

Department for Work & Pensions



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The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.21 billion in 2015.

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Executive summary

This Departmental Overview looks at the Department for Work & Pensions (DWP) and summarises its performance during the year ended March 2016, together with our recent reports on it. The content of the report has been shared with DWP to ensure that the evidence presented is factually accurate.

Part One sets out some facts about DWP and how it has performed against its responsibilities.

- Spending on benefits has increased by 3.5% (£5.8 billion) from 2014-15 to 2015-16 (from £167.6 billion to £173.4 billion). Most of the spending in 2015-16 was on pensioner benefits (£98.7 billion, 57%).
- DWP has been introducing and rolling out a range of programmes, including Universal Credit, Personal Independence Payment, automatic enrolment to workplace pensions and the new State Pension.

Part Two sets out our findings from our work on the DWP.

- The C&AG qualified his opinion on DWP's accounts due to the level of fraud and error in benefit expenditure.
- Since the C&AG reported in 2015, DWP has made some progress in tackling fraud and error. DWP's preliminary estimate of overpayments due to fraud and error in 2015-16 was 1.8% of its total forecast benefit expenditure (or £3.1 billion). DWP's estimate of underpayments in 2015-16 was 1% of total forecast benefit expenditure (or £1.8 billion).
- The C&AG has published value-for-money reports on fraud and error, automatic enrolment in workplace pensions, the impact of state pension reforms on people with Guaranteed Minimum Pensions, the future of Jobcentre Plus, managing the welfare cap, welfare reform and contracted-out health and disability assessments.

Part Three looks ahead to the coming year.

- DWP will need to establish its future staffing and estate requirements to reflect the end of the contract covering many of its buildings in 2018.
- DWP is planning to replace the Work Programme and Work Choice with the Work and Health Programme in 2017, increasing focus on the synergies between work and health.
- DWP is making plans to devolve a range of welfare powers to the Scottish Parliament. These cover disability and carer's benefits, housing elements of Universal Credit, the regulated Social Fund and help with finding work.

About the Department for Work & Pensions



Paid £173.4 billion in benefits and pensions in 2015-16, including:

- £98.7 billion in pensioner benefits
- £24.6 billion in working-age benefits
- £24.3 billion in disability and carer's benefits
- £23.6 billion in housing benefits



Reduced its core departmental staff by more than 5%, from 78,700 to 74,700 between March 2015 and March 2016



Reduced its running costs by more than 9%, from £7.2 billion in 2014-15 to £6.5 billion in 2015-16



Delivers its services through a network of 713 Jobcentre Plus offices in the UK



Universal Credit claimants stood at 281,000 in June 2016, up from 74,000 in June 2015. It is now available for single unemployed claimants, and some families, in all jobcentres across the country



More than 6.1 million eligible employees had been automatically enrolled into a workplace pension by the end of March 2016

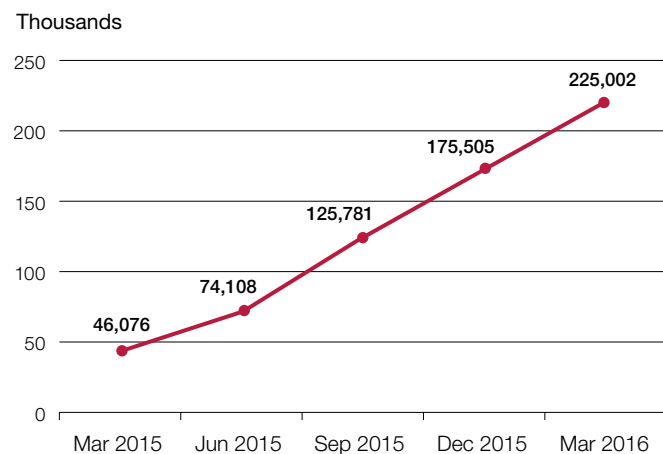
More information available at [DWP Annual Report and Accounts 2015-16](#)

Major developments in 2015-16

Universal Credit

Universal Credit is replacing Jobseeker’s Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit. It has been rolled out for single unemployed claimants to every jobcentre across the country. In May 2016 DWP began to roll out the Universal Credit service to all new claimants. In June 2016 there were more than 280,000 people claiming Universal Credit.

Universal Credit caseload in 2015-16



Note

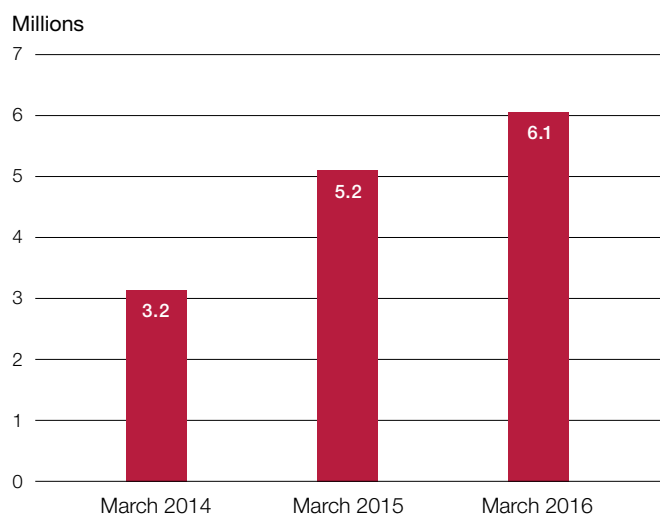
1 This is the number of claimants with a 'live' Universal Credit claim at the stated time.

Source: Department for Work & Pensions Universal Credit monthly experimental official stats

Automatic enrolment

In June 2015 DWP began supporting small and micro employers to automatically enrol their eligible employees into a workplace pension. Employers with more than 50 employees have already automatically enrolled their eligible employees. Altogether more than 6.1 million eligible workers have been automatically enrolled between October 2012 and March 2016. The opt-out rate is around 9%.

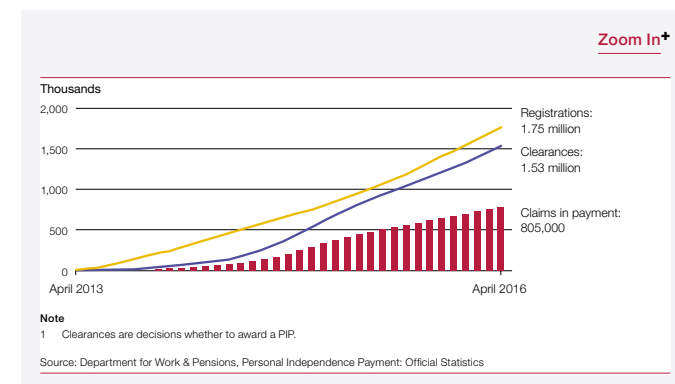
Number of eligible employees automatically enrolled



Source: Pensions Regulator monthly reports

Personal Independence Payment (PIP)

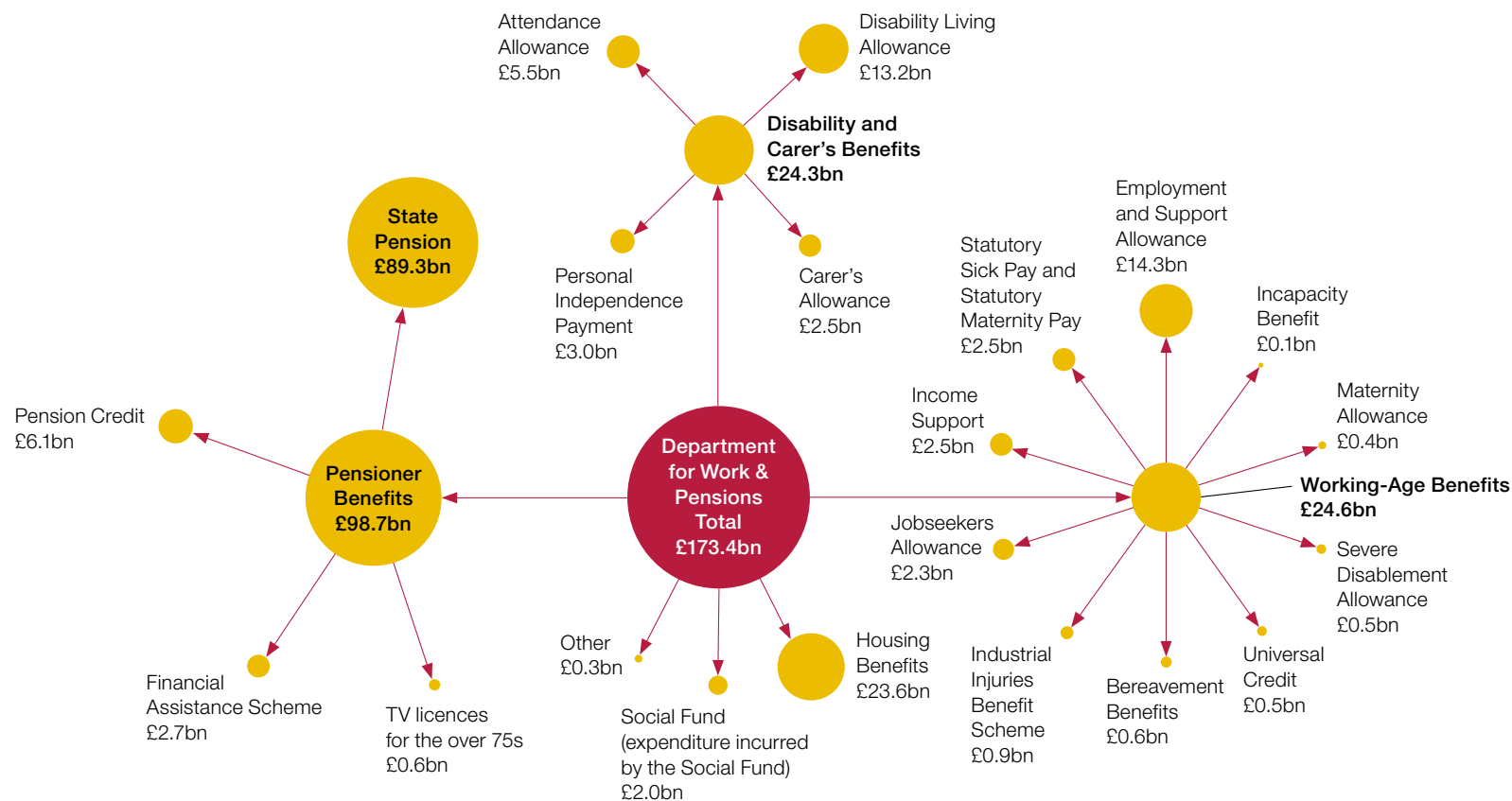
In July 2015 DWP began a phased reassessment of around 1.7 million working-age Disability Living Allowance claimants for eligibility for PIP. From October 2015 DWP began the full national roll-out of reassessment to PIP. It expects the reassessment process to complete in 2018-19. In April 2016 there were 805,500 PIP claims in payment.



State Pension

In January 2016 DWP began taking new State Pension claims, with the first payments being issued from April 2016. Up until the middle of May it had taken 94,000 claims. It also launched an online service in February 2016 called 'Check your State Pension'. People of working age can use this service to see a forecast of their new State Pension, and view their National Insurance record in one place.

Where DWP spends its money



DWP spending on benefits and pensions increased by 3.5% from 2014-15 to 2015-16 (from £167.6 billion to £173.4 billion). Most of this increase came from an increase in spending on pensioner benefits of £4.2 billion, and disability and carer's benefits of £1.2 billion. Working-age benefits increased by £0.5 billion.

Equalising the State Pension age meant that the number of people receiving a State Pension was down slightly from 2014-15, at around 12.9 million. But the government increased the State Pension by an above-inflation amount in 2015-16 meaning spending rose in real terms.

Note

1 Totals do not necessarily sum due to roundings.

Source: Department for Work & Pensions *Annual Report and Accounts 2015-16*

Delivering efficiency savings – Spending Review analysis

The DWP Spending Review 2015 settlement includes:

- continued roll-out of Universal Credit, extending job search conditionality to a further 1.3 million claimants per year by 2020-21;
- a real-terms increase in funding to help those with disabilities and health conditions return to, and remain in, work;
- a new Work and Health Programme replacing the Work Programme and Work Choice that will provide specialist support for the long-term unemployed and claimants with health conditions and disabilities; and
- investment to enable DWP to become a smaller, more efficient department spending 22% less on administration in real terms, 34% less in real terms on technology and occupying 20% less estate.

In the Budget 2015 DWP announced reforms to create a further £12 billion of welfare savings by 2020. The breakdown of these savings can be seen in the pie chart. The reforms include:

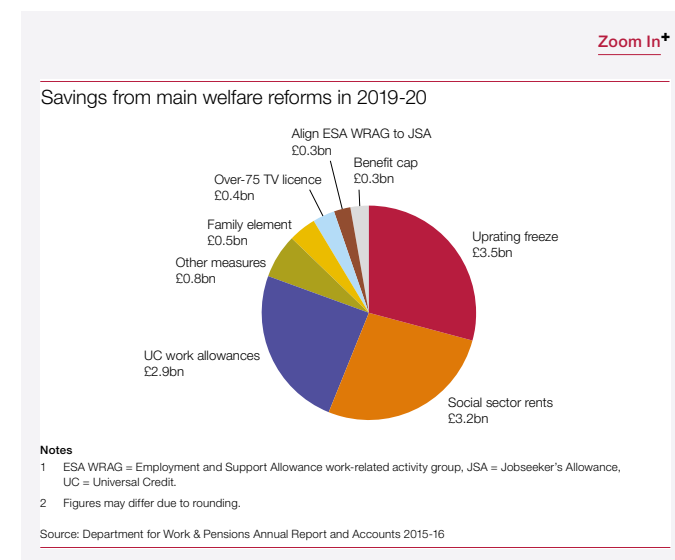
- freezing working-age benefits, tax credits and Local Housing Allowance, for four years from 2016-17 (this does not include Maternity Allowance, maternity pay, paternity pay or sick pay);

- reducing rents for social housing by 1% a year for four years;
- reducing work allowances in Universal Credit;
- removing the family element in tax credits and Universal Credit, and the family premium in Housing Benefit, for new claims;
- transferring liability for over-75 year olds' television licences to the BBC;
- aligning the work-related activity group rate in Employment and Support Allowance with Jobseeker's Allowance for new claims; and
- lowering the household benefit cap to £20,000 (£23,000 in London).

DWP has also committed to reducing its operating costs by:

- transforming its service through the use of digital services;
- extending its operating hours to better reflect the needs of its customers and claimants;
- reducing costs through more flexible commercial contracting that better targets the needs of its claimants and DWP;

- maintaining a focus on fraud and error and recovering debt; and
- creating a smaller, better-trained workforce by building capability in key areas such as commercial and digital and investing in leadership capability.



Our audit of DWP's accounts

Excerpts from DWP's Governance Statement in its Annual Report and Accounts 2015-16:

The Governance Statement outlines how the Accounting Officer has discharged his responsibilities to manage and control the organisation's resources during the year.

In his Governance Statement the Accounting Officer Robert Devereux concluded that DWP has improved the controls it operates. The Accounting Officer noted that, within the system of control, there were six significant control issues:

- the monetary value of fraud and error;
- reliance on contractors who deliver key welfare reform services;
- keeping systems and data safe;
- transforming IT infrastructure and capability to meet welfare reform and future digital needs while maintaining existing systems;
- delivering large, complex welfare reform programmes; and
- professional capability and delivering the DWP 2020 vision.

Summary of DWP spending as shown in the 2015-16 accounts

Departmental expenditure limit (the amount allocated to DWP to spend eg on running costs)	£6.5 billion
Annually managed expenditure (money spent in areas outside budgetary control eg on welfare and pensions)	£173.4 billion
Total	£179.9 billion

More detail on these figures is shown in the [DWP Annual Report and Accounts](#)

C&AG's opinion on DWP's accounts 2015-16:

The C&AG qualified his opinion on the regularity of DWP's benefit expenditure other than State Pension because of:

- the estimated level of overpayments attributable to error and fraud where payments have not been made for the purposes intended by Parliament; and
- the estimated level of over- and under-payments in such benefit expenditure which do not conform with the relevant authorities.

DWP estimated that total gross overpayments due to fraud and error in benefits expenditure in 2015-16 equated to £3.1 billion, while underpayments due to

error equated to £1.8 billion. The C&AG considered this level of fraud and error to be material to his opinion on the accounts.

The next page sets out key points from the C&AG's report on fraud and error.

Provisions for DWP liabilities shown in the accounts

The provision for DWP's financial liabilities increased from £4.9 billion in 2014-15 to £7.3 billion in 2015-16, up almost 50%. The provision relates mainly to the Financial Assistance Scheme (FAS). The FAS provides assistance to members of defined benefit occupational pension schemes that were wound up under-funded when their employers became insolvent between 1 January 1997 and 5 April 2005, before the introduction of the Pension Protection Fund. The provision is an estimate of the current value of the liability to make payments to pensioners under the FAS. The increase in provision for 2015-16 is primarily due to a reduction in the discount rate set by HM Treasury. Had the discount rate not changed from 2014-15 the provision for 2015-16 would have decreased by £0.1 billion.

Our audit of DWP's accounts

The C&AG's reports on fraud and error

Our audit of DWP's effectiveness and value for money

Independent assessments of DWP's performance

The C&AG's reports on fraud and error

C&AG's report on DWP's accounts 2015-16:

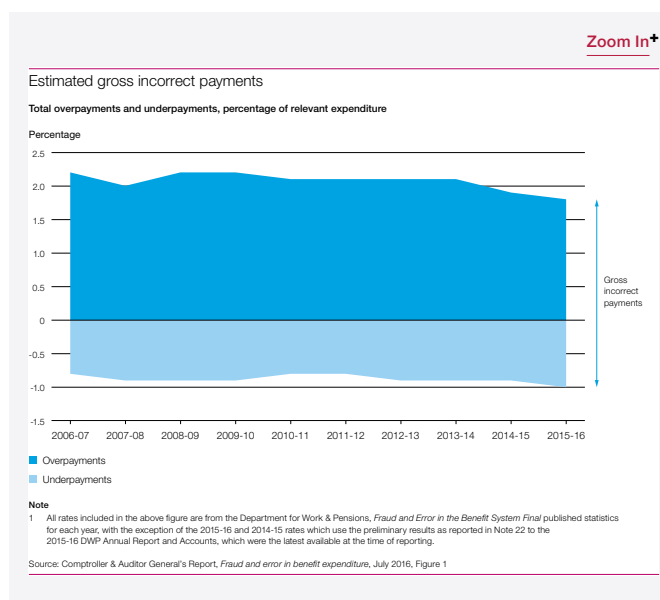
The C&AG explained the reasons for his qualified opinion on the regularity of DWP's benefit expenditure in a [report](#) published with DWP's Annual Report and Accounts. The key points from this report are:

- fraud and error is a significant problem in benefit expenditure. Benefit payments are susceptible to both deliberate fraud and unintended error by claimants and DWP;
- DWP estimates that overpayments due to fraud and error in 2015-16 were 1.8% of total forecast benefit expenditure (or £3.1 billion) and that total gross underpayments in 2015-16 were 1% of total forecast benefit expenditure (or £1.8 billion). The trend over time is shown in the chart;
- the rates of overpayment and underpayment are lower for State Pension expenditure;
- universal Credit over- and under-payments due to fraud and error were measured for the first time for 2015-16. DWP is developing its methodology to assess and its strategy to address fraud and error in this benefit, as Universal Credit rolls out nationally; and

- DWP has made some progress in tackling fraud and error. The building blocks are in place to better understand fraud and error and begin to consider what the lowest feasible level of fraud and error by benefit could be, and how to achieve that.

We published a [Fraud and error stocktake](#) report in July 2015 covering DWP and HM Revenue & Customs (HMRC).

In 2014 DWP brought together fraud and error work that was spread across the department. At the time of our report DWP was developing a long-term fraud and error strategy, supported by benefit-specific strategies. DWP was seeking to make better use of data to make decisions and increase its focus on preventing overpayments from occurring. It was factoring fraud and error considerations into the design of schemes and processes. Despite these developments, it still needed to manage the tension between fast and efficient processing and accuracy, and to balance these competing demands by creating the right incentives for operational staff. The C&AG's report on DWP's accounts 2015-16 provides an update on progress in developing strategies to address fraud and error.

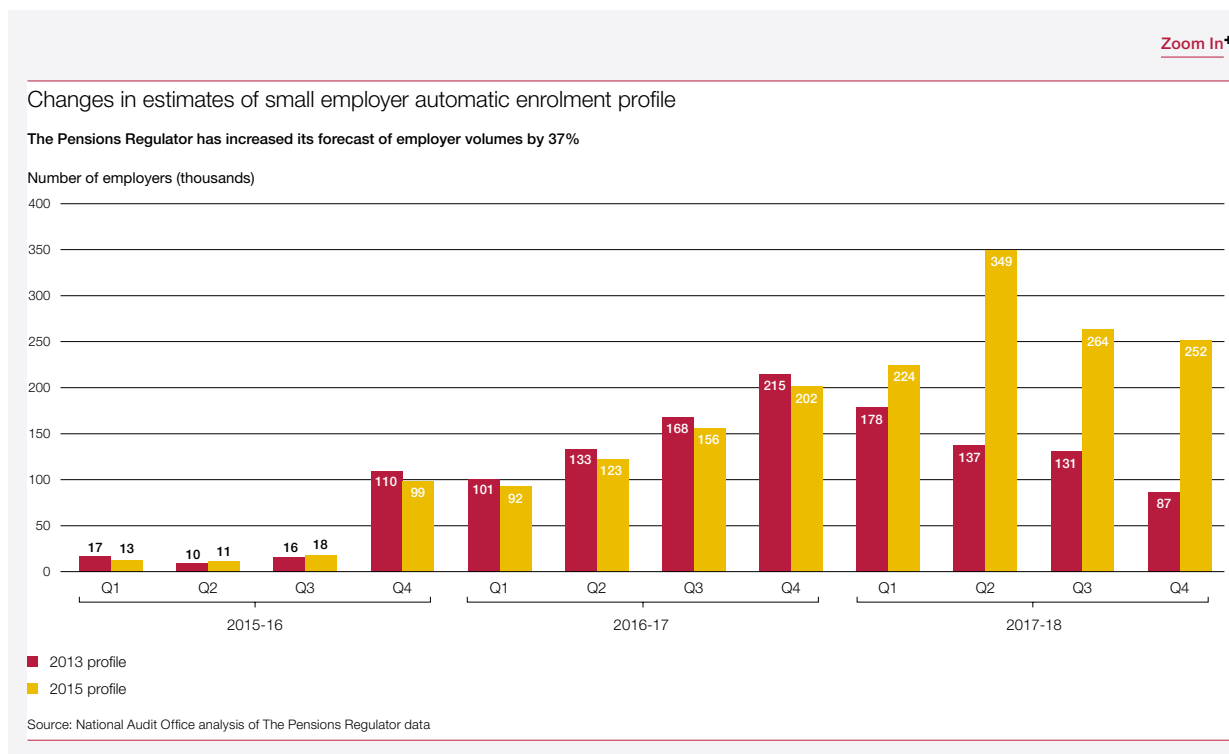


Our audit of DWP's effectiveness and value for money

Our report on [Automatic enrolment to workplace pensions](#) (November 2015) concluded that "Large and medium-sized employers have successfully introduced automatic enrolment. DWP, The Pensions Regulator and NEST have worked well to design the programme and to engage with providers and other stakeholders in developing rules and processes. By increasing the number of people saving in workplace pensions, and providing a crucial first step to increasing retirement savings, the automatic enrolment programme has so far delivered value for money. Looking ahead, early indications suggest the programme is also on track to deliver value for money in improving retirement incomes in the longer term."

DWP is now rolling out automatic enrolment to small employers (see chart), who pose new challenges for the programme. The volume of smaller employers will impose significant pressures on operations. DWP, The Pensions Regulator and NEST are simplifying processes for them.

The Committee of Public Accounts reported on the subject in January 2016. The Committee concluded that DWP, The Pensions Regulator and NEST should monitor the experiences of small businesses and minimise administrative burdens, while also ensuring that increased enrolment translates into adequate incomes in retirement.

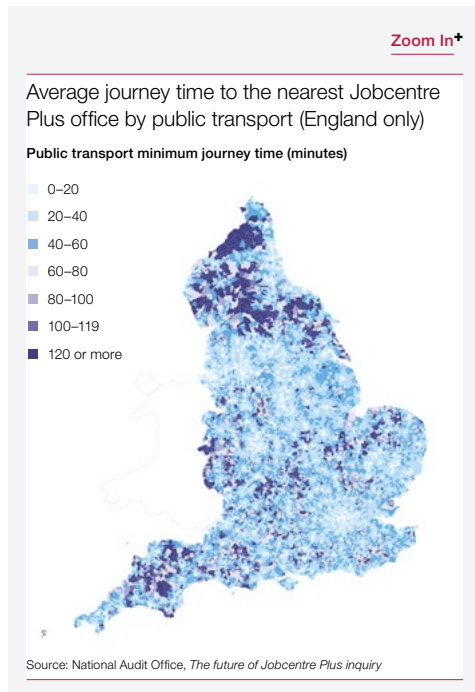


In March 2016 we reported on [the impact of state pension reforms on people with Guaranteed Minimum Pensions](#). We found that the impact will vary widely. DWP estimates that 180,000 people who will reach state pension age in 2016-17 will have Guaranteed Minimum Pensions from before 1988, and that 50,000 of these people will be worse off in 2017-18 as a result of the

introduction of new state pension. However, DWP's baseline information about the impact of pension reforms on people with Guaranteed Minimum Pensions is limited and there has been a lack of clear information for people with Guaranteed Minimum Pensions. At the time of our report, DWP was increasing its communication of new state pension reforms, targeting people aged 50 plus.

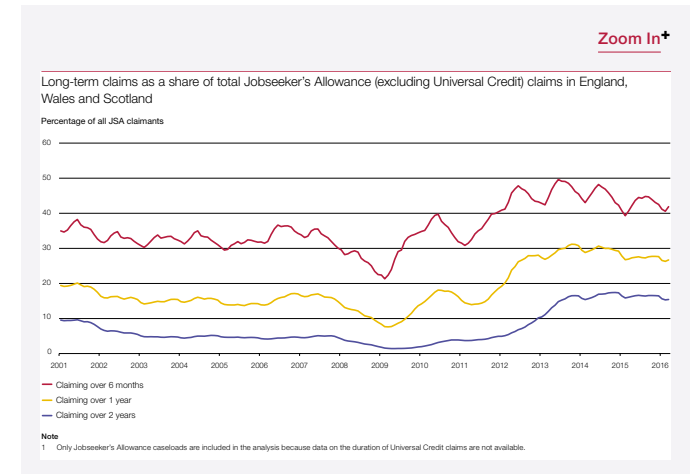
Our audit of DWP's effectiveness and value for money *continued*

In our memorandum for [The future of Jobcentre Plus inquiry](#) by the House of Commons Work and Pensions Select Committee we set out key facts and figures about Jobcentre Plus (JCP). The memorandum described the current JCP estate and summarised some of the trends in unemployment benefit caseloads in recent years. There are 713 JCP offices in England, Scotland and Wales, which currently serve more than 700,000 unemployed claimants. Most claimants are within 30 minutes of a JCP office by public transport.



The Flexible Support Fund allows jobcentre staff to make payments to benefit claimants to help reduce barriers to work. Following a customer complaint in August 2013, DWP carried out an investigation into misuse of Flexible Support Fund and as a result dismissed two members of staff for misuse of the Fund in Plaistow jobcentre. These members of staff raised concerns that misuse of the Fund was widespread.

Our [Investigation into the misuse of the Flexible Support Fund in Plaistow](#) (July 2016) examined how DWP managed the risk of the Fund being abused in other jobcentres. We found DWP had highlighted limitations in its control of Fund payments. DWP in response to limitations highlighted by its internal audit team had introduced several changes aimed at strengthening control over payments. These included appointing a single responsible owner for the Fund, and changing guidance on roles and responsibilities. DWP continues to face challenges in ensuring the Fund is used appropriately.



Our audit of DWP's effectiveness and value for money *continued*

The welfare cap is a self-imposed (that is, by government on itself) cap on forecast spending, but not actual spending. A breach occurs when forecast spending in any future year exceeds the cap; actual spending is not assessed against the cap. The welfare cap is therefore a control on changes to government spending plans, while still allowing in-year spending to vary in response to demand and entitlements.

In our report on [Managing the welfare cap](#) (April 2016) we found that the cap has increased departments' oversight of spending on benefits and tax credits and that the coverage of the cap is clear and takes into account different factors affecting spending.

We identified several areas where analysis and forecasts could be improved:

- There is ambiguity in the way some changes in spending are classified.
- Interactions between benefits are not dealt with systematically.
- There is limited independent model review outside the Office for Budget Responsibility (OBR) process.
- Analysis and reporting of forecast uncertainty is limited.
- There is not always time for the OBR to review all the elements of the forecasts fully – in particular the government's policy costings – given the complicated reporting environment.

Our report [Welfare reform – lessons learned](#) (May 2015) concluded that DWP had accomplished a great deal in the previous five years, taking on an unprecedented number of reforms while cutting costs and managing a surge in demand following the economic downturn. It had shown that it could introduce and adapt programmes flexibly in the face of uncertainty. And it had continued to make progress in difficult major programmes despite early failings.

With continued pressure to reduce costs and improve services, DWP will not be able to revert to a slow incremental approach whenever it encounters problems, or to delay or reduce planned savings whenever it fails to plan for the uncertainty of assumptions. DWP has had to manage a broad and radical change programme, and learned some hard lessons with significant financial and human costs. It is important that DWP incorporates these lessons into an enhanced approach to managing change quickly and based on more developed forward planning and anticipation of risks.

At Autumn Statement 2015 the OBR assessed that the government had breached the cap

	2016-17 (£bn)	2017-18 (£bn)	2018-19 (£bn)	2019-20 (£bn)	2020-21 (£bn)
Welfare cap	115.2	114.6	114.0	113.5	114.9
Forecast at Autumn Statement 2015	119.2	117.7	115.9	115.3	117.1
Outcome	Cap not observed	Cap not observed	Cap not observed	Cap observed	Cap observed
Reason	Over cap due to policy decision	Over cap due to policy decision	Over cap due to policy decision but within 2% margin	Forecast change within 2% margin	Forecast change within 2% margin

Source: Office for Budget Responsibility, *Economic and fiscal outlook*, November 2015



Our audit of DWP's effectiveness and value for money *continued*

We reported on the value for money of DWP's management of [Contracted-out health and disability assessments](#) in January 2016. These assessments are central to DWP's welfare reform programme. We concluded that despite some progress, DWP had not yet achieved value for money in its management of assessment contracts.

We identified a number of improvements in DWP's management of these contracts. It had: increased its capacity for performance management; strengthened its oversight of performance; responded more quickly to performance issues; and managed contract transition smoothly.

However, problems remain. DWP continued to have an unclear approach to transferring risk and managing incentives. It has continued to set high targets and use assumptions without evidence of sufficient testing and challenge. And it does not yet have a strategy for contracting out assessments and risks damaging market interest.

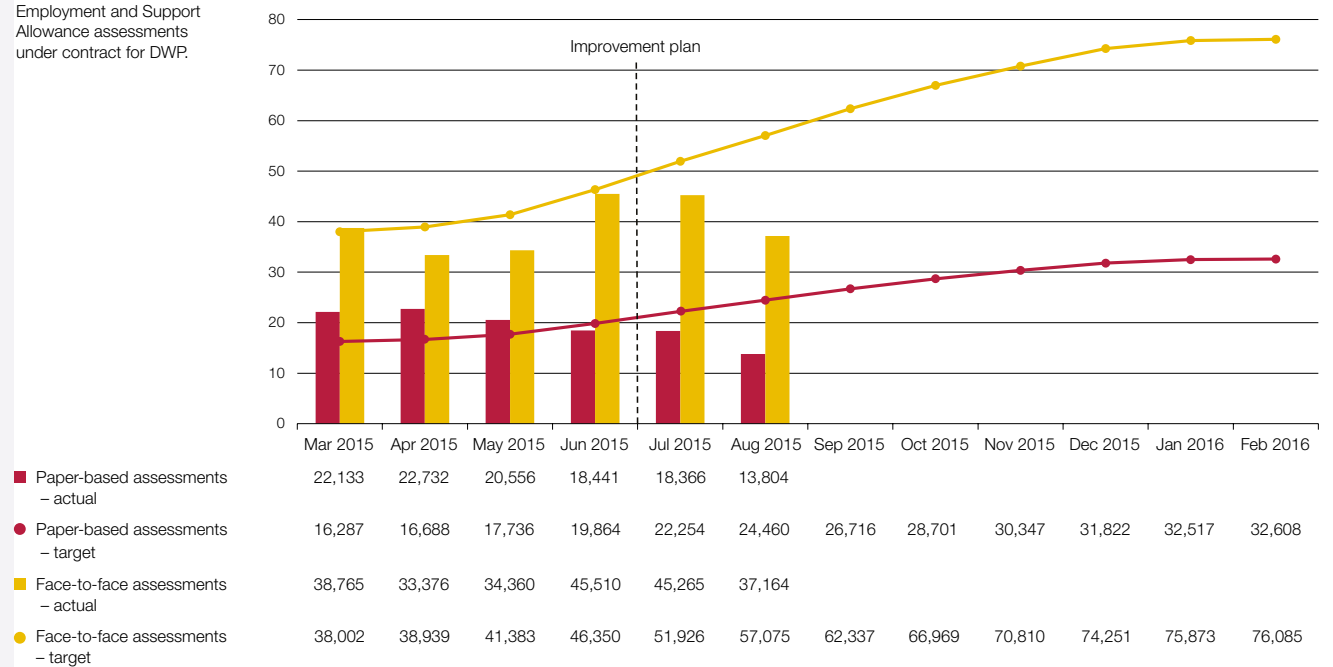
[Zoom In+](#)

Employment and Support allowance volumes: actual against target between March and August 2015

Centre for Health and Disability Assessments (CHDA) has struggled to meet volume targets since the start of the contract

The CHDA carried out Employment and Support Allowance assessments under contract for DWP.

Number of assessments (000)



Notes

- 1 Target volumes to June 2015 reflect those agreed in the initial contract. In June 2015, DWP and CHDA agreed to reduce the expected annual target volume from 1 million to 980,000 given a lower number of healthcare professionals transferred from the previous provider than the contractual assumption agreed by DWP and CHDA. In September 2015 they agreed to reduce the target number of paper-based assessments by 69,000, and therefore the overall target to 911,000, to complete proportionally more face-to-face assessments.
- 2 DWP did not apply volume-based service credits in the first three months of the contract. It did not alter the annual target so any shortfall across the start of the year would still be applied. CHDA forecast it will not complete the expected number of face-to-face or paper-based assessments and has communicated this to DWP.
- 3 DWP and CHDA agreed an improvement plan given lower than expected volumes.

Source: National Audit Office analysis of Departmental data

Independent assessments of DWP's performance

The [Infrastructure and Projects Authority](#) is the government's centre of expertise for project development, financing, assurance and support. Its purpose is the timely and cost-effective delivery of infrastructure and major government projects and programmes. The figure below shows a brief summary of DWP's major projects within the Government Major Projects Portfolio (GMPP) at September 2015.

Project	Description	IPA rating	Rating definitions
Automatic Enrolment Programme	This programme was set up to implement the government's workplace pension reforms. The overarching aim of the reforms is to get more people saving for their retirement.		<p> – Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible.</p>
Child Maintenance Group	The central premise of the government's vision is to support separated parents to work together and set up their own child maintenance arrangements.		
Fit for Work Programme ¹	Introduces a new Fit for Work service in England and Wales to help people in work with health conditions and to support effective management of sickness absence while abolishing the Percentage Threshold Scheme and Statutory Sick Pay record-keeping requirements.		<p> – 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.</p>
Fraud, Error and Debt Programme	The programme aims to improve DWP's ability to prevent, detect and respond to fraud and error, and to leverage the benefits from increased sharing of intelligence within DWP and across government organisations.		
New State Pension Project ¹	This project, working with HMRC, will introduce the new single state pension, and end both Savings Credit and the contracting-out from defined benefit pension schemes.		<p> – Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.</p>
Personal Independence Payment	The programme introduces the Personal Independence Payment, which replaces Disability Living Allowance for people aged 16-64. It is aimed at those in greatest need.		
Universal Credit Programme	The programme will merge six separate benefits and tax credits for working-age people bringing together in-work and out-of-work systems into one system to make work pay.		
Note			
1 These projects have since been delivered (Fit for Work, September 2015, and New State Pension, January 2016).			

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The C&AG's reports on fraud and error

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Independent assessments of DWP's performance

Independent assessments of DWP's performance *continued*

The [Independent Case Examiner](#) acts as an impartial referee to review complaints about certain government organisations that deal with benefits, work and financial support. In her most recent annual report on DWP the Examiner identified two areas for special focus:

- 1 The first was where a customer has particular needs and requires a reasonable adjustment to the usual process to be able to use a DWP service fully and well. While this is often achieved, there is opportunity for the businesses across DWP to be more aware of and responsive to an individual customer's particular needs.
- 2 Complaints against DWP usually, but not always, have been thoroughly and properly investigated but too often there have been shortcomings in the last step of the process – telling the customer what the findings have been.

The [Social Security Advisory Committee](#) published five occasional papers between April 2015 and July 2016.

- 1 Localisation and social security
- 2 Universal Credit: priorities for action
- 3 Bereavement benefit reform
- 4 Telephony in DWP and HMRC
- 5 Decision-making and mandatory reconsideration

The Committee is an independent statutory body that provides impartial advice on social security and related matters. It scrutinises most of the complex secondary legislation that underpins the social security system.

Major developments for 2016-17

DWP programmes and policies for 2016-17 (as set out in its 2015-16 Annual Report and Accounts)

- Replace the Work Programme with the **Work and Health programme** in 2017, increasing the focus on the synergies between work and health.
- Continue roll-out of **Universal Credit**. From May 2016 the full service is being delivered in phases. Since its Annual Report was published, DWP has announced roll-out will be complete by March 2022.
- Introduce a **Youth Obligation in Universal Credit** from 2017, which will include intensive support for 18 to 21 year olds to look for work when they first claim.
- Aim to have **work coaches** helping young people aged 12 to 18 to think about their future career aspirations, and make plans to realise them, in all districts in England by March 2017.
- Publish the **Life Chances strategy**, originally planned for July 2016, and report against it for the first time before March 2017. The strategy will set out a comprehensive plan to support disadvantaged children and extend opportunity. The strategy has not yet been published.

- Publish a [Green Paper](#) in 2016 that will set out plans to improve **support for people with health conditions and disabilities**, including exploring the roles of employers, and promoting integration across health and employment.
- Devolve a range of welfare powers to the **Scottish Parliament**. These cover a number of disability and carer's benefits, housing elements of Universal Credit, the regulated Social Fund and help with finding work. The powers are outlined in the Scotland Act 2016. DWP will also work on devolving powers to Wales and Northern Ireland.

DWP efficiency projects in 2016-17

- Improve service through the greater use of digital services and extend operating hours to better reflect the needs of customers and claimants.
- Deliver Capability Improvement Plan 2016-17, which includes new activities to build capability towards the DWP vision for 2020.
- Recruit up to 6,500 extra staff to help complete welfare reforms.
- Offer around 2,000 new apprenticeships.
- Establish future staffing and estate requirements to reflect the end of the contract covering many of DWP's buildings in 2018.



Pension protection

The House of Commons Work & Pensions and Business, Innovation and Skills Committees are jointly taking evidence on BHS as part of their respective inquiries into the [Pension Protection Fund and pension regulation](#) and [The sale and acquisition of BHS](#). The Committees are considering the growth in the BHS pension fund deficit and the sale of BHS to Retail Acquisitions Ltd. The reports of these inquiries, likely in 2016-17, are likely to have recommendations for DWP.

The DWP Single Departmental Plan: 2015 to 2020 (as updated September 2016)

Extract from NAO report: *Government's management of its performance: progress with single departmental plans*, July 2016

Clarifying accountabilities in DWP

As part of developing its Single Departmental Plan, DWP developed outcome-based objectives. It has worked to understand the relationship between its inputs, outputs, processes, change programmes and risks with these key outcomes. It has also updated its internal performance reporting around this model, to ensure responsibilities and accountabilities are fully aligned.

DWP believes this enables the accounting officer to have “the right conversations with the right people” and has caused a change in behaviour among senior managers. There is a more open discussion about problems and more collective ownership. Although there may be one lead, the contributory role of other teams is now more transparent. DWP feels this will lead to more joined-up discussions, for example about reallocating resources internally.

DWP may have to update its Single Departmental Plan in response to **Brexit**. The most likely impacts will relate to eligibility for benefits for EU citizens in the UK and identifying funding for programmes currently funded by the European Social Fund.

Single Departmental Plan objective

Run an effective welfare system that enables people to achieve financial independence by providing assistance and guidance into employment

Increase saving for, and security in, later life

Create a fair and affordable welfare system which improves the life chances of children and of adults

Deliver outstanding services to our customers and claimants

Delivering efficiently: transforming the way we deliver our services to reduce costs and increase efficiency

Progress measures as set out in the Single Departmental Plan

- UK employment rate: 74.5% between April and June 2016
- Employment rate for disabled people: 47.9% between April and June 2016
- Percentage of young people not in full-time education in employment: 76.2% between April and June 2016
- Number of people on key out-of-work benefits: 3.76 million in February 2016
- Pension scheme membership: 15.1 million eligible employees in a pension scheme
- Percentage of pensioners with a low income: 14% in financial year 2014 to 2015
- Forecast welfare spending within the welfare cap: The OBR assessment at Autumn Statement 2015 was that the welfare cap will be met in financial year 2019-20 and financial year 2020-21, although not in earlier years.
- Percentage of children living in workless households: 11% in April to June 2016
- Customer and claimant satisfaction of DWP services: 84% overall customer satisfaction rating, in financial year 2015-16
- Benefits processed within planned timescales: 90% of key out-of-work benefits processed within agreed timescales, in financial year 2015-16
- Net benefit overpayments as a percentage of overall benefit expenditure: 1.2% in 2015-16 (estimated)
- Progress against the ambition to reduce Departmental Expenditure Limit expenditure of 14% in real terms will be published in DWP's Annual Report and Accounts.

Workforce capability

Why this subject matters

To ensure standards of public service are maintained, major projects are delivered and cost reductions are sustainable, all departments must progress faster to develop strategic workforce plans that are integral to the way departments function, reflect our diverse society and ensure they recruit or develop the critical skills they need.¹

Strategic workforce planning – minimising the ‘capability gap’

Like any organisation, government needs to have the right people in the right place at the right time and at the right cost to carry out all that it needs to do. Strategic workforce planning is an ongoing process through which an organisation aligns its workforce – its capability – with its priorities to enable it to meet its legislative, regulatory or service requirements as well as its organisational objectives. Planning in this way helps departments identify whether they have a ‘capability gap’, such as a lack of staff with specialist skills. The NAO’s work to date has found that in general departments are weak at strategic workforce planning and departments often lack comprehensive and reliable information on workforce skills.

What DWP has been doing:

- Developed industry-led contract management training and delivered to key commercial staff.
- Delivering comprehensive commercial training to all its senior civil servants.
- Delivered DWP Digital Academy learning to more than 2,300 people.
- Delivered its leadership development programme ‘Changing Futures’ to around 9,500 employees.
- Enrolled all its new directors managing major programmes in the Major Projects Leadership Academy to join the graduates already in place on its biggest programmes.

Diversity, equality and inclusion

A diverse workforce that is made up of individuals with a wide range of characteristics and experiences and creating an inclusive and supportive work environment are vital to improving capability. The civil service needs a working environment in which staff are motivated, feel able to contribute and are confident that their talents will be used, regardless of their background or working style. The approach taken to diversity and inclusion is a sign of a department’s ability to implement workforce reforms. DWP published its own [Equality and diversity objectives and information](#).

Percentage of workforce (2015)	Civil service (%)	DWP (%)	Civil service engagement index (%) [overall = 58]	DWP engagement score (%) [overall = 56]
Women	54	68	58	61 (Men = 54)
Women in senior civil service grades	39	37	75	Unavailable
Minority ethnic	11	11	63	62 (White = 58)
People who have declared a disability	9	7	47	50 (No disability = 59)

Source: NAO analysis of Office for National Statistics and Civil Service People Survey 2015 data

¹ In 2015-16, the NAO published three cross-government reports relating to workforce capability – [Central government staff costs](#), [Diversity, equality, and inclusion in the civil service](#), [Use of consultants and temporary staff](#).

Workforce capability *continued*

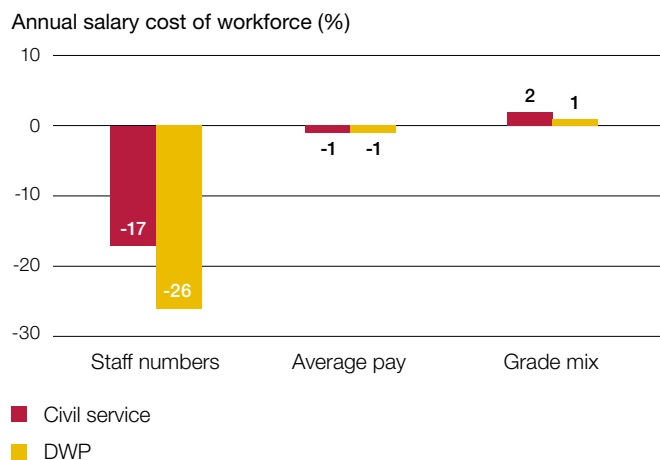
Changes in the workforce and its cost

Between 2010 and 2015 most departments reduced their staff numbers, and the number of civil servants (full-time equivalent) reduced by 18%, from 492,010 to 405,570. The DWP workforce decreased by 33%. The number of full-time equivalent people employed by DWP at 31 March 2015 was 81,310.

Between 2010 and 2014 DWP reduced its annual staff cost of its workforce by 27% (or £793 million). This reduction was achieved by reducing the numbers of staff (saving £755 million or 26%) and average salaries (saving £38 million or 1%).

Contained within these figures was a £41 million cost (1% of salary cost) resulting from an increase in the seniority of DWP's grade mix.

Factors' effects on annual salary cost of workforce (%), 2010–2014



Source: Comptroller and Auditor General, *Central government staff costs*, Session 2015-16, HC 79, National Audit Office, June 2015

Use of consultants and temporary staff

Consultants and temporary staff can be an important source of capability for departments that are transforming how they do business. However, they can be twice as expensive as permanent staff. Departments need to use strategic workforce planning to drive down their dependency on consultants and temporary staff.

Of the 17 main departments, DWP spent the third least on consultants and temporary staff as a proportion of its permanent staff payroll costs (which were £2,724 million in 2014-15). It spent the equivalent of 2% of these payroll costs on temporary staff and 0% on consultants.

Major developments for 2016-17

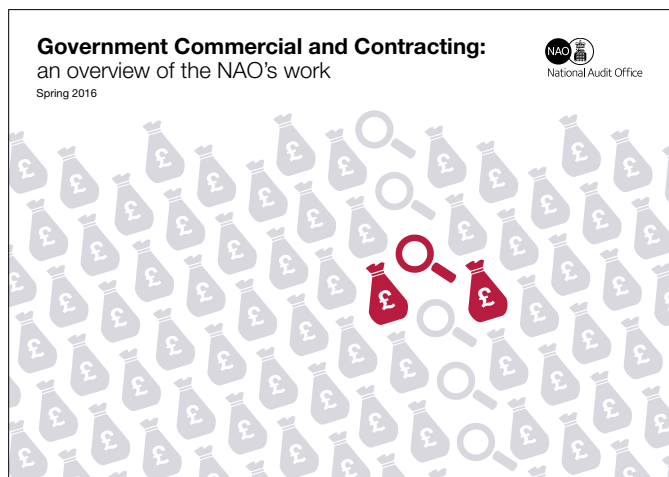
The DWP Single Departmental Plan: 2015 to 2020

Workforce capability

Key developments in commercial and contracting

Digital transformation – what's happening at DWP

Key developments in commercial and contracting



NAO Commercial overview

In spring 2016 the NAO published an [overview](#) of the six themes we see government facing in its management of commercial relationships. These include capability, managing service delivery, accountability, transparency, managing markets and using new commercial models.

The main implication for departments, other than a general need to improve the management of commercial relationships, is the need to improve commercial capability and to work across departments to act as one customer.

Commercial capability

Commercial capability remained government's number one priority for the civil service in 2015-16. The Cabinet Office led a programme of Commercial Capability Reviews across major departments, which were completed in spring 2015 with monthly updates since. The Cabinet Office summarised the common themes across the reviews in its [progress report](#) to the Committee of Public Accounts in December 2015. These are summarised in the figure on page 20.

In particular, DWP:

- ran a 2-day training course for 10 of their senior contract owners to raise awareness of managing contracts and ensuring commercial arrangements meet DWP's objectives;
- will pioneer the roll-out approach [of open book contract management] through a cross-functional Centre of Excellence sponsored by the Commercial and Finance directors;
- has implemented a model where the people who procure the service go on to manage the contract, thus ensuring there is continuity and ownership of the contract objectives;

- required senior contract owners to form a community that is able to share best practice and discuss capability needs; and
- held a 'Commercial Week' in October 2015 initially reaching more than 600 individuals who benefited from master classes on topics such as procurement, contract management and open book accounting.

The Cabinet Office's progress report also set out how departments would be producing commercial 'blueprints' in 2016. These will set out the commercial capabilities and structures departments need, and plans for delivering that capability. They are expected to be endorsed by department boards.

The government's response to the [Committee of Public Accounts report](#) announced the establishment of the Government Commercial Organisation, which will be a single employer for senior commercial staff across government. Staff are transferring in 2016. In its response, Cabinet Office highlighted DWP as one of three departments that have made significant progress.

Major developments for 2016-17

The DWP Single Departmental Plan: 2015 to 2020

Workforce capability

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Key developments in commercial and contracting *continued*

Upcoming activity in DWP

DWP's PRIME PFI contract with Telereal Trillium, which covers the majority of the DWP estate, ends in 2018. DWP will have to negotiate around 800 new leases in 2016.

Common themes from 2015 Commercial Capability Reviews

The need to increase the number of senior experienced commercial staff and reduce the need for less-skilled junior staff;

The need to reduce the high vacancy levels in key commercial functions, through increasing the appeal of the commercial profession in government;

Ensuring clear lines of accountability for commercial decision-making in all departments, to board- and permanent secretary-level;

Improving the commercial skills and awareness of non-specialist policy officials, particularly in contract management settings;

Refocusing of commercial capability away from the procurement process and redirecting commercial resource towards crucial market-shaping and contract management activities; and

Improved coordination of commercial resources across government to direct commercial expertise towards high-risk and high-demand programmes.

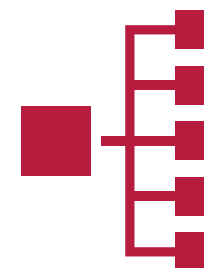
Source: Cabinet Office written evidence to Committee of Public Accounts, December 2015

Government as one customer

Government has recognised that it needs to act as one customer to exploit its buying power in the market. The system of central Crown Representatives continues to develop, while we are also seeing government pursuing central approaches through the Crown Commercial Service (CCS) and expansion of shared services. Both present challenges for departments to manage.

The CCS aims to get better value for money from some £15 billion of common goods and services by centralising the buying and management of these activities across all departments. At the end of 2015 seven departments, including DWP, had transferred £2 billion of spending to CCS. Previous NAO reports have highlighted issues government needs to manage including getting clarity on the operating model for the centre of government and departments to allow departments to determine how their own commercial functions should operate. The NAO will report on the CCS later in 2016.

In 2016 we also published a report on [Shared service centres](#) which, while critical of the Cabinet Office's leadership of the programme, also warned that departments need to show collaborative and flexible behaviours if the programme is to succeed.



Major developments for 2016-17

The DWP Single Departmental Plan: 2015 to 2020

Workforce capability

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Digital transformation – what's happening at DWP

Digital transformation – what's happening at DWP

What DWP is doing (from the Single Departmental Plan 2015-20)

Current digital activities focus on redesigning services and working across Departments:

- Welfare: Universal Credit: building the live (digital) service; Carer's allowance; Tax Credits and Tax-free Childcare (with HMRC and National Savings and Investments (NS&I))
- Pensions: Automatic enrolment; pensions tracing; digital pensions statement, pensions advisory service; new State Pension

Single Departmental Plan digital priorities include:

- increasing the use of digital services;
- building technical capabilities within a smaller workforce;
- harnessing data and analytics; and
- using cross-government platforms where it makes sense.

[DWP Single Departmental Plan 2015 to 2020](#)

Key people in digital at DWP

- Mayank Prakash, Director General Technology
- Anthony Brigginsshaw, Director Digital Services

The main departments/operational areas for digital are:

- Architecture and security
- Technology incubator and tech labs
- Business transformation including Universal Credit

Digital initiatives to develop capability include

- The Digital Academy
- Apprenticeships
- External recruitment at all levels including leadership roles



Digital transformation – what's happening at DWP *continued*

Risk assessment of major transformation projects



- Universal Credit
- New State Pension
- Personal Independence Payments (PIP)
- Child Maintenance

Ref: www.gov.uk/government/publications/infrastructure-and-projects-authority-annual-report-2016

Rating definitions

- – Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible.
- – 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.
- – Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.

General trends in digital across government:

Business-wide transformation. Departments are having to think beyond specific projects and consider their longer-term operating models and the transformation portfolios and programmes needed to implement them.

Data strategy. Departments will need to improve the internal use of data and exploit new techniques in analytics.

Cyber security and information assurance. As systems open up to the World Wide Web, departments need to respond to threats from attack and theft and assess the quality of information that may be outside their immediate control.

Legacy systems. Departments will have to address the difficult issues of the old generation of technology and systems.



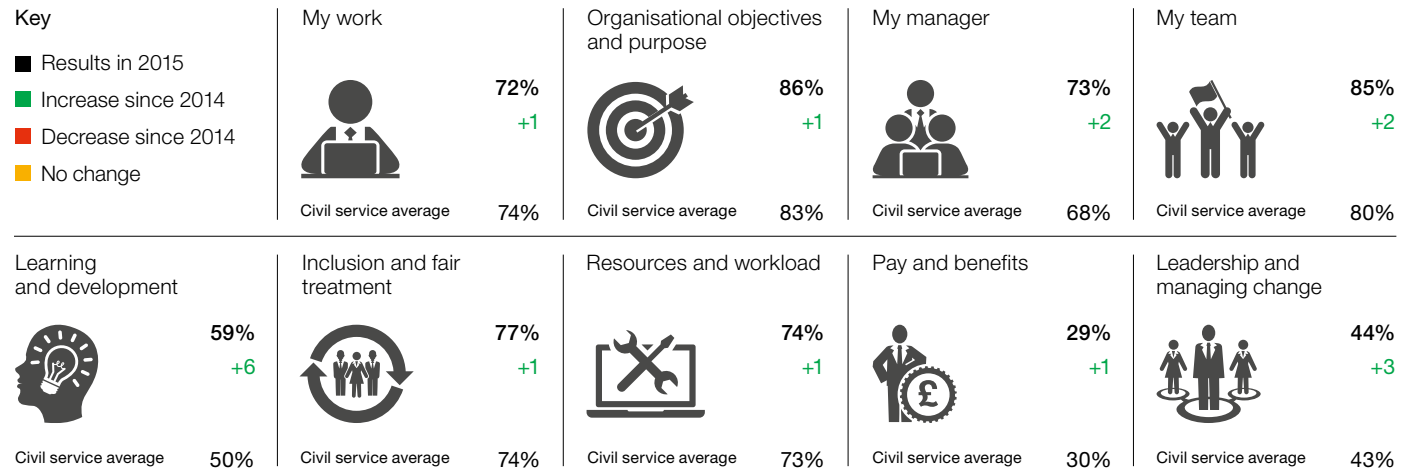
Transformation service delivery and ICT account for more than 60% of major projects

Staff attitudes and engagement

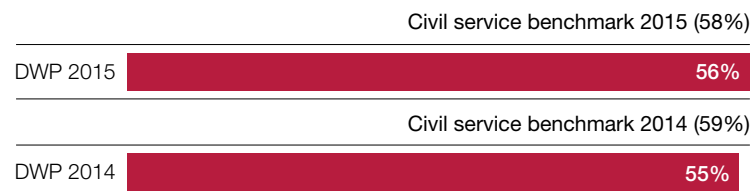
- The government conducted its [Civil Service People Survey](#) annually for the past five years, the most recent being carried out in 2015. The results are summarised in the table. DWP's response rate was 73%.
- All categories were up from the previous year. Learning and development showed the largest increase – up 6% from the previous year.
- In each category DWP recorded better results when compared to the civil service benchmark for 2015, except for the 'my work' and 'pay and benefits' themes.
- The employee engagement index measures an employee's emotional response to working for their organisation. The engagement index for DWP for 2015 was 56%. This was a 1% increase on the previous survey.

[Results of DWP People Survey 2015](#)

Attitudes of staff in 2015 compared with 2014 – Department for Work & Pensions



Engagement index 2015 and 2014



Sources: Civil Service People Survey 2015 and 2014

DWP's sponsored bodies

DWP has 12 arm's-length bodies (Note – the annual report does not list the Independent Case Examiner, but GOV.UK does)

- Following the exit of Remploy Employment Services to the private sector, the [Disabled People's Employment Corporation](#) manages its residual assets and liabilities.
- The [Health and Safety Executive](#) (HSE) is the national independent watchdog for work-related health, safety and illness. It acts in the public interest to reduce work-related death and serious injury across Great Britain's workplaces.
- The [National Employment Savings Trust \(NEST\) Corporation](#) is the trustee of the NEST occupational pension scheme. The scheme, which is run on a not-for-profit basis, ensures that all employers have access to suitable, low-charge pension provision to meet their new duty to enrol all eligible workers into a workplace pension automatically.
- The [Pensions Advisory Service](#) (TPAS) gives information and guidance to members of the public on state, company and personal pensions. It helps any member of the public who has a problem with their occupational or private pension arrangement.
- The [Pensions Regulator](#) (TPR) is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.
- The [Industrial Injuries Advisory Council](#) (IIAC) is an independent scientific advisory body that looks at industrial injuries benefit and how it is administered.
- The [Social Security Advisory Committee](#) (SSAC) is an independent statutory body that provides impartial advice on social security and related matters. It scrutinises most of the complex secondary legislation that underpins the social security system.
- The [Pension Protection Fund Ombudsman](#) has legal powers to settle complaints and disputes.
- The [Pensions Ombudsman](#) (PO) impartially investigates complaints from members of pension schemes (including personal pensions) or their beneficiaries, employers or trustees.
- The [Office for Nuclear Regulation](#) is responsible for regulation of nuclear safety and security across the UK.
- The [Pension Protection Fund](#) (PPF) pays compensation to members of eligible defined benefit pension schemes when there is a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.
- The [Independent Case Examiner](#) reviews complaints about certain government organisations that deal with benefits, work and financial support.

Relevant National Audit Office publications

- C&AG report on accounts starts at page 137 here:
[Department for Work & Pensions Annual Report and Accounts 2015-16](#)

Value-for-money reports:

- [Welfare reform – lessons learned](#) 29 May 2015
- [Fraud and error stocktake](#) 21 July 2015
- [Automatic enrolment to workplace pensions](#)
4 November 2015
- [Contracted-out Health and Disability Assessments](#)
8 January 2016
- [Impact of state pension reforms on people with Guaranteed Minimum Pension](#) 24 March 2016
- [Investigation into misuse of the Flexible Support Fund in Plaistow](#) 8 July 2016