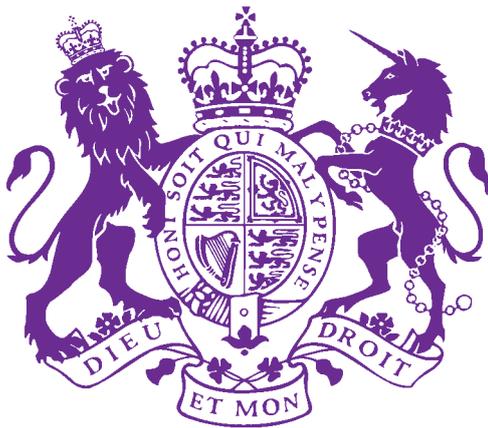




# Departmental Report **2007**

This document is part of a series of Departmental Reports (Cm 7091 to Cm 7117) which, along with the Main Estimates 2007-08, the document Public Expenditure Statistical Analyses 2007 and the Supplementary Budgetary Information 2007-08 present the government's expenditure plans for 2007 to 2008, and comparative outturn data for prior years.



# Department for Work and Pensions Departmental Report 2007

Presented to Parliament by the Secretary of State for Work  
and Pensions by Command of Her Majesty  
May 2007

Cm 7105

London: The Stationery Office

£25.00

© Crown Copyright 2007

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to:  
The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich, NR3 1BQ.  
Fax: 01603 723000 or e-mail: [licensing@cabinet-office.x.gsi.gov.uk](mailto:licensing@cabinet-office.x.gsi.gov.uk)

# Contents

Foreword from the Secretary of State	1
The Department's Ministers	2
Chapter One – Introduction and overview	4
Chapter Two – The Department's objectives and strategy	18
Chapter Three: Performance against PSA targets	26
Part 1: Children	31
Part 2: Employment and well-being at work	41
Part 3: Security in retirement	56
Part 4: Disabled people	60
Part 5: Quality of service delivery	64
Part 6: The Efficiency Challenge	71
Ongoing target from the Comprehensive Spending Review 1998	74
Chapter Four – Corporate and shared services	76
Human Resources	77
Finance	80
Shared Services	83
Information Technology and Programme Management	84
Chapter Five – Other areas of public interest	88
Extension of the Financial Assistance Scheme	89
Better regulation	89
Sustainable development	92
International relations	94
Ministerial correspondence with members of the public	95
Citizen redress	95
Communications and marketing	95
Sponsorship	97
Consultancy and staff substitutes/interims	97
Public Accounts Committee recommendations	98
Annexes	100
Annex A – Expenditure tables	101
Annex B – Trends in benefit expenditure from 2001-02 to 2007-08	126
Annex C – How the Department is organised	131
Annex D – The Department for Work and Pensions' agencies and Non-Departmental Public Bodies	133

## Table of Figures

Figure 1 Summary of performance towards all PSA targets	28
Figure 2 Children in relative low-income households before housing costs	32
Figure 3 Proportion of children living in workless households – 2008 trajectory	34
Figure 4 Proportion of parents with care on Income Support/Jobseeker's Allowance in receipt of maintenance	36
Figure 5 Ofsted-registered childcare places in England	39
Figure 6 UK employment and unemployment 1971-2006	42
Figure 7 Employment rates of lone parents, GB (overall) and SR04 target	43
Figure 8 Employment rate of ethnic minorities, GB overall rate and the gap between the two	44
Figure 9 Employment rate of older workers, GB overall rate and the gap between the two	46
Figure 10 Employment rate, gap with the overall rate and projections for the lowest qualified	47
Figure 11 Employment rate for the 903 local authority wards with the poorest initial labour market position, overall rate and the gap between the two	49
Figure 12 Occupational health and safety sub-targets and performance	51
Figure 13 Major hazards sub-targets and performance	52
Figure 14 Nuclear Safety System Challenges	54
Figure 15 Offshore Hydrocarbon Releases; Major and Significant	53
Figure 16 Reportable dangerous occurrences in the onshore/chemical industry	54
Figure 17 Number of pension forecasts issued since April 2005	58
Figure 18 Number of successful pension traces 2006-07	59
Figure 19 The general population's awareness of the Disability Discrimination Act	61
Figure 20 Employment rate for disabled people and the gap with the overall rate	62
Figure 21 Average number of days taken to process a new Housing Benefit/ Council Tax Benefit claim	65
Figure 22 Levels of fraud, customer and official error in Income Support and Jobseeker's Allowance	68
Figure 23 Reduction in the proportion of Housing Benefit overpaid	69
Figure 24 Progress against the efficiency targets	72
Figure 25 Progress against equality targets	79
Figure 26 Investment plans from 2005 to 2008	81
Figure 27 The Department's key IT-enabled projects	86
Figure 28 Major publicity campaigns costing over £500,000 during 2006-07	96
Figure 29 Department for Work and Pensions expenditure (including VAT) on externally acquired staff resources	98
Figure 30 Benefit expenditure by objective (2007-08 prices)	126
Figure 31 Numbers in receipt of key benefits	127
Figure 32 How the Department for Work and Pensions is organised	132

## Foreword from the Secretary of State

The Department's objectives to eradicate child poverty, promote employment opportunity for all, and ensure pensioners have a secure retirement are some of the most challenging social ambitions ever set by government. Yet, as this report highlights, this year we have taken another significant step towards achieving these goals.

We have continued the transformation of welfare delivery, with a more professional, efficient and customer-focused service. The modernisation of the Jobcentre Plus office network is substantially complete; we are on track to extend the Pathways to Work programme across Great Britain by April 2008; the Pensions Transformation Programme has delivered successful simplifications to the benefit claims process; and over eighteen million pension forecasts have been issued to help people plan for their retirement.

These changes are making a real difference to people's lives here and now. The results are clear. There are now two and a half million more people in work than in 1997, with the traditionally disadvantaged groups seeing a greater improvement in their employment rate than anyone else. Since 1997, the child poverty rate has fallen faster than in any other EU country and over three million pensioners are receiving their entitlement to Pension Credit.

But this year we have also laid the foundations for the future.

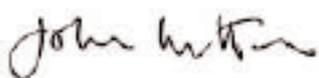
The Welfare Reform Act marks an historic step forward in the promotion of employment opportunity for all; while the report I commissioned from David Freud has provided the foundation for a renewed welfare-to-work policy and delivery strategy which will meet the challenges of the next decade in reaching out to those who remain furthest from the labour market.

The Pensions Bill has cemented a consensus around a sustainable, affordable and trusted pensions settlement that will enable both current and future generations to save for a long and healthy retirement.

And our proposals for a radically new child maintenance system will help address child poverty more effectively, empowering parents to take responsibility for making their own arrangements and replacing the existing Child Support Agency with a new organisation, the Child Maintenance and Enforcement Commission (C-MEC).

The progress we have made is a reflection of the dedication and professionalism of our staff and the new and wider partnerships they have built with all those who share our commitment to delivering the targets in this report.

We must now go further in building on this progress and making the long-term changes which will allow us ultimately to meet these targets and achieve a truly fair and inclusive society with equality and social justice for all.



**John Hutton**

Secretary of State for Work and Pensions

## The Department's Ministers



**The Right Honourable John Hutton MP**  
Secretary of State for Work and Pensions



**Jim Murphy MP**  
Minister for  
Employment and  
Welfare Reform



**James Purnell MP**  
Minister for Pensions  
Reform



**James Plaskitt MP**  
Parliamentary Under  
Secretary (Commons)



**Lord McKenzie of Luton**  
Parliamentary Under  
Secretary (Lords)



**Anne McGuire MP**  
Parliamentary Under  
Secretary (Commons)  
and Minister for  
Disabled People

## The Cabinet Secretary's Awards for Outstanding Performance

In 2006-2007 the Department emerged exceptionally well from the first ever 'Whitehall and Westminster World' Civil Service Awards – designed to celebrate excellence in the Civil Service – by winning both the outstanding team and outstanding individual awards.

The Disability and Carers Service Contact and Processing Unit won the Cabinet Secretary's Team Award for Outstanding Achievement for transforming their helpline into a beacon of excellence for all public services.

Sorwar Ahmed (a call centre agent for The Pension Service) won the Cabinet Secretary's Individual Award for Outstanding Achievement. Sorwar was commended for an exemplary level of service both to his customers and his colleagues.



DCS Contact and Processing Unit



Sorwar Ahmed

# Chapter 1

# Introduction and overview



# What do we do?

The Department for Work and Pensions provides opportunities for millions of people.

We help people to find jobs, help children out of poverty, support those out of work, provide security in retirement, strive to advance the rights of disabled people and improve health and safety in the workplace.

Here are a few examples of what we have been doing to meet our objectives in 2006-07.



## Work

### Our Objective

“Promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need.”

### Key Events

- The Welfare Reform Bill was introduced, containing a series of reforms that will enable people to escape poverty, fulfil their potential and strengthen their independence by coming off benefit and moving into work.
- A major review of the welfare system was undertaken by David Freud, setting out strategies for helping the most disadvantaged return to and stay in work.
- Modernisation of the Jobcentre Plus office network was substantially completed, offering customers a much more professional and welcoming environment.
- The Pathways to Work service was extended to support 40 per cent of new and repeat Incapacity Benefit customers, helping them to overcome barriers to work.



## Children

### Our Objective

“Ensure the best start for all children and end child poverty by 2020.”

### Key Events

- The Child Support Agency launched an Operational Improvement Plan to ensure more effective collection and payment of child support.
- Sir David Henshaw was tasked with carrying out a fundamental redesign of child support.
- Significant progress was made towards eradicating child poverty.
- DWP worked with the Department for Education and Skills to implement a national strategy to increase access to childcare.



## Pensions

### Our Objective

“Combat poverty and promote security and independence in retirement for today’s and tomorrow’s pensioners.”

### Key Events

- The Pensions Bill, setting out reforms which aim to make the State Pension fairer, simpler, more generous and more widely available, was introduced in Parliament.
- The White Paper *Personal Accounts: a new way to save* was published, bringing progress towards establishing a low-cost savings vehicle for millions of people.
- The Pension Transformation Programme made claiming State Pension, Pension Credit, Housing Benefit and Council Tax Benefit possible in a single call.
- The Pension Service has issued 18.8 million individuals with a pension forecast since April 2005. The target of issuing forecasts to 15.4 million individuals was reached in July 2006.



## Disability

### Our Objective

“Improve rights and opportunities for disabled people in a fair and inclusive society”

### Key Events

- The Disability Equality Duty was introduced in December 2006.
- Equality 2025, the UK Advisory Network on Disability Equality, was launched.
- Work has continued on cross-government projects, such as the Independent Living Review and the Individual Budget pilots.
- The UN Convention on Disability Rights was signed in March 2007.



## Fraud and error

### Our Objective

“Ensure customers receive a high quality service, including levels of accuracy.”

### Key Events

- The target of reducing fraud and error in Income Support and Jobseeker’s Allowance by 50 per cent since 1997 was achieved.
- An Official Error Taskforce was established, correcting more than £1 million of official error a week by December 2006.
- The Department’s blueprint to significantly reduce benefit error was mapped out in *Getting welfare right: Tackling error in the benefits system*, with savings of £1 billion estimated up to 2012.
- A £6.8 million anti-fraud campaign, Targeting Benefit Thieves, was implemented across the UK.



## Health and Safety

### Our Objective

“By 2008 improve health and safety outcomes in Great Britain through progressive improvement in the control of risk in the workplace”

### Key Events

- HSC launched a consultation on a proposal to merge the Health and Safety Commission and Executive into a single body.
- HSE continued to work with the DWP and the Department of Health to implement the Health, Work and Well-being strategy.
- HSE conducted a joint investigation with the Environment Agency into the Buncefield incident. HSE is now working with industry to implement the investigation’s emerging recommendations.
- The Sensible Risk principles and accompanying media campaign urged people to focus on real risks that cause harm and suffering.
- HSE conducted the 2006 Better Backs campaign, featuring tips and advice on how to reduce the risks of back pain at work and stay active if it occurs.

## Our Information Technology

### We continue to make the best use of technology to deliver our services...

- We have made progress on more than 90 Information Technology improvement projects as part of an overall £6 billion modernisation programme from 2003-2008.
- Since March 2006 it has been possible to claim Carer's Allowance and Child Maintenance online.
- New technology and telephone systems have enabled the introduction of 36 Jobcentre Plus benefit delivery centres, with a further 41 planned by March 2008. In September 2004 benefit processing took place in around 650 centres.
- The Jobcentre Plus job finding site – [www.jobcentreplus.gov.uk](http://www.jobcentreplus.gov.uk) – handles more than 4 million job searches every week, making it the UK's number one recruitment website.
- 98 per cent of benefit payments now go directly into our customers' bank or building society accounts, which means reduced fraud and lower cost to the taxpayer.

## Our People

### We continue to benefit from skilled, caring and committed staff.

“One of the most rewarding things is seeing people getting back to work and taking control of their life again. It’s often a slow and gradual process, but the idea with Pathways is that we are there to support people for as long as it takes.”

**Ian Black, an Incapacity Benefit Adviser with Jobcentre Plus in Bolsover**

“People in the city can feel isolated, especially when they lose that network of family and friends. Our message is that no older person should feel alone or hesitate to ask for help – we are always on hand to listen.”

**Mina Chandarana, a Customer Liaison Manager with the Leicestershire Pension Service**

“For many people it’s not always easy to overcome the barriers that stand in the way of a return to work – they may need help finding childcare, training to update their skills or just someone who can talk through their concerns. It’s great to celebrate the success of the New Deal programme with someone who has so clearly benefited from what it has to offer.”

**Wendy Wiggett, a manager with Jobcentre Plus in the West Midlands**

“If you put people at the heart of your business, it’s amazing what you can achieve.”

**Martin Moore, a manager with the Disability and Carers Service in Blackpool**

## Our Values



We aim to deliver the best possible service for the people who rely on us. That's why our four Values are Achieving the Best, Respecting People, Making a Difference and Looking Outwards.

But what do the people we help think of our work?

"I just never dreamt that Pension Credit was available for someone like me. It has made a really big difference to my life. The people at the Pension Service do such a good job."

**Marion Biddles, Leicester**

"I was finding it hard to get work but the advisers at the local Jobcentre Plus were fantastic. They made things happen for me – I've now got a job I love and am bringing in money to support my family."

**Mark Trickett, Burnley**

"The relationship we've built up with Jobcentre Plus has been key. They understand our business and know what we're looking for in our staff. We were really impressed with the level of service we received."

**Alan Smith, North East employer**

# Moving Forward

But we know there is more that we can do. That's why in the future we will, amongst many other things:

- continue work to support the transition to the new Commission for Equality and Human Rights;
- extend Pathways to Work through contracts with external provider organisations; providers will be responsible for delivering Pathways to Work to about 60 per cent of new and repeat Incapacity Benefit customers by April 2008;
- prepare for the delivery of the new Employment and Support Allowance in October 2008, supporting people with a health condition or disability;
- continue to tackle child poverty by, for example, extending our personal adviser support to more lone parents, offering advice on formal childcare, and introducing extended in-work financial support;
- complete the introduction of benefit centres in Jobcentre Plus, together with other improvements, which will enable claims to be dealt with more promptly and accurately; and
- continue with our pensions reform programme, tabling a second Pensions Bill on personal accounts and establishing a Personal Accounts Delivery Authority to implement the new accounts.

## Improving Performance, Adding Value

We have pledged to deliver an annual five per cent real-terms reduction from 2008-09 to 2010-11 across all of our administrative and programme budgets.

- We have already made excellent progress, and are on course to exceed our March 2008 efficiency savings target of £960 million a year. This puts us in a strong position as we make the transition into the next spending review period.
- We will continue to implement our Skills Strategy, developing a capable and flexible workforce with the skills and abilities to meet our current and future business requirements.
- We will develop leadership capabilities to help us to grow inspirational and effective leaders with the ability and confidence to lead transformational change.
- We are changing our staff appraisal system to reinforce a culture where performance is valued, delivered and recognised.
- We will continue with our flexible retirement policy, having become the first Government Department to remove an upper retirement age for our staff.



## Chapter 2

## The Department's objectives and strategy

## Aim and Objectives

1. The Department for Work and Pensions exists to promote opportunity and independence for all. It provides help to individuals and supports the country's economic growth and social cohesion.

2. The Department helps individuals to achieve their potential through employment, to provide for themselves, their children and their future retirement. It works with others to combat poverty, both of aspiration and outcome.

3. The Department set out its strategic objectives in its Five Year Strategy *Opportunity and security throughout life*<sup>1</sup> (Cm 6447 February 2005). These are to:

- ensure the best start for all children and end child poverty by 2020;
- promote work as the best form of welfare for people of working age<sup>2</sup>, while protecting the position of those in greatest need;
- combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners;
- improve rights and opportunities for disabled people in a fair and inclusive society; and
- ensure customers receive a high quality service, including high levels of accuracy.

## Progress towards these objectives in 2006-07

### Ensuring the best start for all children and ending child poverty by 2020

4. In November 2006, the Department published the Harker report *Delivering on Child Poverty: what would it take?* (Cm 6951)<sup>3</sup>. Following this, in March 2007, the Department published its refreshed strategy *Working for Children* (Cm 7067)<sup>4</sup>. This shows that there are now 600,000 fewer children living in relative poverty than in 1998-99, and instead of having the worst child poverty rate in Europe, the UK is now close to the European average. However, much remains to be done and the Department will continue to tackle child poverty by helping more lone parents to find and stay in work, developing further its services for families and ensuring that families receive all the financial help to which they are entitled.

5. An effective child maintenance system that helps children achieve financial security is integral to achieving the Government's objectives. Sir David Henshaw's report *Recovering Child Support: routes to responsibility* (Cm 6894 July 2006)<sup>5</sup> set out proposals for fundamental reform of the child maintenance system. The Government's initial response *A fresh start: child support redesign* (Cm 6895)<sup>6</sup>, was published at the same time.

1 [www.dwp.gov.uk/publications/dwp/2005/5\\_yr\\_strat/](http://www.dwp.gov.uk/publications/dwp/2005/5_yr_strat/)

2 The Department's employment programmes and many of its initiatives do not have specific upper age eligibility limits. This recognises that people will increasingly wish to work up to age 65 and beyond.

3 [www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf](http://www.dwp.gov.uk/publications/dwp/2006/harker/harker-full.pdf)

4 [www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty.pdf](http://www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty.pdf)

5 [www.dwp.gov.uk/childmaintenance/pdfs/Henshaw\\_complete22\\_7.pdf](http://www.dwp.gov.uk/childmaintenance/pdfs/Henshaw_complete22_7.pdf)

6 [www.dwp.gov.uk/childmaintenance/pdfs/The\\_Government's\\_Response\\_to\\_Sir\\_David\\_Henshaw\\_24\\_07\\_06.pdf](http://www.dwp.gov.uk/childmaintenance/pdfs/The_Government's_Response_to_Sir_David_Henshaw_24_07_06.pdf)

6. The White Paper *A New System of Child Maintenance* (Cm 6979 December 2006)<sup>7</sup> accepted the majority of the Henshaw report's recommendations and built on them. It set out proposals for a new policy and delivery framework which would give parents more choice in their maintenance arrangements and would lift many more children out of poverty. It proposed that a new organisation, the Child Maintenance and Enforcement Commission, would replace the present Child Support Agency. Formal consultation on the report ended in March 2007.

#### Ensuring that work is seen as the best route out of poverty

7. Record employment levels have already been achieved and the Government has set an aspiration of 80 per cent employment. The Green Paper *A new deal for welfare: empowering people to work* (Cm 6730 January 2006)<sup>8</sup> set out how the Department proposed to make progress towards that aspiration. Following consultation and the publication of a response to that consultation<sup>9</sup> in June 2006, the Welfare Reform Bill was introduced in July 2006 to carry forward the reform programme. The Welfare Reform Act 2007 received Royal Assent in May 2007 and it contains two main reform measures. It replaces Incapacity Benefit with a new benefit, to be introduced from 2008, called the Employment and Support Allowance, building on the success of the Pathways to Work pilots to help support people back into work. The Act also provides powers for a national rollout of the Local Housing Allowance, empowering housing benefit recipients in the private rented

sector by making their entitlement transparent and giving direct payments to the customer.

8. The Government will also need to consider carefully the recommendations of the independent report by David Freud *Reducing Dependency, Increasing Opportunity: options for the future of welfare to work*<sup>10</sup> published in March 2007. The report recommends that, in order to achieve the aspiration of 80 per cent employment, welfare policy will need to focus even more on helping those furthest from the labour market back into work, particularly lone parents and those on incapacity benefits. It proposes a greater role for the private and voluntary sectors, with payment based on results, to help people move into, and stay in, work. In return for this, the report argues that there should be increased responsibilities on benefit claimants to look for work.

#### Sustaining the reductions in pensioner poverty and encouraging people to save for later life

9. Through The Pension Service the Department provides a dedicated public service specifically for pensioners and a source of valuable financial advice for those saving for retirement. The number of pensioners living in relative poverty has fallen by over one million since 1996-97.

10. The Department has recognised that more needs to be done to sustain these reductions in pensioner poverty and to encourage people to save for later life. It has begun radical reforms to pensions through the publication of two White Papers: *Security in Retirement: towards a*

7 [www.dwp.gov.uk/childmaintenance/csa\\_report.pdf](http://www.dwp.gov.uk/childmaintenance/csa_report.pdf)

8 [www.dwp.gov.uk/welfarereform/docs/A\\_new\\_deal\\_for\\_welfare-Empowering\\_people\\_to\\_work\\_Full\\_Document.pdf](http://www.dwp.gov.uk/welfarereform/docs/A_new_deal_for_welfare-Empowering_people_to_work_Full_Document.pdf)

9 [www.dwp.gov.uk/welfarereform/docs/welfare\\_reform\\_response.pdf](http://www.dwp.gov.uk/welfarereform/docs/welfare_reform_response.pdf)

10 [www.dwp.gov.uk/publications/dwp/2007/welfarereview.pdf](http://www.dwp.gov.uk/publications/dwp/2007/welfarereview.pdf)

*new pensions system* (Cm 6841 May 2006)<sup>11</sup> and *Personal Accounts: a new way to save* (Cm 6975 December 2006)<sup>12</sup>. A response to the consultation on the first paper<sup>13</sup> was published in October 2006 and consultation on the second paper finished in March 2007. The Government will publish its response at the earliest opportunity.

**11.** The Pensions Bill sets out reforms which aim to make the State Pension fairer and more widely available. It will also be made simpler and more generous through the re-linking of rises in the basic state pension to average earnings. The Bill also establishes the Personal Accounts Delivery authority which will initially advise Government on setting up the personal accounts scheme.

#### Improving the rights and opportunities of disabled people

**12.** The Department, which hosts the Government's Office for Disability Issues, has continued to work towards equality for disabled people through the implementation of the Disability Discrimination Act 2005, including the Disability Equality Duty which was introduced in December 2006. At the same time, Equality 2025, the UK Advisory Network on Disability Equality, was launched. The Department led the UK Delegation negotiating a new UN Convention on Disability Rights which was adopted in December 2006. In line with the recommendations of the Prime Minister's Strategy Unit report *Improving the Life Chances of Disabled People*<sup>14</sup>, work has continued on a range of cross-government projects to deliver better outcomes in priority areas, such as the

Independent Living Review, the Individual Budget pilots and the disability strand of the Department for Education and Skills/ HM Treasury Children and Young People Review. The Office for Disability Issues published its first annual report in July 2006<sup>15</sup>.

#### Continuing to improve the Department's delivery services

**13.** The Department has come a long way since its creation in 2001. At that time many more people were on benefits and a large number of them had no expectation of ever returning to employment. Then, disabled people had fewer rights, and fewer organisations made a positive effort to employ them. Efforts to improve the service to customers were often constrained by the way the Department was organised.

**14.** Customers can now increasingly expect a more personal service; fewer forms to fill in; a more welcoming and relaxed environment in most offices; and to look for jobs and receive their benefits through one organisation. And substantial progress has been made in refocusing strategies on pensions, child support and welfare reform. However the challenge for 2007-08 and beyond remains daunting. Further improvements to both customer service and efficiency need to be made to deliver the Department's objectives.

**15.** To help identify the key areas for further improvement the Department volunteered to be part of the first round of Departmental Capability Reviews sponsored by the Head of the Home Civil Service. These reviews aim to:

11 [www.dwp.gov.uk/pensionsreform/pdfs/white\\_paper\\_complete.pdf](http://www.dwp.gov.uk/pensionsreform/pdfs/white_paper_complete.pdf)

12 [www.dwp.gov.uk/pensionsreform/pdfs/PA\\_PersonalAccountsFull.pdf](http://www.dwp.gov.uk/pensionsreform/pdfs/PA_PersonalAccountsFull.pdf)

13 [www.dwp.gov.uk/pensionsreform/pdfs/pens\\_wp\\_response.pdf](http://www.dwp.gov.uk/pensionsreform/pdfs/pens_wp_response.pdf)

14 [www.cabinetoffice.gov.uk/strategy/work\\_areas/disability/index.asp](http://www.cabinetoffice.gov.uk/strategy/work_areas/disability/index.asp)

15 [www.officefordisability.gov.uk/docs/annual\\_report\\_06/pdfs/ar\\_main.pdf](http://www.officefordisability.gov.uk/docs/annual_report_06/pdfs/ar_main.pdf)

- improve the capability of the Civil Service to meet today's delivery objectives and be ready for the challenges of tomorrow;
- assure the public and ministers that the Civil Service leadership is equipped to develop and deliver departmental strategies; and
- help departments act on long-term key development areas and therefore provide assurance on future delivery.

**16.** The report on the Capability Review of the Department for Work and Pensions<sup>16</sup> was published in July 2006. The review team recognised the passion and commitment to delivery that the Department's front line staff bring to their work but observed that customer expectations are rising. The service being delivered can sometimes appear fragmented, requiring customers to approach the Department at different times and places for different services, often having to provide the same information twice. Meanwhile, efficiency pressures are growing, and the Capability Review highlighted the need for stronger leadership, learning and engagement across the Department to implement the necessary reforms.

#### Implementing a new business strategy

**17.** The Department's Executive Team reviewed its existing business strategy to address these issues and promote much stronger collective leadership from the very top of the Department. As a result the Department is now implementing a new business strategy – a blueprint for the next ten years – which will transform

the way that it delivers for customers. At the centre of the strategy is a new vision – 'Work, Welfare, Well-being, Well delivered'.

**18.** The strategy is based on six key principles (which are called the six "Cs"):

- Focusing on the **Customer**.
- **Continuous** improvement.
- Giving customers **Choice**.
- Extending **Contestability**.
- Establishing a clear distinction between our **Commissioning** and delivery roles.
- Developing our **Culture**.

#### Taking the strategy forward in 2007-08

**19.** Taking this strategy forward will be the key challenge in 2007-08. But 2007-08 is also an important year in other key respects. It is the final year of Spending Review 2004 and an important transition to the Spending Review 2007 period which will impose even greater demands on the Department.

**20.** Since the new business strategy was established the Department has:

- launched its continuous improvement programme using 'lean' business techniques, with the first implementation in Jobcentre Plus and the Disability and Carers Service;
- trialled a fundamental restructuring of delivery of Housing Benefit, Tax Credits and other benefits for people

of working age, jointly with HM Revenue and Customs in the North East of England;

- established a department-wide Customer Insight team;
- strengthened the breadth of experience of the top team with two appointments from outside the Department;
- accepted Whitehall leadership for DirectGov and Change of Circumstances transformation; and
- won both the outstanding individual and team awards in the first Civil Service national awards.

#### Simplifying the benefits system

**21.** Some of the difficulties which customers face in dealing with the Department are due to the complexity of the benefits system. In response to a National Audit Office report<sup>17</sup> which highlighted this issue, the Department set up a Benefit Simplification Unit in December 2005. The Unit's remit is to drive forward simplification across the benefits system, to challenge existing complexity and ensure that the benefits system operates in ways that customers and staff can understand.

**22.** The Unit's first priority was to produce a guide to best practice, ensuring that reduction of complexity is always considered before making policy or operational changes. The guide has, for the first time, brought together best practice in a succinct and accessible way. At the same time arrangements were put in place to ensure that simplification was

specifically addressed in all submissions to Ministers on benefit issues. The guide has been in use across the Department since May 2006<sup>18</sup>.

**23.** During 2006-07 the Unit has worked with internal and external stakeholders including the major voluntary organisations, the Social Security Advisory Committee, HM Revenue and Customs, and the Department's Better Regulation Unit and Official Error Task Force, to identify the main causes of complexity.

**24.** As a result, in 2006-07 the Department introduced a number of changes that simplified the system, including improving the social fund scheme, wholly or partly revoking over 200 statutory instruments introduced since the start of the Housing Benefit scheme in 1988, and aligning the treatment of income and capital across benefits.

**25.** There is now a real and tangible progress in simplifying both the benefit rules and delivery mechanisms. The December 2006 Pre-Budget Report and 2007 Budget announced a major set of simplification measures to working-age, carers, disability and housing benefits, including:

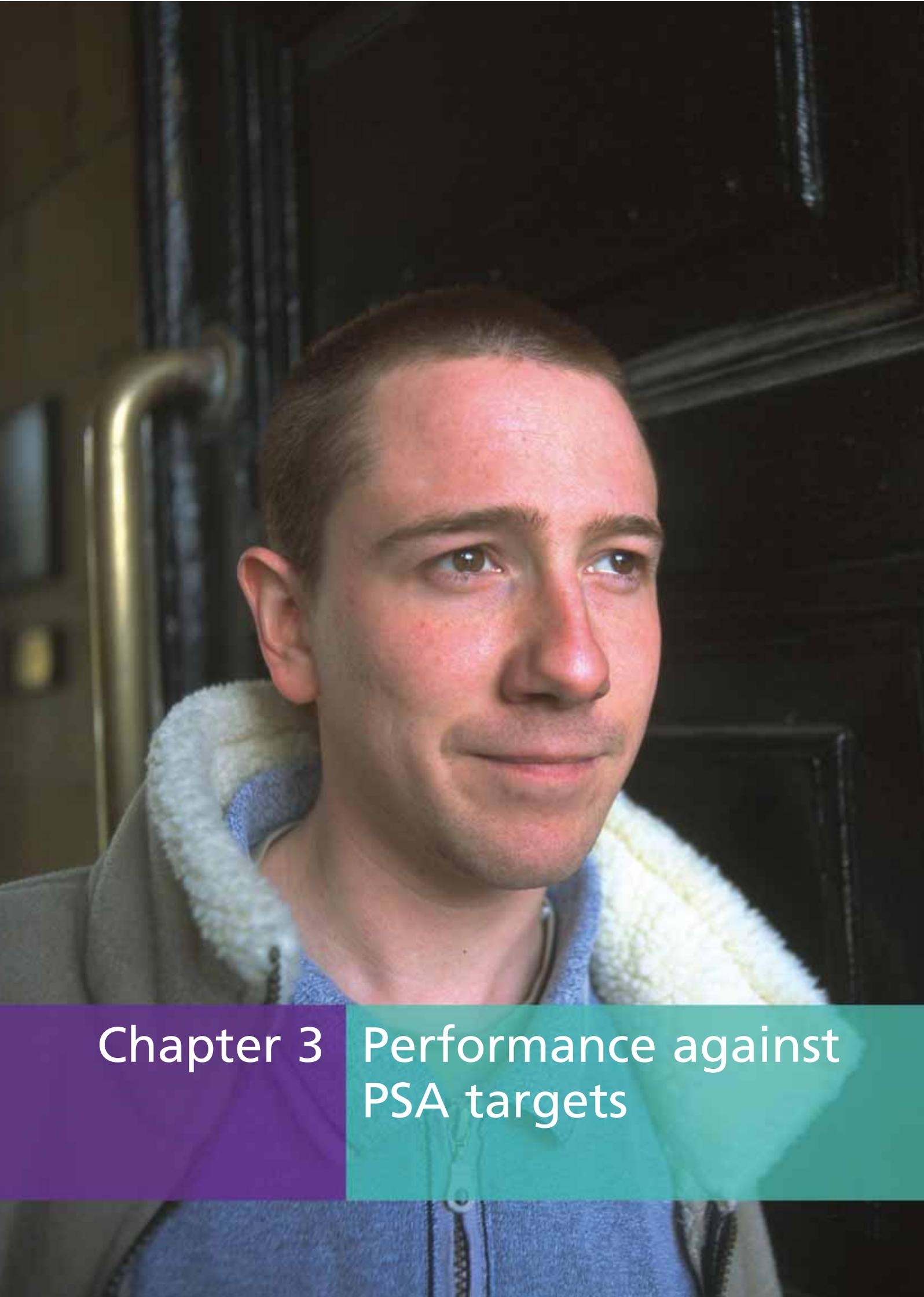
- an extension of Job Grant arrangements to Jobseeker's Allowance customers under the age of 25 years thus equalising the terms of the Job Grant for all working-age benefit recipients;
- the removal of Adult Dependency Increase in Carer's Allowance for new claims from 2010, thus increasing

<sup>17</sup> *Dealing with the complexity of the benefits system* (November 2005) [www.nao.org.uk/publications/nao\\_reports/05-06/0506592.pdf](http://www.nao.org.uk/publications/nao_reports/05-06/0506592.pdf)

<sup>18</sup> [www.dwp.gov.uk/publications/dwp/2006/simplification-guide-best-practice.pdf](http://www.dwp.gov.uk/publications/dwp/2006/simplification-guide-best-practice.pdf)

consistency in the system with the planned treatment of such increases within other benefits;

- disregarding compensation payments, such as holiday pay and pay in lieu of notice, in the final pay packet, which will lead to faster processing of claims and around 1.7 million fewer enquiries to employers each year;
- paying all Jobcentre Plus working-age benefits on a common pay day assigned to each individual, avoiding the confusion and extra work caused when customers change from one benefit to another;
- introducing a single rule for determining the date when Disability Living Allowance and Attendance Allowance claims start; and
- aligning the treatment of income from sub-tenants across the benefits system by introducing a flat-rate £20 disregard in Pension Credit and pension-age Housing Benefit and Council Tax Benefit.



## Chapter 3 Performance against PSA targets

26. This chapter gives an assessment of progress against each outstanding PSA target. It is structured around the 2004 Spending Review (SR2004) targets which came into effect in April 2005 and is set out in six parts:

- Part One – targets related to children (PSA 1, 2 and 3).
- Part Two – targets related to employment and safety in the workplace (PSA 4 and 5).
- Part Three – targets related to retirement (PSA 6 and 7).
- Part Four – target related to disabled people (PSA 8).

- Part Five – targets related to the quality of service (PSA 9 and 10).
- Part Six – efficiency and outstanding targets not rolled forward from previous Spending Reviews.

27. Where the SR2004 target takes forward an aim which was part of Spending Review 2002 (SR2002), an assessment of the latest position against the SR2002 target is also provided. Figure 1 summarises all assessments.

### Measuring performance against targets

28. To make judgements on final outturn against all PSA targets on a consistent and comparable basis, the Department uses the terms set out below to describe performance.

## Ongoing targets

Term	Usage
Met early	There is no possibility of subsequent slippage during the lifetime of the target.
Ahead	Progress is exceeding plans and expectations.
On course	Progress is in line with plans and expectations.
Slippage	Progress is slower than expected, for example, by reference to criteria set out in a target's Technical Note.
Not yet assessed	New target for which data is not yet available.

## Other targets

Term	Usage
Met	Target achieved by the target date.
Met-ongoing	For older open-ended targets where the target level has been met and little would be achieved by continuing to report the same information indefinitely.
Partly met	Target has two or more distinct elements, and some – but not all – have been achieved by the target date.
Not met	Target was not met or met late.

Figure 1 Summary of performance towards all PSA targets

SR 2004 targets	
1a.	Halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020 including – <b>current status: not yet assessed</b>
1b.	reducing the proportion of children living in workless households by five per cent between spring 2005 and spring 2008 – <b>current status: slippage</b>
1c.	increasing the proportion of parents with care on Income Support and income-based Jobseeker's Allowance who receive maintenance for their children to 65 per cent by March 2008 – <b>current status: slippage</b>
The children in relative low-income households element of this target is joint with HM Treasury.	
2.	Improve children's communication, social and emotional development so that by 2008, 53 per cent of children reach a good level of development at the end of the Foundation Stage and reduce inequalities between the level of development achieved by children in the 30 per cent most disadvantaged Super Output Areas and the rest of England, by four percentage points from 16 to 12 per cent – <b>current status: slippage</b>
Joint target with Department for Education and Skills through the Sure Start Unit.	
3.	As a contribution to reducing the proportion of children living in households where no one is working, by 2008:
3a.	Increase the stock of Ofsted-registered childcare by ten per cent – <b>current status: met early</b>
3b.	Increase the number of children in lower-income working families using formal childcare by 120,000 – <b>current status: not yet assessed</b>
3c.	Introduce, by April 2005, a successful light touch childcare approval scheme – <b>current status: met (final assessment)</b>
Joint target with Department for Education and Skills through the Sure Start Unit.	
4.	As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle:
4a.	Demonstrate progress on increasing the employment rate – <b>current status: on course</b>
Increase the employment rate of disadvantaged groups and significantly reduce the difference between the employment rates of the disadvantaged groups and the overall rate.	
4b.	Lone parents – <b>current status: slippage</b>
4c.	Ethnic minorities – <b>current status: on course</b>
4d.	People aged 50 and over – <b>current status: on course</b>
4e.	Those with the lowest qualifications – <b>current status: on course</b>
4f.	Those living in the local authority wards with the poorest initial labour market position – <b>current status: on course</b>
Element 4a is a joint target with HM Treasury.	

Figure 1 Summary of performance towards all PSA targets – continued

SR 2004 targets – continued	
5.	By 2008, improve health and safety outcomes in Great Britain through progressive improvement in the control of risks from the workplace – <b>current status: on course</b>
6.	By 2008, be paying Pension Credit to at least 3.2 million pensioner households, while maintaining a focus on the most disadvantaged by ensuring that at least 2.2 million of these households are in receipt of the Guarantee element – <b>current status: slippage</b>
7.	Improve working age individuals' awareness of their retirement provision such that by 2007-08:
7a.	15.4 million individuals are regularly issued a pension forecast – <b>current status: met early</b>
7b.	60,000 successful pension traces are undertaken a year – <b>current status: not yet assessed</b>
8.	In the three years to March 2008:
8a.	further improve the rights of disabled people and remove barriers to their participation in society, working with other government departments, including through increasing awareness of the rights of disabled people – <b>current status: on course</b>
8b/c.	increase the employment rate of disabled people, and significantly reduce the difference between their employment rate and the overall rate, taking account of the economic cycle – <b>current status: slippage</b>
9.	Improve Housing Benefit administration by:
9a.	reducing the average time taken to process a Housing Benefit claim to no more than 48 days nationally and across the bottom 15 per cent of local authorities to no more than 55 days, by March 2008 – <b>current status: ahead</b>
9b.	increasing the number of cases in the deregulated private rented sector in receipt of Local Housing Allowance to 740,000 by 2008 – <b>current status: slippage</b>
9c.	increasing the number of cases in receipt of the Local Housing Allowance where the rent is paid directly to the claimant to 470,000 by 2008 – <b>current status: slippage</b>
10.	Reduce overpayments from fraud and error in:
10a.	Income Support and Jobseeker's Allowance – <b>current status: not yet assessed</b>
10b.	Housing Benefit – <b>current status: slippage</b>

Figure 1 Summary of performance towards all PSA targets – continued

<b>SR 2002 targets</b>	
3.	Demonstrate progress by spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle – <b>current status: on course</b>
Joint target with HM Treasury.	
4.	Over the three years to spring 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle and significantly reduce the difference between their employment rates and the overall rate.
4a.	Lone parents – <b>current status: on course</b>
4b.	Ethnic minorities – <b>current status: on course</b>
4c.	People aged 50 and over – <b>current status: on course</b>
4d.	Those with the lowest qualifications – <b>current status: slippage</b>
4e.	Those living in the local authority wards with the poorest initial labour market position – <b>current status: on course</b>
Ethnic minorities element joint with Department of Trade and Industry.	
7a.	In the three years to 2006, increase the employment rate of people with disabilities, taking account of the economic cycle, and significantly reduce the difference between their employment rate and the overall rate – <b>current status: on course</b>
10.	Reduce losses from fraud and error for people of working age:
10a.	In Income Support and Jobseeker's Allowance, with a 33 per cent reduction by March 2004 and 50 per cent by 2006 – <b>current status: met – final assessment</b>
10b.	In Housing Benefit, with a 25 per cent reduction by 2006 – <b>current status: not met – final assessment</b>
<b>Outstanding Comprehensive Spending Review 1998 target</b>	
Promote policies consistent with a change in the ratio of spending on pensions by the state to spending on pensions by the private sector from around 60:40 in 1998 to 50:50 by 2025 and to 40:60 in 50 years' time – <b>current assessment: ongoing</b>	

29. Additional background information about the targets reported on in the following pages is available from the relevant Technical Notes:

For SR2002: [www.dwp.gov.uk/publications/dwp/2002/sda/oct/tn\\_oct.asp](http://www.dwp.gov.uk/publications/dwp/2002/sda/oct/tn_oct.asp)

For SR2004: [www.dwp.gov.uk/publications/dwp/2004/psa/tech\\_note\\_2005\\_2008.pdf](http://www.dwp.gov.uk/publications/dwp/2004/psa/tech_note_2005_2008.pdf)

## Part 1: Children

**Objective: to ensure the best start for all children and end child poverty by 2020.**

**SR2004 PSA target 1:** Halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020, including:

- reducing the proportion of children living in workless households by 5 per cent between spring 2005 and spring 2008; and
- increasing the proportion of Parents with Care on Income Support and income-based Jobseeker's Allowance who receive maintenance for their children to 65 per cent by March 2008.

*Children in relative low-income households element joint with HM Treasury*

**PSA1a:** halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020.

### Measurement

**30.** Household income is reported in the Households Below Average Income (HBAI) statistics, published annually as National Statistics by the Department. UK figures for 1994-95 (the base year for HBAI) to 2005-06 were published in spring 2007<sup>1</sup>; (until 2006, the figures were based on GB data).

**31.** To ensure valid comparisons, income is equivalised (adjusted to take into account variations in both the size and composition of the household). The Department uses the modified Organisation for Economic Cooperation and Development equivalisation scale in order to ease international comparisons. This scale can only be used with income before housing costs.

**32.** As with any survey, HBAI results are subject to sampling error. For estimates of numbers of children, the 95 per cent confidence range around a published estimate is of the order of plus or minus 130,000.

**33.** The relative low-income PSA target has two measures:

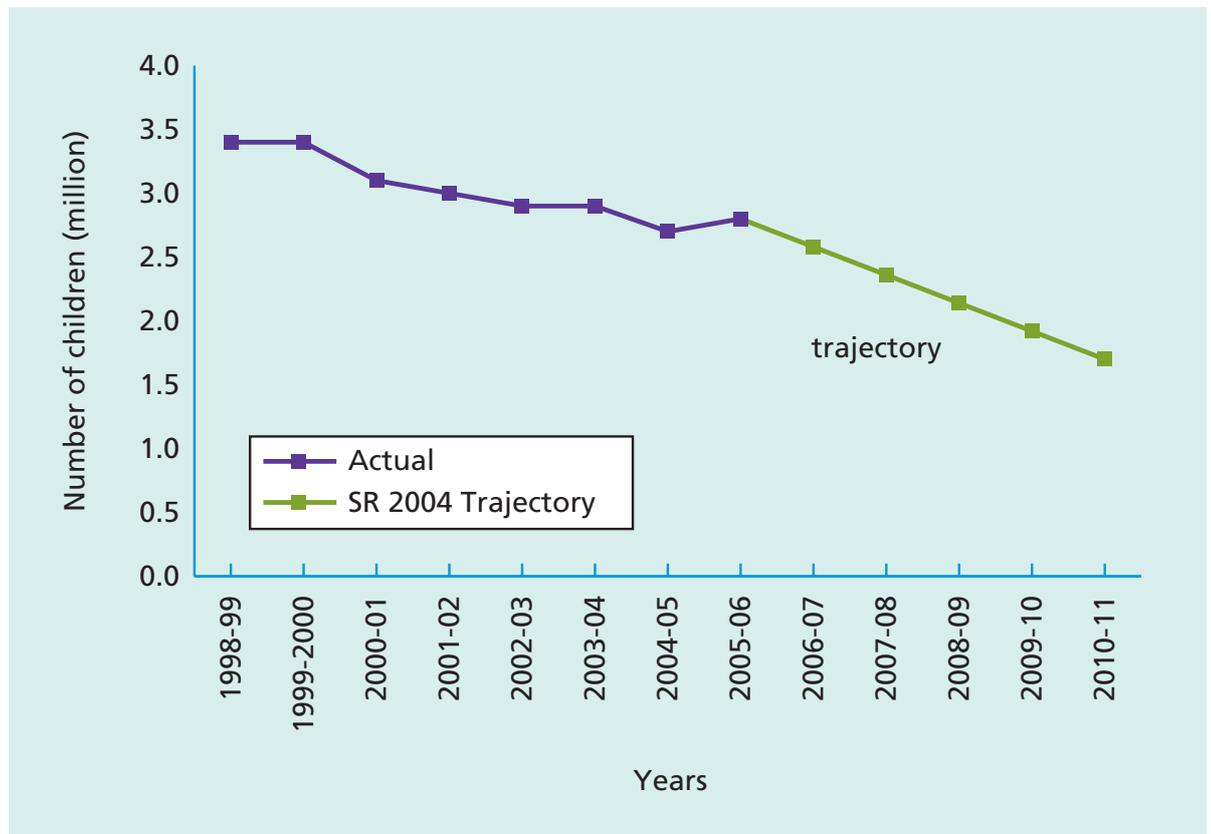
- The number of children in households with less than 60 per cent of median income, as defined and reported in HBAI. Incomes are reported before housing costs.
- The number of children in households with less than 70 per cent of median income, combined with material deprivation.

**34.** The Department had previously announced that it would set a target to halve by 2010-11 the number of children suffering from material deprivation and relative low income combined with a higher threshold for relative low income, measured as incomes below 70 per cent of the contemporary median. The material deprivation indicator will be based on a suite of material deprivation questions as outlined in *Measuring Child Poverty* (December 2003)<sup>2</sup>. The precise construction of the material deprivation

<sup>1</sup> [www.dwp.gov.uk/asd/hbai.asp](http://www.dwp.gov.uk/asd/hbai.asp)

<sup>2</sup> [www.dwp.gov.uk/consultations/consult/2003/childpov/final.pdf](http://www.dwp.gov.uk/consultations/consult/2003/childpov/final.pdf)

Figure 2 Children in relative low-income households before housing costs



Source: 2005-06 Family Resources Survey, UK

indicator is currently being analysed and HM Treasury have confirmed that it will be published alongside the 2007 Comprehensive Spending Review (CSR07).

**35.** The Department will also report on progress on absolute low-income poverty (the number of children in households with incomes below 60 per cent of the median, held constant in real terms from a 1998-99 baseline).

#### Performance

**36.** As the material deprivation element of the target will not be set until CSR07, the overall target **cannot yet be assessed**. However, on the basis of a slight increase in child poverty in 2005-06 the 2010 target remains challenging.

**37.** The 1998-99 baseline figure for the number of children in households with less than 60 per cent of median income is 3.4 million. The target for 2010-11 is thus 1.7 million.

**38.** The latest Households Below Average Income figures showed that there were 2.8 million children living in households with less than 60 per cent of median income in 2005-06, 600,000 fewer than in 1998-99. There was an increase in child poverty of 100,000 since 2004-05, which is within the margin of error.

#### Looking Ahead

**39.** The Secretary of State has announced that meeting the child poverty target is the Department's number one priority. The Minister of State for Employment

and Welfare Reform appointed independent academic Lisa Harker to review the Department's strategy. Her report *Delivering on Child Poverty: What would it take?*<sup>3</sup> was published in November 2006.

**40.** New measures to help increase parental employment were announced in the 2007 Budget. These included an extension of the current In-Work Credit pilots to June 2008, benefiting more than 250,000 lone parents, plus a higher rate of £60 for the London pilots, reflecting the higher living costs and reduced returns from working in the capital.

**41.** The Department's refreshed child poverty strategy *Working for Children*<sup>4</sup> was published in March 2007 and centres around three main themes:

- increasing support for lone parents through increased rights and responsibilities;
- helping people to stay in work and make progress in their jobs; and
- increasing the family focus of employment programmes.

**42.** It announced a number of further measures, including:

- extending the New Deal Plus for Lone Parents until March 2011;
- extending the effective elements of New Deal Plus for Lone Parents to couple families in the current pilot areas;

- piloting linking the In-Work Credit to adviser support to promote retention in work; and
- providing advice and support for the partners of parents claiming Jobseeker's Allowance, with the introduction of six-monthly work-focused interviews for this group.

**PSA1b:** reduce the proportion of children living in workless households by 5 per cent between spring 2005 and spring 2008.

### Measurement

**43.** The data used to measure this PSA target come from the Household Labour Force Survey and are released twice a year. Progress is reviewed every six months on the basis of both Quarter 2 and Quarter 4 data, although only Quarter 2 is used to formally assess progress against the target, to ensure comparability. Estimates of the proportion of children in workless households are subject to a degree of sampling variability given the relatively small sample sizes involved.

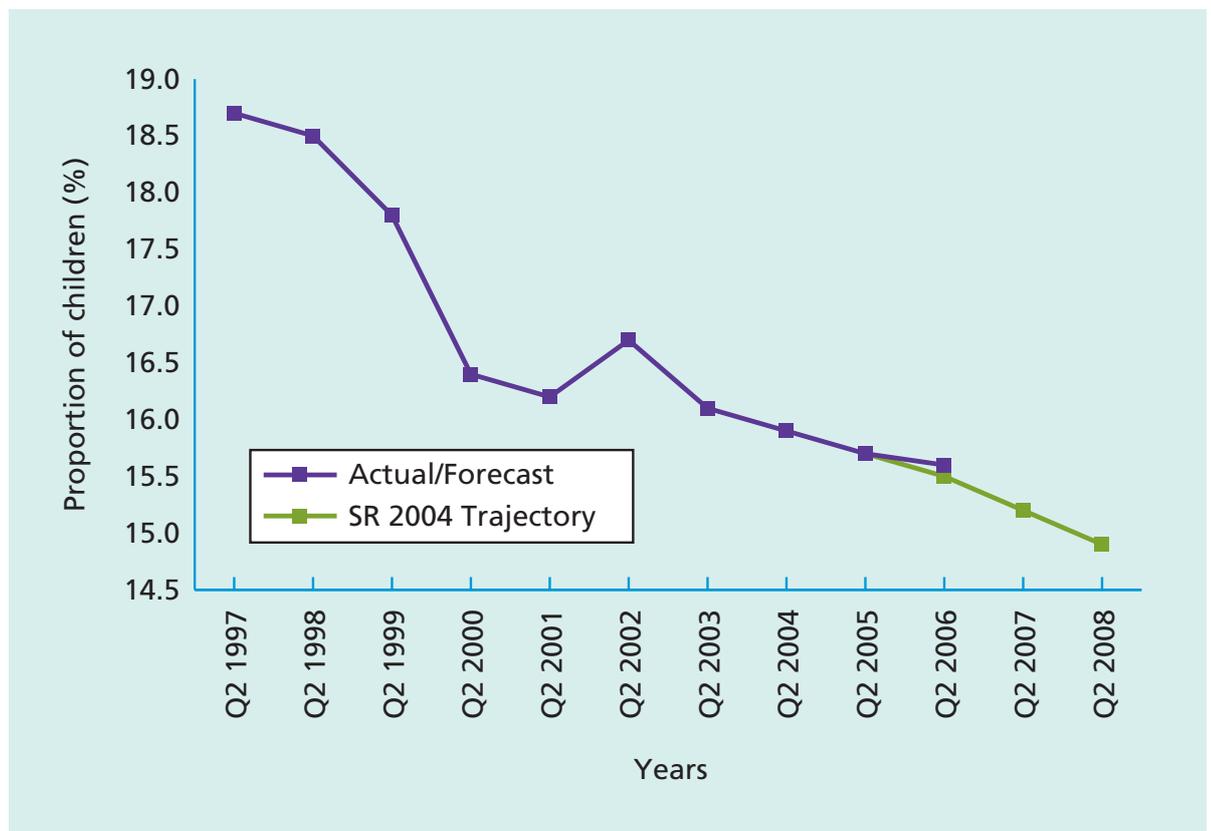
### Performance

**44.** There is **slippage** in progress towards this target. The baseline is Quarter 2 2005 when the proportion of children in workless households was 15.7 per cent. In Quarter 2 2006 it was 15.6 per cent, a fall of 0.1 percentage point. A significantly higher proportion of children must be lifted out of poverty over the remainder of the Spending Review period for the target of a 5 per cent reduction to be met.

3 [www.dwp.gov.uk/publications/dwp/2006/harker/index.asp](http://www.dwp.gov.uk/publications/dwp/2006/harker/index.asp)

4 [www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty.pdf](http://www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty.pdf)

**Figure 3** Proportion of children living in workless households – 2008 trajectory



Source: Household Labour Force Survey (GB)

### Looking ahead

**45.** The fall in the number of children in workless households to date has mainly been driven by a reduction in lone parent worklessness, with a smaller change for couples. Just over two thirds of these children are in lone parent households, so the Department's strategy is to consolidate the existing successful lone parent strategy.

**46.** Support in helping lone parents into work will be intensified by the phasing in of six-monthly work-focused interviews for all lone parents from April 2007 and the extension of the current In-Work

Credit pilots to June 2008, along with the introduction of a higher rate for London, as well as any measures proposed as a result of the review of welfare-to-work policy *Reducing dependency, increasing opportunity: options for the future of welfare to work: an independent report to the Department for Work and Pensions*<sup>5</sup>.

**47.** The Department is also examining and redesigning its policies on families in line with recommendations in the Harker report<sup>6</sup> and its refreshed child poverty strategy *Working with Children*<sup>7</sup> (Cm 7067 March 2007).

5 [www.dwp.gov.uk/publications/dwp/2007/welfarereview.pdf](http://www.dwp.gov.uk/publications/dwp/2007/welfarereview.pdf)

6 [www.dwp.gov.uk/publications/dwp/2006/harker/index.asp](http://www.dwp.gov.uk/publications/dwp/2006/harker/index.asp)

7 [www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty-summary.pdf](http://www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty-summary.pdf)

48. More information about the Department's lone parent strategy can be found under PSA 4b.

**PSA1c:** increase the proportion of parents with care on Income Support and income-based Jobseeker's Allowance who receive maintenance for their children to 65 per cent by March 2008.

### Measurement

49. Measurement of this target has been improved. Firstly, Child Support Agency data are now being used to determine whether maintenance is received, rather than benefit data which classified some cases incorrectly. Secondly, the target is now measured using 100 per cent data (instead of a five per cent sample) from the Department's Child Support and Income Support computer systems. Thirdly, the data now include those parents/persons with care who are the partner of a benefit recipient, which had not been possible previously. Details of these changes were published in February 2007 in the CSA Quarterly Survey of Statistics<sup>8</sup>, in line with National Statistics protocols.

50. The figures provided are interim estimates based on the best information currently available and may be subject to change in the future.

### Performance

51. There is **slippage** against this target. At the end of August 2006, 31 per cent of parents with care on Income Support and income-based Jobseeker's Allowance received maintenance for their children.

52. The target is unlikely to be met without conversion of old scheme cases to the new child support scheme. However the Henshaw Report<sup>9</sup>, published in July 2006, concluded that existing plans to convert would be very challenging to deliver. Instead, Ministers have decided to take a different approach which was set out in the White Paper *A new system for child maintenance* (Cm 6979) published in December 2006<sup>10</sup>. The Agency will continue to convert old scheme cases that have a relevant link with a new scheme case but there are no plans for bulk conversion within its Operational Improvement Plan<sup>11</sup>.

### Looking ahead

53. The Agency is currently undertaking an Operational Improvement Plan to improve its service to clients, increase the amount of money collected and achieve greater compliance from non-resident parents.

54. The initial phase of the Operational Improvement Plan has focused on the organisational and operational restructuring of the Agency, and on training people to increase capacity and capability. The Plan makes the commitment that, by March 2009, 200,000 more children will benefit from maintenance payments, equating to an additional £140 million in maintenance collected by March 2008, growing to £250 million by March 2009.

55. However more needs to be done to ensure that families, especially low-income families, benefit from child

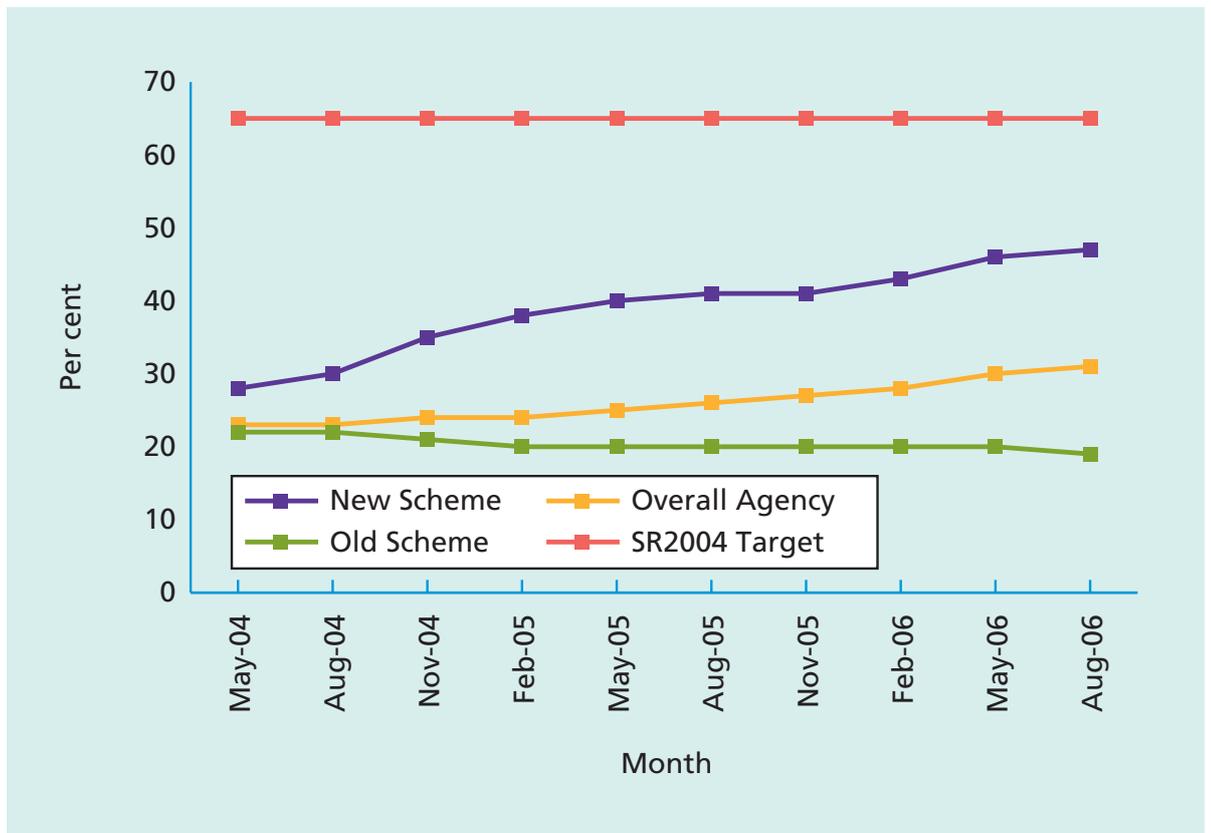
8 [www.dwp.gov.uk/asd/asd1/child\\_support/csa\\_quarterly\\_dec06.asp](http://www.dwp.gov.uk/asd/asd1/child_support/csa_quarterly_dec06.asp)

9 [www.dwp.gov.uk/childsupport/henshaw\\_report.asp](http://www.dwp.gov.uk/childsupport/henshaw_report.asp)

10 [www.dwp.gov.uk/childmaintenance/csa\\_report.pdf](http://www.dwp.gov.uk/childmaintenance/csa_report.pdf)

11 [www.csa.gov.uk/new/oip](http://www.csa.gov.uk/new/oip)

**Figure 4** Proportion of parents with care on Income Support/Jobseeker's Allowance in receipt of maintenance



Source: Child Support Agency Quarterly Summary of Statistics (March 2007)

maintenance. The White Paper proposals include a significantly higher maintenance disregard from 2010-11, ensuring that parents with care on benefit can keep more of the maintenance paid and increasing incentives for non-resident parents to pay, and parents with care to seek, maintenance.

**SR2004 PSA target 2:** Improve children's communication, social and emotional development so that by 2008, 53 per cent of children reach a good level of development at the end of the Foundation Stage and reduce inequalities between the level of development achieved by children in the 30 per cent most disadvantaged Super Output Areas<sup>12</sup> and the rest of England, by four percentage points from 16 to 12 per cent.

*This joint target with Department for Education and Skills only relates to England, as provision of early years' services and childcare are devolved issues. The original 50 per cent target level was provisional and was revised to 53 per cent in April 2006, reflecting the Government's ambition for improving children's development.*

### Measurement

**56.** This target is measured using the personal, social and emotional development (PSED) and communication, language and literacy (CLL) scales of the Foundation Stage Profile, a continuous observational assessment made during the academic year in which a child reaches age five and reported in July of that year. A 'good level of development' is defined as a score of six points on all the assessment scales for PSED and CLL.

### Performance

**57.** There is some **slippage** in progress against the target. Final 2006 Foundation Stage Profile results published in January 2007 show that 44 per cent of children had reached the required level of development, compared with 48 per cent in 2005. The gap between children in

areas of disadvantage (the 30 per cent most deprived Super Output Areas) and the rest remains at around 16 per cent.

**58.** It is too early to draw conclusions about progress. The Foundation Stage Profile was introduced in the academic year 2002-03. It is therefore a relatively new and developing process. The most significant factor in the apparent decline in results appears to be improved assessment and moderation.

### Looking ahead

**59.** The Childcare Act, which received Royal Assent in July 2006, will have a significant impact in raising standards. It puts local authorities under a duty to improve outcomes for children from birth to five and to reduce inequalities between them. This duty is underpinned by statutory early years' targets from 2008. The Act also introduces the Early Years Foundation Stage (EYFS), a high quality framework which sets out the standards for learning, development and care for children from birth to five.

**60.** At a local level, the National Strategies – the Department for Education and Skills' delivery agent for the Foundation Stage – are continuing to assist local authorities through programmes such as communication, literacy and language development, developing additional materials and providing direct support and challenge. Over the coming year this support will include working with local authorities on setting the statutory local targets and preparation for implementing the EYFS.

**61.** The key to improving outcomes and reducing inequalities is better access to high-quality services, particularly high-

<sup>12</sup> Equivalent to the 20 per cent most disadvantaged wards

quality early learning and care, and good at-home parenting. These are being addressed by:

- rolling out children's centres – from 1,250 now, situated in some of the most disadvantaged areas of the country, to 3,500 by 2010;
- focusing activity on improving the take-up of childcare, particularly among low income groups;
- encouraging parents to take up opportunities for early learning; and
- making £250 million available through the Transformation Fund between 2006 and 2008 to improve the quality of the early years' workforce without affecting the affordability of places.

**SR2004 PSA target 3:** As a contribution to reducing the proportion of children living in households where no one is working, by 2008:

- increase the stock of Ofsted-registered childcare by 10 per cent;
- increase the number of children in lower-income working families using formal childcare by 120,000 and
- introduce, by April 2005, a successful light-touch childcare approval scheme.

*This joint target with the Department for Education and Skills only relates to England, as provision of early years' services and childcare are devolved issues. The sub-target to increase usage of formal childcare by lower-income working families has been revised.*

**PSA 3a:** increase the stock of Ofsted-registered childcare by 10 per cent.

#### Measurement

**62.** The target is measured against a March 2004 baseline of 1,103,000 Ofsted-registered childcare places in England. The target is to increase the stock of childcare by 10 per cent, to 1,213,000 registered places.

**63.** Data from quarterly reports from Ofsted are used to monitor this target. Data are collected by Ofsted based on registrations of childcare providers and cover an estimated 92 per cent of total childcare places.

#### Performance

**64.** This target has been **met early**. The stock of childcare places has increased from 1,103,000 in March 2004 to over 1,280,000 in March 2007.

#### Looking ahead

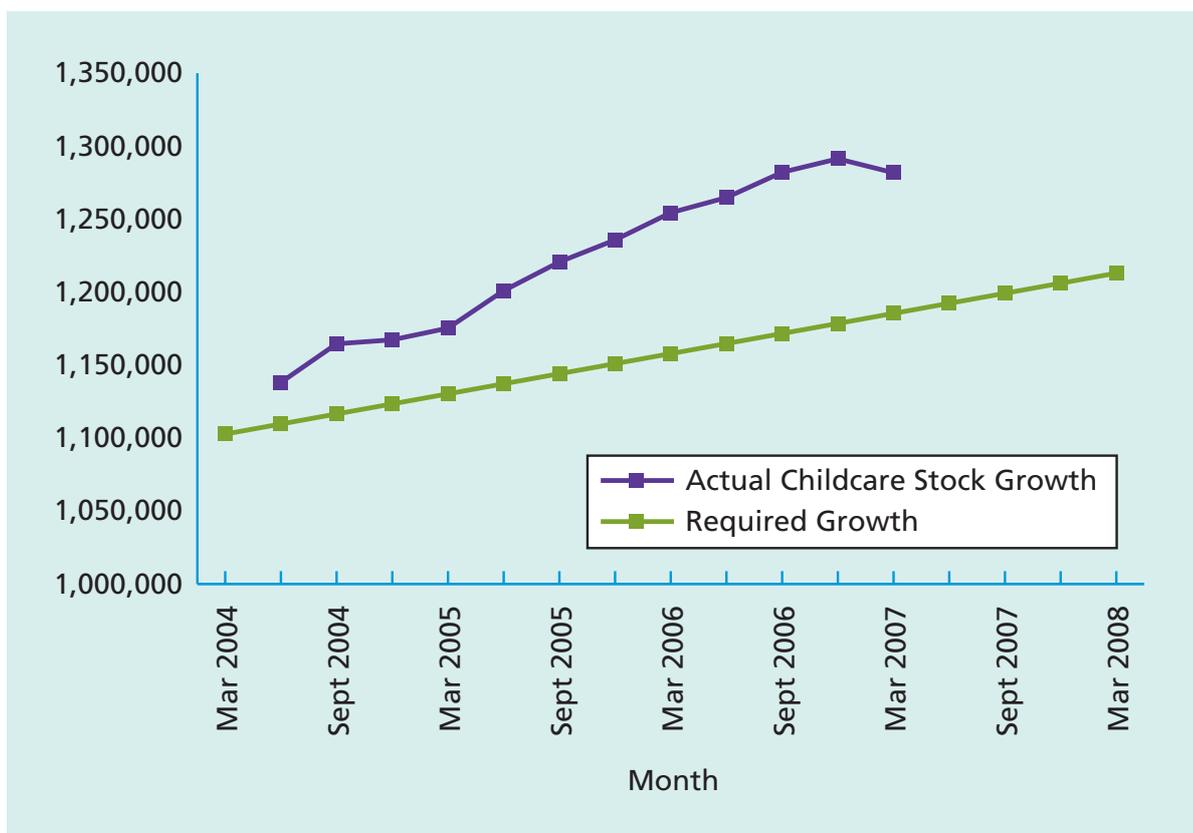
**65.** The Department for Education and Skills will continue to monitor progress to ensure the number of places does not decrease to the extent that the target is no longer met.

**PSA 3b:** increase the number of children in lower-income working families using formal childcare by 120,000.

#### Measurement

**66.** The target is to increase the number of children in lower-income working families using formal childcare by 120,000, by 2008, from a 2005 baseline of 614,000.

Figure 5 Ofsted-registered childcare places in England



Source: Ofsted-registered childcare data

67. The data source is the Department for Education and Skills' Parents Childcare Survey of parents' use of childcare<sup>13</sup>. The target relates to children aged 0-14, living in England.

### Performance

68. Progress towards this target is **not yet assessed**. The first figures will be available in July 2007, when the next Parents Childcare Survey is published.

### Looking ahead

69. It is estimated that an increase of around 40,000 children can be achieved from increased take-up for the 2-4 age range, mainly through promoting take-up

of the free offer for 3- and 4-year-olds, giving access to better childcare provision for disadvantaged families through children's centres and supporting growth in take-up of Working Tax Credit.

70. Two thirds of the target (80,000 or more) will need to be met through improved take-up of childcare from school-age children, mainly through extended schools.

71. There is low take-up of formal childcare in some ethnic minority groups. Understanding and tackling the barriers they face is also a key focus of this work.

72. The Department is working with local authorities and other Government departments to:

- put in place a national communications campaign from March 2007 to communicate the benefits of formal childcare and the choices and financial help available; and
- undertake research to further explore the issues and barriers to taking up formal childcare as well as gathering best practice in areas with high take-up to disseminate to others.

**PSA 3c:** introduce, by April 2005, a successful light-touch childcare approval scheme.

#### Measurement

73. The scheme began operating in April 2005, incorporating criminal record

checks, first aid certification and a minimum training requirement. The final criterion for meeting the target, which was agreed in April 2006, is to have a cumulative total of 3,500 new approved carers by March 2008. Data from the contractor appointed by the Department for Education and Skills (Nestor Primecare Services Limited) is used to measure the number of approvals.

#### Performance

74. This target has been **met (final assessment)**. The Childcare Approval Scheme was successfully launched in April 2005. At the end of March 2007, there were over 4,200 new approved home carers under the scheme.

#### Looking ahead

75. The Childcare Approval Scheme is being phased out. Its replacement – the voluntary Ofsted Childcare Register – was introduced in April 2007.

## Part 2: Employment and well-being at work

**Objective: to promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need.**

**SR2004 PSA target 4:** As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle:

- demonstrate progress on increasing the employment rate;
- increase the employment rates of disadvantaged groups (lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications and those living in local authority wards with the poorest initial labour market position); and
- significantly reduce the difference between the employment rates of the disadvantaged groups and the overall rate.

*The overall employment rate element is joint with HM Treasury.*

### Information applying to all sub-targets of PSA 4

**76.** PSA target 4 and its sub-targets apply to Great Britain. Employment policy is devolved to Northern Ireland. Structural improvements in the employment rate are determined by controlling for the impact of wider economic developments.<sup>14</sup>

**77.** In response to Eurostat regulations, the Office of National Statistics is now publishing Labour Force Survey data on a calendar quarter basis, as opposed to the seasonal quarter basis previously used. The baseline for each of the sub-targets of PSA target 4 has been adjusted accordingly from spring (March-May) 2005 to Quarter 2 (April-June 2005). Historical data have been revised on the same basis and, as a result, the baseline figures have been altered slightly. Data for sub-targets 4b to 4f are not seasonally adjusted, so comparisons are made year-on-year.

**78.** Reporting for the SR2002 employment targets uses seasonal quarters as in previous publications.

**79.** For sub-targets 4c to 4f, the Technical Note defines a significant increase in the employment rate as an increase of at least one percentage point over the Spending Review period taking account of the economic cycle. Similarly, the gap with the overall rate has to close by at least one percentage point for the reduction to be significant. For the lone parents sub-target a two percentage point change is required. A review of data systems for the 2003-06 PSA targets carried out by the National Audit Office recommended that, for lone parents, the significant change should have been set at three percentage points over the SR2002 period. This value will be used when a final assessment is made of SR2002 PSA target 4a, at the end of the economic cycle.

**PSA 4a: demonstrate progress on increasing the employment rate (joint target with HM Treasury.**

<sup>14</sup> Information on the economic cycle is published by HM Treasury in Pre-Budget Reports and Financial Statement and Budget Reports. More detail can be found in the PSA Technical Note.

Figure 6 UK employment and unemployment 1971 – 2006



Source: Labour Force Survey

Note: This chart is for the UK, although the PSA target is for Great Britain. GB data is only available back to 1992, whereas the UK data is available back to 1971, providing a longer trend series. In fact the GB and UK long-term trends are similar, so the UK trend is a good proxy for the GB trend.

### Measurement

**80.** The target is monitored using a three-month rolling average of the working-age employment rate from the Labour Force Survey published each month by the Office for National Statistics (ONS). The working-age employment rate figure published by ONS has a sampling variability of +/- 0.3 percentage points.

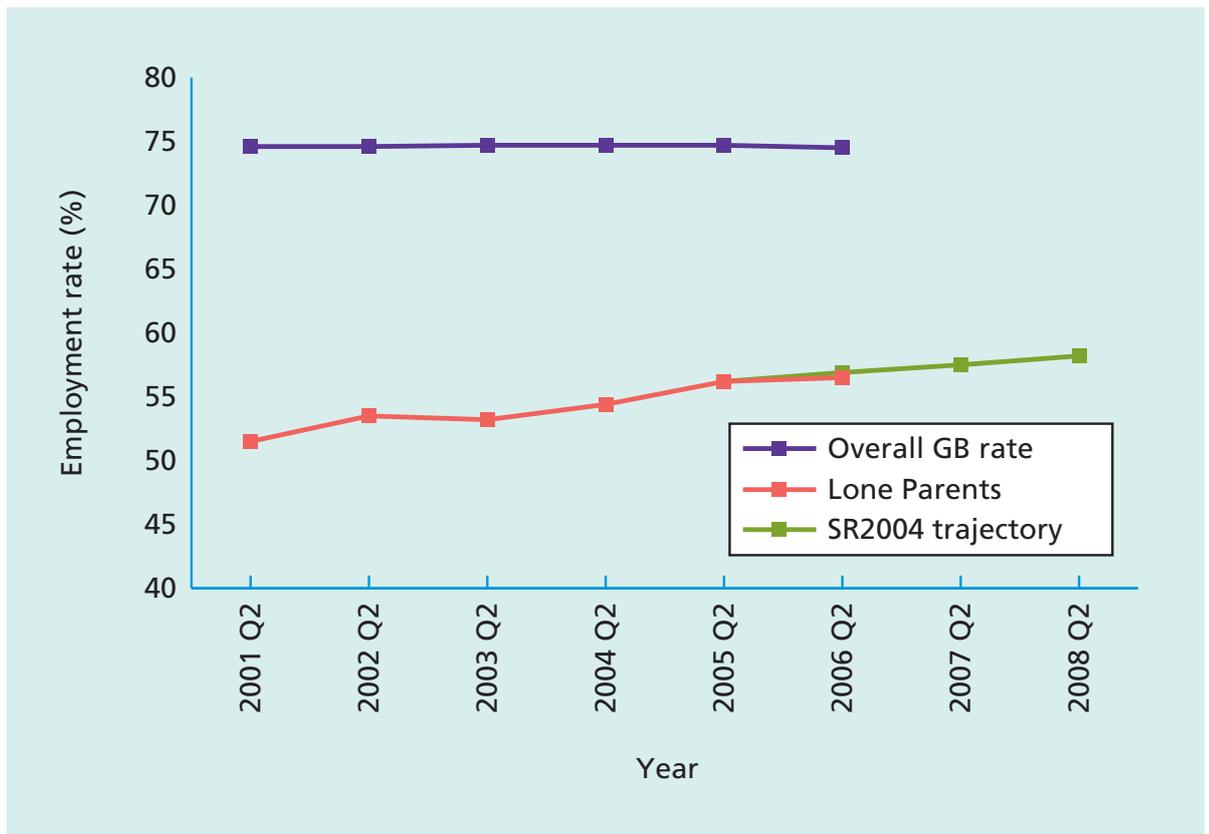
### Performance

**81.** This target is **on course**. The baseline employment rate was 74.8 per cent in 2005 Quarter 2. The latest outturn (December 2006 to February 2007) was 74.4 per cent. On the face of it, progress so far on this target is disappointing, with a decrease in the rate of 0.4 percentage

points. However, it is still early in the reporting period and the economy was growing below trend for much of 2005. The fact that the employment rate remained relatively steady through this period is an encouraging sign that the labour market has remained strong. Now that growth has returned to trend, it is reasonable to expect that the labour market will strengthen further, and that the employment rate will move back above the 2005 Quarter 2 figure.

**PSA 4b:** increase the employment rate of lone parents and significantly reduce the difference between the employment rate of this group and the overall rate.

Figure 7 Employment rates of lone parents, GB (overall) and SR04 target



Source: Household Labour Force Survey

**Measurement**

82. Data are obtained from the Household Labour Force Survey and are monitored twice a year using Quarter 2 (April to June) and Quarter 4 (October to December) data.

**Performance**

83. There is some **slippage** against this target, as the level of progress is below profile. The baseline is the second quarter 2005 lone parent employment rate of 56.2 per cent, and a gap with the overall rate of 18.5 per cent. The lone parent employment rate in Quarter 2 2006 has increased by 0.3 percentage points to stand at 56.5 per cent. The gap with the overall employment rate has fallen by 0.5 percentage points to 18 per cent.

**Looking ahead**

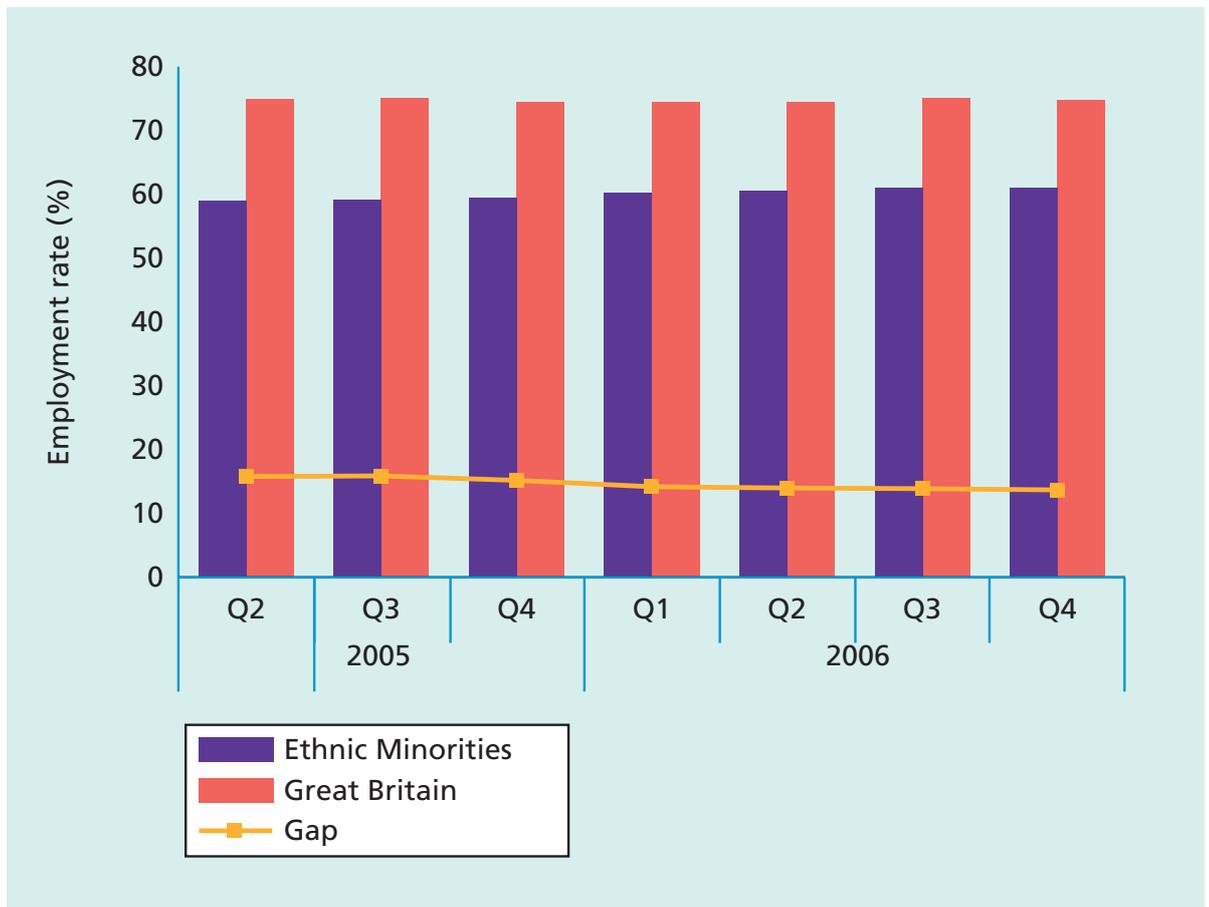
84. From April 2007, the Department introduced additional six-monthly work-focused interviews for lone parents with children aged between 5 and 13 years, on a national basis. From April 2008, six-monthly work-focused interviews will be introduced for lone parents with children aged 0-4.

**PSA 4c:** increase the employment rate of ethnic minorities and significantly reduce the difference between the employment rate of this group and the overall rate.

**Measurement**

85. The ethnic minority employment rate is based on aggregated data for all

**Figure 8** Employment rate of ethnic minorities, GB overall rate and the gap between the two



Source: Labour Force Survey

respondents to the Labour Force Survey who classify themselves as belonging to a non-white ethnic group. This is a quarterly survey of 60,000 households in Great Britain.

### Performance

**86.** The Department is **on course** to meet this target, but it is still relatively early in the assessment period. The baseline ethnic minority employment rate is the Quarter 2 2005 estimate, which was 59.0 per cent. The baseline figure for the gap between the ethnic minority employment rate and the overall employment rate for Great Britain was 15.8 percentage points.

**87.** Latest estimates for Quarter 4 2006 show an ethnic minority employment rate of 61.0 per cent and a gap against the overall rate of 13.7 percentage points.

**88.** This represents a 2.0 percentage point increase in the ethnic minority employment rate and a 2.2 percentage point decrease in the gap against the overall population, compared to the Quarter 2 2005 baseline. This improvement in the ethnic minority employment rate has taken place in the context of a slightly negative economic cycle effect.

### Looking ahead

89. To consolidate performance the Department is continuing its policies of:

- testing approaches to achieving improved race equality outcomes from procurement through the Ethnic Minority Task Force pilots;
- targeting resources to maximise the positive effects on ethnic minority employment in the 15 City Strategy pathfinders;
- reviewing plans through the Ethnic Minority Advisory Group for mentoring and volunteering programmes to maximise the ethnic minority employment impact of the Olympics;
- ensuring that the Deprived Areas Fund addresses the needs of ethnic minorities, making use of lessons learned from programmes such as Ethnic Minority Outreach; and
- developing and overseeing the new Partners' Outreach service, which focuses on non-working ethnic minority partners in low-income households.

**PSA 4d:** increase the employment rate of people aged 50 and over and significantly reduce the difference between the employment rate of this group and the overall rate.

### Measurement

90. The employment rate is based on International Labour Organization definitions, using quarterly estimates from the Labour Force Survey. This target looks at the employment of 50 to 69-year-olds, to reflect the fact that over one million people over State Pension Age are currently in work.

### Performance

91. The Department is **on course** to meet this target. The baseline is Quarter 2 2005 when the employment rate for the age 50 to 69 group was 54.6 per cent, 20.0 percentage points lower than the overall rate. In Quarter 4 of 2006 the employment rate for people aged 50 to 69 was 55.4 per cent, 19.3 percentage points lower than the overall rate.

92. The New Deal 50 plus has supported over 167,000 job entries between April 2000 and August 2006.

### Looking ahead

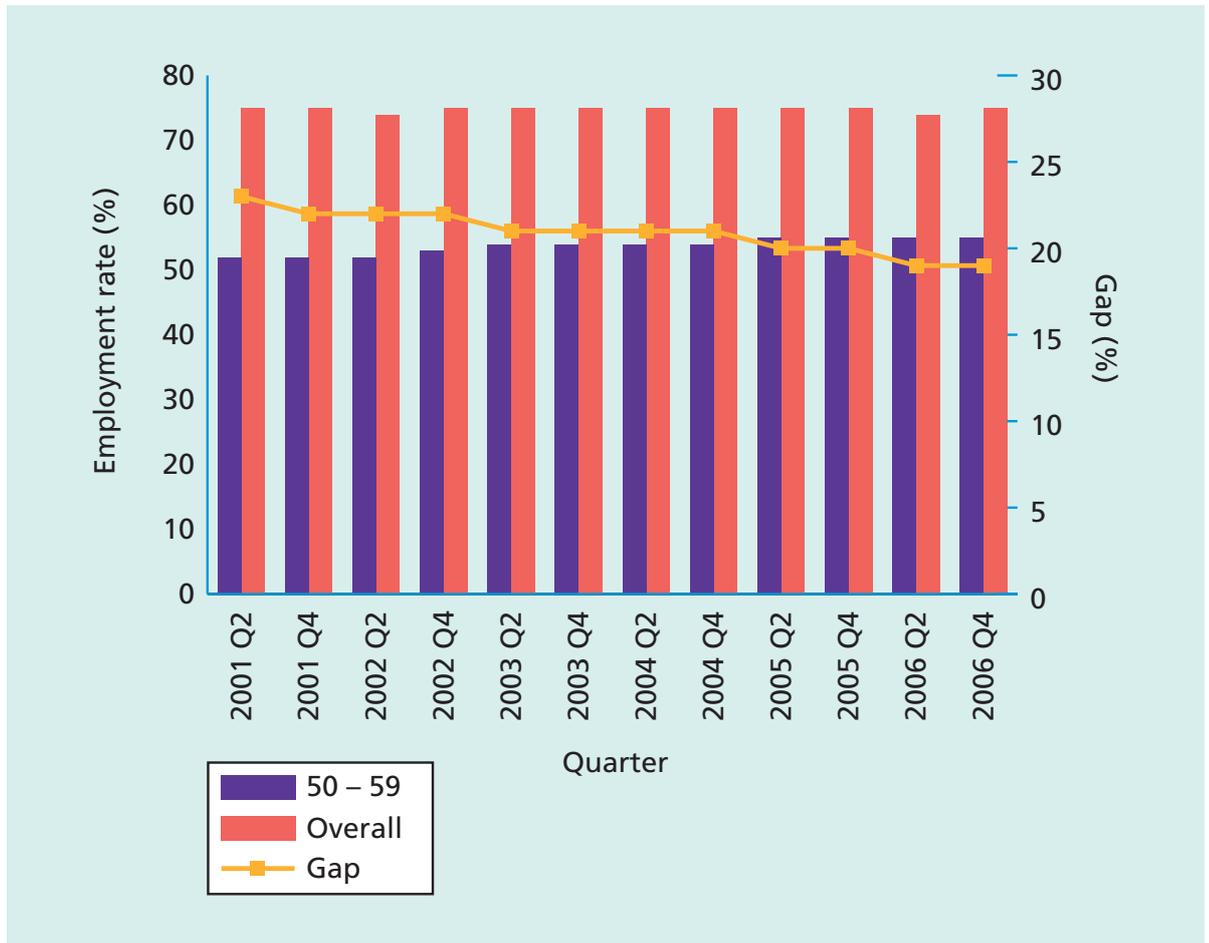
93. The Government has a range of policies to support those over State Pension Age who want to work. Back-to-work help is now available to people claiming Pension Credit (from age 60). Other developments have included more generous options for delaying taking State Pension and increasing the numbers of individuals being issued with a pension forecast (see PSA 7a).

94. The Department is working with employers and business leaders, the Department of Trade and Industry and the Advisory, Conciliation and Arbitration Service to ensure that employers are aware of their responsibilities under the Age Discrimination regulations which came into force from October 2006, providing practical guidance on the business benefits of recruiting, training and retaining older workers as part of a mixed-age workforce.

95. The Department proposes to improve its back-to-work help for older people by:

- requiring the long-term unemployed aged 50 to 59 to participate in the mandatory additional employment support that is available to younger

**Figure 9** Employment rate of older workers, GB overall rate and the gap between the two



Source: Labour Force Survey

age groups through New Deal 25 Plus; and

- treating jobless couples aged over 50 without dependent children as individual jobseekers. This already happens with younger couples in similar circumstances in order to keep both partners in touch with the work-focused help and support available through Jobcentre Plus. Evidence suggests that for workless couples, there is more chance of one or both finding work if both are actively seeking it.

**PSA 4e:** increase the employment rate of those with lowest qualifications and significantly reduce the difference between the employment rate of this group and the overall rate.

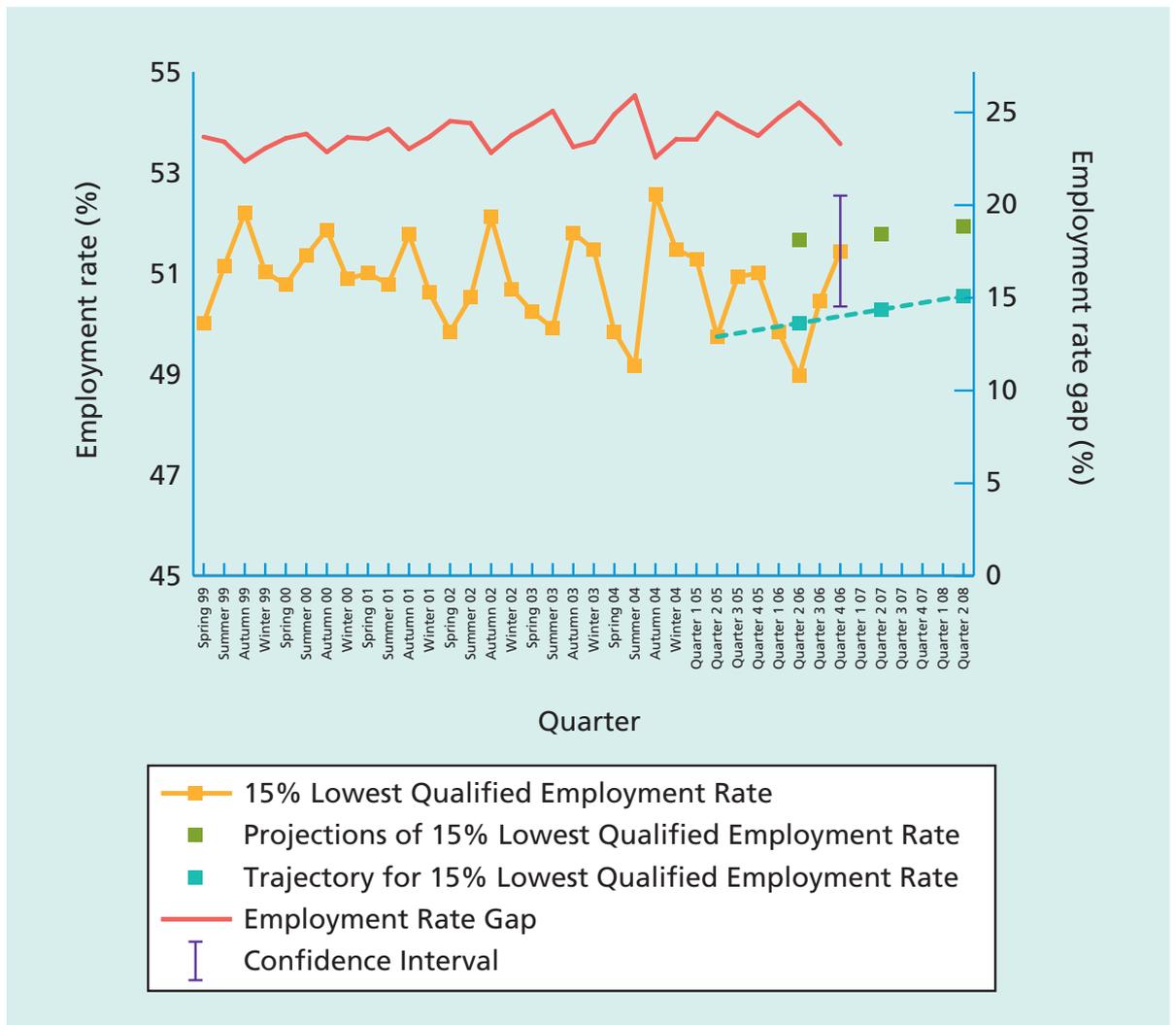
**Measurement**

96. Data are available quarterly from the Labour Force Survey.

**Performance**

97. The baseline is Quarter 2 2005, when the employment rate for this group was 49.8 per cent and the gap with the overall employment rate was 25.0 per

Figure 10 Employment rate, gap with the overall rate and projections for the lowest qualified



Source: Labour Force Survey

cent. The employment rate for the 15 per cent lowest qualified has risen from 50.5 per cent in Quarter 3 2006 to 51.4 per cent in Quarter 4 2006. The employment gap stands at 23.3 per cent, indicating that performance is **on course** to meet the target by Quarter 2 2008, although the large confidence interval makes it difficult to make accurate predictions.

98. The rise is partly due to demography since the proportion of working-age people with no qualifications fell from 13.1 per cent in Quarter 3 to 12.6 per

cent in Quarter 4. The employment rate of those with some qualifications, who make up the rest of the 15 per cent lowest qualified group, is higher than the rate for those with no qualifications. Therefore the proportion of people with some qualifications in the 15 per cent lowest qualified group has increased, driving up the employment rate for the group as a whole. In addition, the employment rates of those with no qualifications have increased from the last quarter by 0.39 per cent, which contributed to the overall improvement.

### Looking ahead

99. The delivery strategy to make progress against the target is to:

- develop a New Deal for Skills, including pilots of skills coaching, Skills Passports and the Adult Learning Option. An interim evaluation of the Adult Learning Option based on qualitative data is expected in August 2007, followed by a final report using both qualitative data and administrative data in January 2009;
- work with the Department for Education and Skills to respond to the recommendations of the Leitch Review<sup>15</sup> of skills;
- screen Jobcentre Plus customers for potential basic skills needs, with training delivered through the New Deals and by Learning and Skills Council partners;
- operate the New Deals effectively, including looking into issues of provision quality and appropriateness; and
- continue efforts to find work for ex-offenders (many of whom have no qualifications) through Jobcentre Plus initiatives such as Freshstart and benefit surgeries.

**PSA 4f:** increase the employment rate of those living in local authority wards with the poorest initial labour market position and significantly reduce the difference between the employment rate of this group and the overall rate.

### Measurement

100. The employment rate is based on International Labour Organization definitions, using quarterly estimates from the Labour Force Survey. The 95 per cent confidence interval for the estimates for the deprived wards is +/- 1.3 percentage points.

101. The 903 most disadvantaged wards are defined as those which have a benefit claim rate of 25 per cent or above; and wards in the ten local authorities with the lowest employment rates which have benefit claim rates between 20 and 25 per cent. They represent nine per cent of all local authority wards.

### Performance

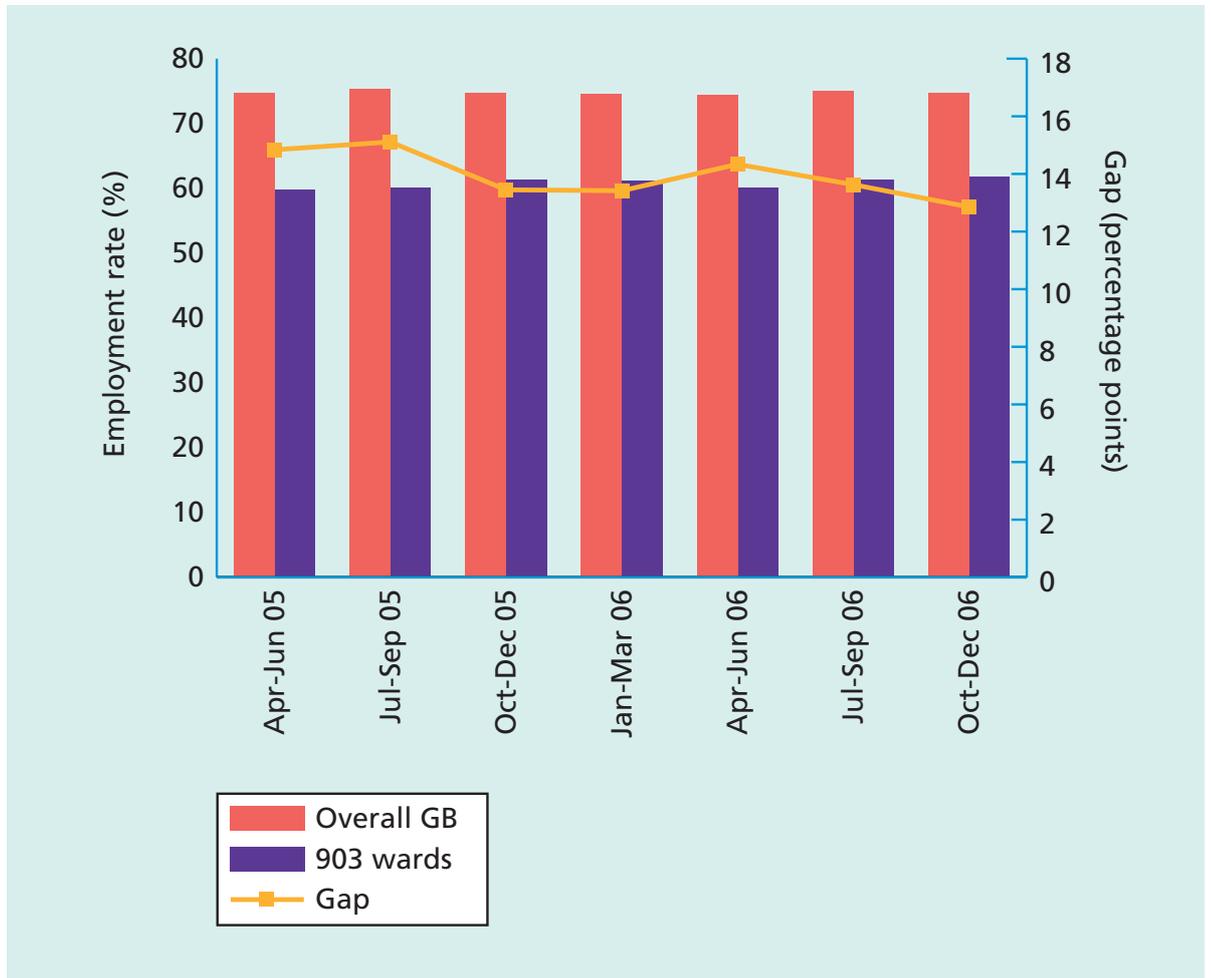
102. Performance against this target is **on course**. The baseline is Quarter 2 2005 when the employment rate for the most deprived areas was 59.8 per cent and the gap with the overall rate was 14.8 per cent. By Quarter 4 2006, the rate had risen to 61.8 per cent and the gap with the overall rate was 12.9 per cent.

### Looking Ahead

103. New national welfare-to-work policies will affect employment in disadvantaged areas positively, probably disproportionately. In particular, the welfare reform agenda, including the national rollout of Incapacity Benefit Pathways, is expected to have a positive effect on these areas.

104. The move towards more flexible, locally devolved approaches like the City Strategy and the Deprived Areas Fund is a

**Figure 11** Employment rate for the 903 local authority wards with the poorest initial labour market position, overall rate and the gap between the two



Source: Labour Force Survey

major organisational shift for the Department, and will enable local areas to decide the activities and support that are appropriate for their specific areas – over and above national policies.

**SR2002 employment targets**

**SR2002 PSA 3:** Demonstrate progress by spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle.

**SR2002 PSA4a-e:** Over the three years to spring 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle and significantly reduce the difference between their employment rates and the overall rate.

**105.** All these targets are measured taking account of the economic cycle so a final assessment cannot be made until the end of the cycle has been reached.

Target	Spring 2003 baseline	Spring 2006 outturn
3. GB employment rate	74.9 per cent	74.6 per cent
3. GB unemployment rate	5 per cent	5.5 per cent
4a. Lone parents	53.1 per cent and a gap with the overall rate of 21.5 percentage points.	56.6 per cent and a gap with the overall rate of 17.8 percentage points.
4b. Ethnic minorities  Joint target with the Department of Trade and Industry	57.8 per cent with an employment rate gap of 16.9 percentage points.	59.7 per cent with an employment rate gap of 15.0 percentage points.
4c. People aged 50 and over	70.0 per cent and a gap of 4.6 percentage points with the overall employment rate.	70.9 per cent and a gap of 3.5 percentage points with the overall rate.
4d. Those with the lowest qualifications	49.6 per cent and a gap with the overall rate of 25.1 percentage points.	49.4 per cent and a gap with the overall rate of 25.0 percentage points.
4e. Those living in the local authority wards with the poorest initial labour market position	63.2 per cent and a gap with the overall rate of 11.5 percentage points.	66.0 per cent and a gap with the overall rate of 8.7 percentage points.

**PSA target 5:** By 2008 improve health and safety outcomes in Great Britain through progressive improvement in the control of risk in the workplace.

### Measurement

**106.** This PSA is measured against six sub-targets, grouped under the two main areas of the Health and Safety Commission/Executive's work: occupational health and safety, and major hazards.

**107.** The Health and Safety Executive (HSE) gathers data for monitoring this target from various sources:

- For the occupational health and safety sub-targets, sources include the Labour Force Survey; Self-reported Work-related Illness household surveys; the Health and Occupation Reporting network; and other reports made under Reporting of Injuries, Diseases, and Dangerous Occurrences

Regulations (RIDDOR). HSE publishes annual progress reports each autumn.<sup>16</sup>

- The three measures of occupational health and safety outcomes (work-related fatal and major injuries, work-related ill health, working days lost) are subject to sampling error/statistical uncertainty. To maximise the ability to detect change, the judgement on progress is based on analysis of all relevant data sources, including indicators of the control of risks in the workplace.
- In addition to its established statistical sources, HSE will also use the new Workplace Health and Safety Surveys (WHASS) to monitor progress and provide details of work-related ill health and injury.
- For the major hazards sub-targets, data are obtained from reports made to the HSE for the nuclear and

**Figure 12 Occupational health and safety sub-targets and performance**

Sub-target	Baselines (2004-05)	Outturn to end of 2005-06		2007-08 target
		Indicator	Reduction	
Incidence of work-related fatal and major injuries per 100,000 employees	118.6	110.7*	6.8 per cent	3 per cent reduction
Incidence of self-reported work-related ill health per 100,000 workers	1,800	1,600	11 per cent**	6 per cent reduction
Number of working days lost due to work-related injury and ill health per worker	1.5	1.3	14 per cent***	9 per cent reduction

\* Provisional

\*\* Subject to 95% confidence interval – range of possibilities is 2-20 per cent

\*\*\* Subject to 95% confidence interval – range of possibilities is 3-25 per cent

offshore sectors and relevant reports made under RIDDOR for the onshore sector.

- Data are collected quarterly and made public on HSE's website. Progress is reported formally in the Health and Safety Commission's Annual Report<sup>17</sup>.

### Performance

**108.** Assessment of progress for the overall target is **on course**.

**109.** The occupational health and safety element of the PSA is on course. The major hazards element of the PSA is showing some slippage, due to an upturn in the offshore indicator.

### Occupational health and safety

**110.** The Health and Safety Commission's 2005-06 statistics show that all three occupational health and safety indicators are moving in the right direction following concerted activity by HSE. The rate of fatal and major injury has fallen for the second year running, new cases of work-related ill health continue to decline and there were around five million fewer days lost than in 2004-05.

**111.** The fatal and major injury indicator, in particular, has fluctuated in the past so it is too early to say if the reduction will be maintained.

### Major Hazards

**112.** HSE is making good progress overall on major hazards and catastrophic incidents remain rare events. The indicators show:

- Precursor events in the nuclear industry are on course to deliver the sub-target, having shown a slight upturn at the mid-year stage. HSE will continue to regulate the risks around operating reactors, ageing plant degradation, safety management at nuclear chemical plants and the prospect of nuclear new build very carefully;
- Precursor events in the offshore sector have fallen behind target, although the indicator continues to show a downward trend since the base year. Numbers at this level are vulnerable to statistical fluctuation, but the indicator seems to reflect the recent upsurge in offshore activity, which has

**Figure 13** Major hazards sub-targets and performance

Sub-target	Baselines (2001-02)	Outturn to Q4, 2006-07	2007-08 target
Number of events reported by licence holders, which HSE's Nuclear Installations Inspectorate judges as having the potential to challenge a nuclear safety system	143	126	7.5 per cent reduction
Number of major and significant hydrocarbon releases in the offshore oil and gas sector	113	73	45 per cent reduction
Number of relevant RIDDOR reportable dangerous occurrences in the onshore sector	179	158	15 per cent reduction

Figure 14 Nuclear Safety System challenges

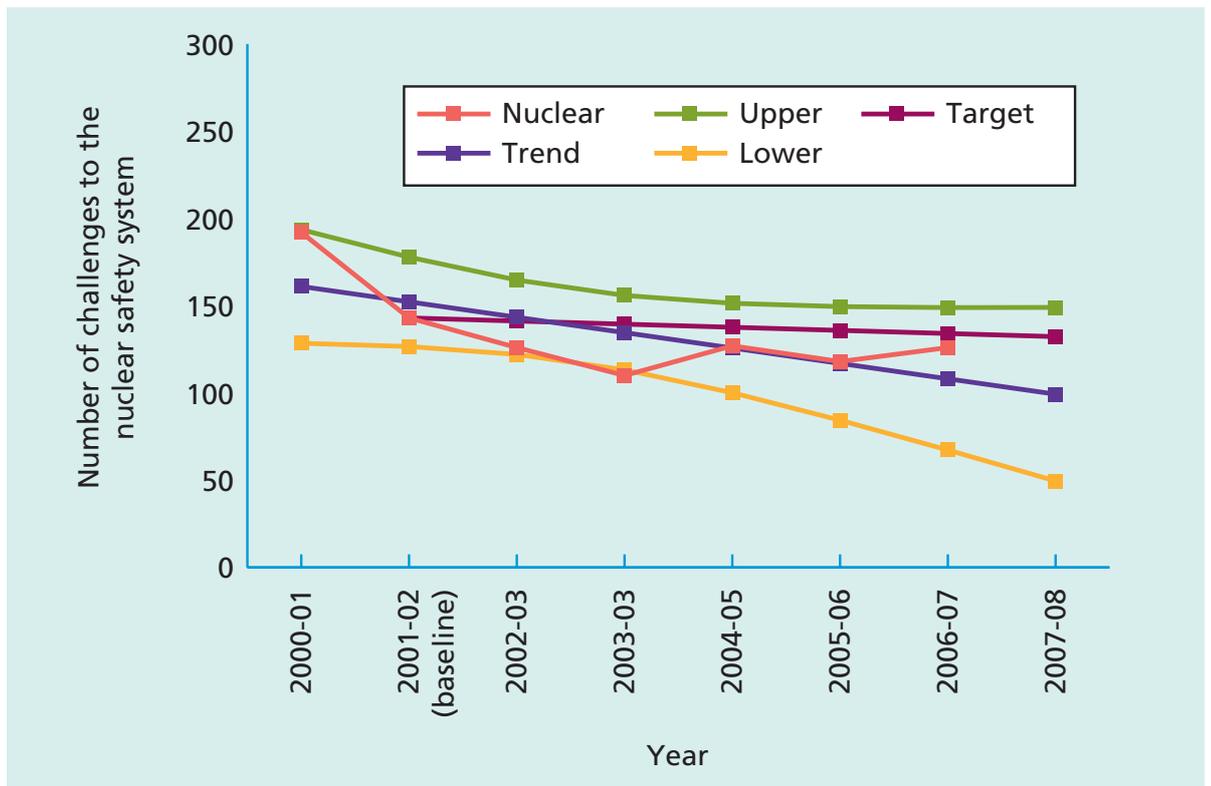
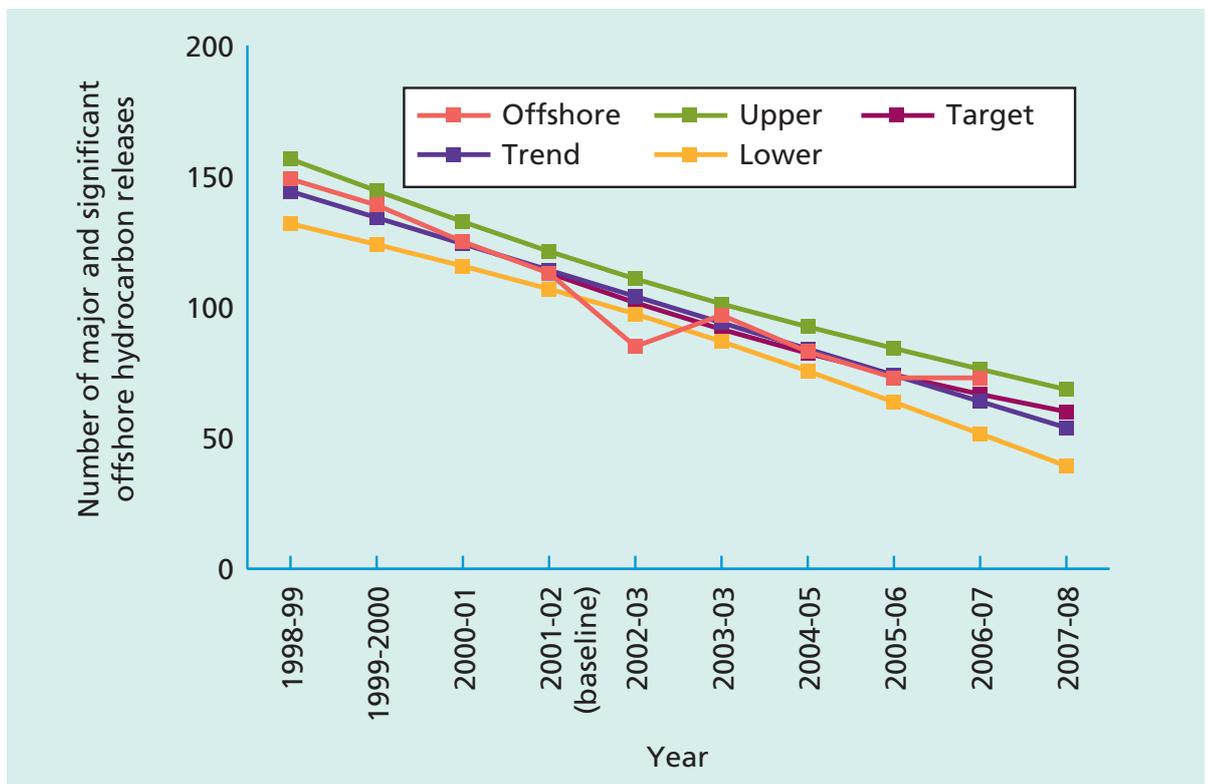
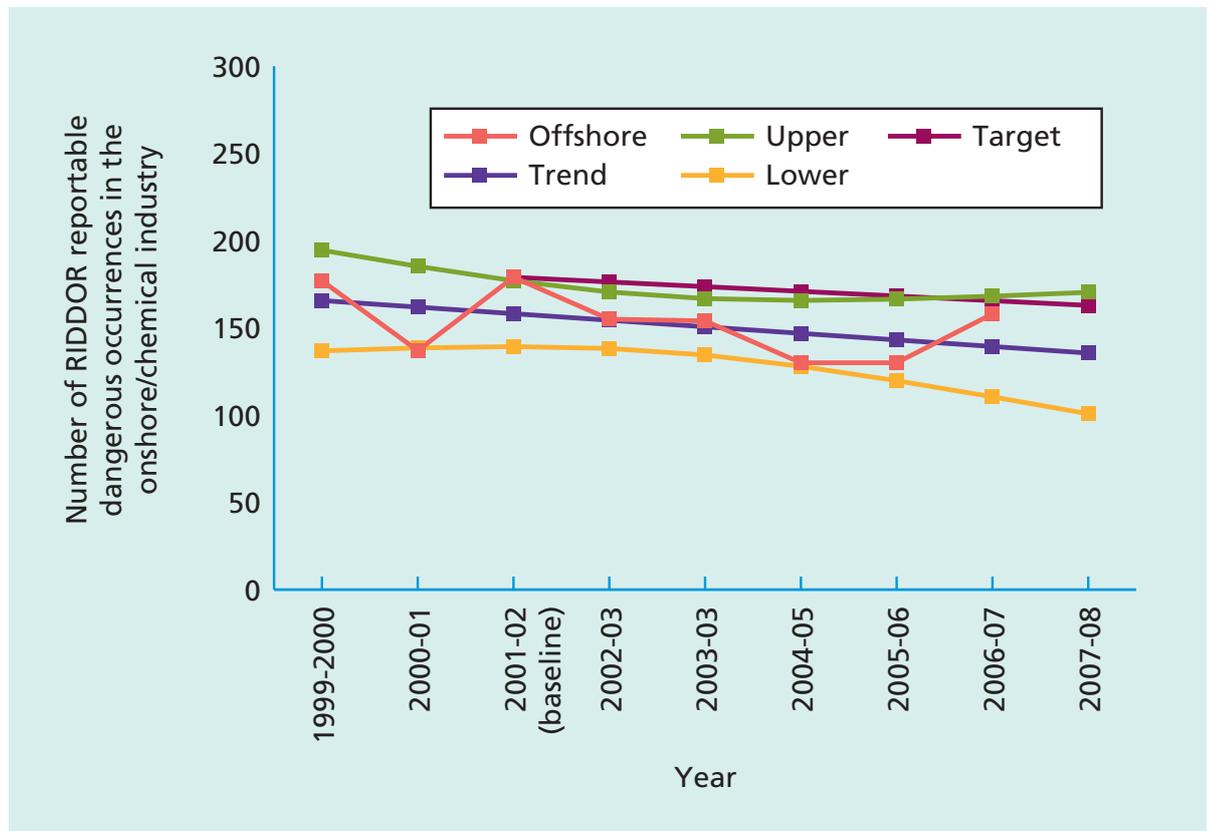


Figure 15 Offshore Hydrocarbon Releases; major and significant



Source: Health and Safety Executive

**Figure 16** Reportable dangerous occurrences in the onshore/chemical industry



Source: Health and Safety Executive

exacerbated problems resulting from a lack of competent and trained personnel in the industry, ageing of offshore plant and equipment, and maintenance issues. HSE continues to work closely with the offshore industry to address these issues; and

- Precursor events in the onshore sector remain on course to achieve the sub-target.

### Looking ahead

**113.** In 2007-08, HSE's key deliverables on the occupational health and safety side will include:

- working with local authority partners and others to deliver sustained reductions in injuries. This will include continuing work with the construction industry, work within the logistics industry (the Moving Goods Safely<sup>18</sup> initiative that seeks to reduce both injuries and ill health arising from the movement of goods), a major campaign on workplace transport, and work to target the waste and recycling industry;
- working with local authority partners and others to achieve sustained reductions in cases of ill health and

days lost. This will include delivering the third in a series of campaigns to target musculoskeletal disease, work with the financial services industry to address stress, and continuing work with the public sector to reduce days lost; and

- completing and learning lessons from the Workplace Health Connect<sup>19</sup> pathfinders. These provide occupational health support and advice, particularly on managing common causes of sickness absence (stress and back pain) and return to work, to small and medium sized enterprises in England and Wales.

**114.** In 2007-08, HSE's key deliverables on the major hazards side will include:

- refining and implementing its Integrated Intervention Strategy, to make sure that nuclear duty holders

maintain their focus on safety issues. This will be particularly important due to restructuring within the nuclear industry, accelerated decommissioning and clean-up and new investment programmes;

- developing safety performance indicators for major hazard installations, to provide assurance and demonstrate that associated risks are being controlled; and
- responding to and learning lessons from the Buncefield incident and investigation. This will include improving safety systems and arrangements at similar sites; revising the policy on providing advice about offsite planning controls; and responding to the recommendations of the Buncefield investigation board.

## Part 3: Security in retirement

**Objective: to combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners.**

**PSA target 6:** By 2008, be paying Pension Credit to at least 3.2 million pensioner households, while maintaining a focus on the most disadvantaged by ensuring that at least 2.2 million of these households are in receipt of the Guarantee Credit.

### Measurement

**115.** Progress against this target is measured using information from the Work and Pensions Longitudinal Study. These data are based on a 100 per cent sample of claimants across the Department for Work and Pensions. The Longitudinal Study now forms the basis of the majority of the Department's National Statistics and is subject to validation by the National Audit Office.

### Performance

**116.** There is **slippage** in progress towards this target. At the end of August 2006, 2.7 million households were receiving Pension Credit; 2.12 million of whom received the Guarantee element of Pension Credit.

**117.** The target of paying at least 3.2 million pensioner households by 2008 will not be achieved. Maintaining the numbers of customer households in receipt of Pension Credit at broadly the current level will take a major effort as large numbers of customers leave the Pension Credit caseload each year. It is more challenging to reach those people

entitled to smaller amounts or to the savings credit only, as they may be less familiar with their entitlements.

### Looking ahead

**118.** The Department is continually looking at further ways to identify those who may be entitled to Pension Credit and encourage them to apply. During 2007-08, the Department will aim to carry out:

- around 680,000 face to face visits by Local Service;
- an extensive outbound telephony campaign of around 175,000 successful calls;
- a direct mailing programme of over 1 million mailings aiming to contact all eligible customers;
- extensive press and publicity targeted at those areas with a relatively low take-up;
- advertising; either targeted directly at customers or at friends and families who may know potential customers;
- refining data-matching and customer selection to constantly improve targeting of marketing activity; and
- identifying harder-to-reach customers by working with local partners.

**119.** However, despite everything the Department is doing take-up has begun to plateau around its current level. Huge efforts are being made to ensure that people eligible for Pension Credit are aware of their eligibility and able to claim if they wish. As a result the Pension Credit caseload has been broadly stable and the number of pensioner households

receiving the Pension Credit Guarantee element has been maintained throughout 2006-07.

**PSA target 7:** Improve working-age individuals' awareness of their retirement provision such that by 2007-08, 15.4 million individuals are regularly issued a pension forecast and 60,000 successful pension traces are undertaken a year.

**PSA 7a:** by 2007-08, 15.4 million individuals are regularly issued a pension forecast.

### Measurement

**120.** Four kinds of forecast have contributed to the achievement of this target:

- Combined Pension Forecasts (CPFs) bring together a forecast of an individual's State Pension with a projection of their personal or occupational pension in a single product issued by the employer or pension provider. These formats are issued voluntarily (normally annually) by employers or pension providers who choose to participate in the scheme;
- Individual Pension Forecasts (IPFs) are requested by individuals and contain a detailed and personalised State Pension forecast. In order to receive an IPF, the individual must supply the Department with information about their circumstances;
- Real Time Pension Forecasts (RTPFs) are requested by an individual via the Department's internet site. They are similar in nature to an IPF but are provided online at the time of request;

- Automatic Pension Forecasts (APFs) have been sent out unsolicited to individuals who have not received a CPF, IPF or RTPF in the previous 12 months.

**121.** Progress is monitored through monthly reports from the forecast-issuing IT systems.

### Performance

**122.** This target has been **met early**. It is judged to be met if 15.4 million individuals are issued with at least one of the four types of pension forecast in the three-year period from 1 April 2005 to 31 March 2008.

**123.** Between April 2005 and March 2007, 18.8 million individuals were issued with a pension forecast. The target of 15.4 million individuals was reached in July 2006, so the target was achieved 20 months early.

### Looking ahead

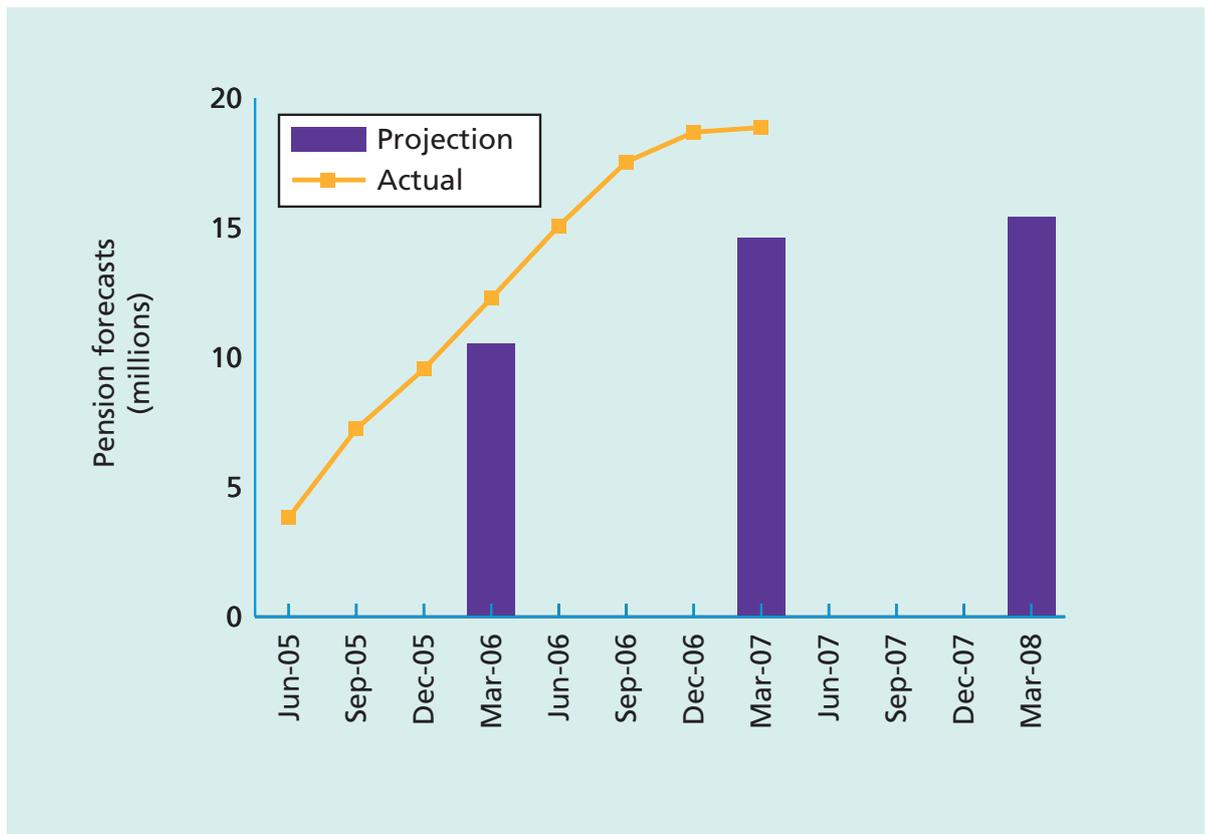
**124.** The Department is considering the future role of pension forecasting in the post-reform period. Where necessary, changes will be made to the existing approach and products.

**PSA 7b:** by 2007-08, 60,000 successful pension traces are undertaken a year.

### Measurement

**125.** The Pension Tracing Service collects data on the number of applications received, the number of traces requested and the number of successful traces. A successful trace is defined as a pension trace request which results in the most current address for a pension scheme, held by the Pension Tracing Service, being given to the individual who raises the request.

Figure 17 Number of pension forecasts issued since April 2005



Source: Monthly data supplied by forecast providers

### Performance

**126.** Performance against this target is **not yet assessed**, since it relates to 2007-08 performance, and formal measurement will not take effect until then.

**127.** In 2004-05, 95 per cent of the 25,200 requests received by the Occupational Pensions Regulatory Authority were successfully traced. During 2005-06, 30,619 successful traces were undertaken by The Pension Service.

**128.** As an interim measurement tool, The Pension Service set an internal target of achieving 40,000 successful traces in 2006-07. This target was successfully met in March 2007 with just over 40,000 successful traces taking place during the year between April 2006 and March

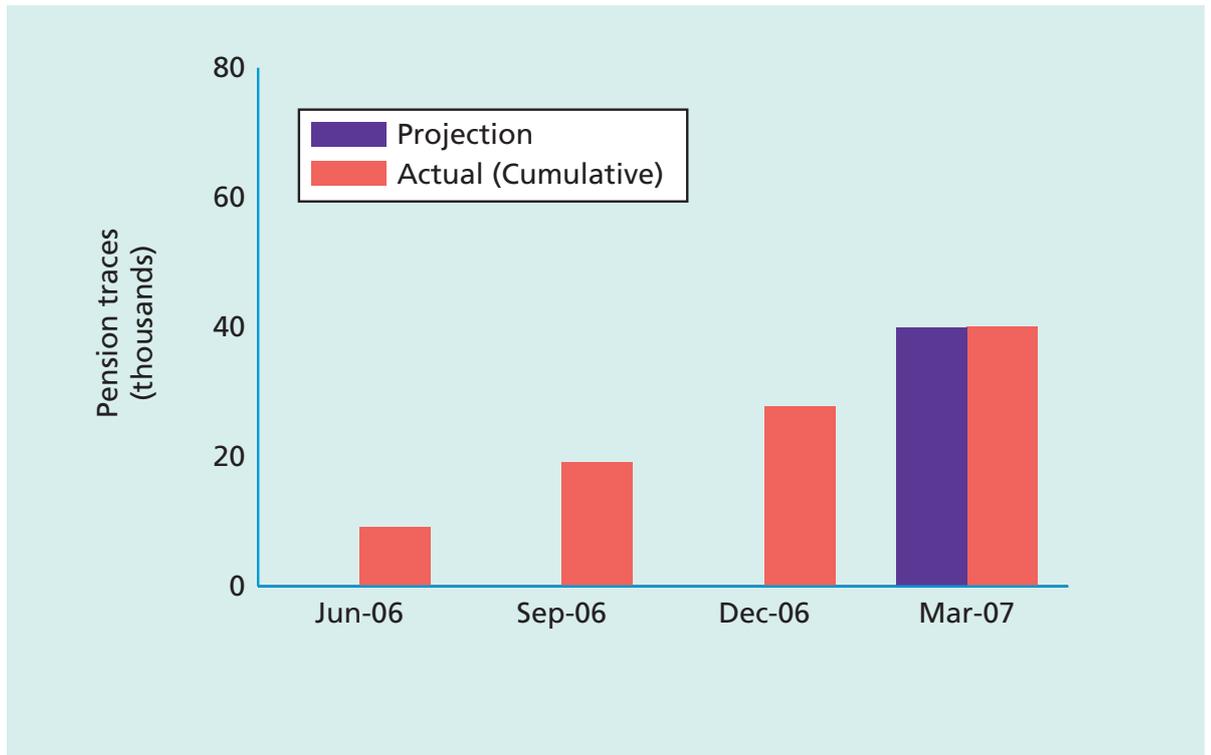
2007. This represents a 30 per cent increase on the previous year's achievements.

### Looking ahead

**129.** Effective and targeted marketing will be a key factor in the achievement of the target in 2007-08, as the Pension Tracing Service is reliant on potential customers being aware of the service and making contact. In the last year the Department has sought to increase knowledge of the customer base and to make best use of existing communication channels and products to promote the service, for example by:

- improving the information on the Pension Tracing Service within existing Pension Service leaflets;

Figure 18 Number of successful pension traces 2006-07



Source: Pension Tracing Service records

- improving signposting on the Department's internet site;
- raising awareness of the service via on-line methods of publicity;
- placing articles about the service in stakeholder magazines; and
- using related communications exercises to market the service, such as including the telephone number in State Pension deferral publicity material and other promotional mailings.

## Part 4: Disabled people

**Objective: to improve rights and opportunities for disabled people in a fair and inclusive society.**

**PSA target 8:** In the three years to March 2008:

- further improve the rights of disabled people and remove barriers to their participation in society, working with other government departments, including through increasing awareness of the rights of disabled people;
- increase the employment rate of disabled people, taking account of the economic cycle; and
- significantly reduce the difference between their employment rate and the overall rate, taking account of the economic cycle.

**PSA 8a:** further improve the rights of disabled people and remove barriers to their participation in society, working with other government departments, including through increasing awareness of the rights of disabled people.

### Measurement

**130.** Measurement of numerical progress against PSA 8a is currently restricted to one indicator – the general public's awareness of the Disability Discrimination Act 1995. This is monitored using the Disability Module of the Office for National Statistics Omnibus Survey. This module runs eight months out of every twelve and, when four months of data are available, can provide robust statistics

on the general population's awareness of the Disability Discrimination Act (DDA) 1995. The assessment was last updated using September 2006 to January 2007 data. The sample size for each month of the survey means that four months' data have to be combined to create a robust sample population.

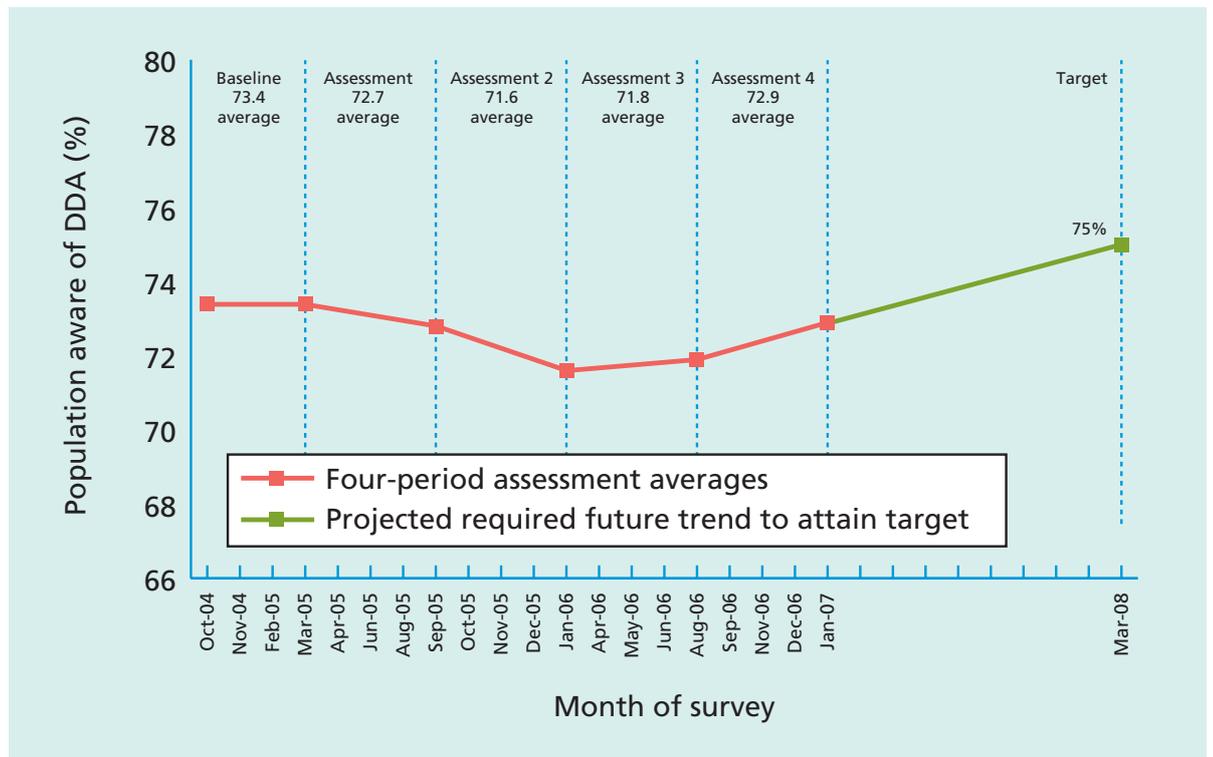
### Performance

**131.** This target is **on course** overall. Significant progress has been made in furthering the opportunities and rights of disabled people through the implementation of measures in the Disability Discrimination Act 2005, the launch of the Office for Disability Issues and a range of cross-Government initiatives, including the Department of Health-led Individual Budget pilots. However this is not reflected by data on public awareness of the DDA from the Omnibus Survey. The latest data, for the period between September 2006 and January 2007, shows awareness at 72.9 per cent, a fall of 0.5 percentage points from the baseline figure of 73.4 per cent from October 2004 to March 2005. Figure 19 shows the current trend in awareness of the DDA.

**132.** In order to raise awareness:

- From December 2005 to May 2006 the Department ran a DDA awareness-raising campaign called 'Adjusting for Better Business', targeted at small and medium sized enterprises, business intermediaries and trade bodies. Follow-up activity with supportive business intermediaries was carried out between September and December 2006.
- Evaluation of 'Adjusting for Better Business' showed that the campaign had been well-received and successful

**Figure 19** The general population’s awareness of the Disability Discrimination Act



Source: ONS Omnibus Survey

in reaching its target audience. Awareness of the DDA increased among small and medium employers surveyed to 92 per cent from a baseline of 88 per cent before the campaign. Knowledge of the main provisions of the DDA increased among small and medium employers’ respondents to 79 per cent from a baseline of 74 per cent. Evaluation of the follow-up activity with intermediaries showed there was a good level of support for the campaign messages and a willingness to support future activity.

- Accessible information about disability rights was displayed on the Disabled People and Carers section of the Directgov website and on the Disability Rights Commission website.

- The Department also used other opportunities to keep DDA messages in circulation, such as an Office for Disability Issues-sponsored supplement in a national broadsheet and the release of a public information film on the DDA.
- Research published on 1 March 2007<sup>20</sup> shows that organisations in the public, private and voluntary sector are responding positively to their obligations under the DDA.
- All of this activity complemented the work of the Disability Rights Commission, which has continued to champion the rights of disabled people, including through raising awareness of the DDA.

**Looking ahead**

**133.** The Department will plan a campaign to challenge the assumptions of employers about the employability and willingness to work of people who are disabled or have a long-term health condition. This campaign will include key messages covering the legal responsibilities employers have under the DDA not to discriminate against disabled people in their recruitment and retention practices.

**PSA 8b and c:** taking account of the economic cycle, increase the employment rate of disabled people and significantly reduce the difference between their employment rate and the overall rate.

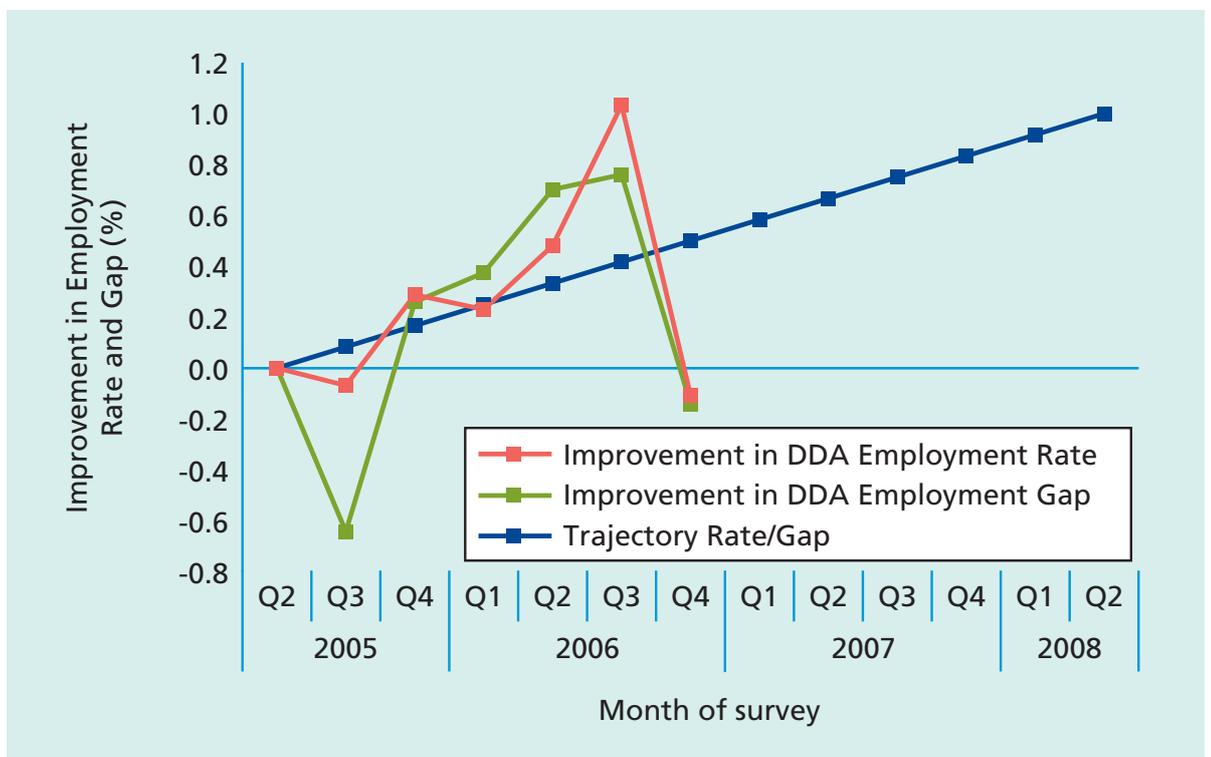
**Measurement**

**134.** The definition of a disability for the purpose of this target is people with a current disability consistent with the Disability Discrimination Act. The target is monitored quarterly using International Labour Organization employment rates from the Labour Force Survey. Because data is not seasonally adjusted, comparisons can only be made year on year. The target will be achieved if the rate increases by one percentage point and the gap is reduced by one percentage point over the cycle.

**Performance**

**135.** There is **slippage** in progress towards this target. The baseline is Quarter 2 2005, when the employment

**Figure 20** Employment rate for disabled people and the gap with the overall rate



Source: Labour Force Survey

rate of disabled people was 47 per cent and the gap between the rate for this group and the overall rate was 27.7 per cent. By Quarter 4 (October – December) 2006 the employment rate for disabled people had decreased to 46.9 per cent, resulting in the gap between the overall employment rate and the employment rate for disabled people increasing to 27.8 per cent.

### Looking ahead

**136.** The longer-term trend has been for an almost continuous improvement in the relative and absolute employment rate of disabled people. Pathways to Work pilots and the New Deal for Disabled People have had a positive impact upon progress towards this target, and the national extension of Pathways should provide a further boost.

### SR2002 employment target

#### SR2002 target rolled forward

**PSA7a:** In the three years to 2006, increase the employment rates of people with disabilities, taking account of the economic cycle and significantly reduce the difference between their employment rates and the overall rate.

**137.** This target is measured taking account of the economic cycle; a final assessment cannot be made until the end of the cycle has been reached.

<b>Spring 2003 baseline</b>
48.9 per cent and a gap with the overall employment rate of 25.6 percentage points.
<b>Spring 2006 outturn</b>
50.6 per cent and a gap with the overall employment rate of 23.8 percentage points.

#### Note:

The definition of disability used in SR2002 included those with a work-limiting disability only, who are excluded from the SR2004 definition. This change was made for two reasons:

- to reduce measurement problems that have arisen because of a large variation in reported disability in the Labour Force Survey for the group with a work-limiting disability only; and
- to allow for greater consistency over the PSA target period for working-age disabled people as results are less likely to exhibit unexplained fluctuations.

## Part 5: Quality of service delivery

**Objective: to ensure customers receive a high quality service, including levels of accuracy.**

**PSA target 9:** Improve Housing Benefit administration by:

- reducing the average time taken to process a Housing Benefit claim to no more than 48 days nationally and across the bottom 15 per cent of local authorities to no more than 55 days, by March 2008;
- increasing the number of cases in the deregulated private rented sector in receipt of Local Housing Allowance to 740,000 by 2008; and
- increasing the number of cases in receipt of the Local Housing Allowance where the rent is paid directly to the claimant to 470,000 by 2008.

**PSA 9a:** reduce the average time taken to process a Housing Benefit claim to no more than 48 days nationally and across the bottom 15 per cent of local authorities to no more than 55 days, by March 2008.

### Measurement

**138.** The baseline for measuring this target is 2002-03 when the average time taken to process a Housing Benefit/Council Tax Benefit claim nationally was 55 days. In the same period, the bottom 15 per cent of local authorities took an average of 99 days to process a Housing Benefit/Council Tax Benefit claim.

**139.** The target is measured using Housing Benefit/Council Tax Benefit Management Information annual un-audited data, available three months after the end of each reporting year, and will be monitored on a quarterly basis<sup>21</sup>. The data is submitted by local authorities and demonstrates reported performance. It is not compulsory to return the data, but most local authorities do so. Some local authorities provide their data late and so the most recent quarter's data is subject to change as more information is provided.

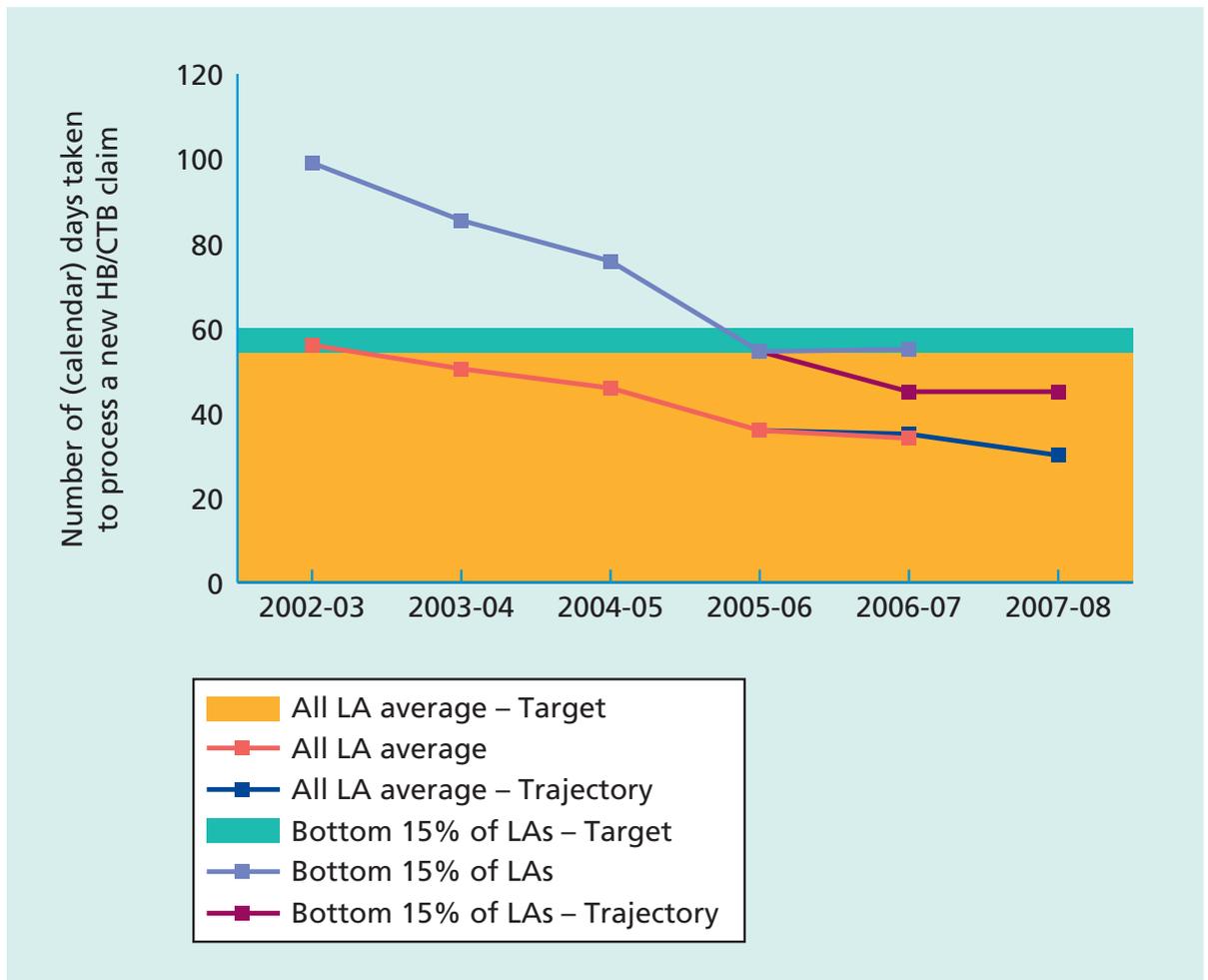
### Performance

**140.** Performance against the national average for all local authorities is **ahead** of expectations. As Figure 21 demonstrates, at year ending 31 March 2006 the target was being exceeded, with claims taking an average of 36 days to process. Data for the third quarter of 2006-07 shows that this achievement has continued with claims taking an average of 34 days to process.

**141.** For the bottom 15 per cent of local authorities, performance has remained **on course**. Figure 21 shows that local authorities in this group have been making good progress, with new claims being processed in an average of 54 days to 31 March 2006. Data for the third quarter of 2006-07 shows performance for the bottom 15 per cent at 55 days. Although this has worsened slightly, performance remains on course as it compares favourably with 56 days in the third quarter of 2005-06.

**142.** When interpreting the chart it is important to remember that the target is measured against the average performance over the whole year, and the year-to-date information is only a

**Figure 21** Average number of days taken to process a new Housing Benefit/Council Tax Benefit claim



Data source: Housing Benefit Management Information System stats 124 data

- Notes:
- (1) 'Local authorities' has been abbreviated to 'LAs'.
  - (2) Data is reported performance from LAs.
  - (3) The number of LAs supplying performance data may change each year.
  - (4) Composition of the bottom 15 per cent of LAs is subject to change each year.
  - (5) Trajectories are based on last complete year (2005-06).
  - (6) Data for 2006-07 represents three quarter's data.

guide to what the annual performance figure is likely to be.

**Looking ahead**

143. From April 2003 to March 2007, poorly performing local authorities have been targeted through the Performance

Standards Fund, which ends in March 2007. This has provided substantial help through, for example, investment in recruitment, training and better IT. The Fund has been a great success and has helped more than 370 local authorities to introduce improvements in their

administration of Housing Benefit/Council Tax Benefit through more than 1,100 individual projects.

**144.** The Department undertakes risk-based engagements, inspections, and provision of consultancy support with poorer-performing Local Authorities. This, combined with the fact that performance for the bottom 15 per cent of local authorities has improved year-on-year, suggests it is likely that the target will be met in 2007-08.

**PSA 9b:** increase the number of cases in the deregulated private rented sector in receipt of Local Housing Allowance to 740,000 by 2008.

**PSA 9c:** increase the number of cases in receipt of the Local Housing Allowance where the rent is paid directly to the claimant to 470,000 by 2008.

### Measurement

**145.** The Local Housing Allowance is currently operating in 18 local authorities; nine original Pathfinder areas which began implementation from November 2003 and a further nine Second Wave Group areas which implemented the Local Housing Allowance from April 2005.

**146.** Prior to nationwide rollout of the Local Housing Allowance, progress towards both targets is measured using quarterly administrative data covering 100 per cent of the claimants in the existing pilot areas. Once nationwide rollout commences, both targets will be monitored and measured using monthly administrative data on reported performance which are submitted to the Department by local authorities.

### Performance

**147.** There is **slippage** in progress towards these targets.

**148.** The baseline for measuring these targets is February 2005 when 43,500 cases in the deregulated private rented sector were in receipt of the Local Housing Allowance, and the number of cases in receipt of the Local Housing Allowance where rent was paid directly to the claimant was 38,200.

**149.** By November 2006, the number of cases receiving Local Housing Allowance had risen to 69,200, and the number of cases in receipt of Local Housing Allowance where rent was paid directly to the claimant, had risen to 58,200 across the nine original Pathfinder areas and nine Second Wave Group areas.

### Looking ahead

**150.** The Green Paper *A New Deal for Welfare: Empowering people to work*<sup>22</sup> (Cm 6730 January 2006) included proposals for a national Local Housing Allowance scheme in the private rented sector. Following the end of the consultation period, the Department decided, in agreement with HM Treasury, to roll out Local Housing Allowance in the private rented sector for new claims only. By adopting this revised policy approach it is clear that this target will not be met.

**PSA target 10:** Reduce overpayments from fraud and error in Income Support and Jobseeker's Allowance and in Housing Benefit.

**PSA 10a:** by 2010, reduce overpayments from fraud and error for people of working age in Income Support and Jobseeker's Allowance by 15 per cent.

### Measurement

**151.** For SR2004, the Department took the opportunity to further develop and improve the methodology for measuring fraud and error in Income Support and Jobseeker's Allowance. As a result, there will be a new baseline for the target which will be measured using the new methodology, using 2005-06 data.

### Performance

**152.** Progress towards this target is **not yet assessed** as data for the baseline year will not be published until July 2007.

### Looking ahead

**153.** The Department intends to reduce error caused by genuine mistakes by its customers and staff, so it has developed a comprehensive and ambitious strategy to tackle error. *Getting welfare right: tackling error in the benefit system* was published on 24 January 2007<sup>23</sup>.

**154.** The strategy focuses on *preventing* error from entering the system from the outset, *correcting* error that is already within the system and increasing *compliance* with processes to ensure that claims remain correct. All of this will help staff and customers to get claims right from the outset and keep them right throughout the duration of the benefit claim.

**155.** For the shorter term, an Official Error Task Force was established in January 2006, focused on reducing official error during 2006 and 2007. By

December 2006, the value of overpayments identified and corrected as a result of Task Force initiatives had reached over £1.3 million a week.

### SR2002 target rolled forward – PSA 10a:

Reduce losses from fraud and error for people of working age – in Income Support and Jobseeker's Allowance, with a 33 per cent reduction by March 2004 and 50 per cent by 2006.

### Measurement

**156.** To meet the target, fraud and error loss in Income Support and Jobseeker's Allowance must reduce from the baseline level of 10.4 per cent in 1997-98 to 5.2 per cent by March 2006.

**157.** Measurement of fraud and error in Income Support and Jobseeker's Allowance is through large scale sample exercises, in which thousands of randomly selected benefit cases are examined each year.

### Performance

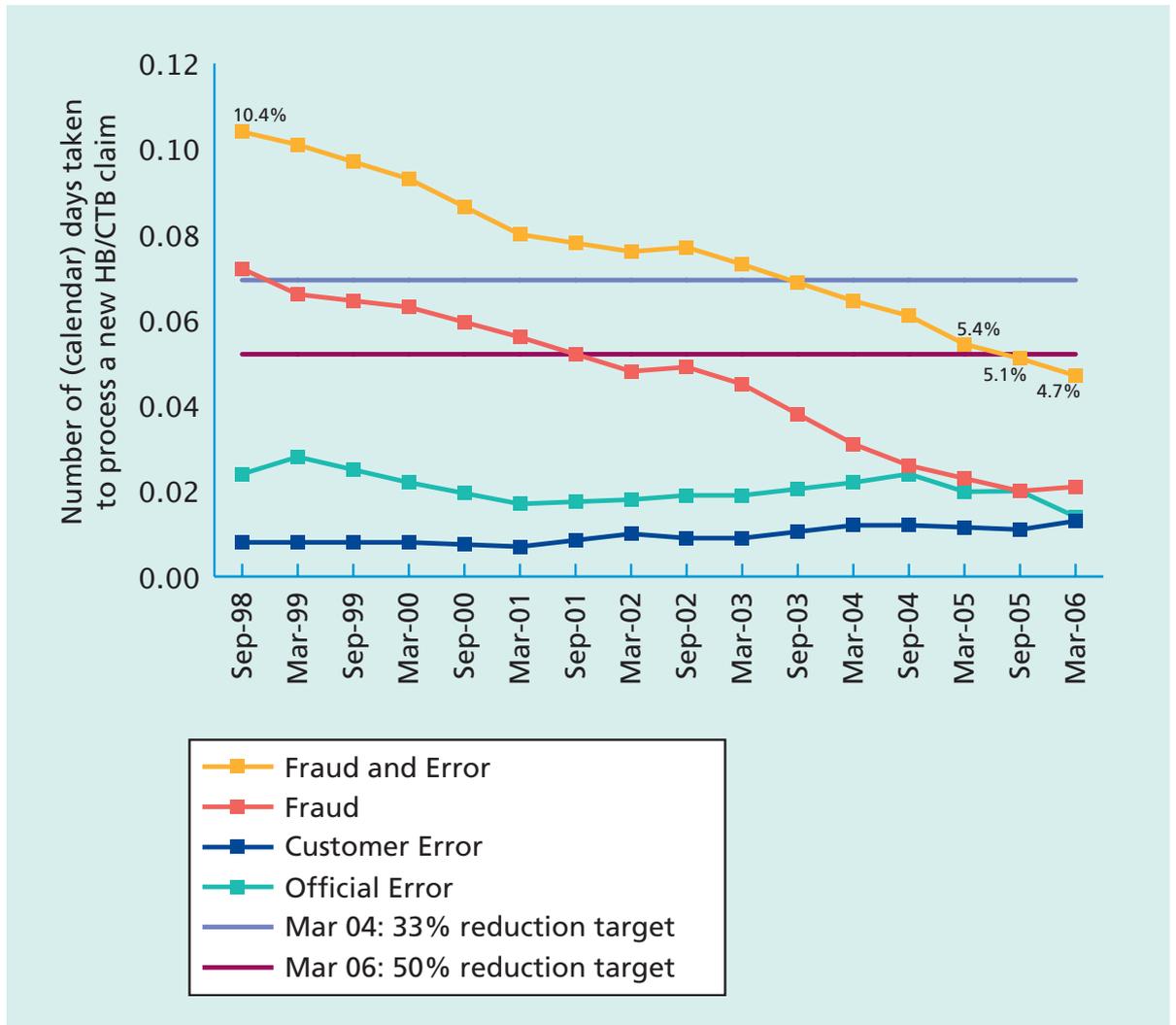
**158.** The target has been **met (final assessment)**. Results published in February 2007<sup>24</sup> show that by March 2006, fraud and error loss in Income Support and Jobseeker's Allowance had reduced by around 50 per cent, to 4.7 per cent of expenditure in 2005-06.

**159.** However, statistical uncertainties mean that the reduction has been presented as falling within the range of 45 per cent to 55 per cent, and that the 4.7 per cent expenditure figure cannot be directly compared with the 10.4 per cent baseline figure on a like-for-like basis. Nonetheless, with the midpoint of the

<sup>23</sup> [www.dwp.gov.uk/publications/dwp/2007/error\\_strategy.asp](http://www.dwp.gov.uk/publications/dwp/2007/error_strategy.asp)

<sup>24</sup> [www.dwp.gov.uk/asd/asd2/fem/fem\\_apr05\\_mar06.pdf](http://www.dwp.gov.uk/asd/asd2/fem/fem_apr05_mar06.pdf)

**Figure 22** Levels of fraud, customer and official error in Income Support and Jobseeker’s Allowance



Source: Fraud and error in Income Support and Jobseeker’s Allowance Departmental statistics (ONS) from Regional Benefit Reviews 1997-2005

range being 50 per cent, the Department is satisfied that, in effect, the target has been met.

**160.** Furthermore, across the whole benefits system, fraud is down to 0.6 per cent of benefit expenditure in 2005-06, its lowest-ever recorded level.

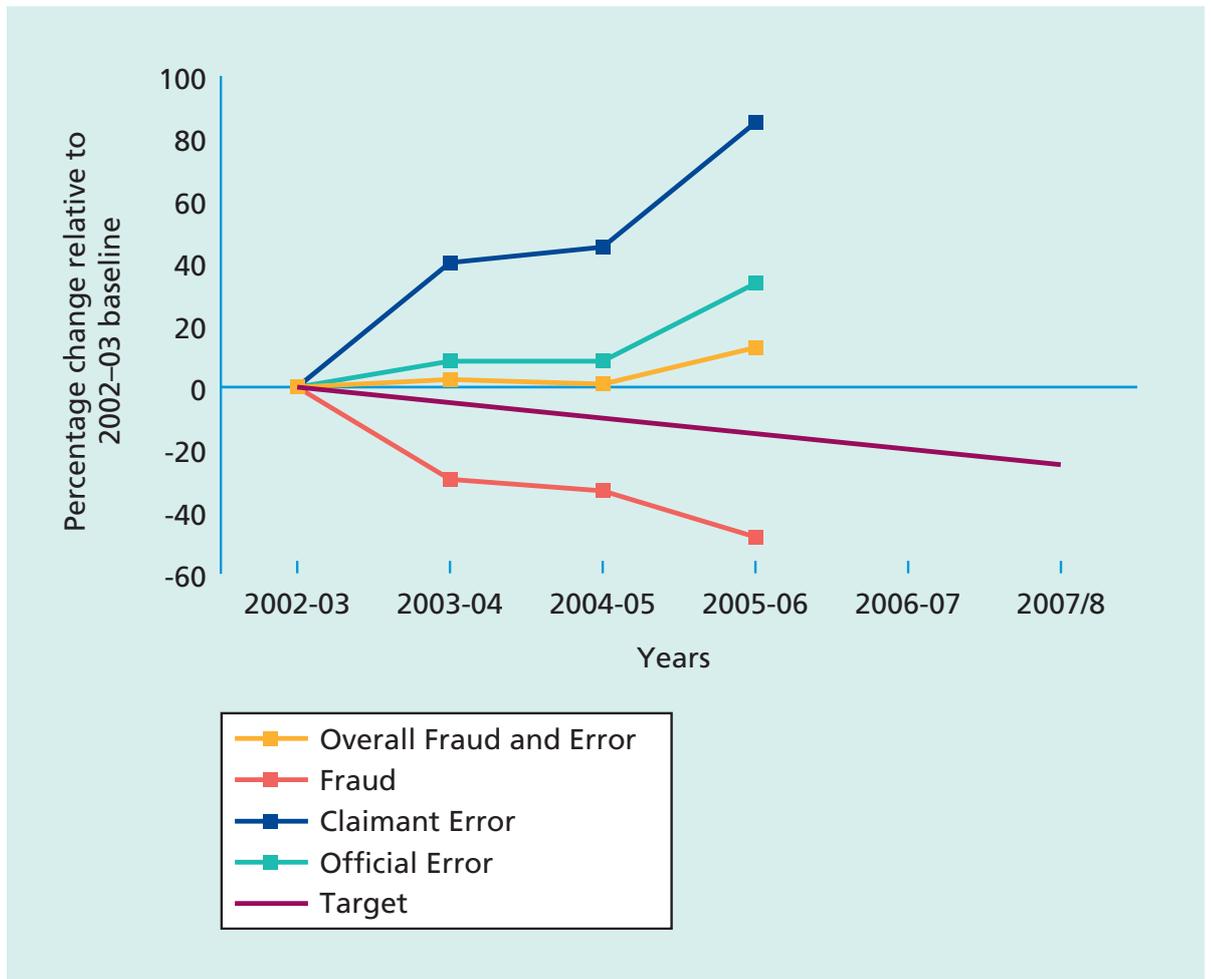
**PSA 10b:** by 2008, reduce overpayments from fraud and error in Housing Benefit by 25 per cent.

**Measurement**

**161.** Measurement is based on the biannual Housing Benefit Review, a sample of the Housing Benefit caseload, which due to administration lags, covers 85 per cent of the total live caseload. Estimates of progress are subject to margins of sampling error and other uncertainties.

**162.** This target is measured against the 2002-03 baseline when an estimate

Figure 23 Reduction in the proportion of Housing Benefit overpaid



Source: Housing Benefit Review

equivalent to 5.9 per cent of Housing Benefit expenditure was overpaid to customers below state pension age. In January 2006, the baseline estimate was revised downwards from 6.2 per cent due to an improvement in methodology. Subsequent estimates of progress have also been revised.

**Performance**

**163.** There has been **slippage** in performance against this target. Estimates for the 12-month period to March 2006 show a 12.7 per cent increase in Housing Benefit fraud and error compared to the baseline.

**164.** The main cause of Housing Benefit overpayments is failure on the part of some customers to report changes to their circumstances. The Department has developed an action plan focusing on reducing customer error in Housing Benefit that builds on the Department’s two overarching strategies for reducing fraud and for reducing error. This action plan aims not just to meet the PSA target but to achieve further sustainable reductions over the period to March 2011.

**165.** The Department introduced a new output-based performance measure in April 2007. This sets each local authority

robust individual targets for identifying reductions in benefit. The measure captures customer reporting as well as local authority detection so will encourage authorities to address customer error by preventing overpayments entering the system.

#### SR 2002 target, rolled forward – PSA 10b:

By spring 2006, reduce overpayments from fraud and error for people of working age in Housing Benefit by 25 per cent.

#### Performance

**166.** The target was **not met (final assessment)**. The estimate for the 12-month period to March 2006 shows a 12.7 per cent increase in Housing Benefit overpayments. Due to an improvement in methodology, the baseline figure against

which progress is measured was revised downwards to 5.9 per cent. Subsequent estimates of past progress have also been revised. Without this adjustment, there would still have been an 8.1 per cent increase.

**167.** A breakdown of the estimate shows:

- fraud reduced by 49 per cent from 2.7 per cent to 1.4 per cent of expenditure;
- customer error increased by 79 per cent from 2.0 per cent to 3.7 per cent of expenditure; and
- official error increased by 40 per cent from 1.2 per cent to 1.6 per cent of expenditure.

## Part 6: The Efficiency Challenge

Delivery of PSA targets is set in the context of the Government's efficiency agenda, which formed part of the Spending Review 2004 settlement.

The Department is required to achieve a reduction in the size of its workforce of 40,000 posts with redeployment of 10,000 posts to frontline roles and deliver annual savings of at least £960 million by 2007-08 while, at the same time, maintaining and improving customer services.

The Department has also been set a target by the Lyons review<sup>25</sup> to relocate 4,000 posts away from London and the South East to other regions by March 2008.

More detailed information about the Department's efficiency targets and their measurement can be found in the Efficiency Technical Note<sup>26</sup>.

### Measurement

**168.** The Department reports headcount information on a consistent basis from its payroll systems at the end of each month. All reported information complies with the definitions on measuring public sector employment set out by the Office for National Statistics.

**169.** The National Audit Office has reviewed the Department's reported headcount reductions as part of its report *Efficiency Programme: A Second Review of Progress*<sup>27</sup>. This gave the Department substantial assurance on its reported

headcount reductions and found that these are based upon sound information systems and consistent definitions.

**170.** The measurement of posts to be deployed to customer-facing roles starts from a March 2004 baseline and refers to increases in posts dealing directly with customers, either face-to-face or by telephone. Measurement of a single element of this (increases in Personal Advisers, about 12 per cent of posts) is estimated because of data collection difficulties. The Department has now improved its management information and from April 2007 estimation will no longer be necessary.

### Performance

**171.** The Department is **on course** to exceed its efficiency savings target of £960 million per annum by March 2008 and all its headcount and relocation targets.

**172.** The efficiency targets and progress towards the achievement of those targets are summarised in Figure 24.

### Looking ahead

**173.** The Department is continuing to work on a number of initiatives to support the achievement of its efficiency targets through a combination of streamlining overheads, improving business processes supported by better IT, and more efficient procurement, while continuing to drive up performance to match the current best.

**174.** Business transformation continues to progress, standardising customer contact and processing work and enabling the Department to achieve economies of scale.

<sup>25</sup> [www.hm-treasury.gov.uk/consultations\\_and\\_legislation/lyons/consult\\_lyons\\_index.cfm#final](http://www.hm-treasury.gov.uk/consultations_and_legislation/lyons/consult_lyons_index.cfm#final)

<sup>26</sup> [www.dwp.gov.uk/aboutus/efficiency\\_tech\\_note.pdf](http://www.dwp.gov.uk/aboutus/efficiency_tech_note.pdf)

<sup>27</sup> [www.nao.org.uk/pn/06-07/0607156.htm](http://www.nao.org.uk/pn/06-07/0607156.htm)

## Figure 24 Progress against the efficiency targets

### Efficiency challenge:

Annual financial savings of £960 million for March 2006 of which £480 million must be cashable. Non-Cashable savings are cost avoidance. Savings are classified as preliminary, interim or final. Net headcount reductions of 30,000 by March 2006. 10,000 posts re-deployed to customer-facing roles. 4,000 posts to be relocated from London and South East.

Achievement to March 2006				
	Annual financial savings	Net headcount reductions	Posts redeployed to customer-facing roles	Posts relocated from London and the South East
Jobcentre Plus	£62 million cashable savings classified as interim.	10,845	6,667	809
The Pension Service	£46 million cashable savings classified as interim.	6,045	–	1,784
Child Support Agency	–	(106)	–	85
Disability and Carers Service	£5 million cashable savings classified as interim.	864	–	252
Corporate Centre and Enabling Functions (including Debt Management Posts)	£606 million savings of which £262 million cashable savings. £606 million are classified as interim.	795	–	327
Additional headcount reflecting the move of The Rent Service to DWP	–	(674)	–	–
<b>DWP Totals</b>	<b>£719 million savings of which £375 million cashable savings. £719 million savings are classified as interim.</b>	<b>17,769</b>	<b>6,667</b>	<b>3,257</b>

**Note:** the headcount figures in Figure 24 relate to specific points in time and are consistent with the annual averages shown in Annex A Table 6.

Figure 24 Progress against the efficiency targets – continued

Achievement to December 2006				
	Annual financial savings	Net headcount reductions	Posts redeployed to customer-facing roles <sup>28</sup>	Posts relocated from London and the South East
Jobcentre Plus	£252 million cashable savings classified as interim.	12,711	6,667	1,460
The Pension Service	£91 million cashable savings. £34 million are classified as interim and £57 million as final.	6,851	–	1,784
Child Support Agency	–	(570)	–	85
Disability and Carers Service	£5 million cashable savings classified as final.	1,018	–	252
Corporate Centre and Enabling Functions (including Debt Management Posts)	£657 million savings of which £359 million cashable savings. £49 million are classified as preliminary, £170 million as interim and £438 million as final.	1,388	–	352
Additional headcount reflecting the move of The Rent Service to DWP	The Rent Service figures were incorporated in overall baseline and actual figures by September 2006.	–	–	–
DWP Totals	£1,005 million savings of which £687 million cashable savings. £49 million are classified as preliminary, £456 million as interim and £500 million as final.	21,398	6,667	3,933

<sup>28</sup> This table is consistent with figures published in Budget 2007. However, since March 2006 new systems have been developed to improve the measurement of posts redeployed. The new systems data show that 8,458 posts were redeployed by December 2006.

**175.** Plans are in place to deliver the remaining headcount reductions and Lyons relocations by March 2008. Progress will be monitored closely in each part of the Department to ensure these plans are realised.

### Quality measures

**176.** The efficiency target will be met if the savings are achieved without detriment to performance across all areas of the Department's activity, and customers experience no diminution in the service they receive. Maintenance of performance is monitored through measurement of the Department's productivity and through supporting information about customer service, which is published in agencies' annual reports and accounts<sup>29</sup>. A detailed explanation of the measures used to assess performance can be found in the Efficiency Challenge chapter of the 2006 Autumn Performance Report<sup>30</sup>.

**177.** The efficiency challenge implies that productivity must at least be maintained at the baseline 2004-05 level over the SR2004 period. The latest assessment is that productivity increased in 2005-06<sup>31</sup>. This means that outputs did not fall in line with the significant reduction in headcount and expenditure.

### Ongoing target from the 1998 Comprehensive Spending Review

Promote policies consistent with a change in the ratio of spending on pensions by the State to spending on pensions by the private sector from around 60:40 to 50:50 by 2025 and to 40:60 in 2050

### Measurement

**178.** The definition is the ratio of total state pension income to private pension income of all benefit units in Great Britain over State Pension age (defined as single people over State Pension age or couples where the man is over State Pension age).

**179.** The data come from the Pensioners' Income Series – National Statistics published annually by the Department, based on the Family Resources Survey. The latest data relates to 2005-06.<sup>32</sup>

### Performance

**180.** This target is **ongoing**. The mix of state and private income in 2050 will be affected by the implementation of the proposed reforms to the state pension system, automatic enrolment and the personal accounts scheme as set out in the May<sup>33</sup> and December<sup>34</sup> 2006 White Papers. These reforms will affect the situation significantly, and these changes, in particular the increased generosity of the state pension system, will make this target more difficult to achieve in the future.

**181.** However, the ratio of state to private spending has not changed significantly over the past decade. The ratio was 57:43 for 2005-06, and it has remained close to this level for each year since 1996-97. As the original aspiration to reverse the ratio was a very long-term one, State Pension spending on current pensioners has become more generous, and policies to increase private pension provision will not affect pensioners' incomes for many years, the lack of significant change since 1996-97 is not a surprise.

<sup>29</sup> References for the 2005-06 Agency Reports and Accounts can be found in Annex D of this report.

<sup>30</sup> [www.dwp.gov.uk/publications/dwp/2006/autumnreport/chapter3.pdf](http://www.dwp.gov.uk/publications/dwp/2006/autumnreport/chapter3.pdf)

<sup>31</sup> The methodology for calculating recurrent expenditure (on which productivity is based) is being improved. The final Productivity figure is expected to be published in autumn 2007.

<sup>32</sup> [www.dwp.gov.uk/asd/asd6/pensioners\\_income.asp](http://www.dwp.gov.uk/asd/asd6/pensioners_income.asp)

<sup>33</sup> [www.dwp.gov.uk/pensionsreform/pdfs/white\\_paper\\_complete.pdf](http://www.dwp.gov.uk/pensionsreform/pdfs/white_paper_complete.pdf)

<sup>34</sup> [www.dwp.gov.uk/pensionsreform/pdfs/PA\\_PersonalAccountsFull.pdf](http://www.dwp.gov.uk/pensionsreform/pdfs/PA_PersonalAccountsFull.pdf)

**182.** Since 1997, measures like the introduction of Pension Credit, the State Second Pension's more generous treatment of carers and disabled persons, higher-than-average real increases in the Basic State Pension and universal payments like Winter Fuel Payments have resulted in over 2 million pensioners being lifted out of absolute low-income poverty. However, this also has the effect of making the target harder to achieve.

**183.** Policies have been introduced that should increase private pension spending – such as the introduction of stakeholder pensions, the Pension Protection Fund and the new Pensions Regulator. In addition, the proposed personal accounts scheme was set out in the December 2006 White Paper. The effects of these will take many years to feed through.

**184.** However, it should be noted that if earnings and other income were included in the target, the ratio of state to private spending would already be 51:49, down from 53:47 in 1996-97, and it is expected this trend will continue for 2005-06.

**185.** Also, people are increasingly diversifying their saving behaviour, and retirees now hold large amounts of housing equity and other assets, which they may use to generate further private income in future. As presently constituted, the target fails to capture this.

### Future Monitoring

**186.** The Pensions White Paper *Security in retirement: towards a new pensions system* proposed that the Government cease monitoring progress against this PSA target from the start of the 2007 CSR period, for the reasons summarised below. The data will continue to be published in the Pensioners' Income Series.

**187.** The target was based on the policy regime set out in the 1998 paper *A new contract for welfare: Partnership in pensions*, in particular the introduction of the State Second Pension and stakeholder pensions. In 1998, it was expected that state pension expenditure would continue to fall in earnings terms (as a result of the indexation of the basic State Pension by prices) and private pension income would continue to rise over a long period. However, there has been a number of changes to the policy regime since 1998. For example, the introduction and promotion of Pension Credit and above-inflation uprating of the basic State Pension have meant that, despite quite rapid increases in average private pensions, the target, as it was originally designed, has become more difficult to achieve and less relevant to the policy debate than was previously the case. The proposals set out in the May 2006 White Paper, in particular the broader coverage and more rapid indexation of the basic State Pension, will have a similar effect.

**188.** The target also contains a perverse incentive: an obvious way of achieving this target (and in fact, the only way in the short to medium term) is to cut state spending on pensions. This would, of course, have significant adverse consequences for pensioner poverty and the adequacy of retirement incomes. The Government will set new PSAs in the context of CSR2007, which the Department will contribute to and which provide an opportunity to reflect more accurately the issues and challenges facing the UK in relation to an ageing society.



## Chapter 4 Corporate and shared services

## Human Resources

### Developments in 2006-7

#### Workforce Management

**189.** Robust cross-Departmental management structures and new Human Resource processes and policies have been put in place to support the efficiency targets. The aim remains to manage the headcount reductions efficiently and economically, and to secure and sustain jobs for staff who want to stay with the Department.

**190.** Most surplus staff have been successfully redeployed either within the Department or to other government departments. In addition, where there are sound business reasons for doing so, the Department is running early severance and retirement schemes to enable staff to leave on a voluntary basis

**191.** So far staffing has been reduced by over 21,000, over 8,000 have moved to frontline posts and over 3,900 posts have relocated from London and the South East.

#### Pay and Performance

**192.** The Department successfully implemented the final year of the three-year pay deal agreed with the trade unions in 2004. It has also reviewed its Performance and Development System and is introducing changes to address issues raised in the Departmental Capability Review and in response to staff comments.

#### Employee Relations

**193.** The Department has continued to engage with the trade unions on a day-to-day basis especially to discuss its workforce planning processes and modernisation programme. Work is underway on improving relations with its recognised trade unions following the settlement of a dispute with one of the Department's three trade unions. Both sides expressed a desire to see improved employee relations in the future.

#### Managing attendance

**194.** Sickness absence levels have remained constant this year at an average 10.5 days per employee year. However, this figure masks a variation in performance between sites, and the Department's businesses are identifying offices with higher than average absence levels and focusing effort on improving these.

**195.** All government departments have agreed a common method of counting sickness absences from April 2007. This will enable the Department in future years to make more meaningful comparisons with other government departments and the private sector. It is expected that the average 10.5 days absence per year will reduce by approximately a day when measured in this comparable way.

#### Health and safety

**196.** The Department aspires to the highest standards of health and safety performance. To underline this commitment, the Department has adopted the health and safety management framework HSG 65, recommended by the Health and Safety Executive. During 2006-07 work has continued to improve the consistency of

compliance with health and safety policies and the robust identification and management of risk. Measures taken include developing a network of Health and Safety Business Partners across the Department to ensure the implementation of more effective health and safety controls and to share best practice.

### Developing leadership capability and a capable and flexible workforce

197. Key developments in 2006-07 were:

- A review of the Department's Skills Strategy to ensure it will deliver the capability requirements to meet future business needs and integrate the Civil Service-wide Professional Skills for Government principles.
- Modernisation of learning and development in the Department through a shift from a traditional teacher-led model, to learner-led, easily accessible frameworks of development opportunities, more easily accessible and available for all through modernised learning techniques.

### Diversity and Equality

198. Diversity and Equality aims and objectives are central to the Department's mission of independence and opportunity for all.

199. Key achievements in 2006-07 include:

- publishing the Department's first ever disability and gender equality schemes and a progress review of its race equality scheme;

- developing and delivering to all staff a mandatory diversity training package to meet the requirements of the new disability and gender equality duties;
- ensuring all staff were prepared for the age anti-discrimination legislation that came into force in October 2006;
- reviewing the Department's Diversity 10-Point Plan and agreeing new actions to support the Department in achieving a diverse workforce, especially at senior levels;
- introducing a Childcare Salary Sacrifice Scheme across the Department;
- developing positive action schemes for ethnic minority and disabled staff which will form part of the Department's Early Talent Management Scheme. These will be piloted in May to June 2007, and
- achieving a gold standard in the *Opportunity Now* gender benchmarking exercise and a gold award in the *Race for Opportunity* benchmarking, coming second in the top ten public sector performers.

200. Figure 25 illustrates the Department's progress towards its targets for a diverse workforce.

Figure 25 Progress against equality targets

Ethnicity Targets – percentage of minority groups by grade				
Grade	March 2008 target	Position at 30 September 2004	Position at 30 September 2005	Position at 30 September 2006
SCS	5%	3.3%	3.7%	3.3%
G6/G7	4%	2.8%	3.2%	3.1%
SEO	4%	3.2%	3.6%	4.0%
HEO	5.5%	4.4%	4.9%	5.4%

Disability Targets – percentage of disabled people by grade				
Grade	March 2008 target	Position at 30 September 2004	Position at 30 September 2005	Position at 30 September 2006
SCS	6%	5.0%	4.8%	2.7%
G6/G7/ SEO	4%	3.8%	4.0%	3.8%
HEO/EO	7%	6.1%	6.5%	6.5%
AO/AA	6%	4.5%	4.6%	4.5%

Gender Targets – percentage of women by grade				
Grade	March 2008 target	Position at 30 September 2004	Position at 30 September 2005	Position at 30 September 2006
SCS	39%	33.5%	32.7%	34.2%
G6	45%	40.3%	42%	41.8%
G7	45%	43.7%	44.7%	43.0%

## Finance

### Transformation

**201.** The Finance Transformation Programme, an integrated programme of activity to transform fundamentally the way in which Finance delivers its business, has delivered the following benefits for the Department:

- an integrated planning process with supporting IT;
- improved performance reporting and forward financial planning;
- a new procurement model, incorporating demand management and improved supplier intelligence;
- a new Shared Services organisation;
- a new Risk Management Framework and audit recommendation tracking system;
- a new organisational structure for all parts of Corporate Finance;
- a significant increase in finance leadership capability;
- learning and development roadmaps for Finance and Procurement; and
- a new Resource Management System for the whole of the Department.

### Commercial Strategy

**202.** Through improved procurement the Department's spend on goods and services in 2006-07 reduced by 3 per cent over the previous year. The NAO report *Central Government's use of consultants*<sup>1</sup>

(December 2006) commented on the Department's success in reducing expenditure in this area. For the fifth year running the Department made the biggest contribution to the Office of Government Commerce (OGC) targets to deliver value-for-money savings. The Department reported procurement value-for-money gains in 2005-06 of £471 million to OGC, 11 per cent of all expenditure with external suppliers.

### Departmental Investment Strategy

**203.** The Departmental Investment Strategy<sup>2</sup> is primarily focused on significant improvements in customer service and realising operational efficiencies, with investment incurred principally in two areas:

- a programme to modernise business processes, enabled by more efficient, fit-for-purpose information technology and information systems; and
- strategic investment in estates infrastructure.

### Estate Strategy

**204.** The size of the estate at January 2007 was 2.237 million square metres, a reduction of 210,000 square metres since March 2006. By the end of March 2008 the Department plans to have an estate of 2.03 million square metres.

**205.** A number of major estates projects were completed during 2006-07, including a significant contribution towards meeting the requirements of the Disability Discrimination Act. Public access work programmes, fully funded by Land Securities Trillium and costing £4 million, have been completed at over 1,000 sites

<sup>1</sup> [www.nao.org.uk/publications/nao\\_reports/06-07/0607128.pdf](http://www.nao.org.uk/publications/nao_reports/06-07/0607128.pdf)

<sup>2</sup> [www.dwp.gov.uk/publications/dwp/2005/invest\\_strategy.pdf](http://www.dwp.gov.uk/publications/dwp/2005/invest_strategy.pdf)

**Figure 26 Investment plans from 2005 to 2008**

Year	2005-06 Outturn	2006-07 Estimated outturn	2007-08 Plan	SR 2004
Level of investment (£ million)	1,056	866	1,075	2,997

Note: The figures above represent Departmental Capital expenditure and Change Programme 'one off' resource costs. They relate to the final outturn for 2005-06, estimated outturn for 2006-07 and a forecast as at 31 March 2007 for 2007-08, updating the SR2004 figures published in the Departmental Investment Strategy, with End Year Flexibilities from 2004-05 and 2005-06.

across the estate. A £2.2 billion programme to deliver a fully integrated work and benefit service through a network of new and completely refurbished Jobcentre Plus offices was largely complete by the end of March 2007.

### Benefit Payments

**206.** The Department has modernised the way it pays pensions and benefits. 98 per cent of customers now have their payments made directly into an account.

**207.** A new Local Payment System has largely removed the need for clerically produced cheques and has automated the production and accounting for cheques, as well as creating the ability to make direct payments to all groups of benefit customers.

**208.** The Government has announced that there will be a successor to the Post Office card account and a procurement exercise for the new services will begin during 2007.

### Central Payment System

**209.** The Central Payment System Programme has made substantial progress in 2006-07 in the development

of an integrated system that will replace the Department's ageing benefit payment and accounting systems. The new system will make and manage the Department's payments to customers and accurately account for them.

### Managing Risk

**210.** The Department has made further progress in improving its risk management capacity and capability, and was able to report to HM Treasury in July 2006 that risk management is now implemented in all key areas.

### Assurance

**211.** The Department has introduced a revised methodology for focusing audit attention on departmental risks and mitigation strategies. The improved Risk Based Internal Audit (RBIA) planning process was approved by the Departmental Audit Committee as a basis for establishing the 2006-07 assurance programme.

### Improving Financial Control

**212.** The Department needs to demonstrate the highest standards of financial management and control. The Department's Resource Accounts for 2005-06 were qualified on two issues:

- substantial levels of estimated losses from fraud and error in benefit expenditure; and
- material uncertainties in respect of benefit overpayment debtors.

213. The Department's objective is to ensure that its Resource Accounts are unqualified. During 2006-07, the Department has:

- set up a Fraud and Error Taskforce;
- undertaken an end-to-end review of the way debt is handled in the Department, with recommendations to be implemented during 2007-08; and
- initiated a project to identify and deal with any issues that threaten the objective of unqualified accounts.

## Shared Services

**214.** On 1 September 2006 the Department created a new Shared Services organisation bringing together Accounting Services, Customer Payments, Debt Management, Employee Services (Human Resources Shared Services, Finance Payroll, Staff Pensions and Business Travel) and Purchase to Pay (the Department's internal purchasing and payment service). This organisation combines functions in a way that improves services to customers and reduces cost; making best use of the Department's recent major IT investments, such as the Resource Management and Debt Manager IT systems.

**215.** Shared Services is a separate entity at arms length from the Department. Its governance arrangements (including the Shared Services Board) allow for a clear separation between commissioning services and delivering them. The commissioning function will ensure that the services procured represent value for money and will monitor Shared Service performance.

**216.** The Department has one of only a handful of Shared Service organisations in central government and is one of only two Departments to have integrated Finance and HR. Shared Services is a key player in various cross-government groups aimed at shaping the future of Shared Services in government.

### Developments in 2006-07

**217.** Achievements to date include:

- the creation of the new Shared Services organisation from September 2006, the appointment of a new Director for Shared Services and a new executive team;
- establishment of a new governance structure (the Shared Services Board) and a new commissioning function to formalise the customer/supplier relationship;
- development of a Vision and Business Strategy to 2010, documented in the Shared Services Strategic Plan;
- development of the Shared Services Business Plan for 2007-08;
- publication of the Department's Shared Services Sector Plan, as part of the Transformational Government initiative;
- development of the Shared Services Estates Strategy;
- development of the High Level Service Definitions, Service Level Agreements and Key Performance Indicators;
- development of a financial framework articulating the funding and charging arrangements for 2007-08;
- the use of benchmarking to compare / challenge performance;
- delivery of significant service improvements, including record levels of debt recovered in-month and supporting the successful implementation of the Resource Management system;
- key player in the Cabinet Office-led Central Government Forum; with Cabinet Office opting for the Department for Work and Pensions to provide HR and financial services; and
- improved value for money, realising savings of around 15 per cent.

## Information Technology and Programme Management

### Transforming services

**218.** The Department has continued to roll out the benefits of its realigned contracts with BT and Electronic Data Services (EDS). These include:

- spending on average £520 million a year on services delivered by EDS, over the period from 2005 to 2010, compared with £700 million a year under the previous arrangements;
- a more resilient, rationalised network – improved capacity and an upgrade to the high quality voice and data network needed to deliver a quality service to the Department’s huge customer base;
- reducing the number of e-mail systems from seven to one by summer 2007; and
- delivering new desktops for staff at a rate of up to 5,000 a week from December 2006, with 100,000 in place by the end of March 2007.

**219.** The first Transformational Government annual report was published in January 2007<sup>3</sup>. It pointed to the Department’s prominent role in taking forward the cross-government supplier management initiative through the Chief Information Officer Council. This builds on the Department’s own success in transforming its supplier relationships.

Alongside supplier transformation, the Department has continued to build a smaller, higher quality professional IT workforce, underpinned by the application of industry quality standards, such as Capability Maturity Model Integration (CMMI).

### Modernisation programme

**220.** The Department’s programme consists of over 200 modernisation projects, more than 90 of which are IT-enabled. Of these, a number of larger projects reached the delivery phase in 2006-07 and are producing significant benefits:

- The Customer Information System, one of the largest databases in Europe, provides a single, accurate view of key information and identity for all citizens who have ever had a National Insurance Number. It is helping to join up services for customers by providing tailored online access for local authorities and government departments, and is central to the Government’s ID management proposals.
- The Pensions Transformation Programme is a major initiative to improve customer service by modernising and simplifying the benefit claim process, enabling new customers to make applications for Pension Credit, State Pension, Housing Benefit and Council Tax Benefit in a single call of no more than 20 minutes.
- The Customer Management System (CMS) provides staff with on-screen information and guidance. It enables

data to be gathered and transferred electronically to benefits payment systems, reducing the use of paper. The performance of CMS has been improved substantially since its introduction through a number of additional releases, although there is still much more to be done.

- The Resource Management system is being rolled out and developed. It is now delivering an up-to-date management, information and transaction tool to staff at their desks on human resources (including payroll), finance and procurement.
- Benefits online: since March 2006, benefits such as Carer's Allowance, Child Maintenance and intent to claim Jobseeker's Allowance can be actioned online.

### Governance and Portfolio Management

**221.** The Department has strengthened the way it manages mission-critical change projects during 2006-07:

- New governance arrangements ensure the engagement of a wider range of key stakeholders at the right level. This provides a greater emphasis on challenging and questioning projects, as well as greater senior management input to decision making at critical phases.

- Portfolio management ensures that key projects are kept under review by a sub-committee of the Department's Executive Team, where necessary exposing them to wider and more rigorous scrutiny at an earlier stage. Five of these key projects include significant IT change (see Figure 27).

### IS/IT strategy

**222.** The Department continued to apply its IS/IT strategy during 2006-07, using commercial-off-the-shelf (COTS) IS/IT packages and introducing IT-enabled business change through a phased, step-by-step approach to reduce risk. The Resource Management project and the Pensions Transformation Programme are both examples of the application of COTS packages. The IS/IT strategy is being developed to give effect to the Department's customer-focused business strategy, through integrated, easy-to-access, multi-channel customer services.

### The Modernisation Programme

**223.** Figure 27 lists the current major projects which include significant IT change and are key to business delivery, with information on schedules, budgets, and purpose.

Figure 27 The Department's key IT-enabled projects

Project	Purpose and achievements to date	Start date	Expected end date	Current forecast cost £ million	Expenditure to date £ million
Pensions Transformation Programme	The programme is transforming the Pension Service, bringing together business and IT change in ways that improve customer service and deliver efficiencies.	Jan 2002	2010-11	584	428
Customer Information System	This project will deliver a database of key citizen information to be shared across the Department. The database will complement information currently available in the Department's key customer information systems (the Personal Details Computer System and Departmental Central Index) and become their replacement.	July 2003	Feb 2008	90	67
Resource Management	This programme is providing modernised HR, financial and procurement functions for the Department. It is introducing significant business process change, enabling Departmental resources to be managed more effectively.	April 2001	June 2007	206	199
Central Payments System (formerly part of Payment Modernisation)	A modern, integrated central payment engine and accounts payable system to improve accounting for benefit/pension payments, reduce risks of service failure, increase speed and efficiency, provide information for improved customer service and reduce fraud and error.	April 2004	Dec 2010	146	37
Employment and Support Allowance (ESA)	The project delivers the system and processes to implement the new ESA allowance.	Aug 2006	Oct 2008	293	11

## Notes:

1. This is a rolling programme of a number of business and IT improvement projects with individual start and end dates.
2. The table includes only those projects which are predominantly IT-enabled.
3. The expected end date of a project or programme may change depending on factors such as changes in scope, cost or quality. Such changes must be approved by the appropriate governance body. Any significant change to the expected end date for projects in this table must be approved by the Department's Change Delivery Committee, chaired by the Chief Information Officer.
4. The current forecast cost column provides forecasts to project implementation. Expenditure on projects is formally approved by the Department's governance process and authorised through review gates, to establish that projects are meeting the expected standards.
5. The Benefits Processing Replacement Programme (included in the Department's 2006 Departmental Report) did not confirm initial expectations of benefits and costs. An early decision was taken within the new governance framework to halt the programme and ensure that the lessons learned would be reflected in future projects, based on proven technologies used elsewhere in the Department.



Chapter 5 Other areas of public interest

## Extension of the Financial Assistance Scheme

**224.** The Chancellor, in his Budget statement on 21 March 2007, announced that the Department for Work and Pensions would significantly extend the help provided by the Financial Assistance Scheme (FAS). FAS provides help to the members of occupational pension schemes who lost some or all of their pensions due to employer insolvency and where the scheme started to wind up between the years 1997 and 2005 (when the Pension Protection Fund came into effect).

**225.** The extended scheme will now provide assistance to ensure that the pensions of all members of affected pension schemes are topped up to 80 per cent of the core pension rights accrued in their scheme, subject to the cap.

**226.** The cap on assistance payments is increased to £26,000, and the de minimis rule that excludes those whose FAS payment would be £10 or less a week is removed. FAS payments commence at 65 are effectively 'inflation proofed' up to that age.

**227.** In total an estimated 100,000 pension scheme members will benefit from this extension. 85,000 scheme members will be eligible for assistance for the first time. Around 15,000 people who stood to benefit from FAS under the current scheme will receive more assistance due to the extension.

**228.** As a result, all the estimated 125,000 people with losses will be

helped. This increases the taxpayer's commitment from £2.3 billion in cumulative cash terms, to £8 billion. This equates to more than doubling the scheme in present value terms, from £830 million to £1.9 billion.

**229.** Subject to Parliamentary approval, these changes will be in place by the end of 2007.

## Better regulation

**230.** The Department is committed to reducing regulatory burdens wherever possible, and to minimising the impact of any new legislation. This commitment recognises the need to strike the right balance between avoiding unnecessary burdens on business, charities and voluntary organisations, and protecting the interests of citizens.

**231.** The Department's Better Regulation Minister is responsible for promoting the better regulation agenda at ministerial level in the Department.

**232.** At board level, the Director General of Strategy and Pensions promotes better regulation in the Department, and supports the work of the Better Regulation Unit which is part of the Strategy Directorate.

**233.** The Better Regulation Stakeholder Group, chaired by the Better Regulation Minister, engages directly on the administrative burdens reductions exercise and the simplification plan. The group includes representatives from employers' organisations, large and small businesses, trade unions, the third sector, local government, the Pensions Regulator and the Pension Protection Fund.

**234.** The Government's Better Regulation Action Plan<sup>1</sup> set a clear focus for the better regulation landscape this year, in particular the Administrative Burdens Measurement Exercise (ABME) and publication of the simplification plan<sup>2</sup>.

**235.** The Department took part in the ABME to quantify the administrative costs incurred as a result of complying with regulation requiring the provision of information. This provided a starting point for setting reduction targets and highlighting the areas to focus upon. ABME identified 53 pieces of the Department's regulation that placed an administrative cost falling within the scope of the exercise. The net administrative burden regulatory baseline was agreed to be around £471 million a year at 31 May 2005.

**236.** Government Departments have been set a target of reducing this burden by 25 per cent by 2010. For the Department for Work and Pensions, this target amounts to achieving reductions of £118 million a year and is net of any new administrative burdens imposed by the flow of any new regulations.

**237.** The results of ABME have identified the distribution of burdens across the Department's regulation and suggests that the focus should be on a small number of regulations and obligations in key policy areas such as private pensions, Statutory Sick Pay and Housing Benefit.

**238.** A high proportion of the Department's regulation applies to businesses of all sizes, although some have small business exemptions. Many of the most costly burdens affect very large

populations, it is the sheer number of pension schemes, members of those schemes, or employees, which drives the cost rather than the actual cost per firm of complying with the regulation.

**239.** Stakeholders are welcome to make simplification proposals. A dedicated e-mail address<sup>3</sup> is available on the Department's website<sup>4</sup> for stakeholders to submit well-reasoned proposals of simplification.

**240.** The simplification plan, published in December 2006, sets out 40 proposals to simplify and clarify the stock of regulation, and plans to reduce administrative burdens on business by 25 per cent (£118 million) by 2010. It also sets out a number of reviews which the Department is taking forward to meet or exceed this target.

**241.** The Department has established a Statutory Sick Pay review working group of external and government stakeholders to review the scheme. The group is reviewing the provision for short-term sick pay for employees, and will provide a preliminary report to ministers in spring 2007, and agree final recommendations by mid 2007.

**242.** The Department has established a rolling deregulatory review of the burden on pension schemes. This will report to ministers in spring 2007.

**243.** The Government is also reviewing the organisations involved in the regulation and protection of work-based pensions. The aim of the review is to encourage debate and build consensus, and will report with reasoned

1 [www.cabinetoffice.gov.uk/regulation/documents/pdf/action\\_plan.pdf](http://www.cabinetoffice.gov.uk/regulation/documents/pdf/action_plan.pdf)

2 [www.dwp.gov.uk/aboutus/better\\_regulation/simplification\\_plan.pdf](http://www.dwp.gov.uk/aboutus/better_regulation/simplification_plan.pdf)

3 [simplification@dwp.gsi.gov.uk](mailto:simplification@dwp.gsi.gov.uk)

4 [www.dwp.gov.uk/aboutus/better\\_regulation/](http://www.dwp.gov.uk/aboutus/better_regulation/)

recommendations to ministers in spring 2007. Both of these reviews are being led by independent stakeholders.

**244.** In general, the Department is not a major regulatory department – the majority of its regulations involve social security benefits. During 2006-07 two bills (Welfare Reform Bill and Pensions Bill) were introduced to Parliament; and 51 sets of regulations were brought forward – significantly fewer than in recent years.

**245.** Better Regulation principles are applied rigorously via the use of Impact Assessments. The Department's Capability Review<sup>5</sup>, overseen by the Cabinet Office, drew attention to the strong record of evidence-based policy making. An example of the Department's analytical work can be seen in the Impact Assessment<sup>6</sup> which accompanied the White Paper on pensions reform *Security in retirement: towards a new pensions system* and was strongly commended by the Better Regulation Commission.

**246.** The Department is fully committed to rigorous and inclusive consultation. Effective use of stakeholder groups has promoted better policy making and improved service delivery. The Department undertakes public consultations in accordance with the Code of Practice on Consultation<sup>7</sup>.

**247.** Ministers have exercised their discretion on occasion not to conduct formal consultation exercises. These more limited consultations adopted best practice from the code. Limited consultations have been informed by

ongoing discussions with industry representatives. The Department's agencies and independent regulators also follow the principles of better regulation.

**248.** The Pension Protection Fund is a public corporation and, as such, does not fall within the remit of the Hampton Review<sup>8</sup>. However, The Pensions Regulator was established in line with Hampton principles and recommendations.

**249.** The Pensions Regulator has produced guidance to accompany the Code of Practice on Internal Controls. The code recommends a risk-management approach to meet the requirements set out in the regulations. The Regulator has recognised that smaller schemes might benefit from some guidance on risk management and has produced guidance.

**250.** The Pensions Regulator has contributed to the reductions in the burdens of regulatory enforcement and inspection that are being driven through as a result of the Hampton review.

**251.** The Disability Rights Commission has taken steps to exercise its powers to ensure compliance with the duty to make reasonable adjustments under the Disability Discrimination Act. For example, by reaching a formal agreement with a major retailer to provide disabled access in all its retail stores in England.

**252.** The Department has adopted the Government policy that domestic regulation which impacts on business should commence on one of two dates

5 [www.civilservice.gov.uk/reform/capability\\_reviews/publications/pdf/Capability\\_Review\\_DWP.pdf](http://www.civilservice.gov.uk/reform/capability_reviews/publications/pdf/Capability_Review_DWP.pdf)

6 This, and other recent impact assessments, can be found at: [www.dwp.gov.uk/resourcecentre/ria.asp](http://www.dwp.gov.uk/resourcecentre/ria.asp)

7 [www.cabinetoffice.gov.uk/regulation/documents/consultation/pdf/code.pdf](http://www.cabinetoffice.gov.uk/regulation/documents/consultation/pdf/code.pdf)

8 [www.hm-treasury.gov.uk/media/A63/EF/bud05hamptonv1.pdf](http://www.hm-treasury.gov.uk/media/A63/EF/bud05hamptonv1.pdf)

(6 April and 1 October) each year even though comparatively little of its regulation has such an effect. It has been necessary to introduce some legislation slightly earlier than 6 April in order to tie in with commencement of the Pension Protection Fund's accounting year (1 April).

**253.** The Health and Safety Commission and Executive, which are sponsored by the Department, publish information about better regulation performance in their annual report and accounts<sup>9</sup>.

## Sustainable development

**254.** The Department has continued to strive towards embedding sustainability in all areas of the business, a commitment outlined in *Delivering Sustainable Development – DWP Action Plan*<sup>10</sup> published in December 2005, to meet the objectives of the *UK Strategy for Sustainable Development – Securing the Future*<sup>11</sup>.

**255.** In its assessment of Departmental action plans – *Off the Starting Block*<sup>12</sup> – the Sustainable Development Commission rated the Department as 'leading the pack'. This has engendered a spirit of cross-government working, with other Departments seeking advice.

**256.** To further some of the 23 actions arising from the plan, a sustainable business specification is being developed, which will enable the Department's agencies to evaluate their progress

towards embedding sustainable development principles within their business. These evaluations will be audited against best practice criteria, resulting in an internal badge of recognition.

**257.** Progress is incorporated into the Department's *Sustainable Development 6<sup>th</sup> Annual Report*<sup>13</sup>. This report has now been split into two parts with the intention of making it more appealing to various audiences and reducing printed copies.

**258.** Four priorities dominate activity: reduction of carbon emissions, reducing energy consumption, waste reduction and recycling and reduction in water consumption. These Departmental priorities were mirrored by the revised suite of *Targets for Sustainable Operations on the Government Estate*<sup>14</sup> launched by the Prime Minister.

**259.** Of these priorities, reducing the amount of energy consumed and making best use of that which is consumed, has become paramount. A notable achievement is the reduction of fossil fuel consumption of 11 per cent. A slight but encouraging reduction in electricity of 0.4 per cent reverses the upward trend previously recorded. The ongoing programme of estate rationalisation has presented opportunities to make further energy efficiencies.

**260.** Service partners, Land Securities Trillium, have embraced the Department's aims. A series of non-cost measures were deployed, such as resetting thermostats

9 [www.hse.gov.uk/aboutus/reports/index.htm](http://www.hse.gov.uk/aboutus/reports/index.htm)

10 [www.dwp.gov.uk/sus-dev/documents/sd-action-plan-2005.pdf](http://www.dwp.gov.uk/sus-dev/documents/sd-action-plan-2005.pdf)

11 [www.sustainable-development.gov.uk/publications/uk-strategy/index.htm](http://www.sustainable-development.gov.uk/publications/uk-strategy/index.htm)

12 [www.sd-commission.org.uk/publications/downloads/SDAP\\_Full\\_Report\\_Dec06.pdf](http://www.sd-commission.org.uk/publications/downloads/SDAP_Full_Report_Dec06.pdf)

13 [www.dwp.gov.uk/sus-dev/2006/sus-dev-part1-06.pdf](http://www.dwp.gov.uk/sus-dev/2006/sus-dev-part1-06.pdf)

14 [www.sustainable-development.gov.uk/government/estates/targets.htm](http://www.sustainable-development.gov.uk/government/estates/targets.htm)

and timers to reduce the baseline energy costs. Ongoing spend-to-save investment, ranging from timer devices on vending machines to the early replacement of inefficient boilers supported further energy reductions.

**261.** Through a variety of communications, staff have been encouraged to play their part. Simple measures such as turning off PC monitors when not in use remain the focus of continuing communication campaigns.

**262.** Renewable energy and combined heat and power sources make up 62 per cent of the Department's energy supply. Opportunities to purchase more renewable energy or develop renewable self-generation, such as rooftop wind turbines, continue to be investigated.

**263.** Business travel generates carbon emissions, so staff are encouraged to use alternatives such as video and phone conferencing. Vehicle mileage has reduced by 12 per cent and fleet vehicles have reduced by 212 this year, to 2417. These are mainly Euro IV diesels, giving fuel efficiency and high mileage without excessive emissions. Emissions from air travel will be offset by contributions to the Government's Carbon Offsetting Fund.

**264.** Considerable improvements in reducing measurable office waste were demonstrated by an 8 per cent reduction on the previous year. Of that waste, 52 per cent, mainly paper and cardboard, has been diverted from landfill for recycling. A successful pilot, replacing under desk bins with larger, centrally placed bins, will be rolled out to the remaining estate. This has encouraged waste segregation and should facilitate the introduction of recycling other

commodities. The development of a swap shop to advertise surplus or unwanted items for other offices to use has been hugely successful and has diverted items away from the waste stream.

**265.** Water consumption is another success, reducing by over 15 per cent due largely to the installation of waterless urinals and estate rationalisation. Auto flush trials are to commence in the coming year, to further reduce consumption.

**266.** Embedding sustainability into the procurement of goods and services continues, supported by messages from a Sustainable Procurement Conference, group workshops and one-to-one awareness sessions with procurement strand leaders. This has led to the development of commodity specific strategies, including looking at suppliers and supply chains and encouraging the fair treatment of workers as part of the adoption of sustainable principles.

**267.** To reward and champion the positive contribution individual staff make towards Departmental achievements, the Sustainability in DWP awards have been launched. The Sustainable Development Minister made the award of a small copse of trees, planted in the finalist's honour, at the Department's conference on climate change in March 2007.

**268.** The Department's achievements have been acknowledged externally by being a finalist in the Corporate Responsibility category at the Chartered Institute of Purchase and Supply awards in October 2006. Further achievements and progress are reported in the *DWP Sustainable Development 6<sup>th</sup> Annual Report*.

## International relations

**269.** The Joint International Unit, which also serves the Department for Education and Skills, has played a pivotal – but not exclusive – role in taking forward the international agenda of the Department for Work and Pensions. During 2006-07 the Unit has provided support, advice and guidance to Ministers and has ensured effective representation for the Department in EU and international fora so that departmental policies were explained, UK policies promoted, bilateral links developed and international cooperation advanced.

**270.** During the year the Unit made significant achievements:

- provision of effective and relevant policy and knowledge exchange in support of domestic policy development across the areas of pensions and welfare to work;
  - delivering effective outcomes and value for money from the Department's EU and international programmes;
  - successfully negotiating the new EU Programmes for Employment and Social Solidarity which bring together the previous social and employment spending programmes in a single coherent programme to help member states deliver the Lisbon Agenda of jobs, growth and social cohesion;
  - ensuring that UK interests are properly represented at the EU Social Protection and Employment Committees with ministers attending the Employment and Social Policy Councils; and
- contributing to the cross-government initiative to build closer relationships with Members of the European Parliament.
- 271.** In all these areas the Department's Joint International Unit has helped the new member states engage effectively with European institutions, particularly in areas of common interest.
- 272.** The Joint International Unit continued to manage the 2000-2006 European Social Fund (ESF) programme in England and the Equal programme in Great Britain to support policies to extend employment opportunities to all. Significant achievements were:
- ESF committed £670 million to projects in 2006-07, helping over 782,000 people in England to improve their employability and skills. Funds were targeted at improving the prospects of people at a disadvantage in the labour market. About 59 per cent of participants were in work or entered further training when they completed their ESF-funded provision.
  - In the Equal programme, 96 ESF-funded Development Partnerships continued work to develop new ways to combat discrimination and inequalities faced by disadvantaged groups in the labour market.
- 273.** The Joint International Unit also conducted a public consultation on the draft ESF programme for England in 2007-2013, which will support the Government's employment and skills strategies. Looking ahead, the Unit will aim to reach agreement with the European Commission on the new ESF programme in 2007, and put in place delivery arrangements.

## Ministerial correspondence with members of the public

**274.** When a member of the public writes to one of the Department's Ministers, the letter may be replied to by an appropriate official on their behalf. Between January and December 2006 the Department received 16,916 such letters. Of these, 96 per cent were replied to within the target of 20 working days. This performance represents a slippage of one percentage point when compared to 2005.

## Citizen redress

**275.** The Department for Work and Pensions' agencies have well-developed processes for dealing with complaints, and their customer service standards and performance are described in their Annual Reports and Accounts. Details of redress arrangements are included on agency websites, and leaflets advising customers about complaints procedures are also available on request from Jobcentre Plus, Pension Centres, Disability Benefit Centres and from local Citizens Advice Bureaux.

**276.** Following a period of prototype running, the Department extended the Independent Case Examiner service, an impartial complaints-handling tier previously available only to customers of the Child Support Agency, to customers of its other businesses from April 2007. This will provide an opportunity for learning more effectively from customer complaints.

**277.** Under a Department-wide scheme, each agency compensates any of its customers for any additional costs, losses

or other effects of maladministration. In 2006-07, 29,272 ex gratia compensation awards totalling £8.4 million were made under these arrangements.

**278.** In addition, under arrangements made by HM Revenue and Customs, certain pensioners were given an opportunity to pay additional national insurance contributions to enhance their State Pension. Interest was added to any arrears paid where this was possible. 12,004 interest payments totalling £1.7 million were made by The Pension Service under these arrangements .

## Communications and marketing

**279.** The Department's Communications Network designs and delivers effective, focused and strategic communications to support the Department's objectives. It works across the whole Department as well as synchronising communications to similar audiences by working with other government departments. The Network provides a proactive news service to broadcast, print and online news media and develops and implements online services, information and access points.

**280.** Marketing communications help customers understand how changes to the work, welfare and pensions systems affect them; give them confidence to move into work where appropriate, support their families, and plan and save for their later lives. These communications also help them by encouraging them to ensure that they take up their correct entitlements, and access support appropriate to their needs.

**281.** The major campaigns of 2006-07 informing customers of their rights and

**Figure 28 Major publicity campaigns costing over £500,000 during 2006–07**

<b>Age Positive</b>	<b>£740,000</b>
<p>The Age Positive initiative provides information, guidance and case study materials to help employers realise the business benefits of employing older workers as part of an age-diverse workforce. This is achieved through direct engagement with employers and a variety of trade and sector contacts, participation at exhibitions and events, presentations and providing help and information materials. Press advertising and PR have also been used to achieve wider national and regional coverage.</p>	
<b>Age Partnership Group</b>	<b>£1,620,000</b>
<p>The Age Partnership Group and 'Be Ready' initiative built on ongoing work of Age Positive, using a short direct marketing and guidance campaign to raise awareness and help employers get ready for age legislation in October 2006. The 'Be Ready' guidance materials were developed by the Department in conjunction with the Age Partnership Group which consists of intermediaries representing small, medium and large employers. Partners include CBI, TUC, ACAS, CIPD and the Federation of Small Businesses.</p>	
<b>Targeting Benefit Thieves</b>	<b>£6,860,000</b>
<p>This is a new campaign building on the previous Targeting Benefit Fraud campaign. It aims to increase awareness among benefit claimants of what constitutes benefit fraud and to increase fear and awareness of the likelihood of being caught and the consequences of being caught committing benefit fraud. It uses TV, press, out of home advertising and PR and ran twice during the year.</p>	
<b>Pension Credit</b>	<b>£2,750,000</b>
<p>Activity designed to raise awareness, within the pensioner population, of pension credit and a range of other benefits and to encourage those likely to be eligible for pension credit to apply for their entitlements. The campaign element primarily uses direct mail, supported by door-drops and local advertising in areas where take-up is low, as well as national press advertising to encourage customers to apply. Customer contact is also via outbound telemarketing and face-to-face visits by Local Service teams. The focus in the latter part of 2006-07 has increasingly been on encouraging eligible pensioners to apply for a range of benefits and services, rather than solely focusing on Pension Credit.</p>	
<b>Jobsearch Channels</b>	<b>£1,300,000</b>
<p>A campaign aimed at raising awareness of Jobseeker Direct and the Internet Job Bank amongst all Jobcentre Plus customers as a channel for job seeking, to promote awareness of the Jobcentre Plus brand, and to encourage the main Jobcentre Plus customer groups to take their first steps towards work. The campaign used a range of media including radio, press and posters, and was supported by a comprehensive internal communications pack.</p>	

**Figure 28 Major publicity campaigns costing over £500,000 during 2006–07 – continued**

<b>Lone Parent Awareness</b>	<b>£580,000</b>
A campaign to highlight the wider benefits of work and the full range of Jobcentre Plus services to the lone parent customer group. A dedicated contact line for lone parent customers was advertised on regional and local radio stations around the country as part of the campaign, as well as three weeks of direct mail activity to 50,000 lone parent customers a day.	
<b>Black and Minority Ethnic Skills</b>	<b>£700,000</b>
A campaign aimed at black and minority ethnic people who would not normally engage with Jobcentre Plus and who have little or no work record. The campaign focused on the skills they have, but had not recognised as relevant to work.	

#### Notes

1. Figures have been rounded to the best estimate at the time of going to press.
2. Some campaigns may have expenditure falling into more than one financial year, depending on the length of the campaign and the billing dates.

responsibilities, services and benefits are listed in Figure 28, together with a brief description of the activity.

## Sponsorship

**282.** Government departments are required to publish details of any sponsorship received which exceeds £5,000 in their annual reports. The Department received no such payments in 2006-07.

## Consultancy and staff substitutes/interims

**283.** Expenditure (including VAT) by the Department and its agencies on these services rose to £412.5 million in

2003–04 but fell by 16 per cent in 2004–05 to £345.6 million and by 39 per cent to £210.6 million in 2005-06.

**284.** This significant reduction was highlighted by the National Audit Office report *Central government's use of consultants* (HC128 December 2006)<sup>15</sup>. The level of expenditure reflects a reducing requirement for external expertise to support modernisation programmes, particularly to introduce new IT systems. Improved commercial arrangements, tighter expenditure controls and better, centralised administrative processes have been established. An audit in 2006 made recommendations to strengthen assurance of value for money and prudence in this area; these will be implemented in 2007.

**Figure 29** Department for Work and Pensions expenditure (including VAT) on externally acquired staff resources

Expenditure on: (£ million)	2001-02	2002-03	2003-04	2004-05	2005-06
Management consultancy	£23.79	£47.57	£223.35	£98.64	£77.59
IT consultancy	£70.67	£93.47	£83.37	£69.73	£52.70
Staff substitutions	–	–	£51.49	£53.03	£52.99
Professional services	£75.03	£150.48	£54.32	£104.68	£7.72
Casuals/Temps	–	–	–	£19.55	£19.60
<b>Total</b>	<b>£169.49</b>	<b>£291.52</b>	<b>£412.53</b>	<b>£345.63</b>	<b>£210.60</b>

## Public Accounts Committee recommendations

**285.** The Committee of Public Accounts published four reports during 2006-07, involving the Department for Work and Pensions. These were:

- 27 April 2006 – 36th Report: Tackling the complexity of the benefits system<sup>16</sup> (HC 765);
- 2 November 2006 – 53rd Report: Department for Work and Pensions: Delivering effective services through contact centres<sup>17</sup> (HC 1034);

- 16 January 2007 – 6th Report: Gaining and retaining a job: the Department for Work and Pensions' support for disabled people<sup>18</sup> (HC 112)
- 23 January 2007 – Seventh Report: Department for Work and Pensions: Using leaflets to communicate with the public about services and entitlements<sup>19</sup> (HC 133)

**286.** A copy of the Government responses to the above reports can be found on The Stationery Office official documents website<sup>20</sup>.

<sup>15</sup> [www.nao.org.uk/publications/nao\\_reports/06-07/0607128.pdf](http://www.nao.org.uk/publications/nao_reports/06-07/0607128.pdf)

<sup>16</sup> [www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/765/76502.htm](http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/765/76502.htm)

<sup>17</sup> [www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/1034/1034.pdf](http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/1034/1034.pdf)

<sup>18</sup> <http://www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/112/112.pdf>

<sup>19</sup> [www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/133/13302.htm](http://www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/133/13302.htm)

<sup>20</sup> [www.official-documents.gov.uk/](http://www.official-documents.gov.uk/)



# Annexes

## Annex A – Expenditure tables

### The Government's expenditure plans 2007-08

The aim of these published tables is to provide an explanation of what the Department for Work and Pensions spends money on. The tables provide an analysis of Departmental expenditure in resource terms, showing resource consumption and capital investment. The information includes Voted and non-Voted expenditure and also shows the extent to which funds are provided to support local authority activities.

Tables 1, 2 and 3 have been expanded since Departmental Report 2006 to include a breakdown of expenditure by major budget category: Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL). AME is primarily demand-led expenditure incurred on making benefit payments and is agreed as part of the Budget and Pre-Budget Report process. DEL is spending within the Department's direct control and which can therefore be planned over an extended period, such as the costs of its own administration, payments to third parties for example within Employment Programmes, Housing Benefit administration subsidies to Local Authorities, and the European Social Fund. DEL provision is settled with HM Treasury during the Spending Review process. Additionally, the tables identify near-cash expenditure within resource budgets; near-cash being a Treasury control used to assess expenditure which affects the 'Golden Rule'.

### Table 1 – Department for Work and Pensions public spending

This table sets out a summary of the expenditure on functions which are now administered by the Department, covering the period from 2001-02 to 2007-08. As the Department was only formed during 2001, past years' figures have been determined on the basis of the expenditure incurred by each of the various business areas brought together by the Machinery of Government changes in June 2001. Current and future year figures reflect the budgeted figures agreed with HM Treasury for the Department as it is now, including responsibility for the Health and Safety Executive and Health and Safety Commission from 24 July 2002 and The Rent Service Executive Agency from 1 April 2004.

The table reflects the extent of the organisational changes that have taken place within the Department and presents the expenditure plans by way of the groups of clients who will be served through the consumption of the resources. The 'Corporate and Shared Services' grouping represents expenditure on corporate contracts, for example with the Post Office, and corporate administration. The line relating to the National Insurance Fund (NIF) represents the costs of the Department in administering contributory benefits on behalf of the NIF. These costs are met by the NIF.

The consumption of resources includes both administration and programme expenditure (including benefits) where appropriate. The capital expenditure plans are shown separately in respect of each area of administration within the Department. Expenditure by local authorities in respect of the welfare programmes is also shown on this table, and the extent to which it is supported by grants from the Department.

**Table 2 – Department for Work and Pensions resource budget detail**

This table provides similar information to Table 1, though in greater detail for the resource budget. It shows the expenditure for each of the client groups, indicating the activities that the Department spends its money on. The expenditure plans differentiate between the costs of administration and expenditure incurred on the various welfare programmes. The entry concerning the National Insurance Fund relates only to the Department's costs in administering the fund.

**Table 3 – Department for Work and Pensions capital budget detail**

This table provides details of the capital expenditure plans in the same format as Table 2. Figures in respect of the Social Fund represent the level of net lending of the fund which, under HM Treasury Consolidated Budgeting Guidance, is regarded as a capital expenditure item.

**Table 4 – Department for Work and Pensions capital employed**

This table shows the capital employed by the Department, in a balance sheet format. It provides a high-level analysis of the value of the various categories of fixed assets, debtor and creditor values, and also the extent of provisions made. The net assets of Non-Departmental Public Bodies (NDPBs) and Public Corporations (Remploy Ltd and Pension Protection Fund) are shown separately.

**Table 5 – Department for Work and Pensions administration costs**

This table presents in more detail information concerning the administration costs of running the Department. These costs form part of the Department's DEL budget. For the current year and past years there is an analysis of administration expenditure showing paybill and other costs.

**Table 6 – Staff numbers 2001-02 to 2007-08**

This table shows actual and projected staffing in the Department, split between permanent staff, temporary staff and overtime. Figures for all years up to 2004-05 are based on full-time equivalents and are consistent with Cabinet Office definitions at the time. Actual figures from 2005-06 are based on the Office for National Statistics specification which includes all paid staff and has the effect of increasing staff numbers by around 2 per cent. Planned figures to 2007-08 use the same specification and are based on agreed headcount plans as at 31 March 2007.

**Table 7 – Total Department for Work and Pensions identifiable expenditure on services, by country and region**

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions. The expenditure represents the Department's total expenditure, excluding Housing Benefit and Council Tax Benefit, for each region, with country and United Kingdom totals.

The majority of the expenditure is identifiable which means that it can be recognised as having been paid to and for the advantage of individuals within particular regions. Some non-identifiable expenditure is shown from 2004-05; this is planned spending which is deemed to be on behalf of the United Kingdom as a whole.

The expenditure shown in respect of Northern Ireland and outside the United Kingdom is explained in the notes to Table 7. More information about the non-identifiable expenditure is also shown in the Table 7 notes. Expenditure plans are mostly allocated to regions on the basis of the most recent outturn information.

### **Table 8 – Department for Work and Pensions identifiable expenditure on services, by country and region, per head**

This table shows expenditure on services which can be analysed as being for the benefit of individual countries and regions per head of population. This is more informative than the total expenditure information presented in Table 7, as the size of the population varies significantly between regions. For example, while expenditure per head is highest in the North East, because it has a relatively small population, its total expenditure is the smallest of all the regions (ignoring Northern Ireland, as only a small proportion of benefit spending in Northern Ireland falls to the Department's budget).

The figures also demonstrate that expenditure per head in Wales and Scotland is consistently higher than in England, and that spending is lowest in London and the South East. The reasons for the variation in the figures are many and complex, and will depend on variations in the structure of the population and the socio-economic environment. For example, areas such as the South West with a higher proportion of pensioners will tend to show higher spending, other things being equal, while the socio-economic factors that mostly affect benefits for working-age people are discussed in detail in *Full Employment in Every Region*<sup>1</sup>, published in December 2003 by the Department and HM Treasury.

### **Table 9 – Department for Work and Pensions spending by objective by country and region in 2005–06**

This table shows the expenditure for 2005-06 in Table 7 broken down into the functional categories or objectives used in Tables 1, 2, 3 and 5. The Department does not plan or allocate expenditure on a regional basis. Social security benefits are paid to eligible individuals irrespective of where they live. The table also provides a breakdown of expenditure by Classification of Functions of Government (COFOG) consistent with information provided in the Public Expenditure Statistical Analyses 2007 (PESA).

### **Table 10 – Expenditure on the New Deals and Action Teams**

This table shows total expenditure by the Department for Work and Pensions on the New Deals and Action Teams, including expenditure funded from the Windfall Tax.

TABLE 1: Total Departmental Spending for the Department for Work and Pensions							£ million <sup>(1, 2)</sup>	
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans	
<b>RESOURCE BUDGET</b>								
<b>Resource DEL<sup>(3)</sup></b>								
Children <sup>(4, 5)</sup>	247	291	247	256	393	499	407	
Working age <sup>(5, 6)</sup>	3,504	3,237	3,719	3,882	3,694	4,578	4,415	
Pensioners <sup>(5, 6)</sup>	239	292	303	420	174	325	241	
Disability <sup>(5, 7)</sup>	15	3	188	186	227	279	271	
Corporate and Shared Services <sup>(5, 6, 8)</sup>	1,408	1,991	1,626	1,741	2,035	747	1,039	
National Insurance Fund <sup>(9)</sup>	471	890	1,399	1,137	1,083	1,112	1,142	
Public corporations <sup>(10)</sup>	143	113	108	109	126	145	106	
Unallocated provision	–	–	–	–	–	–	105	
<b>Total resource budget DEL</b>	<b>6,027</b>	<b>6,817</b>	<b>7,590</b>	<b>7,731</b>	<b>7,732</b>	<b>7,685</b>	<b>7,726</b>	
<i>of which: Near-cash<sup>(11)</sup></i>	5,985	6,667	7,512	7,643	7,474	7,446	7,563	
<b>Resource AME<sup>(12)</sup></b>								
Children <sup>(13)</sup>	4	3	1	1	5	–	–	
Working age	34,808	36,054	36,422	38,396	38,488	39,474	40,725	
Pensioners	49,959	52,450	55,245	59,336	62,888	64,911	68,569	
Disability	10,792	11,474	12,279	13,064	13,933	14,740	15,712	
Corporate and Shared Services <sup>(13)</sup>	5	2	1	3	13	–	–	
<b>Total resource budget AME</b>	<b>95,568</b>	<b>99,983</b>	<b>103,948</b>	<b>110,800</b>	<b>115,327</b>	<b>119,125</b>	<b>125,006</b>	
<i>of which: Near-cash<sup>(11)</sup></i>	95,470	99,828	103,854	110,464	115,065	118,569	124,809	
<b>Total resource budget</b>	<b>101,595</b>	<b>106,800</b>	<b>111,538</b>	<b>118,531</b>	<b>123,059</b>	<b>126,810</b>	<b>132,732</b>	
<i>of which: Depreciation</i>	46	95	101	132	139	203	155	

TABLE 1: Total Departmental Spending for the Department for Work and Pensions – continued

£ million<sup>(1, 2)</sup>

	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
<b>CAPITAL BUDGET</b>							
<b>Capital DEL<sup>(3)</sup></b>							
Children	#	3	#	#	#	#	–
Working Age <sup>(14)</sup>	51	119	279	153	290	129	37
Pensioners <sup>(15)</sup>	–	1	1	7	34	64	5
Disability	–	–	1	1	1	#	–
Corporate and Shared Services <sup>(16)</sup>	123	157	-59	129	29	27	23
<b>Total capital budget DEL</b>	<b>174</b>	<b>280</b>	<b>222</b>	<b>290</b>	<b>354</b>	<b>220</b>	<b>65</b>
<b>Capital AME</b>							
Pensioners <sup>(17,18)</sup>	75	77	90	80	17	123	134
<b>Total capital budget AME</b>	<b>75</b>	<b>77</b>	<b>90</b>	<b>80</b>	<b>17</b>	<b>123</b>	<b>134</b>
<b>Total capital budget</b>	<b>249</b>	<b>357</b>	<b>312</b>	<b>370</b>	<b>371</b>	<b>343</b>	<b>199</b>
<b>Total departmental spending<sup>(19)</sup></b>							
Children	245	290	242	251	394	493	404
Working Age	38,336	39,355	40,342	42,343	42,388	44,055	45,068
Pensioners	50,272	52,817	55,634	59,834	63,095	65,407	68,950
Disability	10,806	11,476	12,466	13,248	14,159	15,017	15,981
Corporate and Shared Services	1,525	2,121	1,558	1,847	2,055	735	1,034
National Insurance Fund	471	890	1,399	1,137	1,083	1,112	1,142
Public Corporations	143	113	108	109	117	131	92
Unallocated Provision	–	–	–	–	–	–	105
<b>Total departmental spending</b>	<b>101,798</b>	<b>107,062</b>	<b>111,749</b>	<b>118,769</b>	<b>123,291</b>	<b>126,950</b>	<b>132,776</b>
<i>of which:</i>							
Total DEL	6,165	7,011	7,719	7,897	7,976	7,702	7,636
Total AME	95,633	100,051	104,030	110,872	115,315	119,248	125,140

TABLE 1: Total Departmental Spending for the Department for Work and Pensions – continued							£ million <sup>(1, 2)</sup>	
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans	
<b>SPENDING BY LOCAL AUTHORITIES ON FUNCTIONS RELEVANT TO THE DEPARTMENT<sup>(20)</sup></b>								
Current Spending	12,326	13,468	13,195	14,024	14,841	15,625	–	
<i>of which:</i>								
financed by grants from budgets, above	13,642	14,591	14,358	16,910	17,928	18,774	–	
Capital Spending	3	1	#	#	#	#	–	
<i>of which:</i>								
financed by grants from budgets, above	1	5	4	1	#	3	–	

## Notes

- 1 Totals may not sum due to rounding.
- 2 Amounts below £0.5m are indicated by #.
- 3 Departmental Expenditure Limit (DEL) for Resource and Capital set as part of the Spending Review process and amended to incorporate transfers of functions to other Government departments.
- 4 Increase in 2002-03 is due to expenditure incurred on Child Support Reform. Increases from 2005-06 relate to expenditure incurred on the CSA Operational Improvement Plan.
- 5 From 2006-07 expenditure on accommodation and IS/IT was charged to individual businesses. This results in increases in expenditure in the client areas offsetting decreases in Corporate and Shared Services.
- 6 Variations between years are partly caused by changes to the apportionment of National Insurance Fund (NIF) receipts between client areas. In 2005-06 NIF receipts were only apportioned to Working Age and Pensioners. From 2006-07 the Department developed a more accurate method for applying its NIF receipts to those business areas incurring the related costs (Working Age, Pensioners and Corporate and Shared Services).
- 7 Increase from 02-03 relates to the setting up of the Disability Directorate costs which were previously within the Benefits Agency.
- 8 In addition to information provided in notes 5 and 6 variations in this run of figures have been caused by fluctuations in modernisation expenditure, re-structuring of the Department and costs relating to the Efficiency Challenge.
- 9 National Insurance Fund (NIF) Administration relates to the administration costs of processing NIF benefits. The variation in the NIF payment in later years results from a re-calculation to compensate for over/under payments in previous years.
- 10 Includes Remploy Ltd and Pension Protection Fund (2005-06 onwards).
- 11 Near-cash is an HM Treasury measure used to assess expenditure which impacts on the 'Golden Rule'.
- 12 Annually Managed Expenditure (AME) is set as part of the Budget and Pre Budget Report process.

- 13 Elements of asset depreciation were reclassified from DEL to AME in latest HM Treasury Budgeting Guidance, with changes impacted across all years.
- 14 Fluctuations in expenditure from 2003-04 relate to phasing of capital costs of Jobcentre Plus roll out programme.
- 15 Increase in 2005-06 and 2006-07 is a result of planned spending on the Pensions Transformation Programme.
- 16 Negative numbers arise due to the sale of capital assets.
- 17 Figures include net lending on the Social Fund (working age and pensioners).
- 18 The figure for 2005-06 was incorrectly recorded at the time of publication. The outturn for 2005-06 was £102m as reported in the Social Fund Annual Report 2005-06 (Cm6856). This will be corrected in future publications.
- 19 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and the capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.
- 20 Local Authority spending is not forecast for future years.

TABLE 2: Resource Budget DEL and AME for the Department for Work and Pensions							£ million <sup>(1, 2)</sup>	
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans	
<b>Resource DEL</b>								
<b>Children</b>	247	291	247	256	393	499	407	
<i>of which:</i>								
Children administration <sup>(3, 5)</sup>	247	291	247	256	393	499	407	
<b>Working age</b>	3,504	3,237	3,719	3,882	3,694	4,578	4,415	
<i>of which:</i>								
Working Age administration <sup>(4, 5, 6, 7)</sup>	2,266	1,824	1,977	2,291	2,053	3,002	2,982	
Employment Programmes <sup>(7)</sup>	964	1,100	1,146	979	918	1,010	717	
Grants to Local Authorities <sup>(8)</sup>	235	272	556	573	687	531	680	
The Rent Service Executive Agency <sup>(9)</sup>	39	41	40	39	36	35	36	
<b>Pensioners</b>	239	292	303	420	174	325	241	
<i>of which:</i>								
Pensioners benefits <sup>(10)</sup>	–	–	–	–	#	5	21	
Pensioners administration <sup>(5, 6, 11)</sup>	239	292	303	420	174	320	220	
<b>Disability</b>	15	3	188	186	227	279	271	
<i>of which:</i>								
Disability administration <sup>(5, 12, 13)</sup>	15	3	188	186	227	279	271	
<b>Corporate and shared services</b>	1,408	1,991	1,626	1,741	2,035	747	1,039	
<i>of which:</i>								
Corporate and shared services administration <sup>(5, 6, 14)</sup>	1,408	1,991	1,626	1,741	2,035	747	1,039	
<b>National Insurance Fund</b>	471	890	1,399	1,137	1,083	1,112	1,142	
<i>of which:</i>								
National Insurance Fund: administration <sup>(15)</sup>	471	890	1,399	1,137	1,083	1,112	1,142	

TABLE 2: Resource Budget DEL and AME for the Department for Work and Pensions – continued

£ million<sup>(1, 2)</sup>

	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
<b>Public Corporations</b>	143	113	108	109	126	145	106
<i>of which:</i>							
Remploy Ltd.	143	113	108	109	117	131	92
Pensions Protection Fund <sup>(16)</sup>	–	–	–	–	9	14	14
<b>Unallocated Provision</b>	–	–	–	–	–	–	105
<b>Total resource budget DEL</b>	<b>6,027</b>	<b>6,817</b>	<b>7,590</b>	<b>7,731</b>	<b>7,732</b>	<b>7,685</b>	<b>7,726</b>
<i>of which:</i>							
Near-cash	5,985	6,667	7,512	7,643	7,474	7,446	7,563
<i>of which:</i> <sup>(17)</sup>							
Pay	2,514	2,857	2,981	3,105	3,295	2,827	–
Procurement	2,772	3,173	3,558	3,592	3,343	3,701	–
Current grants and subsidies to the private sector and abroad	211	125	169	232	74	120	–
Current grants to local authorities <sup>(8)</sup>	339	391	684	653	745	646	–
Depreciation	36	86	93	123	110	203	–
<b>Resource AME</b>							
<b>Children</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>–</b>	<b>–</b>
<i>of which:</i>							
Children benefits <sup>(18)</sup>	2	2	#	–	#	–	–
Children administration <sup>(19)</sup>	2	1	1	1	5	–	–
<b>Working age</b>	<b>34,808</b>	<b>36,054</b>	<b>36,422</b>	<b>38,396</b>	<b>38,488</b>	<b>39,474</b>	<b>40,725</b>
<i>of which:</i>							
Working Age benefits <sup>(20, 21)</sup>	21,414	21,687	22,610	22,052	21,231	21,272	21,467
Working Age administration <sup>(19)</sup>	2	6	6	5	10	#	–
Employment Programmes	80	174	139	87	72	72	84
Grants to Local Authorities	13,312	14,187	13,667	16,252	17,175	18,130	19,174

TABLE 2: Resource Budget DEL and AME for the Department for Work and Pensions – continued							£ million <sup>(1, 2)</sup>	
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans	
<b>Pensioners</b>	49,959	52,450	55,245	59,336	62,888	64,911	68,569	
<i>of which:</i>								
Pensioners benefits <sup>(22)</sup>	48,052	50,478	53,033	57,089	60,543	62,556	66,186	
Social Fund <sup>(23)</sup>	1,907	1,972	2,209	2,244	2,345	2,355	2,383	
Pensioners administration <sup>(24)</sup>	#	#	3	3	–	–	–	
<b>Disability</b>	10,792	11,474	12,279	13,064	13,933	14,740	15,712	
<i>of which:</i>								
Disability Benefits and Grants to Independent Bodies <sup>(25)</sup>	10,792	11,474	12,279	13,064	13,933	14,740	15,712	
<b>Corporate and Shared Services</b>	5	2	1	3	13	–	–	
<i>of which:</i>								
Corporate and shared services administration <sup>(19)</sup>	5	2	1	3	13	–	–	
<b>Total resource budget AME</b>	95,568	99,983	103,948	110,800	115,327	119,125	125,006	
<i>of which:</i>								
Near-cash	95,470	99,828	103,854	110,464	115,065	118,569	124,809	
<i>of which:</i> <sup>(17)</sup>								
Current grants and subsidies to the private sector and abroad	81,799	85,243	89,768	93,770	98,501	100,618	105,709	
Current grants to local authorities	13,304	14,200	13,674	16,258	17,183	18,127	19,171	
Depreciation	10	9	8	9	29	–	–	
<b>Total resource budget</b>	101,595	106,800	111,538	118,531	123,059	126,810	132,732	

## Notes

- 1 Totals may not sum due to rounding.
- 2 Amounts below £0.5m are indicated by #.
- 3 See note 4 in Table 1.
- 4 Includes National Employment Panel (NEP) Ltd and Health & Safety Executive/Laboratory (HSE/HSL).
- 5 See note 5 in Table 1.
- 6 See note 6 in Table 1.
- 7 Employment Programme administration costs moved into the Working Age Administration line in 2004-05.
- 8 Increases in grants to Local Authorities from 2003-04 reflects changes to Housing Benefit/Council Tax Benefit payments with DWP taking responsibility for grants previously paid by ODPM, Scottish Executive and National Assembly for Wales.
- 9 The Rent Service transferred from ODPM in April 2004.
- 10 Relates to payments made by the Financial Assistance Scheme (FAS).
- 11 Includes Office of the Pensions Regulatory Authority (to 2004-05) and The Pensions Regulator (from 2005-06).
- 12 Includes the Disability Rights Commission.
- 13 Increase from 2002-03 relates to the setting up of the Disability Directorate costs which were previously within the Benefits Agency.
- 14 See note 8 in Table 1.
- 15 See note 9 in Table 1.
- 16 The Pension Protection Fund (PPF) became operational in April 2005.
- 17 The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but are not included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.
- 18 Relates to Guardian's Allowance and Child's Special Allowance.
- 19 See note 13 in Table 1.
- 20 Working Age benefits include: Severe Disablement Allowance, Industrial Injuries Benefits, Income Support (under 60 years of age), Job Seekers Allowance, Job Grant, Earnings Top Up, Statutory Sick Pay, Statutory Maternity Pay, Incapacity Benefit.
- 21 Reduction from 2005-06 is a result of the migration of child elements of Income Support to Child Tax Credit (HMRC).
- 22 Pensioner benefits include: State Pension, non-contributory Retirement Pension, Christmas Bonus, Pension Credit, TV Licences for the over 75s and Widows Benefits.
- 23 Relates to all Social Fund resource expenditure, including Winter Fuel payments. Figures include Social Fund resource expenditure for working age as well as pensioners.
- 24 Relates to Pensions Compensation Board.
- 25 Disability benefits include: Attendance Allowance, Disability Living Allowance, Disability Working Allowance, Invalid Care Allowance, Vaccine Damage. Grants to Independent Bodies include grants to Independent Living Fund and Motability.

TABLE 3: Capital Budget DEL and AME for the Department for Work and Pensions							£ million <sup>(1, 2)</sup>	
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans	
<b>Capital DEL</b>								
Children	#	3	#	#	#	#	–	
<i>of which:</i>								
Children administration	#	3	#	#	#	#	–	
<b>Working age</b>	51	119	279	153	290	129	37	
<i>of which:</i>								
Working Age administration <sup>(3)</sup>	45	111	268	150	289	122	32	
Employment Programmes	2	6	6	2	#	5	4	
The Rent Service Executive Agency	4	2	5	1	1	2	1	
<b>Pensioners</b>	–	1	1	7	34	64	5	
<i>of which:</i>								
Pensioners administration <sup>(4)</sup>	–	1	1	7	34	64	5	
<b>Disability</b>	–	–	1	1	1	#	–	
<i>of which:</i>								
Disability administration	–	–	1	1	1	#	–	
<b>Corporate and Shared Services</b>	123	157	-59	129	29	27	23	
<i>of which:</i>								
Corporate services administration <sup>(5)</sup>	123	157	-59	129	29	27	23	
<b>Total capital budget DEL</b>	<b>174</b>	<b>280</b>	<b>222</b>	<b>290</b>	<b>354</b>	<b>220</b>	<b>65</b>	
<i>of which:</i>								
Capital expenditure on fixed assets net of sales <sup>(6)</sup>	168	268	208	281	351	203	52	
Capital support to public corporations	5	6	7	7	3	6	6	
Capital support to local authorities	1	5	4	1	#	3	3	

TABLE 3: Capital Budget DEL and AME for the Department for Work and Pensions – continued

£ million<sup>(1, 2)</sup>

	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
Capital AME							
Pensioners	75	77	90	80	17	123	134
<i>of which:</i>							
Social Fund <sup>(7)</sup>	75	77	90	80	17	123	134
Total capital budget AME	75	77	90	80	17	123	134
Total capital budget	249	357	312	370	371	343	199
<i>of which:</i>							
Capital expenditure on fixed assets net of sales <sup>(6)</sup>	168	268	208	281	351	203	52
Less Depreciation	46	95	101	132	139	203	155
Net capital expenditure on tangible fixed assets	122	173	107	149	212	–	-103

## Notes

- 1 Totals may not sum due to rounding.
- 2 Amounts below £0.5m are indicated by #.
- 3 See note 14 in Table 1.
- 4 See note 15 in Table 1.
- 5 See note 16 in Table 1.
- 6 Expenditure by the department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets, grants and public corporations' capital expenditure.
- 7 See notes 17 and 18 in Table 1.

TABLE 4: Capital employed for the Department for Work and Pensions							£ million
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
Assets on balance sheet at end of year							
Fixed Assets	406	549	610	767	1,008	995	1,110
Intangible Assets <sup>(1)</sup>	–	–	1	26	40	53	27
<i>Tangible assets of which:</i>							
Land and Buildings excluding Dwellings	200	155	11	65	62	70	65
Leasehold Improvements <sup>(2)</sup>	–	11	330	378	580	518	613
Plant and Machinery	9	8	6	6	5	5	2
Furniture and Fittings	42	138	15	16	14	13	42
Transport Equipment	15	19	20	19	18	14	8
Information Technology	139	217	224	162	193	180	257
Payments on Account & Assets under construction <sup>(1)</sup>	–	–	2	95	95	141	95
Investments <sup>(3)</sup>	1	1	1	–	1	1	1
Current Assets	3,493	3,122	4,261	4,228	3,973	3,971	3,971
Creditors (< 1 year) <sup>(4)</sup>	-3,099	-3,245	-3,606	-4,603	-3,424	-3,074	-3,074
Creditors (> 1 year)	–	–	-274	-340	-349	-276	-276
Provisions	-362	-164	-165	-338	-399	-359	-359
<b>Capital employed within departmental group</b>	<b>438</b>	<b>262</b>	<b>826</b>	<b>-286</b>	<b>809</b>	<b>1,257</b>	<b>1,372</b>
NDPB net assets <sup>(5)</sup>	5	4	4	2	1	3	1
Public corporation net assets	26	32	32	-140	-158	-168	-169
<b>Total capital employed within departmental group</b>	<b>469</b>	<b>298</b>	<b>862</b>	<b>-424</b>	<b>652</b>	<b>1,092</b>	<b>1,204</b>

## Notes

- 1 From 2004-05 the Department capitalised software licences and software development. As a consequence intangible assets and payments on account & assets under construction increased due to the purchase of software licences and development of software to support the Department's Change Programme.
- 2 From 2003-04 the Department reviewed its accounting policy in respect of the capitalisation of expenditure on improvements to leasehold properties. As a result expenditure in respect of major capital refurbishment and improvements of properties occupied but not owned by the Department is capitalised and reported under Leasehold Improvements.
- 3 Previously Investments were not separately disclosed but were included in Fixed Assets.
- 4 2004-05 includes two exceptional items – a balance owing to the Contingencies Fund and an amount owed to paying agents.
- 5 From 2004-05 the Department's Non-Departmental Public Bodies, Public Corporations and The Rent Service implemented FRS 17 'Retirement Benefits' and recognised a liability for funding existing and future pensions increases on their Balance Sheet.

TABLE 5: Administration Costs for the Department for Work and Pensions							£ million <sup>(1, 2)</sup>	
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans	
Administration expenditure <sup>(3)</sup>								
Paybill	2,503	2,843	2,956	3,068	3,216	2,816		
Other	2,417	2,864	3,086	3,038	2,793	3,227		
<b>Total administration expenditure</b>	<b>4,920</b>	<b>5,707</b>	<b>6,042</b>	<b>6,106</b>	<b>6,009</b>	<b>6,043</b>	<b>5,917</b>	
Administration income	-108	-123	-132	-126	-161	-100	-119	
<b>Total administration budget</b>	<b>4,812</b>	<b>5,584</b>	<b>5,910</b>	<b>5,980</b>	<b>5,848</b>	<b>5,943</b>	<b>5,798</b>	
<b>Analysis by activity</b>								
Children <sup>(4, 5)</sup>	247	291	247	255	390	494	407	
Working Age <sup>(5)</sup>	2,658	2,325	2,357	2,490	2,699	3,520	3,273	
Pensioners <sup>(5)</sup>	219	419	484	571	618	677	602	
Disability <sup>(5, 6)</sup>	1	#	172	167	197	257	248	
Corporate and Shared Services <sup>(5, 7)</sup>	1,687	2,549	2,650	2,497	1,944	995	1,163	
Unallocated Provision	-	-	-	-	-	-	105	
<b>Total administration budget</b>	<b>4,812</b>	<b>5,584</b>	<b>5,910</b>	<b>5,980</b>	<b>5,848</b>	<b>5,943</b>	<b>5,798</b>	

## Notes

- 1 Totals may not sum due to rounding.
- 2 Amounts below £0.5m are indicated by #.
- 3 Administration costs detailed here will not match the administration costs in Table 2 as the latter includes additional items outside the definition of the administration budget.
- 4 See note 4 in Table 1.
- 5 See note 5 in Table 1.
- 6 See note 7 in Table 1.
- 7 See note 8 in Table 1.

TABLE 6: Staff numbers 2000–01 to 2007–08 averaged over each year, showing full-time equivalent (FTE), overtime and temporary staff

	2000-01 actual	2001-02 actual	2002-03 actual	2003-04 actual	2004-05 actual	2005-06 actual	2006-07 actual	2007-08 plans
<b>Permanent Staff</b>								
Children	–	–	13,180	11,149	10,004	10,125	11,205	10,265
Working age	–	–	80,729	76,213	75,651	73,980	70,803	68,367
Pensions	–	–	13,330	18,820	17,250	15,284	13,691	11,998
Disability	–	–	7,225	7,031	6,658	6,394	6,243	5,740
Corporate and shared services	–	–	10,031	10,259	11,260	9,994	8,681	8,113
<b>Total civil service FTE</b>	<b>80,935</b>	<b>117,361</b>	<b>124,495</b>	<b>123,472</b>	<b>120,823</b>	<b>115,777</b>	<b>110,622</b>	<b>104,490</b>
Overtime	1,785	2,525	2,683	2,652	2,491	1,927	2,111	2,090
Temporary staff	2,145	4,231	4,231	4,662	3,674	2,268	1,767	1,679
<b>TOTAL</b>	<b>84,865</b>	<b>124,117</b>	<b>131,409</b>	<b>130,786</b>	<b>126,988</b>	<b>119,972</b>	<b>114,500</b>	<b>108,259</b>
<b>Information Technology Services Agency (ITSA)</b>								
Permanent staff	1,879	–	–	–	–	–	–	–
Overtime	28	–	–	–	–	–	–	–
Temporary staff	34	–	–	–	–	–	–	–
<b>Total ITSA</b>	<b>1,941</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL DWP</b>	<b>86,806</b>	<b>124,117</b>	<b>131,409</b>	<b>130,786</b>	<b>126,988</b>	<b>119,972</b>	<b>114,500</b>	<b>108,259</b>

Notes:

- 1 The figures for 2000-01 are the figures for the former Department of Social Security.
- 2 The figures for 2001-02 and future years reflect the Machinery of Government changes setting up the Department for Work and Pensions from June 2001 onwards.
- 3 Child Benefit Centre staff (around 2,000) transferred to HM Revenue and Customs from April 2003.
- 4 Figures for all years up to 2004-05 are based on full time equivalents and are consistent with Cabinet Office definitions at the time.
- 5 Appeals Service transferred to the Department for Constitutional Affairs from April 2006.
- 6 Actual figures for 2005-06 and 2006-07 are based on the Office for National Statistics specification, which includes all paid staff and has the effect of increasing staff numbers by around 2 per cent.
- 7 Planned figures for 2007-08 use the same specification and are based on agreed headcount plans as at 31 March 2007.
- 8 Figures in this table are average figures over each year as specified. The figures are consistent with, but on a different basis from, the point in time presentation used in Figure 24 in Chapter Three.
- 9 Totals may not sum due to rounding.

TABLE 7: Department for Work and Pensions' identifiable expenditure on services, by country and region							£ million
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 plans	2007-08 plans
North East	5,004	5,307	5,486	5,653	5,766	5,835	6,052
North West	12,009	12,537	13,229	13,688	14,076	14,307	14,919
Yorkshire and Humberside	8,206	8,649	9,059	9,385	9,681	9,852	10,270
East Midlands	6,036	6,268	6,609	6,954	7,265	7,388	7,804
West Midlands	8,291	8,703	9,213	9,608	9,968	10,103	10,624
Eastern	7,106	7,507	7,947	8,380	8,773	8,931	9,450
London	9,588	10,225	10,945	11,300	11,512	11,599	12,109
South East	9,814	10,275	10,927	11,533	12,114	12,351	13,089
South West	7,092	7,369	7,824	8,238	8,657	8,838	9,363
<b>Total England</b>	<b>73,146</b>	<b>76,840</b>	<b>81,239</b>	<b>84,739</b>	<b>87,812</b>	<b>89,204</b>	<b>93,680</b>
Scotland	8,350	8,637	9,069	9,431	9,719	9,860	10,391
Wales	5,252	5,431	5,710	5,956	6,141	6,232	6,555
Northern Ireland	–	–	–	–	14	–	–
<b>Total UK identifiable expenditure</b>	<b>86,748</b>	<b>90,908</b>	<b>96,018</b>	<b>100,126</b>	<b>103,686</b>	<b>105,296</b>	<b>110,626</b>
Outside UK	1,604	1,692	1,784	1,963	1,957	2,041	2,168
<b>Total identifiable expenditure</b>	<b>88,352</b>	<b>92,600</b>	<b>97,802</b>	<b>102,089</b>	<b>105,643</b>	<b>107,337</b>	<b>112,794</b>
Non-identifiable expenditure	–	–	–	–	–	67	105
<b>Total expenditure on services</b>	<b>88,352</b>	<b>92,600</b>	<b>97,802</b>	<b>102,089</b>	<b>105,643</b>	<b>107,404</b>	<b>112,899</b>

## Notes

- 1 Figures may not sum due to rounding.
- 2 **Tables 7, 8 and 9** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2007 (Cm7091). The figures were taken from the HM Treasury public spending database in December 2006 and the regional distributions were completed in January and February 2007. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.
- 3 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.
- 4 TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2007.
- 5 The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.
- 6 Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
- 7 The functional analyses of spending in **Table 9** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2007. These are not the same as the strategic priorities shown elsewhere in the report.
- 8 The Corporate Services row of data in the strategic priorities area of **Table 9** includes National Insurance Fund (NIF) Administration relating to the administration cost of processing NIF benefits.
- 9 Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Social Security Agency other than the free Television Licence expenditure for those aged over 75 years of age. This expenditure is not shown separately in the table other than for 2005-06.
- 10 The methods of apportioning expenditure between regions will be reviewed during the coming year, in line with the Allsop Review recommendations, so figures are subject to change. However, the figures quoted in the table should give a reasonable indication of the level of spending in each country and region.

**TABLE 8: Department for Work and Pensions' identifiable expenditure on services, by country and region** £ per head per head

	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 plans	2007-08 plans
North East	1,970	2,091	2,160	2,221	2,254	2,285	2,367
North West	1,773	1,848	1,944	2,005	2,056	2,082	2,165
Yorkshire and Humberside	1,649	1,732	1,808	1,863	1,912	1,930	2,001
East Midlands	1,441	1,484	1,554	1,625	1,687	1,704	1,790
West Midlands	1,570	1,641	1,732	1,801	1,858	1,880	1,971
Eastern	1,316	1,384	1,455	1,526	1,583	1,604	1,687
London	1,309	1,387	1,482	1,521	1,531	1,528	1,582
South East	1,223	1,277	1,352	1,422	1,484	1,505	1,588
South West	1,435	1,483	1,565	1,635	1,708	1,729	1,819
<b>Total England</b>	<b>1,479</b>	<b>1,548</b>	<b>1,629</b>	<b>1,692</b>	<b>1,741</b>	<b>1,759</b>	<b>1,838</b>
Scotland	1,649	1,709	1,793	1,857	1,908	1,930	2,032
Wales	1,805	1,858	1,944	2,017	2,076	2,093	2,193
Northern Ireland	–	–	–	–	8	–	–
<b>Total UK identifiable expenditure</b>	<b>1,467</b>	<b>1,532</b>	<b>1,612</b>	<b>1,673</b>	<b>1,722</b>	<b>1,739</b>	<b>1,819</b>

## Notes

- 1 Figures may not sum due to rounding.
- 2 **Tables 7, 8 and 9** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2007 (Cm7091). The figures were taken from the HM Treasury public spending database in December 2006 and the regional distributions were completed in January and February 2007. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.
- 3 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.
- 4 TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2007.
- 5 The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.
- 6 Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
- 7 The functional analyses of spending in **Table 9** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2007. These are not the same as the strategic priorities shown elsewhere in the report.
- 8 The Corporate Services row of data in the strategic priorities area of **Table 9** includes National Insurance Fund (NIF) Administration relating to the administration cost of processing NIF benefits.
- 9 Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Social Security Agency other than the free Television Licence expenditure for those aged over 75 years of age. This expenditure is not shown separately in the table other than for 2005-06.
- 10 The methods of apportioning expenditure between regions will be reviewed during the coming year, in line with the Allsop Review recommendations, so figures are subject to change. However, the figures quoted in the table should give a reasonable indication of the level of spending in each country and region.

TABLE 9: Department for Work and Pensions' identifiable expenditure on services by function for 2005/06, by country and region

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West
Children	54	85	13	6	51	15	3	42	57
Working Age	1,558	3,619	2,363	1,624	2,631	1,697	3,640	2,178	1,620
Pensioners	2,880	7,335	5,283	4,554	5,770	5,975	5,939	8,536	5,893
Disability	758	2,257	1,279	1,007	1,386	1,073	1,348	1,335	1,075
Corporate Services	516	780	743	74	130	13	582	23	12
<b>Total</b>	<b>5,766</b>	<b>14,076</b>	<b>9,681</b>	<b>7,265</b>	<b>9,968</b>	<b>8,773</b>	<b>11,512</b>	<b>12,114</b>	<b>8,657</b>
<i>Of which:</i>									
<b>Employment Policies</b>	<b>247</b>	<b>485</b>	<b>358</b>	<b>168</b>	<b>447</b>	<b>206</b>	<b>448</b>	<b>208</b>	<b>173</b>
<b>Social Protection</b>									
Administration and miscellaneous services	507	899	823	96	325	76	716	101	80
Family benefits, income support and tax credits	847	2,321	1,492	1,102	1,636	1,243	2,962	1,673	1,237
Housing benefits	70	123	93	94	100	118	105	158	94
Incapacity, disability and injury benefits	1,367	3,552	2,071	1,632	2,173	1,628	1,983	2,044	1,659
Personal social services	1	3	2	1	2	1	2	2	1
Public sector occupational pensions	-1	-1	-2	-	-1	-	-1	-	-
State pensions	2,557	6,295	4,550	3,954	4,929	5,260	4,760	7,617	5,227
Unemployment benefits	124	280	214	152	273	161	447	196	116
Widows' benefits	40	110	74	64	83	80	86	114	70
<b>Total Social Protection</b>	<b>5,512</b>	<b>13,582</b>	<b>9,317</b>	<b>7,095</b>	<b>9,520</b>	<b>8,567</b>	<b>11,060</b>	<b>11,905</b>	<b>8,484</b>

Notes:

See notes to Table 8.

£ million									
	England	Scotland	Wales	Northern Ireland	UK Identifiable Expenditure	Outside UK	Total Identifiable Expenditure	Not Identifiable	Total Expenditure on Services
Children	326	60	4	–	390	–	390	–	390
Working Age	20,930	2,439	1,583	–	24,952	66	25,018	–	25,018
Pensioners	52,165	5,572	3,348	14	61,099	1,891	62,990	–	62,990
Disability	11,518	1,515	1,121	–	14,154	–	14,154	–	14,154
Corporate Services	2,873	133	85	–	3,091	–	3,091	–	3,091
<b>Total</b>	<b>87,812</b>	<b>9,719</b>	<b>6,141</b>	<b>14</b>	<b>103,686</b>	<b>1,957</b>	<b>105,643</b>	<b>–</b>	<b>105,643</b>
<i>Of which:</i>									
<b>Employment Policies</b>	<b>2,740</b>	<b>187</b>	<b>128</b>	<b>–</b>	<b>3,055</b>	<b>–</b>	<b>3,055</b>	<b>–</b>	<b>3,055</b>
<b>Social Protection</b>									
Administration and miscellaneous services	3,623	164	80	–	3,867	–	3,867	–	3,867
Family benefits, income support and tax credits	14,513	1,686	981	–	17,180	2	17,182	–	17,182
Housing benefits	955	100	63	14	1,132	–	1,132	–	1,132
Incapacity, disability and injury benefits	18,109	2,503	1,845	–	22,457	64	22,521	–	22,521
Personal social services	15	2	1	–	18	–	18	–	18
Public sector occupational pensions	-6	–	–	–	-6	–	-6	–	-6
State pensions	45,149	4,749	2,881	–	52,779	1,874	54,653	–	54,653
Unemployment benefits	1,963	228	111	–	2,302	–	2,302	–	2,302
Widows' benefits	721	89	45	–	855	17	872	–	872
<b>Total Social Protection</b>	<b>85,042</b>	<b>9,521</b>	<b>6,007</b>	<b>14</b>	<b>100,584</b>	<b>1,957</b>	<b>102,541</b>	<b>–</b>	<b>102,541</b>

TABLE 10: Expenditure on the New Deals and Action Teams								£ million
	2000-01 outturn	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
<b>Administrative expenditure (see notes 1–3)</b>								
New Deal for young people	119	89	93					
New Deal 25 plus	18	73	71					
New Deal for over 50s	11	5	5					
New Deal for lone parents	29	37	44					
New Deal for disabled people	7	6	15					
New Deal for partners	10	6	6					
<b>Sub-total for New Deals</b>	<b>194</b>	<b>216</b>	<b>234</b>	<b>111</b>	<b>113</b>	<b>121</b>	<b>94</b>	<b>93</b>
Action Teams (see note 4)	5	14	23	11	13	14	7	0
<b>Sub-total</b>	<b>199</b>	<b>230</b>	<b>256</b>	<b>122</b>	<b>126</b>	<b>134</b>	<b>101</b>	<b>93</b>
<b>Programme expenditure (DEL)</b>								
New Deal for young people (see note 7)	293	219	178	215	211	153	135	161
New Deal 25 plus	42	140	114	137	135	98	86	103
New Deal for over 50s	3	2	3	3	3	1	0	0
New Deal for lone parents	14	9	18	20	24	26	42	42
New Deal for disabled people	7	4	16	28	65	68	73	74
New Deal for partners	1	2	0	0	1	1	1	0
<b>Sub-total for New Deals</b>	<b>360</b>	<b>376</b>	<b>328</b>	<b>404</b>	<b>439</b>	<b>347</b>	<b>337</b>	<b>380</b>
Action Teams (see note 4)	6	23	30	32	23	31	16	0
<b>Sub-total</b>	<b>366</b>	<b>399</b>	<b>358</b>	<b>437</b>	<b>462</b>	<b>378</b>	<b>352</b>	<b>380</b>

TABLE 10: Expenditure on the New Deals and Action Teams – continued								£ million
	2000-01 outturn	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
Programme expenditure (AME)								
New Deal for young people (see note 5)	–	–	43	49	43	35	40	40
New Deal 25 plus (see note 5)	–	–	53	52	44	36	41	44
New Deal for over 50s (see note 6)	42	80	79	38	0	0	0	0
Sub-total	42	80	174	139	87	72	80	84
Total	607	709	789	698	676	584	533	557

The table shows total expenditure by the Department for Work and Pensions on the New Deals and Action Teams, including expenditure funded from the Windfall Tax.

All figures are rounded to the nearest £million; totals may not sum due to rounding; expenditure of less than £500,000 shown as zero.

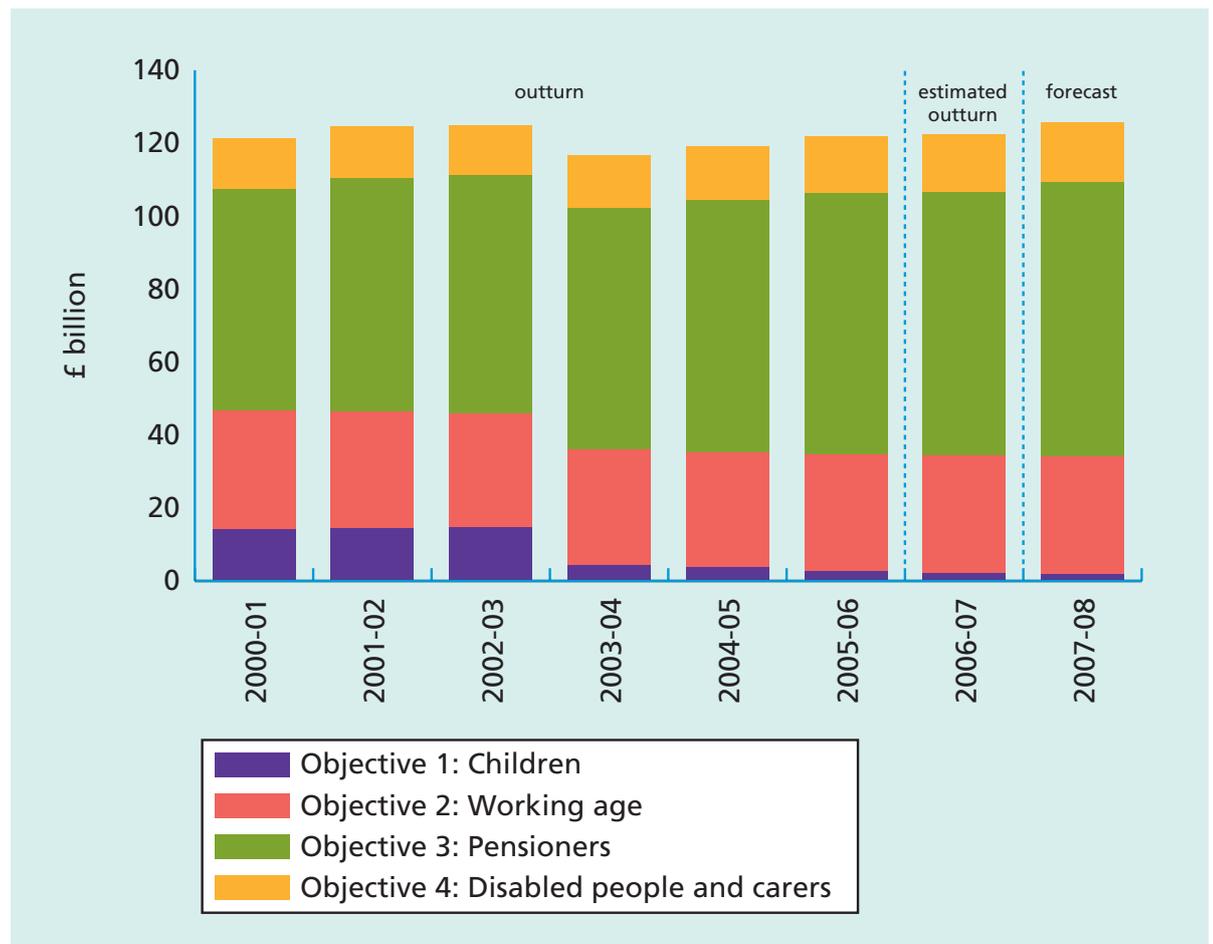
#### Notes

- 1 Following agreement with HM Treasury to remove the 'ring fences' from the New Deals in 2002-03, the Department no longer manages administrative budgets for the individual New Deals, allowing managers extended flexibility in deploying the resources available to them. Consequently information on administrative expenditure by individual New Deal is not available for 2003-04 and later years.
- 2 Administrative expenditure for 2002-03 is estimated.
- 3 Administrative expenditure for 2003-04 onwards is for staff costs only and is not comparable to earlier years' figures which include all administrative expenditure.
- 4 Action Teams came to an end in autumn 2006.
- 5 Allowance payments to New Deal for young people and New Deal 25 plus participants. Prior to 2002-03 these allowances were made from programme expenditure (DEL).
- 6 Subsumed within the Working Tax Credit from 2003-04.
- 7 Progress2Work is not included in this table.

## Annex B – Trends in benefit expenditure from 2001-02 to 2007-08

Figure 30 Benefit expenditure by objective (2007-08 prices)

This chart shows how expenditure on benefits relates to the Department for Work and Pensions' objectives.

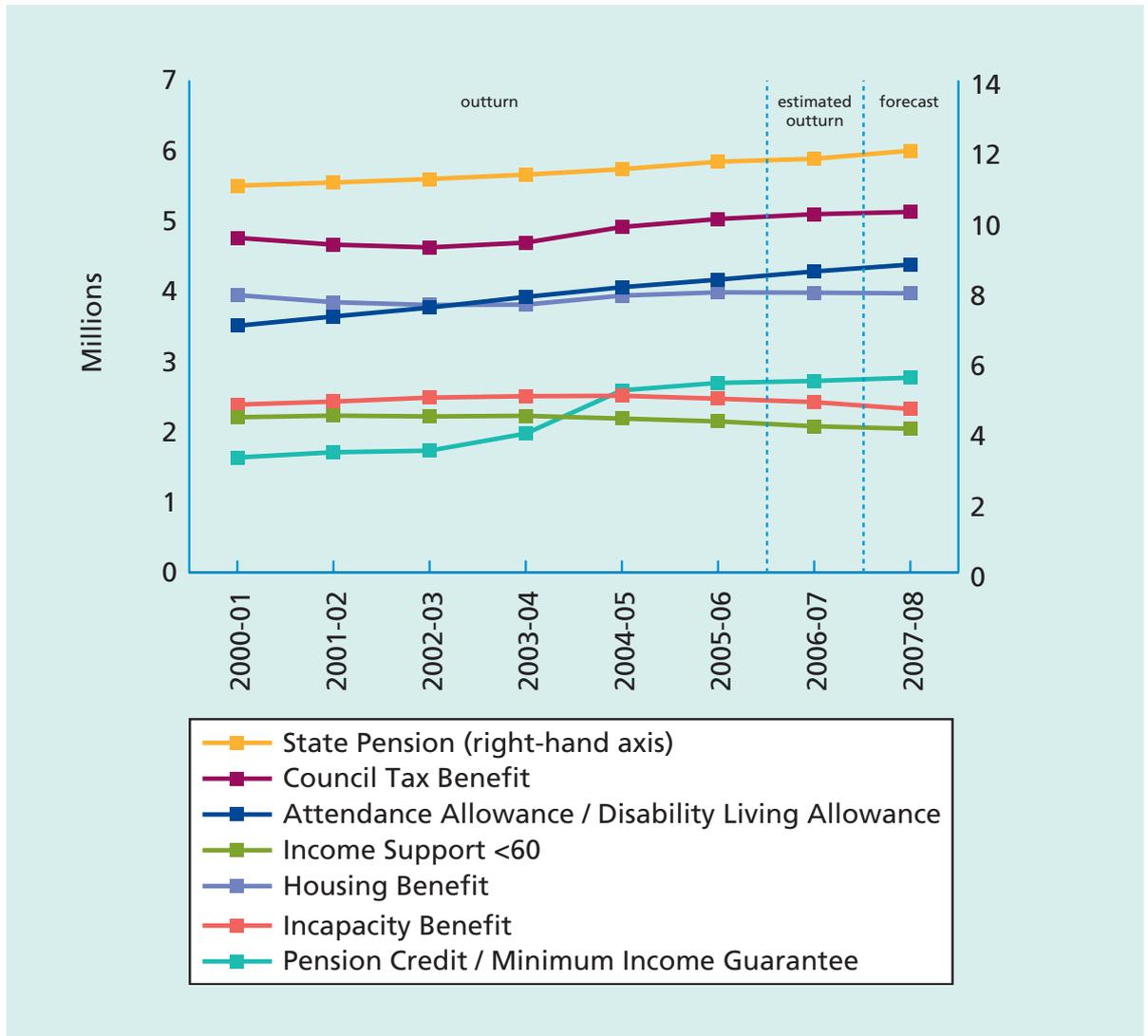


Source: Department for Work and Pensions' benefits administration and forecast data.

Note: Expenditure in 2006-07 reflects the latest estimate of outturn, and not the amounts voted by Parliament.

**Figure 31 Numbers in receipt of key benefits**

This chart shows how many people receive each of seven key benefits.



Source: Department for Work and Pensions' benefits administration and forecast data.

Notes:

- 1 The chart shows all benefits with a caseload of at least one million in any year, except Winter Fuel Payments (where caseload is similar to Basic State Pension in all years) and free TV licences for the over-75s (where expenditure is relatively small and the main drivers are simply the cost of the TV licence and the number of people over 75).
- 2 The left hand axis applies to all benefits except State Pension.
- 3 Beneficiaries may receive more than one benefit at a time.
- 4 Figures are based on Work and Pensions Longitudinal Study (WPLS), except for Housing Benefit, Council Tax Benefit and Attendance Allowance, because cases in payment for those benefits are not currently available within WPLS.
- 5 Incapacity Benefit includes credits-only cases. Most Incapacity Benefit credits-only cases are in receipt of Income Support.

## Analysis of benefit expenditure by Departmental objective

All expenditure figures discussed in this section are in 2007-08 prices.

Figure 30 (benefit expenditure) presents information according to the four benefit expenditure-related Departmental objectives in the Department's Public Service Agreement. Since it is possible to receive more than one benefit at a time, Figure 31 simply shows numbers of recipients for a range of key benefits.

More detail on medium- and long-term benefit expenditure is published on the Department's website at [www.dwp.gov.uk/asd/asd4/expenditure.asp](http://www.dwp.gov.uk/asd/asd4/expenditure.asp)

### Main trends

#### Slow overall growth driven by policy changes and demographics

With the transfer of benefits to other government departments, comparisons over time can prove difficult. From 2003-04 (when responsibility for Child Benefit transferred to HM Revenue and Customs) to 2007-08, the Department for Work and Pensions' benefit spending is expected to rise by an average of 1.9 per cent a year in real terms. Growth is driven in particular by the introduction of Pension Credit in 2003-04, age-related payments in 2004-05 and 2005-06 and the extension of the payment period for maternity benefits in 2007-08. In addition, caseloads for pensioner benefits increase throughout the period due to longer life-expectancy, greater coverage for women and post-World War Two 'baby boom' women reaching pension age.

Offsetting these effects is the transfer of Income Support and Jobseeker's Allowance child amounts to HM Revenue and Customs tax credits, with spending of £4.3 billion in 2003-04 reducing to £1.7 billion in 2007-08 and eventually falling to zero.

Contributory benefits account for over half of the Department's benefit spending, and income-related benefits over 30 per cent. The remainder comes from non-contributory, non-income-related benefits, principally disability and carer benefits and the Winter Fuel Payment.

### Children

#### Department for Work and Pensions' spending falls as HM Revenue and Customs introduces Child Tax Credit

Department for Work and Pensions' spending on children first fell significantly in 2003-04 with the transfer of Child Benefit (then worth nearly £10 billion in real terms) to HM Revenue and Customs. The remaining expenditure (on child elements of Income Support and Jobseeker's Allowance) is gradually migrating to Child Tax Credit, which does not feature in this report as it is administered by HM Revenue and Customs. Complete migration has not yet taken place and so expenditure (forecast to be £1.7 billion) will still be incurred in 2007-08. However, the Department's benefit spending on children will fall to zero in due course.

### People of working age

Spending stable at over £32 billion a year in real terms; most spending is through income-related benefits and Incapacity Benefit

The main reasons for benefit receipt among working-age people are unemployment, lone parenthood and sickness or disability. Although unemployment has risen in recent years, it is still relatively low (and is now falling again) and benefits for unemployed people are forecast to account for only 13 per cent of all working-age spending in 2007-08. Lone parent benefits account for a further 24 per cent and incapacity-related benefits<sup>1</sup> 39 per cent. The remainder is made up principally of bereavement and maternity benefits. Overall, income-related and incapacity-related benefits amount to 90 per cent of all working-age spending.

Declining caseloads in Income Support (especially lone parents) and Incapacity Benefit are forecast to contribute to falling spending on these benefits in 2007-08. Spending on working-age recipients of Housing Benefit and Council Tax Benefit is rising as caseloads have increased from 2004-05 onwards and rents and Council Tax tend to rise faster than prices.

Among the smaller benefits, Statutory Maternity Pay jumps significantly in 2007-08 as a result of extending the payment period from 26 to 39 weeks.

### People over pension age

Increasing spending reflecting an ageing population and new spending directed at retired people; spending over £75 billion in 2007-08

Expenditure on people over pension age is growing by 3.1 per cent a year on average over the period shown. Significant factors here have been the introduction of Pension Credit in 2003-04, and the linking of uprating to earnings rather than prices, as well as age-related payments in 2004-05 and 2005-06. Basic State Pension is by far the largest benefit (£47 billion in 2007-08) and above-inflation uprating from 2001-02 to 2003-04 has also contributed to growth.

Increases in the population over pension age, better contribution records for women and growing entitlements to Additional Pension further influence the rate of growth. Overall, however, spending on people over pension age remains stable at around 6 per cent of GDP.

### Disabled people and carers

Spending growing steadily as Disability Living Allowance progresses towards maturity; spending over £16 billion in 2007-08

Disability and carer benefit expenditure grows by 2.4 per cent a year on average over the period. The main factor is the maturing of Disability Living Allowance, where caseloads are still growing. This has a knock-on effect on the Carer's Allowance caseload, which in turn is also driven upwards by reforms, including the abolition of the upper age limit for claiming the benefit.

<sup>1</sup> Incapacity Benefit, Severe Disablement Allowance and Income Support paid because of sickness or disability.

Attendance Allowance is also growing after a period of relative stability. The impact of initiatives by The Pension Service and local authorities is believed to be the main factor here.

## Annex C – How the Department is organised

The Department is organised to deliver effectively and efficiently the outcomes determined by Ministers, building on its Five Year Strategy and meeting its Public Service Agreement. The Department is structured to discharge four key roles:

- Development of department-wide strategy, planning, resource allocation and corporate policies and standards.
- Identifying effective strategies, policies, resource allocation and approaches to service delivery that best meet the needs of particular client or customer groups which the Department serves.
- The direct delivery of services to meet specified customer outcomes for particular clients/customers.
- Where it is most cost-effective to do so, the procurement and/or delivery of shared services and infrastructure on a department-wide basis.

In the main, the Department's services to customers are provided by or through its executive agencies:

- **Jobcentre Plus**
- **The Pension Service**
- **Child Support Agency**
- **Disability and Carers Service**
- **The Rent Service**

Annex D provides references to more information about the Department's Agencies and Non-Departmental Public Bodies.

**The Executive Team** supports the **Head of Department** in providing corporate leadership and works collaboratively to manage the Department in delivering its key objectives, ensuring that risks and opportunities are well managed. **The Departmental Board** has advisory and challenge functions. It is responsible for scrutinising, challenging and providing advice on delivery strategies, plans and programmes, performance and governance arrangements.

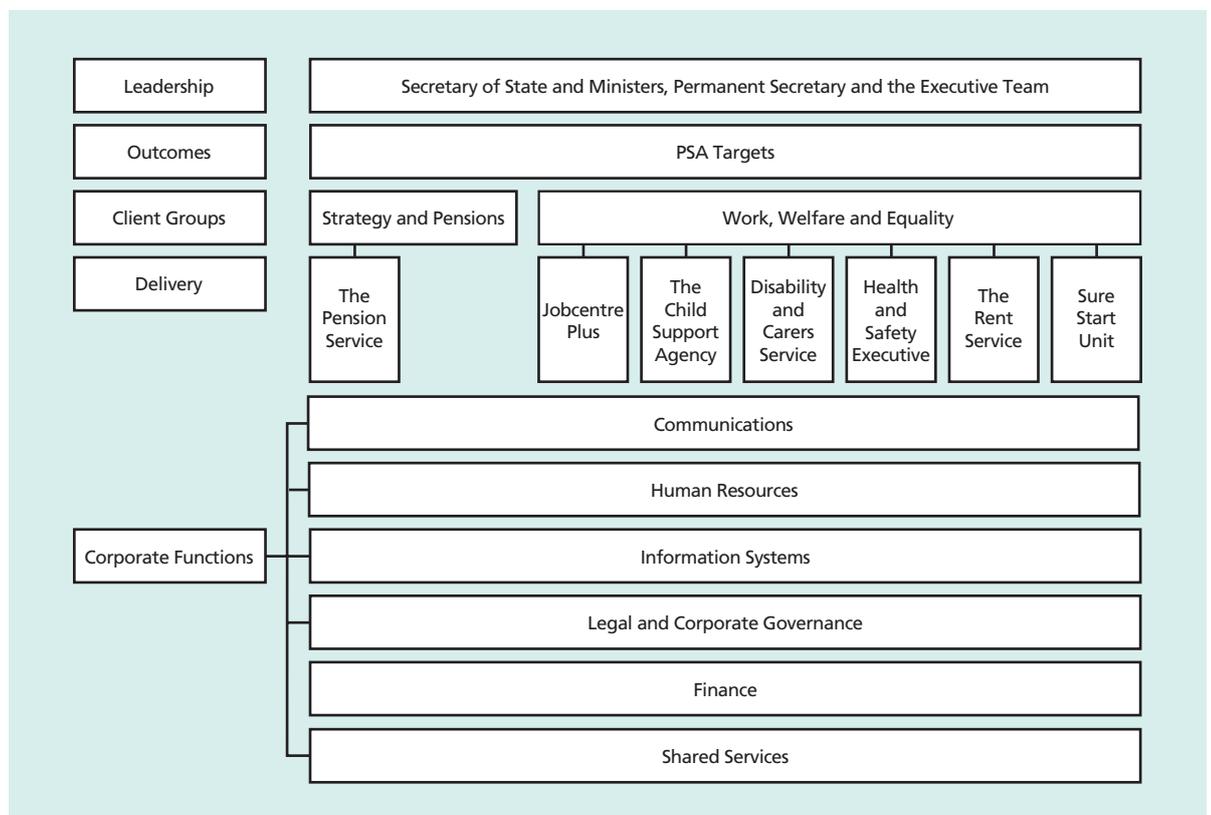
Additionally, policies and services to support expanding childcare and helping lone parents into work are developed by the Sure Start Unit – with joint responsibility with the Department for Education and Skills. The Department also has ministerial responsibility for the **Health and Safety Commission** and the **Health and Safety**

**Executive**, whose mission is, working with the local authorities, to protect people's health and safety by ensuring that risks in the changing workplace are properly controlled.

Many of the Department's services are delivered jointly with a wide range of partner organisations, for example Housing Benefit and Council Tax Benefit are administered by local authorities.

More detailed information about the structure and governance of the Department can be found in the Departmental Framework.<sup>2</sup>

**Figure 32** How the Department for Work and Pensions is organised



**The Department's Client Groups** are responsible for setting and defining policy and monitoring the achievement of the Department's Public Service Agreement targets.

**The Department's Delivery Businesses** are responsible for delivering services to customers which help deliver the Department's PSA targets and objectives within the resources available to them. Their specific targets and objectives are set out in more detail in their individual business plans.

**The Department's Corporate Functions** support the rest of the Department in delivering its objectives in an effective way. They carry out a number of cross-cutting initiatives to help improve the performance of the Department.

## Annex D – The Department for Work and Pensions' agencies and Non-Departmental Public Bodies

More information about the Department's agencies is available from their websites.

**Jobcentre Plus** helps people to find work and receive the benefits they are entitled to, and offers a dedicated service to employers to fill their vacancies quickly and successfully.

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

The Annual Report and Accounts for 2005-06 is available at:  
[www.jobcentreplus.gov.uk/JCP/Aboutus/Publications/Annual\\_Report\\_2005-6/index.html](http://www.jobcentreplus.gov.uk/JCP/Aboutus/Publications/Annual_Report_2005-6/index.html)

The Business Plan for 2007-08 is available at:  
[www.jobcentreplus.gov.uk/JCP/stellent/groups/jcp/documents/websitecontent/dev\\_011985.pdf](http://www.jobcentreplus.gov.uk/JCP/stellent/groups/jcp/documents/websitecontent/dev_011985.pdf)

The Annual Report and Accounts for 2006-07 will be available in summer 2007

**The Pension Service** delivers frontline services to today's and future pensioners.

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

The Annual Report and Accounts for 2005-06 is available at:  
[www.thepensionservice.gov.uk/aboutus/annualreport/home.asp](http://www.thepensionservice.gov.uk/aboutus/annualreport/home.asp)

The Business Plan for 2007-08 will be available at: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

The Annual Report and Accounts for 2006-07 will be available in summer 2007.

**The Child Support Agency** administers the child support system.

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

The Annual Report and Accounts for 2005-06 is available at:  
[www.csa.gov.uk/pdf/english/reports/arep0506.pdf](http://www.csa.gov.uk/pdf/english/reports/arep0506.pdf)

The Business Plan for 2007-08 is available at:  
[www.csa.gov.uk/pdf/english/reports/plan0708.pdf](http://www.csa.gov.uk/pdf/english/reports/plan0708.pdf)

The Annual Report and Accounts for 2006-07 will be available in summer 2007.

**Disability and Carers Service** delivers a range of benefits to disabled people and carers.

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

The Annual Report and Accounts for 2005-06 is available at:  
[www.dwp.gov.uk/publications/dwp/2006/dcs/dcs-ar-05-06.pdf](http://www.dwp.gov.uk/publications/dwp/2006/dcs/dcs-ar-05-06.pdf)

The Business Plan for 2007-08 is available at:  
[www.dwp.gov.uk/lifeevent/benefits/dcs/business\\_plan07/](http://www.dwp.gov.uk/lifeevent/benefits/dcs/business_plan07/)

The Annual Report and Accounts for 2006-07 will be available in summer 2007.

**The Rent Service** provides a range of advice in connection with the private rented housing sector in England.

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

The Annual Report and Accounts for 2005-06 is available at:  
[www.therentservice.gov.uk/documents/corporate\\_publications/TRSAnnualReport200506.pdf](http://www.therentservice.gov.uk/documents/corporate_publications/TRSAnnualReport200506.pdf)

The Business Plan for 2007-08 is available at:  
[www.therentservice.gov.uk/documents/corporate\\_publications/business-plan-2007-to-2008.pdf](http://www.therentservice.gov.uk/documents/corporate_publications/business-plan-2007-to-2008.pdf)

The Annual Report and Accounts for 2006-07 will be available in summer 2007.

The Department also has ministerial responsibility for the **Health and Safety Commission** and the **Health and Safety Executive**, whose mission is, working with the local authorities, to protect people's health and safety by ensuring that risks in the changing workplace are properly controlled. They are Crown Non-Departmental Public Bodies, sponsored by the Department.

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

The Annual Report and Accounts for 2005-06 is available at:  
[www.hse.gov.uk/aboutus/reports/0506/ar0506.pdf](http://www.hse.gov.uk/aboutus/reports/0506/ar0506.pdf)

The Business Plan for 2007-08 is available at:  
[www.hse.gov.uk/aboutus/plans/hscplans/0506/plan0506.pdf](http://www.hse.gov.uk/aboutus/plans/hscplans/0506/plan0506.pdf)

The Annual Report and Accounts for 2006-07 will be available in summer 2007.

## The Department's associate bodies and public appointments

The Department sponsors a wide range of bodies to achieve its objectives; these include executive, advisory and tribunal Non-Departmental Public Bodies, Public Corporations, and other arms-length and short-term bodies. Details are available from the Department's website<sup>3</sup>.

The 10th report of the Committee on Standards in Public Life recommended that departments prepare an Annual Appointment Plan and adopt it as the key strategic document for each department, to set out policy and practice relating to the public appointments of chairs and board members of the public bodies they sponsor. The current Annual Appointment Plan can be found on the Department's website.

The Department ensures that public appointments are determined through a fair, open and transparent process that can command public confidence in accordance with Cabinet Office guidance.

<sup>3</sup> [www.dwp.gov.uk/ndpb/public\\_bodies.asp](http://www.dwp.gov.uk/ndpb/public_bodies.asp)

Additional copies of this publication are available from TSO bookshops. A list of its bookshops is given below or visit [www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop).



**Published by TSO (The Stationery Office)  
and available from:**

**Online**

[www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

**Mail, Telephone, Fax & E-Mail**

TSO, PO Box 29, Norwich NR3 1GN  
Telephone orders/general enquiries:  
0870 600 5522  
Parliamentary Hotline Lo-call orders:  
0845 7 023474  
Fax orders: 0870 600 5533  
Textphone: 0870 240 3701  
E-mail: [book.orders@tso.co.uk](mailto:book.orders@tso.co.uk)

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square,  
London SW1A 2JX  
Telephone orders/enquiries: 020 7219 3890  
Fax orders: 020 7219 3866

**TSO Shops**

123 Kingsway, London WC2B 6PQ  
020 7242 6393 Fax 020 7242 6394  
68-69 Bull Street, Birmingham B4 6AD  
0121 236 9696 Fax 0121 236 9699  
9-21 Princess Street, Manchester M60 8AS  
0161 834 7201 Fax 0161 833 0634  
16 Arthur Street, Belfast BT1 4GD  
028 9023 8451 Fax 028 9023 5401  
18-19 High Street, Cardiff CF10 1PT  
029 2039 5548 Fax 029 2038 4347  
71 Lothian Road, Edinburgh EH3 9AZ  
0870 606 5566 fax 0870 606 5588

**TSO Accredited Agents**

(see Yellow Pages)

*And through good booksellers*



This document is part of a series of Departmental Reports (Cm 7091 to Cm 7117) which, along with the Main Estimates 2007-08, the document Public Expenditure Statistical Analyses 2007 and the Supplementary Budgetary Information 2007-08 present the government's expenditure plans for 2007 to 2008, and comparative outturn data for prior years.