



National Audit Office

Department for Work & Pensions 2025-26

October 2026

OVERVIEW



Contents

Summary	3	Productivity across DWP	15
About the Department for Work & Pensions (DWP)	4	DWP's staff and pay	16
About DWP's structure	5	The skills system	17
About DWP's arm's-length bodies	6	Increasing construction skills	18
Where DWP spends its money	7	Improving productivity	19
Financial management and reporting across DWP	8	Departmental risks	21
Benefit overpayments	10	Departmental risks: climate change	22
Benefit underpayments and unfulfilled eligibility	13	DWP's major programmes	24
		Resilience in response to increasing demand	26
		About the NAO	27

C&AG introduction

In 2025, we set out our [new five-year strategy](#). In delivering our statutory responsibilities, we aim to maximise our contribution to two outcomes – more productive and resilient public services and better financial management and reporting in government.

Our overviews summarise the key information and insights from our examinations of departments and from their annual report and accounts, and explore departments' progress against these crucial outcomes, highlighting positive examples and opportunities to improve.

If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Financial management	
£319.9 billion	The Department for Work & Pensions (DWP) has the largest expenditure of any government department. In 2025-26, its total expenditure was £319.9 billion, an increase of 7% compared with 2024-25 (£298.0 billion). Most of DWP's expenditure relates to pension and benefit payments – £311.2 billion in 2025-26.
£9.9 billion	DWP estimates that it overpaid 3.2% (£9.9 billion) of benefit expenditure in 2025-26. This was slightly lower than in 2024-25 when the overpayment rate was 3.3% (£9.4 billion). The C&AG qualified his opinion on the regularity of DWP's accounts for 2025-26 due to the material level of fraud and error in benefit expenditure (excluding State Pension). Universal Credit accounted for over two-thirds of overpayments by value (£6.7 billion) in 2025-26.
£4.9 billion	DWP estimates that, in 2025-26, claimants received £4.9 billion (1.6% of benefit expenditure) less than they were eligible for. Official error underpayments accounted for £1.2 billion, while unfulfilled eligibility accounted for £3.7 billion. The highest rates of unfulfilled eligibility were for disability benefits.
Productivity	
£533 million	Over the past two years, DWP has reported £533 million in efficiencies. In 2024-25, DWP reported it had identified £347 million in efficiencies against its Spending Review baseline, exceeding its target of £270 million. In 2025-26, DWP reported a further £186 million in efficiencies against its 2024-25 baseline, exceeding its target of £170 million.
£4.9 billion	DWP's total staff costs were £4.9 billion in 2025-26, a 10% increase from 2024-25, when staff costs were £4.5 billion. At 31 March 2026, the DWP group had just over 89,000 full-time equivalent staff.
£625 million	We reported on the government's progress since it launched an initial £625 million funding package for up to 60,000 more skilled construction workers by 2029. DWP is responsible for several relevant initiatives, including Skills Bootcamps which are estimated to contribute 15,900 additional workers.
Risk and resilience	
14 risk themes	DWP had 14 risk themes at 31 March 2026. It rated four of these as high: those relating to cyber security; data strategy and ownership; legacy and emerging technologies; and strategic transformation programmes.
3 major projects	At April 2026, DWP had three projects in the Government Major Projects Portfolio: the Health Transformation Programme; the Service Modernisation Programme; and the Synergy shared services programme.
480 staff	We reported on DWP's operation of the Access to Work scheme, including its announcement in May 2026 that it would recruit an additional 480 staff to help clear the backlog of applications by September 2027. Access to Work is a demand-led grant scheme to help people get, or stay in, work if they have a physical or mental health condition or disability.

DWP is responsible for welfare, pensions and child maintenance policy. It administers the State Pension and a range of working-age, disability and ill-health benefits to around 23 million people across Great Britain.

DWP’s vision is “to enable and empower everyone to thrive”. It has five priorities, each supported by several outcomes, which support the government’s missions to drive economic growth and break down barriers to opportunity. The outcomes do not have targets to indicate the desired level of performance.

In September 2025, policy responsibility for adult skills transferred from the Department for Education (DfE) to DWP. The formal transfer of financial accountability and staff took place in April 2026.

Figure 1
The Department for Work & Pensions’ (DWP’s) priority outcomes in 2025-26

DWP had five priorities in 2025-26, each supported by a number of outcomes

Priority	Supporting outcomes	Examples of progress reported in 2025-26
1	Enable people to get into work and to get on at work, ensuring employment opportunity for all. • Employment rate of 18- to 66-year-olds • Percentage of young people not engaged in education, employment or training (18- to 24-year-olds)	• Started delivering the Youth Guarantee, including through eight trailblazer projects to test innovative approaches and over 100 Youth Hubs across Great Britain. • Launched the first Jobs and Careers Service pathfinder in Wakefield. • Over 97,000 people started Sector-based Work Academy Programmes, around 10,500 more than in 2024-25.
2	Tackle child poverty and hardship, ensuring financial security for all. • Percentage of children in relative poverty after housing costs • Percentage of working-age adults in relative poverty after housing costs • Real earnings component of real household disposable income among non-retired households (all ages)	• Published the Child Poverty Strategy, alongside the Department for Education. • Removal of the two-child limit from Universal Credit.
3	Shape the pensions system to serve the interests of savers and pensioners, ensuring decent, secure retirement incomes for all. • Percentage of pensioners in relative poverty after housing costs • Pensioner income levels	• Over three-quarters of workplace and personal pension records in scope have been connected to the pensions dashboards digital architecture. • Introduction of the Pension Schemes Act 2026 (enacted April 2026) to reform private sector pensions.
4	Pursue a just, equal and inclusive society, ensuring independence and control for all disabled people. • Percentage of long-term sick inactive of all 18- to 66-year-olds • Disability employment rate gap • Rate of relative poverty, after housing costs, for individuals in families where someone is disabled	• Introduction of the Universal Credit Act (enacted September 2025) to revise rates of Universal Credit and income-related Employment and Support Allowance. • Appointed an additional 1,000 full-time equivalent Pathways to Work advisers. • Launched nine place-based economic inactivity trailblazers to design and test new interventions.
5	Deliver high-quality efficient services, ensuring that people are treated with dignity and respect. • Monetary value of fraud and error (overpayment/underpayment by rate and value) • Overall customer satisfaction with DWP	• Launched the digital service ‘Get proof of your benefits and State Pension service’, covering eight benefits. • Completed the final phase of the move to Universal Credit.

Source: National Audit Office analysis of information from [Department for Work & Pensions Annual Report and Accounts 2025-26](#)

DWP is led by the Secretary of State for Work and Pensions, who has overall responsibility for policy, and by the Permanent Secretary, its most senior civil servant, who is accountable for the effectiveness, efficiency and financial stewardship of the department.

Within DWP's accounting boundary, the departmental group included the core department and four consolidated public bodies in 2025-26. The wider departmental family included a further five public bodies and one pension scheme.

In September 2025, the government announced that responsibility for apprenticeships, adult further education, skills, training, and careers for people aged over 19 would move from DfE to DWP. Ministerial responsibility transferred at that point, reflecting the government's intent to better align skills policy and delivery with labour market participation and progression. The formal transfer of financial accountability, budgets, staff and resources took place on 1 April 2026.

The machinery of government change also transferred to DWP responsibility for Skills England and sponsorship of the Construction Industry Training Board and the Engineering Construction Industry Training Board.

In July 2026, the government announced that responsibility for the Public Sector Fraud Authority (PSFA) would transfer from the Cabinet Office to DWP, with continued central sponsorship from HM Treasury. The PSFA works with government departments and public bodies to understand and reduce the impact of fraud.

Figure 2
The Department for Work & Pensions' (DWP's) departmental family, including total operating expenditure in 2025-26

In 2025-26, DWP had responsibility for 10 arm's-length bodies and from April 2026 has taken on formal responsibility for three more bodies

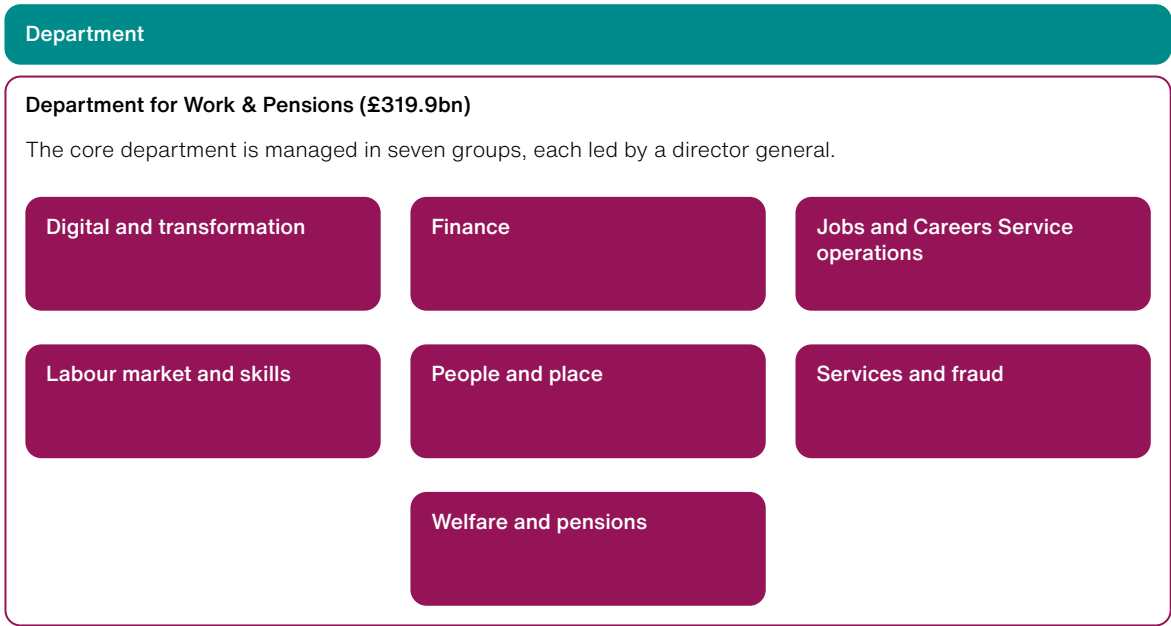
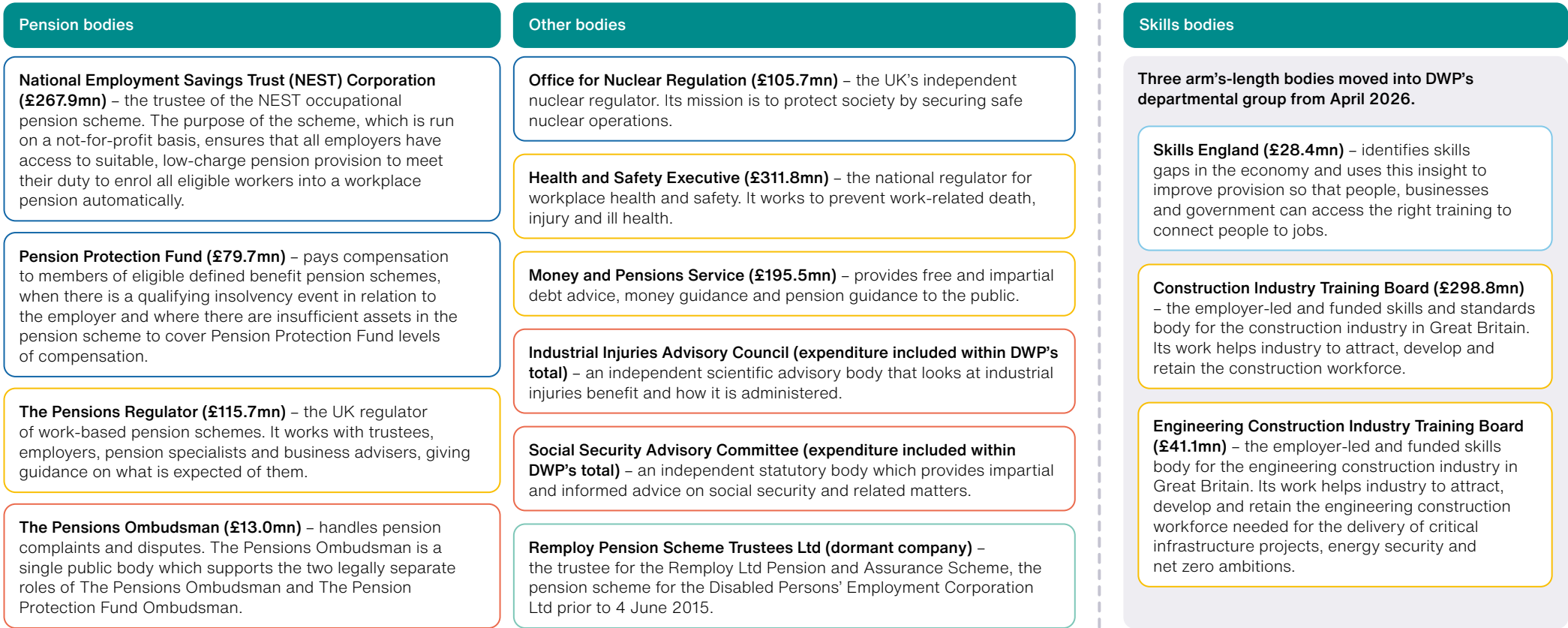


Figure 2 continued
The Department for Work & Pensions' (DWP's) departmental family, including total operating expenditure in 2025-26



■ Department ■ Executive agency ■ Public corporations ■ Executive non-departmental public bodies ■ Tribunal or advisory non-departmental public bodies ■ Other

Notes

- 1 Four consolidated bodies fell within DWP's accounting boundary in 2025-26 and were part of the departmental group – the Health and Safety Executive, the Money and Pensions Service, The Pensions Ombudsman and The Pensions Regulator.

2 Sponsorship of the Office for Nuclear Regulation moved to the Department for Energy Security & Net Zero on 1 August 2026.
- 3 Spending data are for 2025-26 except for the Construction Industry Training Board as the most recent data available were for 2024-25, and the Engineering Construction Industry Training Board as the most recent data available were for the year ending 31 December 2024.

DWP has the largest expenditure of any government department. In 2025-26, its total expenditure was £319.9 billion, an increase of 7.3% compared with 2024-25 (£298.0 billion).

Departmental Expenditure Limit (DEL) spending, including capital spending, is for services, grants and administration that can be planned over extended periods. In 2025-26, £8.7 billion of DWP's £10.6 billion DEL spending related to its running costs. The remainder was discretionary benefit payments and programme costs. DEL is subject to spending limits set in government spending reviews. Following the transfer of responsibility for adult skills, DWP expects its DEL spending to increase to around £15 billion in 2026-27.

Most of DWP's expenditure relates to benefit payments – £311.2 billion in 2025-26. Most of this spending is classified as Annually Managed Expenditure (AME). AME is more difficult to predict or control than DEL, as it is spent on programmes that are demand-led, so is not subject to multi-year spending limits.

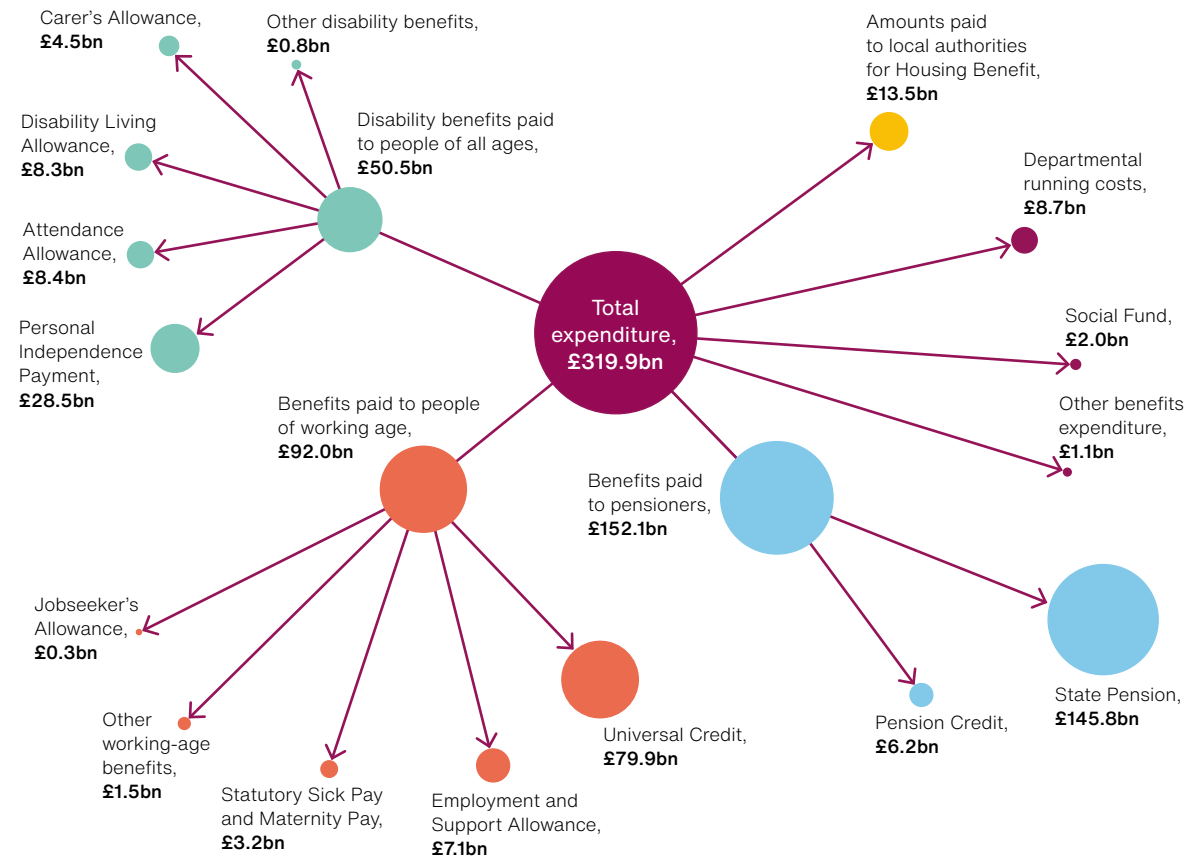
In 2025-26:

- the largest element of DWP's benefit expenditure was paid to people of pension age – State Pension accounted for around 47% (£145.8 billion) of total benefit spending;
- for benefits paid to people of working age, the largest element was Universal Credit, which accounted for around 26% (£79.9 billion) of total benefit spending;
- disability benefits paid to people of all ages, including Personal Independence Payment, cost £50.5 billion; and
- amounts paid to local authorities, including for Housing Benefit, cost £13.5 billion.

Figure 3

Department for Work & Pensions (DWP) spending, 2025-26

In 2025-26, almost half of DWP's spending related to benefits paid to pensioners



Notes

- This figure shows spending by the core department in 2025-26.
- Other working-age benefits include Income Support, employment programmes, bereavement benefits and Maternity Allowance.
- Other disability benefits include the Industrial Injuries Benefit Scheme, Incapacity Benefit and Severe Disablement Allowance.
- Housing Benefit was administered by local authorities on behalf of DWP.
- Departmental running costs include staff costs, purchase of goods and services, and depreciation and impairment charges.
- Totals may not sum due to rounding.

Source: National Audit Office analysis of information from [Department for Work & Pensions Annual Report and Accounts 2025-26](#)

DWP is required to pay benefits and State Pension to claimants and pensioners on time and in full, in accordance with legislation and the related regulations.

The C&AG's audit opinion

The Comptroller and Auditor General's (C&AG's) true and fair opinion on DWP's financial statements for 2025-26 was unqualified – the statements give a true and fair view of the state of DWP's affairs and costs for the year. This means we obtained evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

However, the C&AG qualified his opinion on the regularity of DWP's accounts for 2025-26 due to the material level of fraud and error in benefit expenditure. Regularity relates to whether money has been spent as Parliament intended, for example whether spending complies with relevant legislation.

This was the 38th consecutive year in which DWP's accounts had been qualified due to material fraud and error. The [C&AG's report on DWP's 2025-26 accounts](#) provides more detail about the qualification.

Overpayments excluding State Pension

The C&AG excludes State Pension from his qualified audit opinion because it has a significantly lower level of fraud and error. Using this measure, DWP estimates that, in 2025-26, it overpaid 6.0% (£9.7 billion) of benefit expenditure. In 2024-25, it overpaid 6.2% (£9.3 billion).

More information about overpayments is set out on pages 10 to 12.

DWP could reduce overpayments by improving its use of data. Across the benefits it measured in 2025-26, DWP estimated it overpaid £62 million due to a failure to consider income from other benefits. More integrated use of DWP's data could significantly reduce the level of overpayments due to mis-reported benefit income.

Underpayments and unfulfilled eligibility

DWP estimates that claimants received 1.6% (£4.9 billion) less than they were eligible for in 2025-26, down from 1.7% (£4.9 billion) in 2024-25. Of this, unfulfilled eligibility – where a claimant receives a lower value of benefit than the value they are eligible for due to the claimant's own error, omission or choice – was estimated to be £3.7 billion in 2025-26.

The C&AG excludes unfulfilled eligibility from his qualified regularity opinion. He considers this category of expenditure to be regular, as claimants are not legally entitled to a higher benefit payment until they notify DWP of a change in circumstance or provide evidence to support their entitlement as required in legislation. The C&AG includes unfulfilled eligibility in his reporting on the estimated level of fraud and error in benefit expenditure as it is relevant to understanding the overall performance of the benefits system.

More information about underpayments and unfulfilled eligibility is set out on pages 13 and 14.



Assessing fraud and error in future audits

The C&AG's regularity opinion is intended to provide a clear and meaningful basis for holding DWP to account for its use of public funds. This requires setting a level of materiality that appropriately reflects the expectations of Parliament.

The long-standing qualified opinion raises the question of whether the historical 1% materiality benchmark continues to provide a meaningful basis for assessing performance. No level of fraud and error is acceptable, but the resources available to reduce it are finite and must be used in a way that delivers value to the taxpayer.

The C&AG has formed a view that reducing fraud and error to a rate below 1% would be unfeasible under the current benefits system approved by Parliament. He is therefore considering increasing the materiality threshold for assessing the regularity of benefit expenditure to a level that more accurately reflects the reduction of fraud and error that is attainable with a cost-effective control environment.

The C&AG is working with DWP to understand the current control environment for benefit expenditure and the improvements DWP is making. The findings from this work will inform the C&AG's judgement of what the approach to setting materiality will be for future audits so that it will act as an appropriate benchmark of whether DWP is doing everything that can be reasonably expected of it to reduce fraud and error to the lowest achievable level for the approved resources deployed. This could result in an increase in the materiality level above the current level of 1%.

Overpayment trends

DWP estimates that across all benefits, including State Pension, it overpaid 3.2% (£9.9 billion) of benefit expenditure in 2025-26. It groups overpayments into three categories:

- fraud, which occurs where a claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, and DWP considers the claimant should reasonably be expected to understand how this affects their entitlement and there is evidence of fraud or a suspicion of fraudulent intent (£6.8 billion in 2025-26);
- claimant error, which occurs where a claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no evidence or suspicion of fraudulent intent (£2.0 billion); and
- official error, which occurs where a benefit is paid incorrectly due to action, delay or a mistake by DWP, a local authority or HM Revenue & Customs (HMRC) (£1.1 billion).

The overpayment rate fell by 0.1 percentage points in 2025-26, down from 3.3% in 2024-25 (£9.4 billion). The overpayment rate has been generally declining after rising substantially during the COVID-19 pandemic.

DWP's ambition

DWP previously set out a multi-year ambition to reduce overpayment levels to the pre-pandemic cross-welfare rate of 3.1% by 2028-29. The cross-welfare rate covers all DWP benefits and Tax Credits (shown as DWP's alternative measure in **Figure 4** on page 11).

In its 2025-26 annual report and accounts, DWP said that, building on the progress made, it had set a new ambition to go further and reduce the overpayment level to 2.8% by 2028-29. It highlighted that this would represent the lowest cross-welfare overpayment rate since the introduction of Tax Credits in 2003-04, exceeding the historical low level of 3.0% recorded in 2014-15.

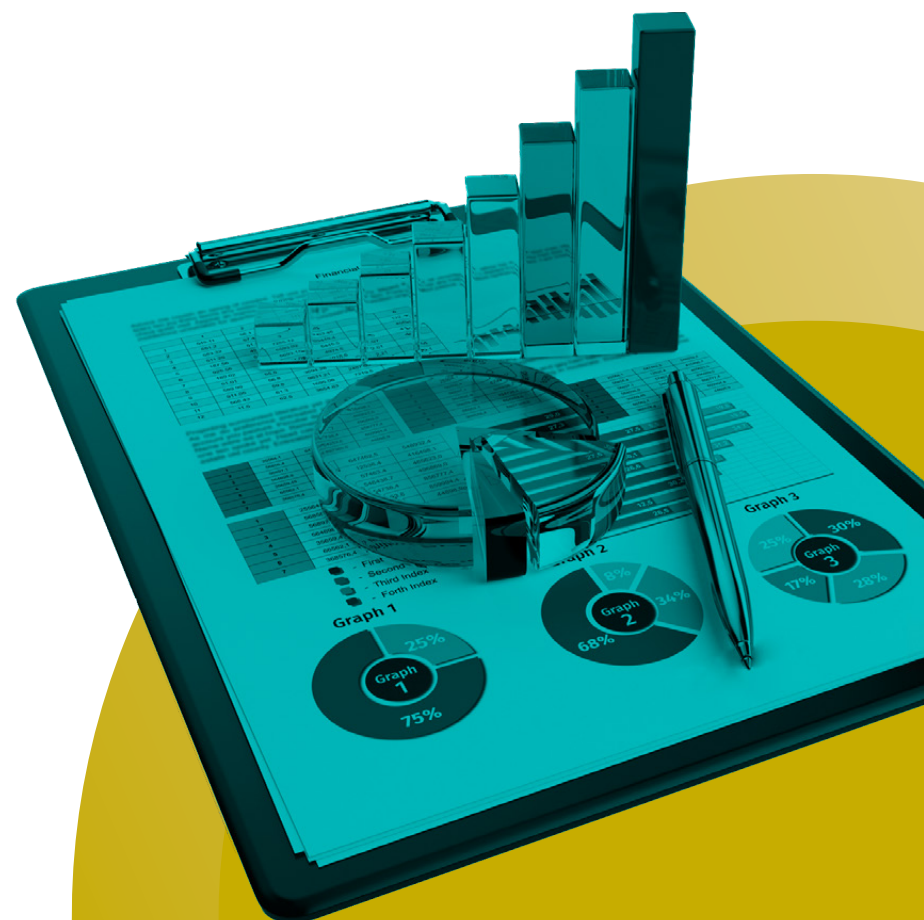
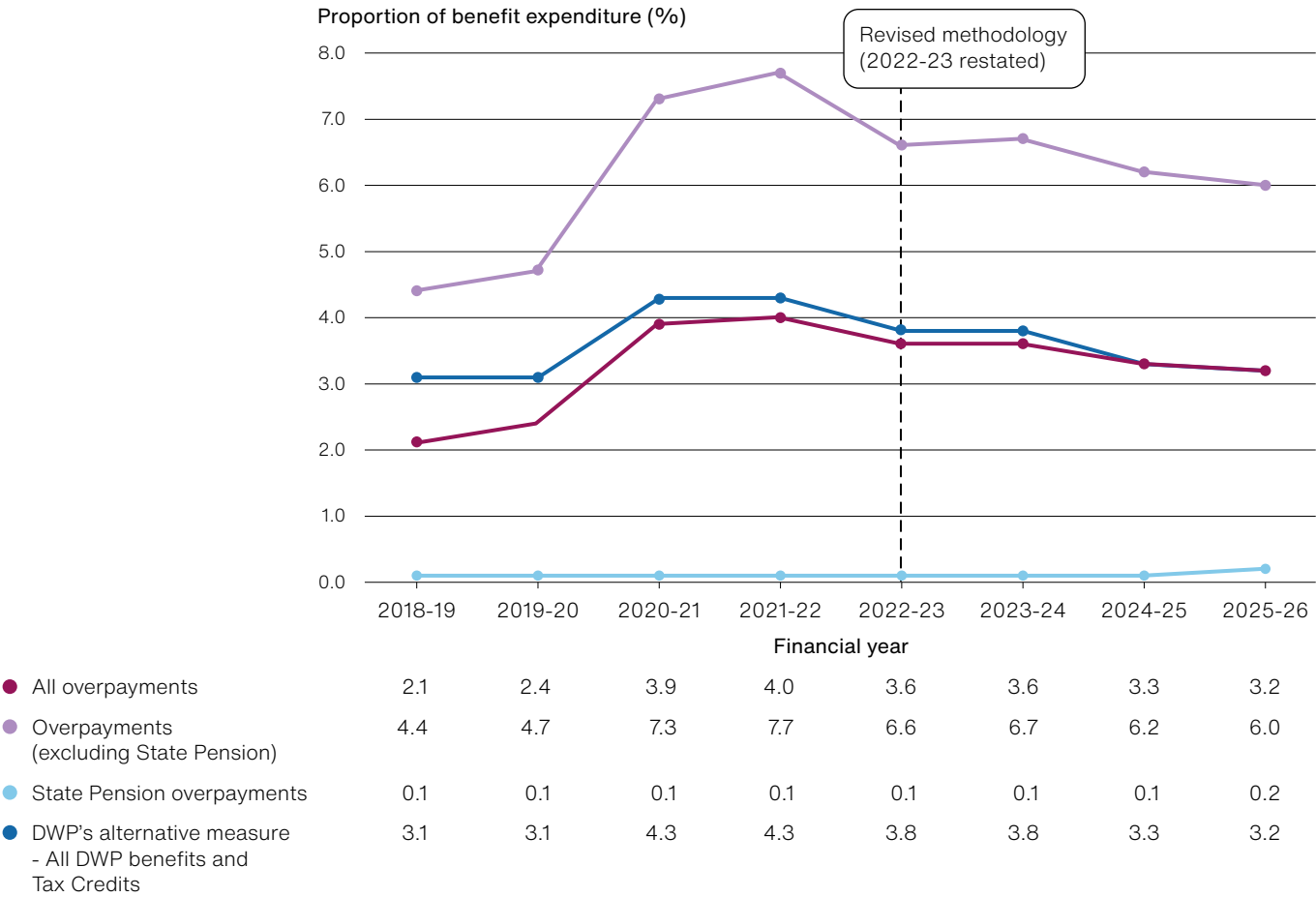


Figure 4
Estimated levels of benefit overpayments as a percentage of total benefit expenditure, 2018-19 to 2025-26

The proportion of benefit expenditure overpaid, excluding State Pension, decreased to 6.0% in 2025-26 but remains higher than pre-pandemic levels



- Notes**
- 1 All data points for DWP administered benefits are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. This publication provides full data going back to 2005-06 when DWP first started measuring fraud and error in this way.
 - 2 DWP's 2023-24 estimates restated some figures slightly from what had been published in previous reports. For example, it changed its methodology in 2023-24 to remove Claimant Error underpayments and reclassify these as Unfulfilled Eligibility. DWP restated its results for 2022-23 and the data above show the restated results for 2022-23 with the vertical line signifying the change in the methodology.
 - 3 There have been changes to the benefits measured each year since 2018-19.
 - 4 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.
 - 5 During the period covered by this figure, Universal Credit replaced Tax Credits for people of working age, and there was a gradual migration of claimants from Tax Credits (administered by HM Revenue & Customs) to Universal Credit (administered by DWP). DWP uses a blended cross-welfare overpayment rate as a result, which takes into account fraud and error recorded in both DWP-administered benefits and Tax Credits. These rates are shown on page 126 of the Performance Report.
 - 6 DWP's alternative measure includes fraud and error in DWP benefits and Tax Credits, and in-year overpayments of Tax Credits, which do not meet the definition of fraud and error used in official statistics.

Source: National Audit Office analysis of the Department for Work & Pensions fraud and error statistical data

Benefits with the highest overpayment levels

As in previous years, Universal Credit (UC) accounted for most overpayments by value – 68% of the total in 2025-26. The estimated overpayment rate for UC fell from 9.5% (£6,210 million) in 2024-25 to 8.5% (£6,720 million) in 2025-26. The overpayment rate is now at its lowest level since DWP fully rolled out UC in 2019-20.

DWP estimates that the main reasons for UC overpayments in 2025-26 were:

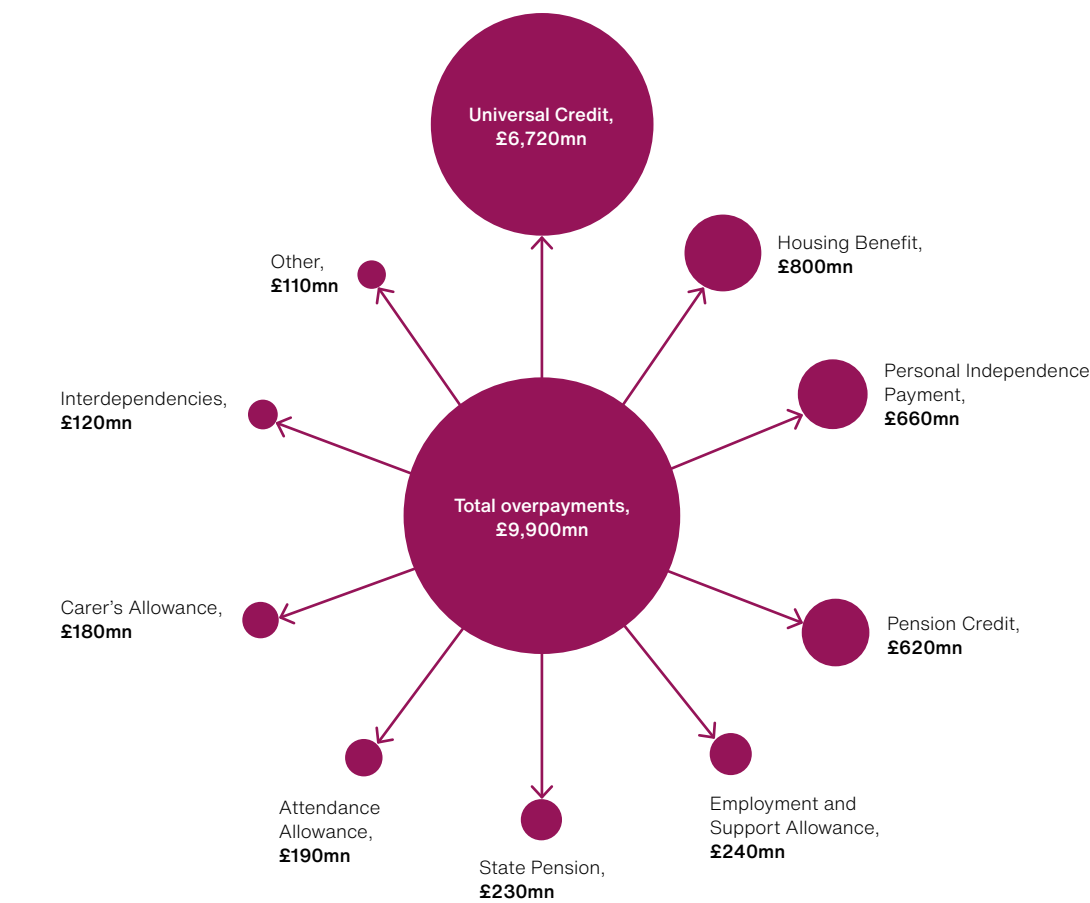
- claimants (mainly self-employed people) not declaring in full the income they received from work (accounting for overpayments of £1,421 million, 1.8% of UC expenditure);
- claimants failing to declare that they lived with a partner (£1,097 million, 1.4%); and
- claimants not declaring all their financial assets (£1,074 million, 1.4%).

As in 2024-25, Pension Credit had the highest rate of overpayments – 10.0% (£620 million) in 2025-26, down from 10.3% (£610 million) in 2024-25. The main causes of overpayments were:

- claimants not fully declaring their financial assets (accounting for overpayments of £256 million, 4.2% of Pension Credit expenditure); and
- claimants remaining abroad for longer than is allowed (£75 million, 1.2%).

Figure 5
Breakdown of total estimated benefit overpayments by benefit type, 2025-26

Universal Credit accounted for an estimated £6.7 billion (67.9%) of overpayments by value in 2025-26



- Notes**
- 1 The 'Other' category comprises (in order of largest to smallest overpayment in 2025-26): Disability Living Allowance, Income Support, Jobseeker's Allowance, and a number of unreviewed benefits. All benefits with estimated overpayments of more than £100 million in 2025-26 are shown separately.
 - 2 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.
 - 3 Figures do not sum to the total due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions fraud and error statistical data

Underpayments and unfulfilled eligibility occur when a claimant receives less money than they are eligible for.

The [C&AG's report on DWP's accounts](#) set out that, in 2025-26, claimants received an estimated £4.9 billion (1.6% of benefit expenditure) less than they were eligible for, compared with £4.9 billion (1.7%) in 2024-25.

Official error

Official error is where a benefit was paid incorrectly due to action, delay or a mistaken assessment by DWP, a local authority or HMRC. Official error underpayments have remained at a consistent rate of 0.4% to 0.5% of benefit expenditure since 2019-20. Official error has accounted for £1.2 billion of underpayments each year since 2022-23.

Unfulfilled eligibility

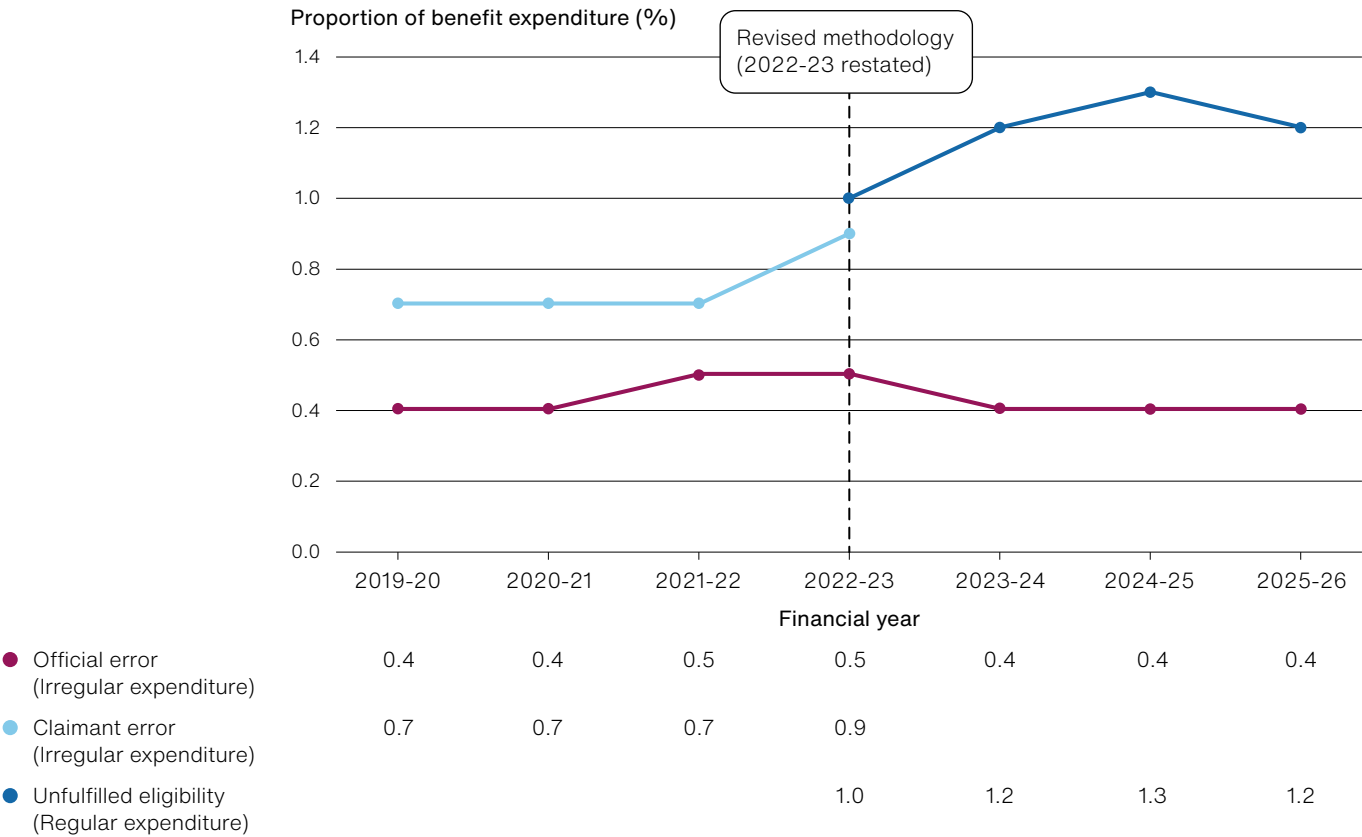
Unfulfilled eligibility is where claimants – by error, omission or choice – fail to provide accurate information or evidence to DWP and as a result do not receive the full amount of benefit they are eligible for. For example, claimants do not inform DWP of a change in circumstances that would increase their benefit payment, such as a deterioration in their condition. Unfulfilled eligibility accounted for 1.2% of benefit expenditure (£3.7 billion) in 2025-26, down from 1.3% in 2024-25 (also £3.7 billion).

The highest rates of unfulfilled eligibility are for disability benefits. DWP's estimate of unfulfilled eligibility in 2025-26 was 3.3% (£0.95 billion) for Personal Independence Payment (PIP) and 8.5% (£0.71 billion) for Disability Living Allowance (DLA). DWP's statistics suggest that an estimated 9% of PIP claimants and 20% of DLA claimants are receiving less benefit than they are eligible for.



Figure 6
Estimated levels of benefit underpayments and unfulfilled eligibility as a percentage of total benefit expenditure, 2019-20 to 2025-26

Claimants received £4.9 billion less than they were eligible for in 2025-26 accounting for 1.6% of total benefit expenditure



- Notes**
- 1 All data points are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. This publication provides full data going back to 2005-06 when DWP first started measuring fraud and error in this way.
 - 2 DWP's 2023-24 estimates restated some figures slightly from what had been published in previous reports. For example, it changed its methodology in 2023-24 to remove claimant error underpayments and reclassify these as unfulfilled eligibility. DWP restated its results for 2022-23 and the data above show both the original and restated results for 2022-23 with the vertical line signifying the change in the methodology.
 - 3 There have been changes to the benefits measured each year since 2018-19.
 - 4 Rates shown are the estimated underpayment of each benefit expressed as a proportion of total expenditure on that benefit.
 - 5 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.
 - 6 Estimates of unfulfilled eligibility before 2024-25 are not directly comparable with previous estimates of claimant error underpayments published in the fraud and error statistics though the two calculation methodologies are very similar.

Source: National Audit Office analysis of the Department for Work & Pensions fraud and error statistical data

In essence, productivity is about how effectively public bodies convert their inputs – people, assets and money – into outputs and outcomes for citizens. To improve productivity, DWP must increase the value secured from every pound it spends.

The productivity challenge

Public services are under pressure from demographic change, cost inflation and rising demand. Our audits have shown that when resources are tight, the consequences of low productivity are felt most acutely by citizens: longer waiting times, reduced service quality and poorer outcomes.

In its [Annual Report and Accounts 2025-26](#), DWP gave examples of how it has improved efficiency. These have included reducing the size and running costs of its estate, improving value for money through contract frameworks, and securing better prices for end-user devices. DWP has also reported improved operational efficiency by digitising processes and expanding self-service for its customers.

Over the past two years, DWP's annual reports and accounts have reported:

- in 2024-25: £347 million in efficiencies against its Spending Review baseline, exceeding its target of £270 million; and
- in 2025-26: £186 million in efficiencies against its 2024-25 baseline, exceeding its target of £170 million.

Spending Review 2025 efficiency targets

The 2025 Spending Review increased DWP's Departmental Expenditure Limit from an outturn of £9.0 billion in 2023-24 to £11.5 billion in 2028-29 in cash terms. DWP committed to achieving savings and efficiencies of at least 3% by 2028-29.

In its departmental efficiency plan, DWP set out more information on how it would deliver efficiencies of £312 million by 2028-29, net of investment costs. It expects these savings to come from:

- digital improvements to services: £177 million;
- commercial efficiencies: £120 million;
- shared services: £8 million; and
- arm's-length bodies, £6 million.

Examples where we have recommended data and digital improvements

Our 2026 report [The Access to Work scheme](#) found that DWP's case data are not sufficiently robust to support detailed process analysis as the manual input of large volumes of data increases the risk of inaccuracies. Also, DWP does not record information on all parts of the process, either at all or in a way that is susceptible to analysis.

We recommended that DWP should improve the quality and comprehensiveness of the data it collects about Access to Work cases as they progress. Using these data, it should undertake analytical techniques, such as process mining, to identify trends, patterns and bottlenecks in how the customer journey process operates and use these insights to improve scheme administration.

Our 2025 report [Tackling benefit overpayments due to fraud and error](#) noted that addressing data and digital issues is central to preventing and detecting fraud and error. We found that DWP had made progress in using data analytics, machine learning and data from multiple sources to identify higher-risk claims and target interventions more effectively. However, legacy systems and inconsistent data standards were limiting its ability to share and use data efficiently across services.

We recommended that DWP should improve data quality by getting its data about benefit claimants into a common format, continuing to engage with cross-government data standards and ensuring DWP alignment with these.

Process improvements, better use of data and applied digital tools, including artificial intelligence (AI), play an important role in supporting productivity.

How effectively it uses its large workforce is a key factor in DWP's productivity.

DWP was the second largest government department, in terms of headcount, at 31 March 2026. With around a third of staff working part-time, the DWP group had just over 89,000 full-time equivalent (FTE) staff. Following the transfer of responsibility for skills, DWP expects its workforce to increase by around 500 people.

The overall size of DWP's FTE workforce changed very little from 2024-25 to 2025-26. The staff turnover rate was 6.6% in 2025-26. DWP's total staff costs rose by 10% from £4.5 billion in 2024-25 to £4.9 billion in 2025-26, with a further 13% increase expected in 2026-27. This increase is mainly driven by the 2025-26 pay award and increases to the National Living Wage and employer National Insurance.

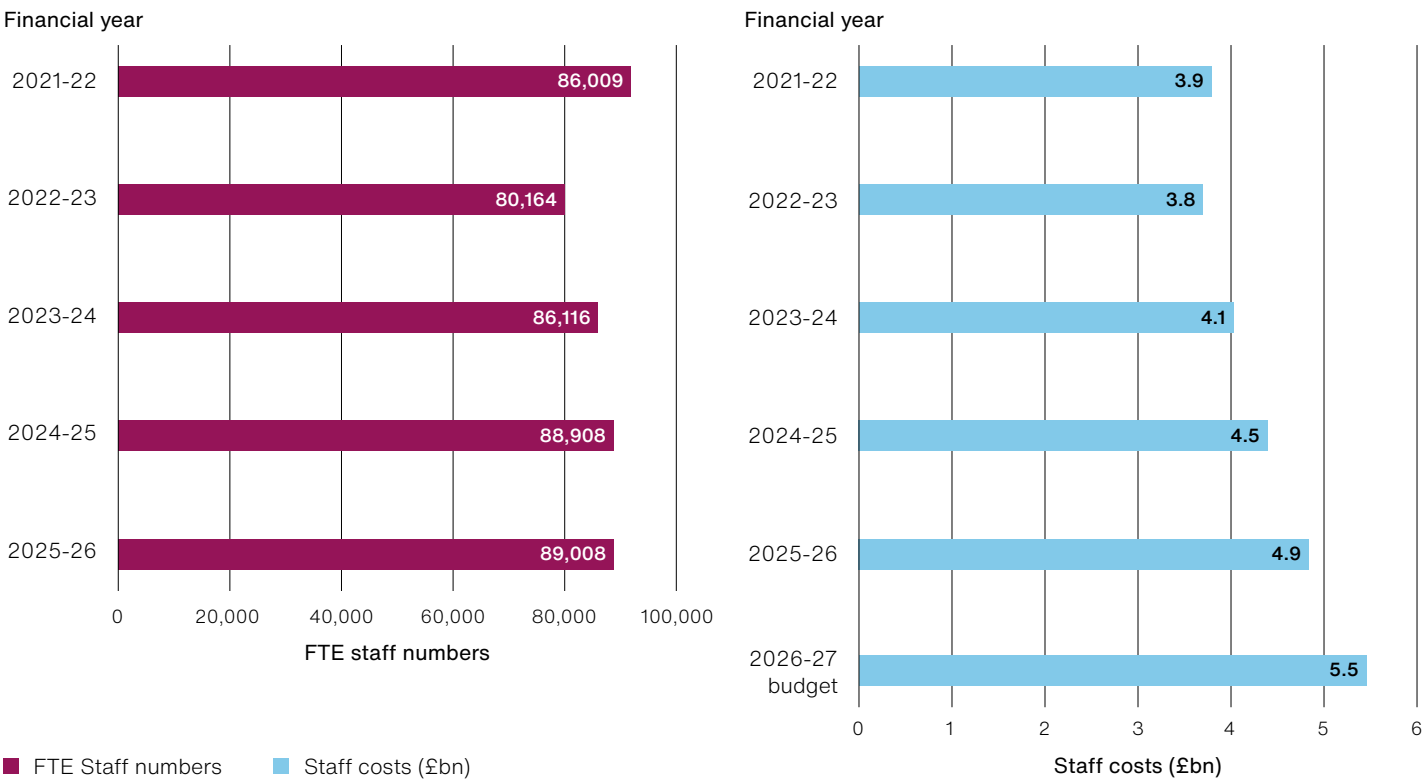
DWP has higher proportions of women, junior staff and older employees than the civil service as a whole. At 31 March 2026, the position was as follows:

- 62% of DWP's staff were women, compared with the civil service average of 55%. Women made up 57% of senior civil servants in DWP.
- 46% of DWP staff were aged 50 or older. This was higher than the civil service average of 36%.
- 75% of DWP staff were executive officer grade or below, making it the department with the highest proportion of junior staff. The civil service average was 48%.

DWP aims to improve its workforce efficiency by modernising services and supporting staff to use digital tools and AI.

Figure 7
Department for Work & Pensions (DWP) staff numbers and staff costs, 2021-22 to 2026-27

Across the departmental group, full-time equivalent (FTE) staff numbers and staff costs increased in 2025-26



Note
1 The data on staff numbers and staff costs cover the DWP group, which comprises the core department, the Health and Safety Executive, the Money and Pensions Service, The Pensions Ombudsman and The Pensions Regulator.

Source: National Audit Office analysis of information from Department for Work & Pensions Workforce Management Information March 2026 and previous years; information from Department for Work & Pensions Annual Report and Accounts 2025-26 and previous years; and information from The Pensions Ombudsman Annual Report and Accounts 2025/26 and previous years

A sufficiently skilled workforce is critical to economic success and to achieving wider government aims. Our 2022 report [Developing workforce skills for a strong economy](#) highlighted the scale of the government's skills challenge.

In our [Overview of the Department for Education 2024-25](#), we reported that, to drive growth and better meet skills needs, the Department for Education (DfE) was reforming the fragmented skills system. This included establishing Skills England, in June 2025, to provide strategic oversight, bringing together central and local government, businesses, training providers and unions.

In September 2025, the government announced that responsibility for apprenticeships, adult further education, skills, training, and careers for people aged over 19 would move from DfE to DWP. Ministerial responsibility transferred at that point, with the formal transfer of financial accountability, budgets, staff and resources taking place on 1 April 2026.

The government said that uniting the delivery levers for adult skills development and employment support under one department would strengthen its approach to employment and training, and support its ambition to reach an 80% employment rate.

The government intends that Skills England will play a role in bringing together the fragmented skills system, helping people take up technical education and apprenticeships, and employers

access the skilled workforce they need. The insight and intelligence that Skills England collects are expected to inform the advice that people receive at all stages of their adult lives, linking with the Jobs and Careers Service.

Challenges in the skills system

In its first year of operation, Skills England focused on generating evidence-based insight. In its [Annual skills report 2026](#), Skills England identified five key challenges that the skills system faces and set out how it, with its partners, proposed to respond. Its accompanying skills needs assessments outline skills demand and supply in priority sectors.

The five challenges that Skills England identified were:

- addressing skills shortages;
- how to maximise employer investment in skills;
- how to respond to the accelerated adoption of AI;
- how to support young people's employability skills; and
- how to build a more responsive and locally integrated skills system.

Skills England noted that employers report that more than a quarter of job vacancies are hard to fill due to skills shortages. It concluded that, from its skills needs assessments, demand for priority jobs in key sectors, including clean energy, construction and digital, would continue to grow. It also noted that a central priority in the coming

year would be supporting young people, as too many are struggling to find their first foothold in the labour market.

Young people and work

In November 2025, the government commissioned the Rt Hon Alan Milburn to investigate the drivers of the increase in the number of young people who are not in education, employment or training (NEET).

The findings of the discovery phase, [Young people and work: interim report](#), were published in May 2026. The report noted there are nearly one million people aged 16 to 24 in the UK who are NEET and that this number is rising. It found there is no singular explanation for this but identified one stand-out change – that over the past decade, the proportion who say they are NEET due to a work-limiting health condition has increased by 70%.

The interim report concluded that the position is not a failure of young people – 84% of NEETs say they want to work – but a failure of the system. It highlighted issues with the labour market, with education, health and welfare systems, and with accountability, governance and data. It concluded there is neither a system nor a plan to increase youth participation and that the system all too often ends up putting young people on a path to a life on benefits.

The final report, which will explore and identify potential areas for reform, is due to be published in autumn 2026.

Our 2026 report *Increasing construction skills* assessed the government's progress in boosting skills in the construction sector. In March 2025, the government announced an initial £625 million funding package for up to 60,000 more skilled construction workers by 2029.

The construction sector plays a vital role across society and the economy by building and maintaining homes and critical infrastructure. In June 2025, there were 1.9 million construction jobs. The government expects demand for construction workers to expand significantly by 2030.

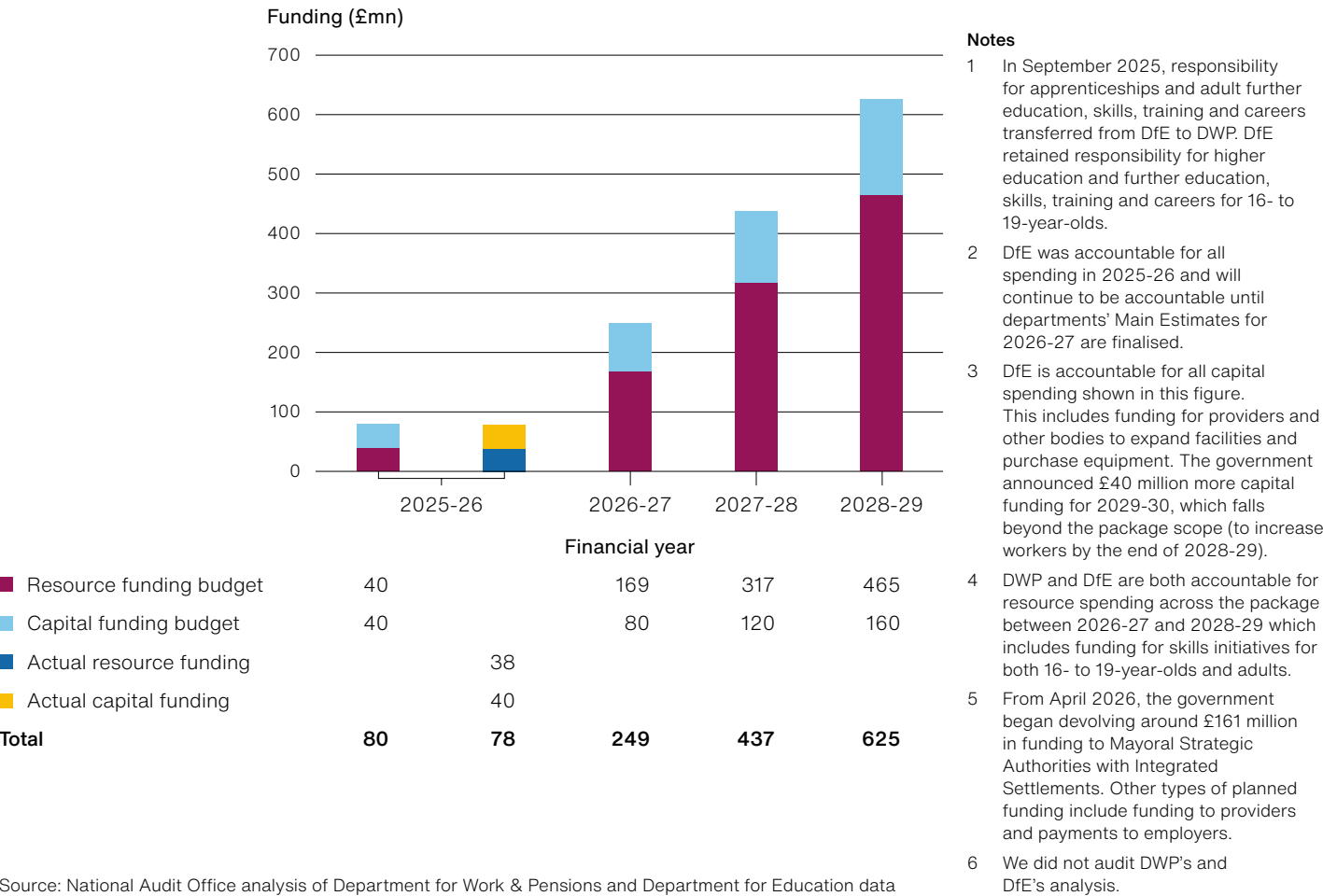
DWP is accountable for four initiatives in the construction skills package including the following:

- **Skills Bootcamps** (estimated to contribute 15,900 additional workers): short courses equivalent to qualification levels 2 to 5 available for eligible adult participants to upskill or retrain.
- **Foundation apprenticeships** (10,000 additional workers): Three new level 2 apprenticeships for young people to gain the skills for an entry-level occupation, with incentive payments of up to £2,000 for employers.

We concluded that, at this early stage of the package, the government needs to manage significant risks to achieve its aspiration for up to 60,000 more skilled construction workers. As it learns from how the package progresses, the government will need to review assumptions and be prepared to reprioritise across its portfolio of initiatives. We also reported that, by April 2026, DWP had improved its portfolio reporting approach, with a clearer framework to capture milestones, risk and performance information consistently for most initiatives. By May 2026, DWP was fully reporting progress across eight initiatives.

Figure 8
The Department for Work & Pensions' (DWP's) and the Department for Education's (DfE's) cumulative planned construction skills package (the package) funding, 2025-26 to 2028-29, and actual funding, 2025-26

DWP and DfE plan to provide £625 million funding by the end of 2028-29, comprising £465 million in resource funding and £160 million in capital funding, and have identified providing £78 million funding in 2025-26



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

Our 2026 report [*The Access to Work scheme*](#) highlighted how DWP is seeking to improve productivity in one operational area. Access to Work is a demand-led grant scheme to help people get, or stay in, work if they have a physical or mental health condition or disability. Funding may pay for things like specialist equipment, support workers and the costs of travelling to work.

DWP aims to tailor support to address the barriers faced by each customer. Its case managers engage with the specifics of each case, meaning the process is resource-intensive. Since May 2023, case managers have processed fewer cases per day on average than DWP's standard of 2.8 cases.

DWP has introduced several measures to increase productivity and help case managers process cases more quickly, although it does not consider the current standard to be achievable. It has focused on lessening the administrative workload by reducing the supporting material that customers have to provide. In addition, in summer 2025, DWP carried out a small-scale trial of a 'standardised operating procedure' in order to improve productivity. It told us it has now completed the trial and rolled out the procedure for new applications across all sites.

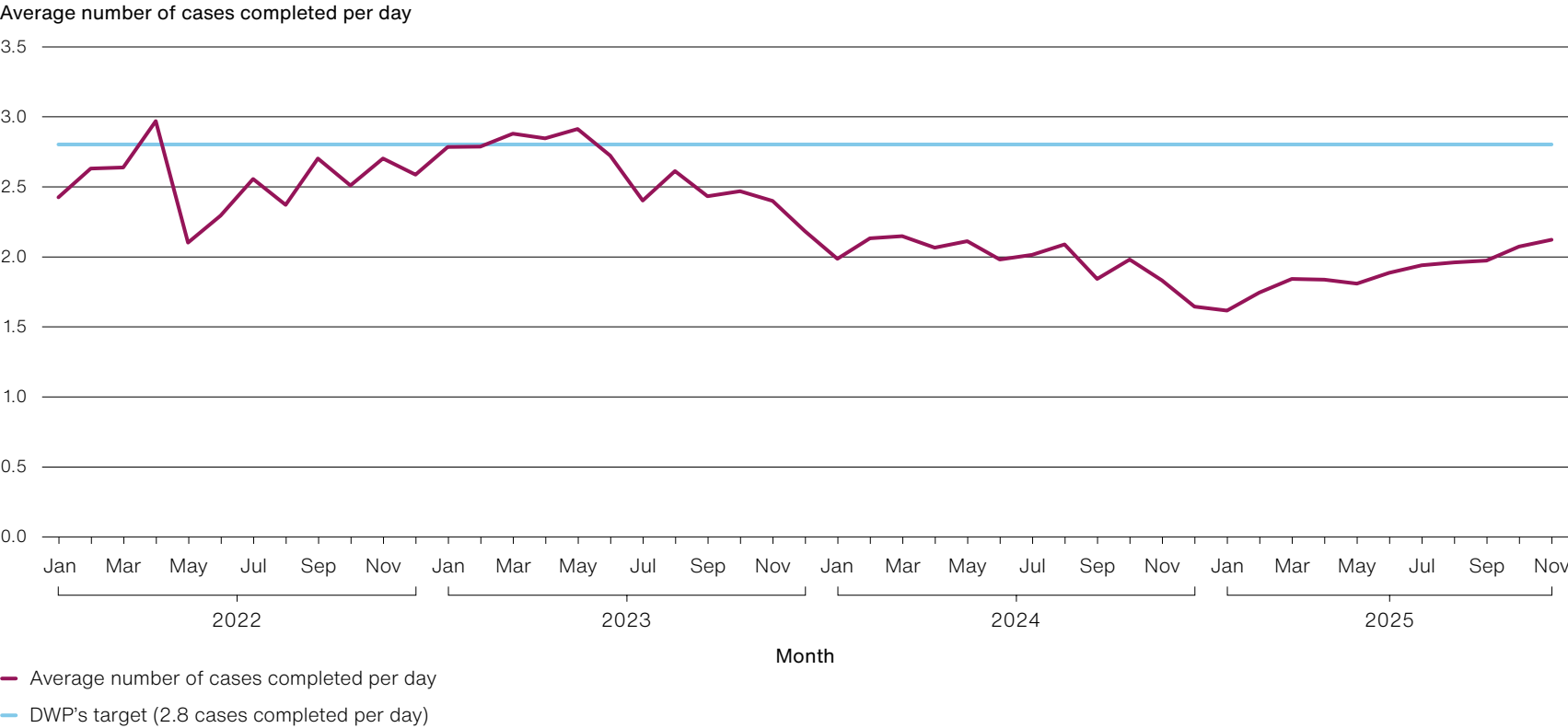
There are further opportunities to improve productivity. DWP's Access to Work data systems are inefficient for case managers to use and do not provide them with an integrated view of all the information that DWP holds on customers.

We recommended that DWP should carry out an updated work study to establish a new productivity standard, and create an action plan to meet the revised standard, incorporating innovative approaches to support the work of case managers. DWP began the work study in August 2026.



Figure 9
Average number of cases processed per day by the Department for Work & Pensions' (DWP's) case managers, January 2022 to November 2025

Since May 2023, DWP's case managers have processed fewer cases per day on average than the standard of 2.8 cases



Notes

1 The data in this figure cover all the different types of activity that case managers undertake (new applications, changes of circumstances and renewals) in relation to Access to Work cases.

2 Based on a work study that it carried out in 2021, DWP expects its case managers to be able to process an average of 2.8 cases per day.

DWP identified 14 risk themes during 2025-26. It notes that its risk environment is shaped by the scale of the department, the complexity of welfare delivery, the sensitivity of the citizen data that it handles, and the operational demands of supporting millions of people. DWP's risk management approach aims to identify system-level pressures early, strengthen resilience across operations, and address risks in a way that maintains service continuity and protects public value.

Figure 10
Summary of the Department for Work & Pensions' (DWP's) risk themes in 2025-26

DWP rated four of its 14 risk themes as high at 31 March 2026

Risk theme	Description	Risk assessment	Risk trend
Climate change and external environment	DWP is unable to adapt its operations, services and policies to the impact of climate change and environmental transition (see page 22).	Medium	↔
Cyber security	A cyber security breach disrupts DWP's systems and services, or compromises the availability, integrity or confidentiality of data.	High	↔
Data strategy and ownership	Ownership and accountability for data across DWP may not be consistently applied, limiting effective decision-making and delivery.	High	↔
Delivery of labour market programmes	Constraints in funding, capacity and planning limit DWP's ability to deliver labour market programmes and respond effectively to demand.	Medium	↔
External disruption	Significant external events or hazards disrupt DWP's ability to deliver services, affecting delivery and service continuity.	Medium	↔
External economic and labour market environment	Economic and labour market conditions affect demand for DWP services and wider outcomes, reducing DWP's ability to deliver intended impact.	Medium	↔
Financial, legal and regulatory compliance	Weaknesses in financial control or compliance arrangements result in inaccurate financial management or breaches of legal or regulatory requirements.	Medium	↓
Fraud and error	Rapidly advancing technologies enable new forms of fraud or exploitation that outpace existing controls.	Medium	↔
Legacy and emerging technologies	Reliance on legacy technology limits DWP's ability to modernise its services.	High	↔
Multi-tier delivery coordination	Coordination and oversight across a multi-tier delivery system may not operate effectively, reducing the effectiveness of employment support.	Medium	↔
Payment service resilience	Disruption to DWP or banking payment systems affect DWP's ability to deliver timely and accurate payments to customers.	Medium	↔
People safety	Health and safety arrangements, training or safeguards may not operate effectively in all circumstances, resulting in harm to staff or customers.	Medium	↔
Strategic transformation programmes	Strategic planning, prioritisation and delivery of the change portfolio may not operate effectively, resulting in a failure to realise expected benefits and meet objectives.	High	↓
Workforce engagement and capability	Declining employee experience and morale, and ineffective management of change, reduce engagement, capability and delivery effectiveness.	Medium	↔

Source: National Audit Office analysis of information from [Department for Work & Pensions Annual Report and Accounts 2025-26](#)

Central government has been implementing new annual reporting requirements, aligned with the Task Force on Climate-related Financial Disclosures (TCFD), to provide transparency and accountability on climate-related issues. The disclosures were phased in over three years from 2023-24. From 2025-26, all central government departments, and other central government bodies with more than £500 million income and funding or more than 500 full-time equivalent employees, were required to produce their first full set of disclosures in their annual reports, covering governance, strategy, risk management, and metrics and targets.

Our 2025 report [*Implementation of climate-related reporting in central government annual reports*](#) found that TCFD-aligned reporting has the potential to deliver significant benefits, improving public bodies' understanding of climate-related risks and increasing senior engagement with climate issues. We identified six common challenges faced when preparing TCFD-aligned reporting: skills and capability gaps; lack of organisational buy-in; accessibility of guidance; data limitations; timeline constraints; and resource and budgeting.

In a case study in the report, we highlighted how DWP had addressed the challenges. For example, implementing TCFD raised the profile of broader climate-related risk. The board and senior sustainability leaders recognised the need for further work to assess exposure to climate-related risks and to identify potential cost savings.

DWP also recognised that further data and expertise were required to assess the significance of its climate-related risks. It commissioned the Government Actuary's Department to assist in quantifying the potential financial impact of identified risks.

DWP's TCFD reporting

In its [*Annual Report and Accounts 2025-26*](#), DWP reported that it is compliant with nine of the 11 TCFD categories, which it says demonstrates its commitment to transparency in managing climate risks. DWP assesses it is compliant with all the disclosures relating to governance, strategy and risk management.

DWP assesses that it is partially compliant in two TCFD categories. It could not disclose the metrics it uses to assess climate-related risks and opportunities or any targets to manage performance. DWP says that it plans to continue work to ensure full compliance in its reporting for 2026-27.

Climate-related risks

In October 2025, following a strategic review of departmental risks, DWP elevated climate change to a principal risk – specifically the risk that DWP is unable to adapt its operations, services and policies to the impacts of climate change and environmental transition, resulting in service disruption, increased costs, regulatory exposure and reduced effectiveness of delivery. DWP assesses this risk as 'medium' given the scale and complexity of adapting to climate and environmental change.

DWP has worked to improve its understanding of climate risk through scenario analysis. It sets out several short-, medium- and long-term climate-related risks and opportunities. For example:

- Risk: extremes of temperature cause transport disruption, staff and customer illness, and building and/or data centre overheating that disrupts the ability of DWP to deliver services and increases costs.
- Risk: disruption in financial markets causes rapid repricing of carbon-intensive assets which weaken returns and pensions and savings values, and causes increasing demand for Pension Credit and working-age benefits.
- Opportunity: changes in climate lead to increased demand for climate-related jobs, increase productivity and reduce demand for social security.

Sustainability performance

In its sustainability report, part of its [*Annual Report and Accounts 2025-26*](#), DWP set out examples of how it is making progress towards net zero by 2050 through a range of projects that include LED lighting replacement, solar design work and heating system decarbonisation projects.

DWP presented its performance against a range of environmental metrics. For example, it reported:

- a 10% reduction in total greenhouse gas emissions over the past year;
- a 59% reduction in municipal waste sent to landfill over the past year; and
- for the first time, a breakdown of the volume and number of ICT devices recycled or reused – over 84,000 devices totalling 187 tonnes were reused or recycled, with none sent to landfill.



The Government Major Projects Portfolio (GMPP) comprises government's most complex and strategically significant projects and programmes. From April 2026, the National Infrastructure and Service Transformation Authority (NISTA) has reduced the number of programmes in the GMPP from 189 to around 80 in order to focus its resources where it can add greatest value.

DWP was responsible for seven programmes in the GMPP during 2025-26. From April 2026, this number fell to three – the Health Transformation Programme, the Service Modernisation Programme and the Synergy shared services programme. In its [2025-26 Major Projects Annual Report](#), NISTA rated these three programmes as 'amber', meaning that successful delivery appears feasible, but significant issues exist which require management attention. The programmes are central to modernising DWP's operations and improving its resilience and productivity.

Health Transformation Programme

This programme, planned for completion in 2029, aims to modernise health and disability benefit services to deliver better value for money and a better experience for claimants.

DWP is transforming the Personal Independence Payment (PIP) service. It reports that, in 2026, over 90% of PIP customers can now submit their health information online after calling DWP to start their claim. DWP is also testing more personalised case management for PIP, intended to help its case managers better understand a customer's claim and build trust. Under this approach, case managers can, where appropriate, make decisions without a full health assessment, shortening processing times. In addition, DWP is testing a new health assessment service with its providers. It expects the new service to provide a more customer-focused and efficient service.

Service Modernisation Programme

DWP recognises that significant parts of its services remain largely unmodernised. Some benefit processing is still paper-based, which is slow and expensive to administer. DWP expects this programme to reduce reliance on legacy systems and deliver modern services, which achieve a better experience for customers, lower operating costs and higher productivity, fewer manual errors, and fewer serious case failures.

This is an 11-year programme, running to 2033. Progress to date includes the following:

- The Child Maintenance Service has introduced online services – customers can manage their own arrangements, report changes in circumstances, track the progress of their cases and make payments.
- DWP is developing the 'Customer Account', which is a secure, online location where customers will be able to view their DWP-held information and make certain changes.

Synergy shared services programme

Government is seeking to cut costs through the sharing of back-office functions. The aim of using shared services is to standardise processes and services, reducing costs while improving data consistency. This involves moving to a common IT system known as an Enterprise Resource Planning system.

Departments are organised into five clusters. DWP is the lead department for the Synergy cluster, which also includes the Department for Environment, Food & Rural Affairs, the Home Office and the Ministry of Justice together with their arm's-length bodies. Synergy aims to improve back-office functions to enable better data-sharing, better decision-making and simpler processes. The programme is due to finish by early 2029. As part of the programme, in March 2026, DWP awarded Capita a seven-year contract to provide a suite of services including HR, payroll, recruitment, finance, procurement, and service desk support.

Our 2026 report [Update on government shared services](#) found that the clusters have made some progress with operational delivery, improving governance structures, developing implementation plans and moving forward with procurement. All departments in the Synergy cluster agreed key design decisions across HR, finance and commercial functions simultaneously as part of 'common design'. However, with respect to the shared services strategy as a whole, some fundamental issues continue to jeopardise delivery of five interoperable clusters including no single owner in the centre of government and the absence of a strong technical lead.

NISTA rated the four other DWP programmes covered in its annual report for 2025-26 as follows:

- Workplace Transformation Programme: amber.
- Pensions Dashboards Programme (being delivered by the Money and Pensions Service): amber.
- Connect to Work: green.
- Skills Bootcamps (previously overseen by the Department for Education): amber.



DWP has experienced an increase in demand for its services over recent years. Our reports have highlighted how pressure from increased demand can affect the service that DWP’s customers receive and have examined some of the actions DWP is taking to manage demand and improve service resilience.

Our 2026 report [The Access to Work scheme](#) examined demand pressures in one operational area. Demand for the scheme has increased significantly over recent years. The number of applications for support more than doubled from 76,100 in 2018-19 to 157,000 in 2024-25.

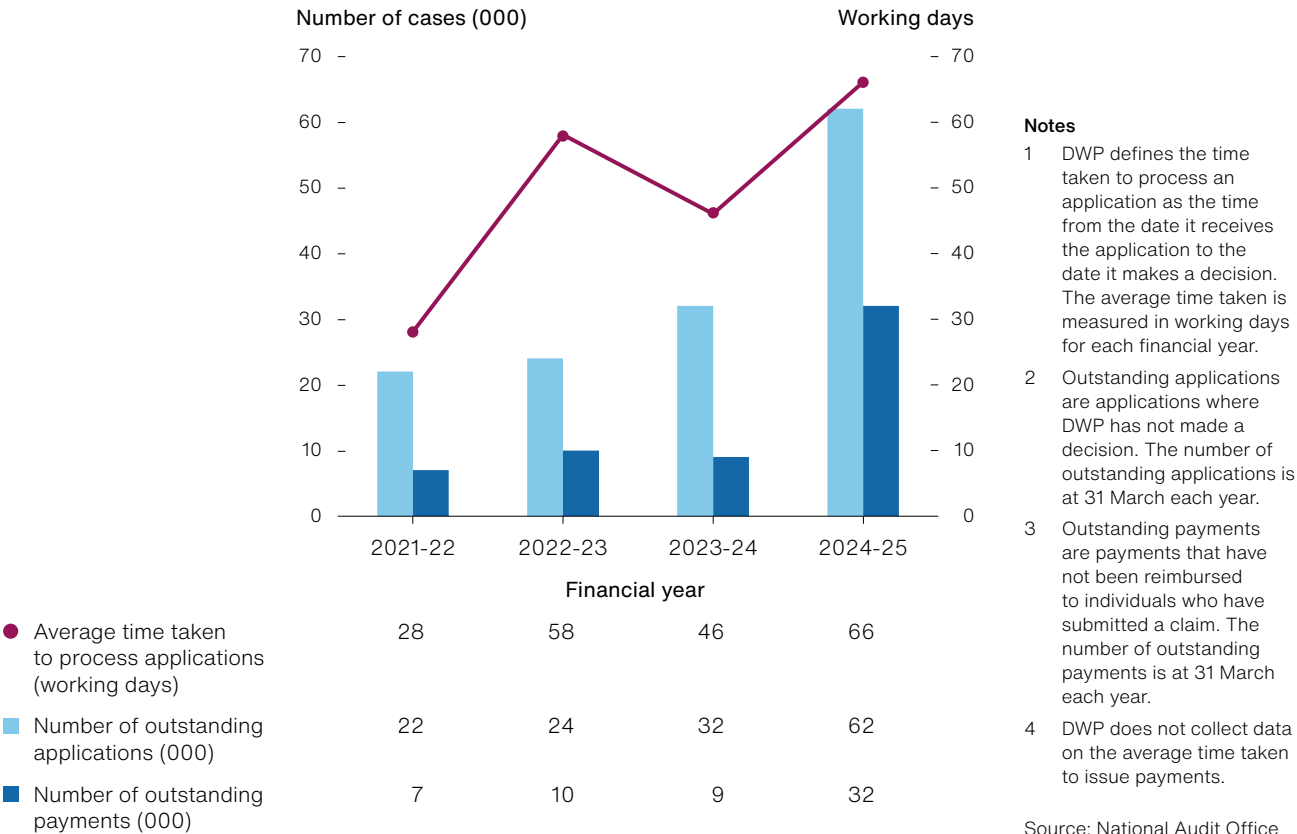
The increased take-up has led to significant processing delays and backlogs. The average time taken by DWP to process applications more than doubled, from 28 working days in 2021-22 to 66 working days in 2024-25, and continued to increase. In November 2025, the average time taken to process an application was 109 working days, compared with DWP’s target of 25 days.

To help process the growing number of cases and tackle the backlogs, DWP increased the number of staff working on the scheme, from an average of 247 full-time equivalents in 2021-22 to 588 in 2024-25. We found that, despite there being more staff, the number of applications awaiting a decision had not fallen. From 31 March 2023 to 31 March 2025, the number of outstanding applications increased by 160% (38,200) and the number of outstanding requests for payment increased by 233% (22,200).

In May 2026, DWP announced that it would recruit an additional 480 staff to help clear the backlog of applications by September 2027.

Figure 11
Time taken to process applications for Access to Work support and number of outstanding applications and payments, 2021-22 to 2024-25

Since 2021-22, the Department for Work & Pensions (DWP) has taken longer to process applications and there have been significant increases in the number of outstanding applications and payments



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

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enable us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account, and we use our insights to help those who manage and govern public bodies to improve public services.

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

How the NAO supports Parliament

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Other relevant publications

More information about our work, as well as information about our other recent and upcoming reports can be found on the NAO website.

Keep up to date with our work

Sign up to our latest report updates.
Follow us on [X](#) or [LinkedIn](#).

About this report

This report has been produced to provide an overview of the NAO's examination of the spending and performance of the Department for Work & Pensions (DWP).

It is intended to support the Work and Pensions Committee and members across the House in their examination of DWP.

This report updates our previous report, [An Overview of the Department for Work & Pensions 2024-25](#) published on 27 November 2025.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value-for-money work, including the annual report and accounts of DWP and its partner organisations. In some cases, to provide the most up-to-date information, we have drawn on information from publicly available documents. 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 any 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.