to reduce fraud and error

DWP set out its plan to tackle fraud and error in its strategy *Fighting Fraud in the Welfare System*, published in May 2022. Its plan comprises three pillars: investment in counter-fraud activities, creating new legal powers, and working closely with the public and private sectors. DWP has secured £895 million of additional funding since 2021 to invest in enhancing its counter-fraud capabilities. It expects to deliver £9.4 billion in savings over the next five years and has set a target to produce savings of £1.3 billion in 2023-24. In July 2023, we reported that, based partly on assumptions that the underlying propensity to commit benefit fraud will increase by 5% per year and that the counter-fraud plan has the expected impact, DWP's forecast suggests that Universal Credit overpayments will not return to pre-pandemic levels until at least 2027-28. This leaves further work to do to tackle fraud and error.

## Targeted Case Reviews

The most significant element of DWP's counter-fraud plan by value is a £443 million project to review millions of Universal Credit cases, known as Targeted Case Reviews (TCR). Agents will review evidence and interview claimants to identify possible overpayments and underpayments.

DWP expects its TCR programme to generate some £6.4 billion of savings by 2027-28. To deliver these savings, DWP will have to review around eight million cases over the next five years. It needs to increase the number of agents from 2,000 to around 6,000 and significantly increase productivity to meet its target. So far, the programme is operating at a small scale and around 25,000 cases were reviewed in 2022-23. DWP plans to use the results to provide additional intelligence on where it needs to improve controls to prevent fraud entering the benefit system in the first place.

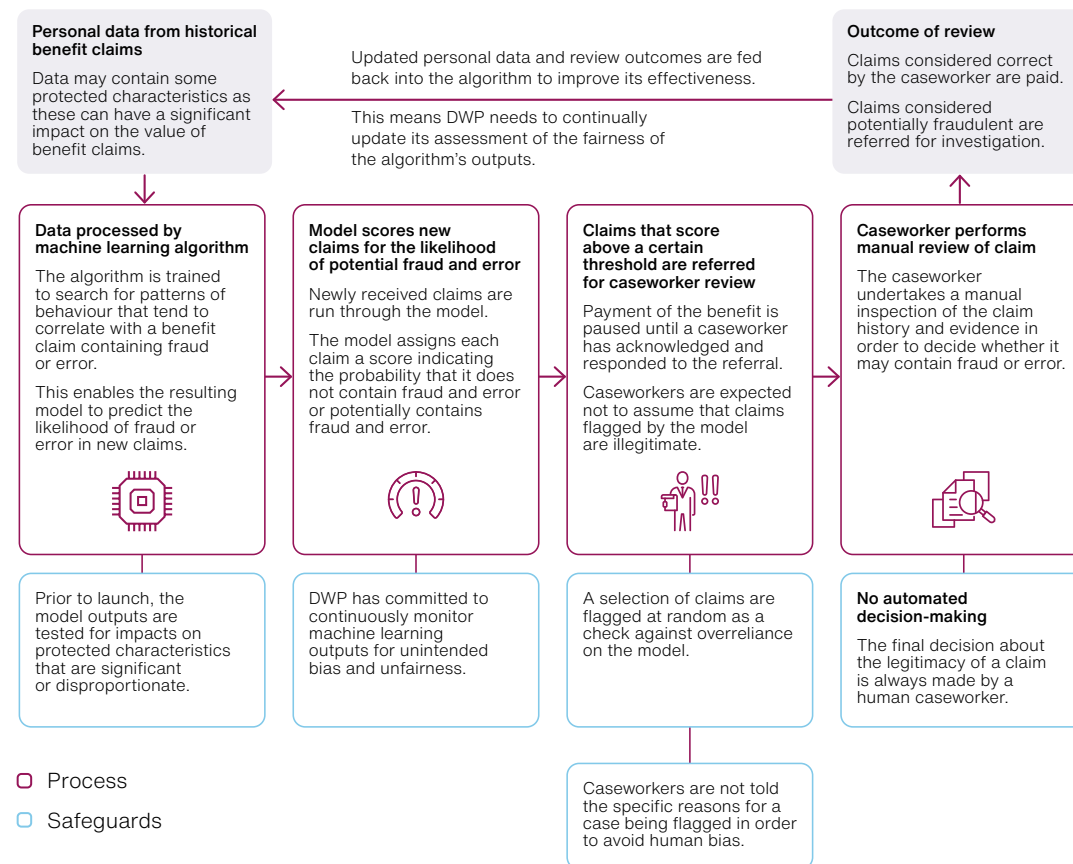
## Using machine learning to tackle fraud

DWP is investing £70 million between 2022-23 and 2024-25 in advanced analytics to tackle fraud and error, which it expects will help to generate savings of up to £1.6 billion by 2030-31.

One such technique is using machine learning to identify patterns in claims that could suggest fraud or error (see chart opposite). DWP has established tight governance and control over its use of machine learning, with safeguards designed to assess the impact that using the model has on different customers. However, DWP says its ability to test for unfair impacts across protected characteristics is currently limited.

## How the Department for Work & Pensions (DWP) uses machine learning to reduce benefit fraud

**Machine learning is used to identify claims that potentially contain fraud and error to help prioritise manual review and the final decision on benefit entitlement is made by a human caseworker**



**Note**

1 The machine learning algorithm builds a model based on historical fraud and error data in order to make predictions, without being explicitly programmed by a human.

Part Three • Financial management

## Underpayments of State Pension

DWP is responsible for administering the State Pension, which was first introduced in 1909 and has since been revised multiple times. The current UK State Pension age is 66 and is legislated to increase to age 67 from 2026 to 2028, and to age 68 from 2044 to 2046. State Pension is a non-means tested regular benefit paid by DWP to around 12.4 million people. A person's entitlement to State Pension is based mainly on the number of qualifying years they have earned by making National Insurance (NI) contributions.

### Underpayments relating to historical official errors

DWP estimates that 165,000 state pensioners have been underpaid £1.2 billion due to historical official errors. Some married pensioners, widows and those aged 80 and above were underpaid State Pension because their payment did not include an additional entitlement.

In January 2021, DWP launched an exercise to determine the scale of the issue and correct State Pension cases at risk of underpayment. Since then, it has paid around 28% (£324 million) of the missing payments it estimates are due. DWP's current best estimate is that 165,000 pensioners were underpaid but it will not know for certain until it finishes reviewing the 678,000 cases it considers at risk. At July 2023, it had 415,000 such cases left to review by the end of 2024.

The number of cases DWP is reviewing each month is increasing but, to complete the exercise by late 2024, it will need to almost double the productivity of its review activity by summer 2024. DWP's plan to do this is dependent on assumptions around recruitment, training and the automation of case review.



**165,000** state pensioners

are estimated to have been underpaid £1.2 billion due to historical official errors

### Underpayments relating to missing periods of Home Responsibilities Protection (HRP)

DWP also estimates that 210,000 people have been underpaid a further £1.3 billion of State Pension due to historical issues relating to HRP. This estimate is very uncertain and could range from £310 million to £1.5 billion. These issues affected people (mostly women) who received Child Benefit before 2000 and whose NI records were not updated to reflect periods of HRP they were entitled to.

DWP is unable to identify who might have missing HRP because the NI records are maintained by HM Revenue & Customs (HMRC). DWP is therefore reliant on HMRC both to identify people who might have missing HRP and to correct the NI records. HMRC intends to begin work to identify people who may have missing HRP in autumn 2023. DWP and HMRC have not yet finalised their delivery plan for this work, but DWP has assumed in its financial modelling that it will take until 2027-28 to repay all those affected.

HMRC says that it is very unlikely that it will ever be able to identify all people affected by this issue because Child Benefit records have been deleted to comply with data protection. HMRC and DWP are therefore planning a communications campaign to encourage people who think they have missing periods of HRP to come forward to check their NI record.

**210,000**  
state pensioners

are estimated to have been underpaid a further £1.3 billion



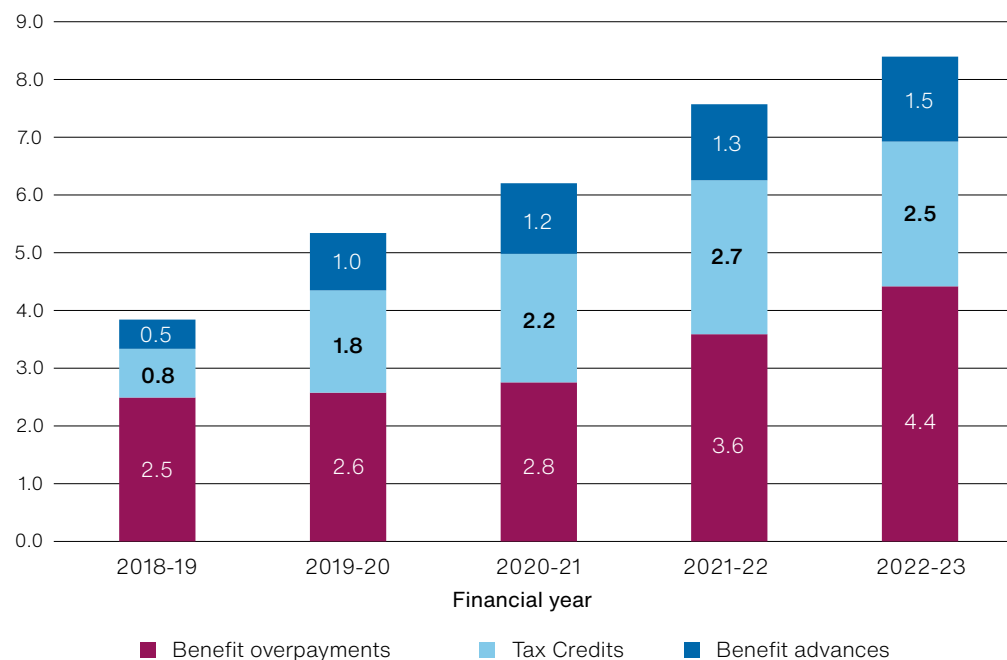
Part Three • Financial management

## Debt management

Amounts owed to the Department for Work & Pensions (DWP) from benefit overpayments, Tax Credits and benefit advances, 2018-19 to 2022-23

**Debt from benefit overpayments, Tax Credits and benefit advances has increased each year since 2017-18, reaching £8.4 billion in 2022-23**

Accumulated debt (£bn)



**Notes**

1. Tax Credit debt has been gradually transferring to DWP from HM Revenue & Customs, for example, where a customer has made a Universal Credit claim.
2. The increase in benefit overpayment debt is the result of new detected debt less any recoveries made on the accumulated debt balance.
3. Benefit advances mainly relate to Universal Credit and are treated as an overpayment for recovery purposes.
4. Debt levels are at 31 March of each year.

Source: National Audit Office analysis of Department for Work & Pensions data

### Debt levels

At 31 March 2023, DWP was owed £9.0 billion by around 5.2 million claimants for accumulated overpayments detected on individual cases and benefit advances (see graph opposite). This was a £0.8 billion (10%) increase compared with the previous year. Of the £9.0 billion of debt:

- £4.4 billion related to benefit overpayments, £830 million (23%) more than the previous year, in part due to the increased focus on reviewing live claims for overpayments;
- £2.5 billion related to Tax Credits, £155 million (6%) less than the previous year as people previously on Tax Credits moved to Universal Credit;
- £1.5 billion related to benefit advances, £150 million (11%) more than the previous year due to the increase in Universal Credit claimants; and
- £0.6 billion related to Housing Benefit and the Social Fund, broadly in line with the previous year.

DWP impaired £1.7 billion (19%) of these outstanding amounts, meaning that it considers this amount to be potentially unrecoverable.

### Debt recovery

DWP recovered total debt of £2.7 billion in 2022-23, a decrease of £53 million (2%) on the previous year. This included:

- £0.9 billion in Universal Credit advances;
- £0.7 billion in benefit overpayments;
- £0.4 billion in Tax Credit debt; and
- £0.3 billion in Social Fund debt.

Recovering debt from benefit payments remains DWP's most efficient source of recovery, with 75% of debts recovered through this method. This takes place via capped deductions from a claimant's existing benefit awards.

Part Four • Customer service

# Appeals

## Routes to appeal against DWP's decisions

Claimants who disagree with DWP's decision about benefits or child maintenance can ask it to review its decision through a 'mandatory reconsideration'. Following a mandatory reconsideration, claimants can appeal to the Social Security and Child Support Tribunal, part of HM Courts & Tribunals Service. Disability benefits make up most of the appeal cases that the tribunal hears, with Personal Independence Payment (PIP) accounting for 63% of all cases heard in 2022-23.

## Appeals tribunal caseload

After falling in previous years, the number of appeals to the Social Security and Child Support Tribunal increased from 95,058 in 2021-22 to 136,130 in 2022-23. The tribunal attributes the increase to the ending of the policies DWP put in place during the COVID-19 pandemic. It expects appeal numbers to return to pre-pandemic levels.

The number of cases heard by the tribunal increased, rising to **79,248** in 2022-23.



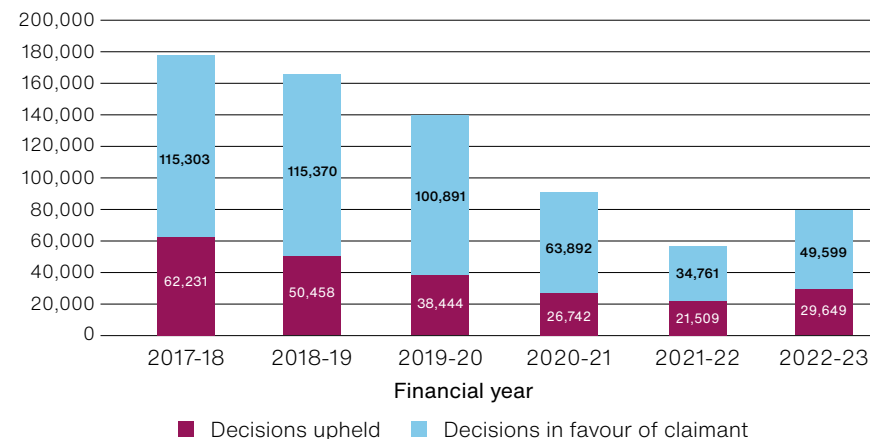
The number of outstanding tribunal cases was

**68,139** at 31 March 2023. **VS** **47,713** at 31 March 2022.

## Cases heard by the Social Security and Child Support Tribunal by outcome, 2017-18 to 2022-23 <sup>1</sup>

The tribunal found in favour of the claimant in around two-thirds of cases in 2022-23

Number of appeals heard



### Notes

1. This figure does not include cases withdrawn before a final decision.
2. 'Decisions upheld' are cases where the tribunal upholds the decision of the Department for Work & Pensions.
3. 'Decisions in favour of claimant' are cases where the original decision is revised in favour of the customer.

Source: National Audit Office analysis of HM Courts & Tribunals Service, *Tribunal Statistics Quarterly: January to March 2022*

## Appeal outcomes

On average, some two-thirds of tribunal decisions are in favour of the claimant – in 2022-23, the tribunal found in favour of the claimant in 49,599 cases (62%).

The percentage of cases cleared without a tribunal hearing dropped from 38% in 2021-22 to 32% in 2022-23.



Part Four • Customer service

# Complaints

DWP has a priority outcome to deliver a reliable, high-quality welfare and pensions system which customers have confidence in.



**22,101**

The number of complaints about DWP's services increased by 15.2% in

2022-23 compared with the previous year (see graph opposite). This figure remains substantially lower than pre-pandemic levels.



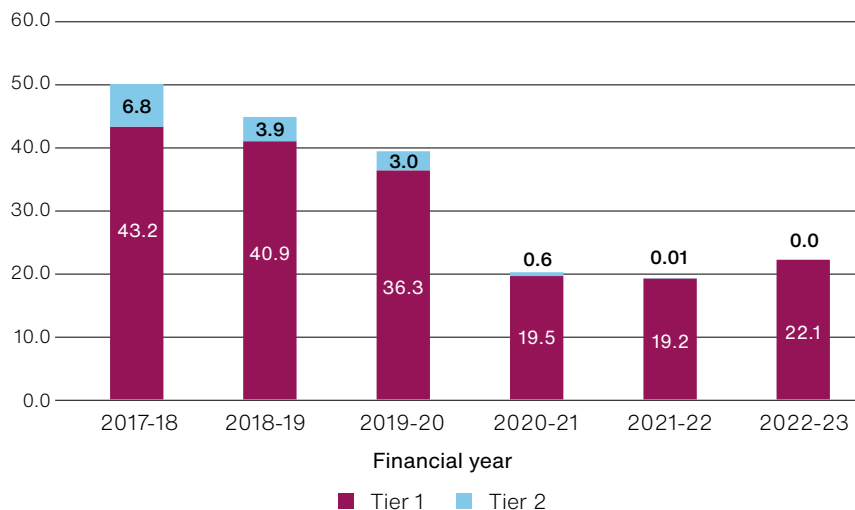
**4,732**

Customers can ask the Independent Case Examiner (ICE) to investigate their

complaint if, having completed DWP's complaints process, they remain dissatisfied with the outcome. The ICE received 4,732 complaints about DWP's services in 2022-23 and accepted 1,630, broadly unchanged from 2021-22.

## Customer complaints about the Department for Work & Pensions, 2017-18 to 2022-23

Number of complaints (000s)



**Notes**

1. DWP moved to a single-tier complaints service in July 2020, and only complaints received before then were handled across the two-tier system. Therefore, the number of complaints recorded against Tier 2 in 2020-21 cannot be directly compared with previous years.
2. The previous tiers were Tier 1 – where complaints were handled by local complaints teams who investigated the complaint and took action to resolve it, and Tier 2 – where a customer wished to escalate the complaint, leading to review by a specialist complaint resolution manager. In 2022-23, no Tier 2 complaints were recorded as DWP finalised moving to the single-tier service.
3. All figures exclude complaints about providers because they are responsible for managing complaints about their own service, which escalate directly to the Independent Case Examiner if the customer is dissatisfied.

Source: National Audit Office analysis of Department for Work & Pensions annual report and accounts 2019-20 to 2021-22

## Improving customers' experience of DWP's complaints process

DWP has continued to reform its approach to complaints-handling. This work started in July 2020, when it implemented a single tier for complaints (moving away from the two-tier model it used previously) to make the 'customer journey' quicker and simpler.

In the past year, DWP has developed a new quality framework for complaint resolution which aims to create consistency across service delivery areas. This framework aligns with the Parliamentary and Health Service Ombudsman (PHSO) standards published in October 2022. DWP plans to roll out this framework across service delivery areas and also wider teams that work with complaints to achieve a consistent focus on quality across the whole complaints service.



Part Five • NAO findings

# Transforming health assessments for disability benefits

## National Audit Office report findings

Our June 2023 report *Transforming health assessments for disability benefits* found that the Health Transformation Programme (the Programme), which started in 2018, had cost £168 million to March 2023. To date, the timetable has been driven by the length of contracts with assessment providers and the need to procure new contracts. There have been delays both from the COVID-19 pandemic and DWP’s evolving commercial approach. DWP expects the Programme to be completed in 2029 and to cost £1 billion.

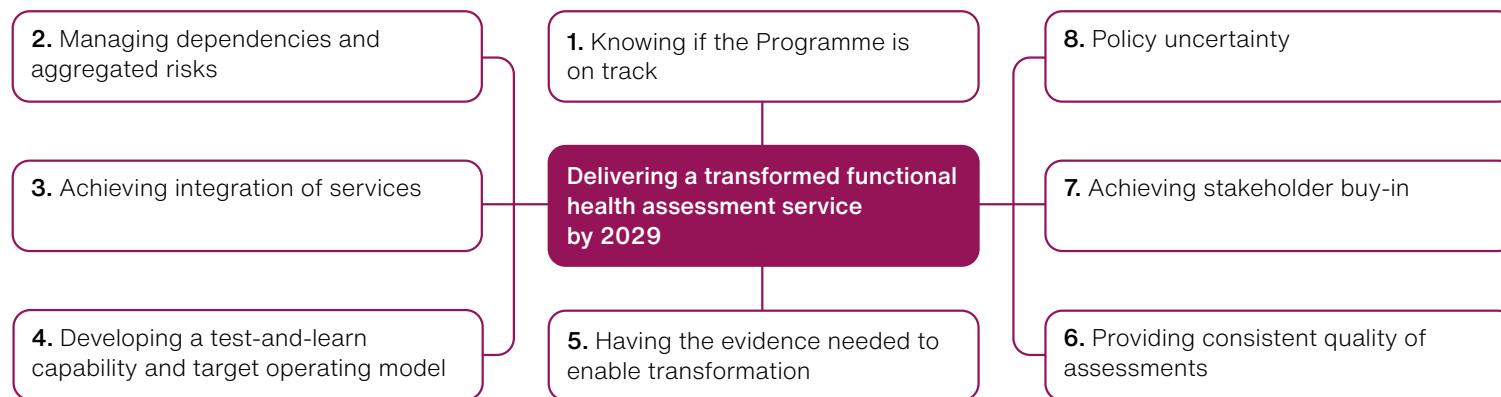
We concluded that the Programme is ambitious, and represents an opportunity to substantially improve the cost, timeliness and accuracy of functional health assessments while improving the experience for claimants and increasing the trust they have in the system. We also noted that DWP faces challenges to successfully delivering its approach to transforming the assessment services without further delay, cost overruns or scaling back its ambition (see figure opposite).

DWP intends to use the Programme to deliver parts of the government’s *Transforming Support: The Health and Disability White Paper*, published in March 2023. It is working on detailed implementation plans and aims to complete a new business case for approval by spring 2024.

There are around 3.9 million working-age people currently receiving at least one of the principal disability benefits, such as Personal Independence Payment (PIP), and this number is expected to grow. DWP uses functional health assessments to help it assess whether people are eligible for such benefits. It set up the Health Transformation Programme to improve the application and assessment process, which it views as vital to improving the efficiency of the process and services for people claiming health and disability benefits.

## Challenges the Department for Work & Pensions (DWP) needs to manage to implement the Health Transformation Programme (the Programme) by 2029

We have identified eight challenges which DWP needs to manage



**Note**

1 See Appendix One of the full report for details of our approach to identifying these challenges.

Source: Comptroller and Auditor General. *Transforming health assessments for disability benefits*, Session 2022-23, HC 1512, National Audit Office, June 2023 (Figure 14)

Part Five • NAO findings

# The Restart scheme

DWP set up the Restart scheme to help people made unemployed by the COVID-19 pandemic. The government announced £2.9 billion of funding for the Restart scheme in the November 2020 Spending Review. Under Restart, DWP pays eight prime contractors across 12 contract areas that cover England and Wales, to provide coaching and tailored support to participants.

## National Audit Office report findings

Our December 2022 report on *The Restart scheme for long-term unemployed people* found that DWP overestimated the number of eligible claimants suitable for referral to the programme and did not plan for significantly lower numbers in the scheme.

Under Restart, DWP work coaches refer claimants to contractors for employment support, with the fees contractors receive based partly on the number of participants moving into sustained work. When the scheme was launched, DWP expected around 1.43 million people to participate. DWP subsequently halved its referral estimate and widened the eligibility criteria.

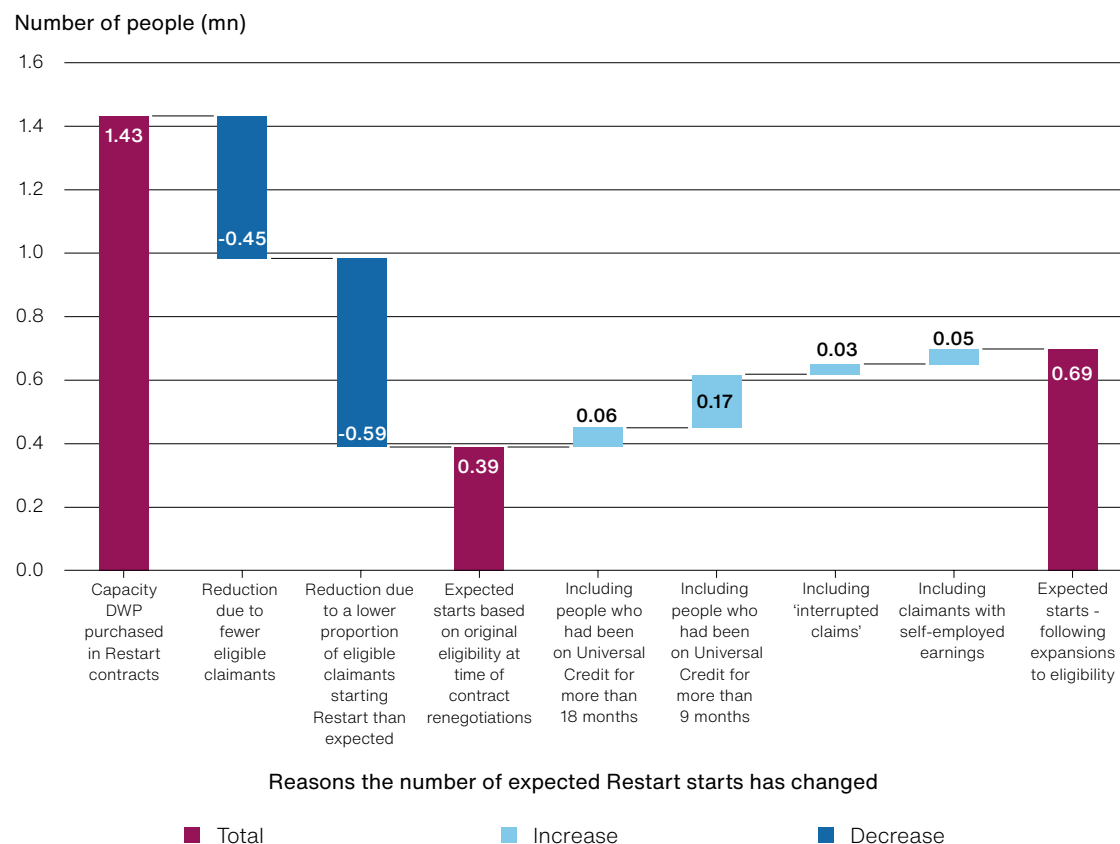
The lower number of participants meant that DWP would have expected to pay £1.71 billion if it did not renegotiate the contracts. It agreed a £27 million reduction through the renegotiations and now expects to pay £1.68 billion in total.

We concluded that Restart provides a useful service to help the long-term unemployed gain employment, which based on the impact of previous schemes will have significant net benefits to the wider economy. DWP had improved its contracting since its previous similar scheme and helped its work coaches to target Restart at those claimants it was most suitable for, within the eligibility requirements it had set.

We also concluded that DWP did not properly assess how many of its claimants would be suitable for the scheme or plan for the scenario of significantly lower demand before it entered into contracts. This left it with fewer options to reduce the cost. As a result, Restart is more expensive per person than originally intended and more expensive per person than previous similar schemes.

## The Department for Work & Pensions' (DWP's) expectations about the number of Restart participants

The number of participants DWP expects to start Restart has fallen from 1.43 million to 692,000, partly because the number of eligible claimants fell and partly because work coaches decided many were not suitable for Restart



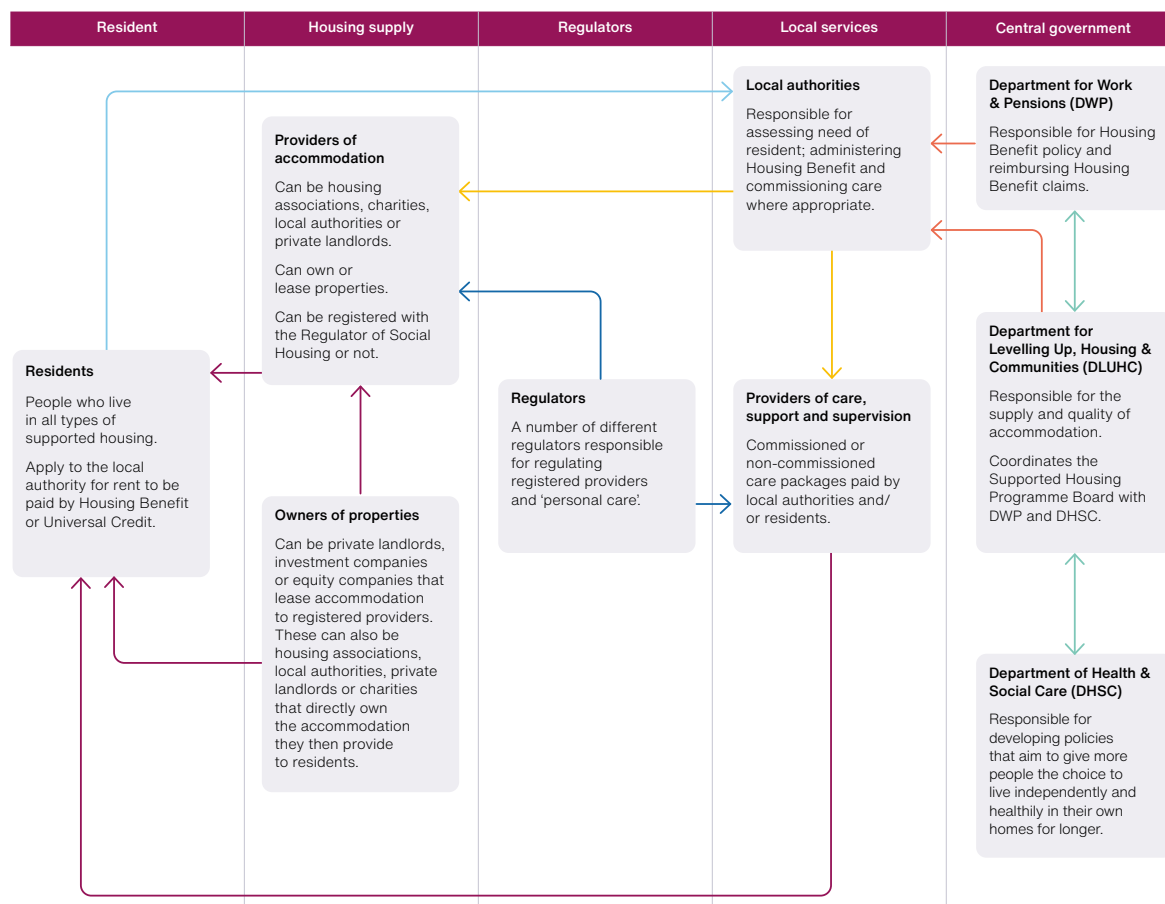
**Note**  
1 See full report for notes.

Part Five • NAO findings

# Supported housing

## How supported housing works in England

Responsibilities for providing, commissioning, paying for and regulating supported housing are split between multiple bodies



→ Service provision   
 → Request rent to be paid by Housing Benefit or Universal Credit   
 → Regulation  
→ Commission of housing and care provision   
 → Support to local authorities   
 → Oversight of supported housing

Source: Comptroller and Auditor General, *Investigation into supported housing*, Session 2022-23, HC 1318, National Audit Office. May 2023 (Figure 2)

Supported housing is accommodation that is provided alongside support, supervision or care to help people with specific needs to live as independently as possible in the community. DWP reimburses local authorities for paying Housing Benefit claims and sets Housing Benefit policy. The Department for Levelling Up, Housing & Communities (DLUHC) is responsible for the supply and quality of supported housing.

### National Audit Office report findings

Our May 2023 *Investigation into supported housing* noted that DWP uses the term 'specified accommodation' to describe supported housing that is paid for with Housing Benefit rather than Universal Credit. The main type of specified accommodation is 'exempt' accommodation, which is exempt from locally set caps on Housing Benefit. Housing Benefit rules mean that some local authorities have shortfalls in their funding for supported housing because they are unable to claim as much back from DWP as they have paid out to landlords. The scale of this 'subsidy loss' varies locally, and is increasing overall with local authorities in England experiencing subsidy loss of £108 million in 2021-22 compared with £54 million in 2017-18.

We found that exempt accommodation can provide much-needed homes and support, including for people recovering from drug or alcohol dependence; at risk of or transitioning to or from homelessness; or on release from the criminal justice system. However, there are well known concerns with the quality and value for money of some short-term exempt accommodation. Poor-quality exempt accommodation can have a negative impact on the resident's quality of life and may not give vulnerable people the environment and support that they need.

DWP and DLUHC do not routinely collect data at a national level on the numbers of people in supported housing or the numbers of units of supported housing. While DWP collects data from local authorities, this does not include people living in supported housing who are not in receipt of Housing Benefit. DLUHC is aware of the limits of the available data and has commissioned research to provide an up-to-date understanding of the supported housing sector in England, with funding from DWP to extend it to Scotland and Wales. At the time of our report, the research was due to be finalised by November 2023.

## NAO insights

We identify *good practice* and *lessons learned* across government. We share our insights to make it easier for others to understand and apply the lessons from our work. This work is led by our six insight teams, which are centres of expertise on specialist subjects, such as major project delivery and people and operational management.

### Case study: Lessons learned from resetting major programmes

Our March 2023 report on *Resetting major programmes* uses our experience of auditing programmes to draw together insights to help decision-makers determine whether they should reset a programme and how to increase the chances of a reset succeeding. We identified eight key insights and, for each, provided those involved, especially senior decision-makers, with examples and questions to ask. The insights relate to:

- assessing the need for a reset as soon as possible;
- developing a shared understanding of how a reset will be done; and
- putting in place the necessary processes and skills.

The report included examples from DWP's reset of the Universal Credit programme in 2013. The points highlighted included that resets provide an opportunity to rethink how to realise benefits and that clear objectives help to monitor whether a reset is working.

### Case study: Improving operational services

Our series of good practice guides on *How to improve operational services* share practical tips on how to improve the quality and efficiency of day-to-day services provided by government. They are for people in organisations that provide or manage individual services, or parts of them.

The guides cover three themes to help improve service quality and reduce costs:

- managing demand;
- using information; and
- systematic improvement.

The guide on using information drew on DWP's Winter Fuel service as a case study of using evidence of what customers want to quickly identify issues and improve service. DWP says that using customer insights meant that around 10.5 million customers had better-quality information and the amount of follow-up contact that DWP had to deal with reduced.

### Case study: Cross-government working

Our July 2023 good practice guide on *Cross-government working* aims to support policy and delivery professionals across government who are responsible for delivering projects, programmes or policies where more than one department has a role during their development or delivery.

The guide highlights the importance of:

- effective leadership and well-defined responsibilities and accountabilities;
- good-quality data and effective data-sharing arrangements; and
- effective programme and risk management, and ongoing evaluation.

The guide drew on DWP and HM Revenue & Customs (HMRC) as a case study of effective data-sharing. For entitlement to Universal Credit to be calculated, HMRC shares real-time PAYE information with DWP. Collaborative working and continued commitment were needed from both departments to achieve system compatibility and make the arrangement work.

