House of Commons

Work and Pensions Committee

Pension Credit

Third Report of Session 2004-05

Volume I

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Report, together with formal minutes

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The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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Contents

Report Highlights

- We welcome the fact that Pension Credit has increased the incomes of many pensioners. However, take-up targets should be set at a more challenging level and should be based on the amount of Pension Credit unclaimed. The Government should also consider setting take-up targets for disability benefits.

- The introduction of Pension Credit was managed well and the Pension Service provides a good quality of service for many pensioners. However, the Department should review its procedures for dealing with queries about incorrect decisions and with reported delays. New technology allowing staff to amend award letters should be prioritised and customer representative groups consulted on future output. The Department should also review the adequacy of the information, training and supervision provided for Pension Service staff, particularly on disability and carer benefits.

- The Pension Service faces a significant challenge in aiming to decrease its workforce to about 8,000 in 2011/12 (approximately 40% of the numbers in December 2003). It expects these reductions to be supported by the Pensions Transformation Programme. If there is any further delay in the implementation of this programme or if it proves unable to deliver the expected efficiency savings, or if there are indications that the quality of service is deteriorating, the staff reductions should be postponed.

- The Local Service has played a key role in encouraging take-up. It requires continued resources to maintain an accessible face-to-face service in the community. There should be no further reductions in the number of front-line staff. Given the advantages for benefit take-up, guaranteed funding should be provided to enable the Pensions Transformation Programme to be implemented as originally planned, without a break.

- The Pensions Commission reports later this year. Thereafter the Government of the day must set out the strategic direction of future pension provision. The relationship between basic state pension, state second pension and private pension provision needs to be clarified, including the longer term role of Pension Credit; otherwise means testing and possible disincentives to save could still be an issue.

1 Introduction

1. The Government has outlined its aims for its pensions strategy as being that 'those who can save for their retirement have the responsibility to do so, and that the State must provide effective security for those who cannot.'[1] Pension Credit was described as the 'third – and crucial – stage' of the Government's pension reform programme, which would not only combat pensioner poverty but reward saving and encourage future generations to provide for their retirement.[2]

2. The Committee produced its first report on Pension Credit in April 2002, to coincide with the consideration of the State Pension Credit Bill as it passed through Parliament.[3] The report set out the Committee's findings into the Credit's aims and the detail of its regulation and administration. This report looks at its implementation one year after its introduction, with particular reference to the following areas:

- The contribution played by Pension Credit to the incomes of current and future pensioners;
- The interaction of Pension Credit with other benefits and with local authority care charging policies;
- The delivery of a telephone based service to pensioners;
- The development of effective locally based services;
- Take-up of Pension Credit (and other benefits);
- The consequences of the Department's plans to reduce its workforce and the number of Pension Centres;
- The experience of Direct Payment.

3. The Committee also decided to take the opportunity of the current inquiry to look at the causes of low-incomes for women in retirement and some of the possible ways forward.

4. As a result of the calls for evidence, memoranda were received from 20 organisations.[4] The Committee subsequently took evidence from groups representing older people and other interested organisations, unions, the Chief Executive of the Pensions Service, Alexis Cleveland, and from the Minister of State for Pensions, Malcolm Wicks MP.[5]

5. As part of the inquiry, the Committee undertook two visits.[6] The first, in December 2004, was to the Pension Centre and the Disability and Carer's Service in Blackpool. The second was to the Pension Service Solution Centre in Glasgow. The role of the Solution

[1] Department for Social Security, *A new contract for welfare: Partnership in Pensions,* Cm 4179, December 1998, p iii

[2] Work and Pensions Committee, Second Report of Session 2001-2002, *Pension Credit,* HC 638-ii, Ev 101

[3] Work and Pensions Committee, Second Report of Session 2001-2002, *Pension Credit,* HC 638-I, para 1

[4] See list of written evidence, p 78.

[5] See list of witnesses, p 77.

[6] See Ev 230 to read notes of the visits.

Centre is to provide the Pension Group with its own dedicated facility for testing new technology and ways of working.[7] It has played a key role in the development of the Pensions Transformation Programme.

6. The Committee was greatly assisted throughout the inquiry by its Specialist Advisers, Carl Emmerson of the Institute for Fiscal Studies and Professor Ruth Hancock of the University of Essex. The Committee's work was greatly enhanced by their detailed knowledge. We are enormously grateful to those who submitted evidence, both oral and written, and to many others, including DWP and Pension Service officials, who assisted us in our work.

[7] Ev 230, para 77

2 Background

The Government's Strategy to tackle pensioner poverty

7. In Opportunity for All, the Government notes that while, over the last 30 years, pensioners have generally seen their incomes grow faster than earnings, not all have shared in this. For example between 1979 and 1997, the richest fifth of pensioner couples saw their incomes rise in real terms by around 80 per cent. By contrast, the poorest fifth saw their incomes rise by only 34 per cent.[8] The priority, when the Government came to power in 1997, therefore, was to take rapid steps to tackle pensioner poverty.[9]

8. The Department for Work and Pensions (DWP) explains that initial steps to address this included the replacement of Income Support for people aged 60+ by the Minimum Income Guarantee (MIG) in April 1999.[10] In addition, above inflation increases in the level of the Basic State Pension were made in 2001 and 2002.[11] Households with a person aged 60 or over are entitled to an annual Winter Fuel Payment of £200 (up to £300 if a person is aged 80 or over). In addition, in 2004 there was a one-off payment of £100 for people aged 70 or over to help with living expenses, including Council Tax Bills.[12] The Government's aim was 'to get more money to all pensioners but most to the poorest pensioners, as quickly as possible.'[13]

Pension Credit

9. Pension Credit replaced MIG in October 2003. DWP explains that MIG, 'though effective, was only intended as a short-term measure pending more fundamental reform.'[14] Pension Credit was introduced in order to address some of the key concerns with MIG, and, in particular, the fact that it did not reward saving. Pensioners with incomes at or below the threshold level, lost 'a pound for every pound of second pension they built up'. Capital rules were seen to 'restrict entitlement to extra support' where people had built up 'small amounts of savings for retirement.' In addition, changes were made to the means-test, in an attempt to make it less intrusive.[15] The key objectives of Pension Credit are to:

- tackle pensioner poverty;
- reward instead of penalise past saving; and
- make it easier for pensioners to take up their entitlement.[16]

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[8] DWP, *Opportunity for all: Sixth Annual Report 2004,* Cm 6239*,* September 2004, p 58

[9] Ev 88

[10] Ev 88

[11] Work and Pensions Committee, Second Report of Session 2001-2002, *Pension Credit*, HC 638-1, p 7

[12] DWP, *Opportunity For All: Sixth Annual Report,* Cm 6239, September 2004, p 60-61

[13] Ev 88

[14] Ev 88

[15] Pension Service , *The Pension Credit: A review of the campaign to May 2004*, para 1.4, www.dwp.gov.uk

[16] Pension Service, *The new Pension Credit: A review of the campaign to May 2004*, para 1.2 www.dwp.gov.uk

10. Pension Credit is made up of a Guarantee Credit (almost identical to MIG) and a Savings Credit (which aims to ensure that those who have made some private provision for retirement will be better off than those who made no provision.) The Guarantee Credit, payable from age 60, brings weekly income up to £109.45 a week for a single person, £167.05 for a couple (2005/06 rates). Additional amounts are payable for additional needs such as severe disability (£45.50), for carers (£25.80) and for certain housing costs (such as mortgage interest payments, which are not met by Housing Benefit).

11. In addition, a Savings Credit of a maximum of £16.44 a week for a single person and £21.51 for a couple over 65 is payable to those with qualifying income above threshold level (set at the level of the Basic State Pension). For each £1 of income above this level but below the level of the 'guarantee' (calculated in the same way as the Guarantee Credit), the Savings Credit pays an additional benefit of 60p. If qualifying income exceeds the 'guarantee', the maximum Savings Credit is reduced by 40% of the additional income.[17] The current Government is committed to uprating the Guarantee Credit in line with earnings in the spending round to 2008. The Savings Credit threshold will be uprated so that it remains equal to the Basic State Pension (i.e. in line with the Retail Price Index for the previous September or 2.5% (whichever is higher).[18]

Pension Reform

12. The Pensions Commission was established in December 2002. Chaired by Mr Adair Turner, its remit is to keep under review the adequacy of private pension saving in the UK, and to advise on appropriate policy changes, including whether there is a need to "move beyond the voluntary approach."[19]

13. The Commission published its first report on 12 October 2004. It found that life expectancy was increasing rapidly and would continue to do so. Combined with a forecast low birth rate, it will produce a 'near doubling in the percentage of the population aged 65 and over between now and 2050, with a further increase thereafter.'[20] Faced with this demographic challenge, the Pensions Commission said that society and individuals must choose one or more of the following four options, namely:

- pensioners will become poorer relative to the rest of society; or
- taxes/National Insurance contributions devoted to pensions must rise; or
- savings must rise; or
- average retirement ages must rise.

14. Given that the option of poorer pensioners 'appears unattractive', and there are significant barriers to solving the problem through any one of the three options alone,

[17] For more detailed explanation, see Child Poverty Action Group (2004), *Welfare Benefits and Tax Credits Handbook 2004/2005,* p 498

[18] HC Deb, 6 December 2004, col 908

[19] Pensions Commission, *Pensions: Challenges and Choices: The First Report of the Pensions Commission* (Norwich: The Stationery Office, 2004), p v

[20] Pensions Commission, *Pensions: Challenges and Choices: The First Report of the Pensions Commission.* (Norwich: The Stationery Office, 2004), Executive Summary , page 9

'some mix of higher taxes/National Insurance contributions, higher savings and later average retirement ages is required.'[21]

15. The 'specific design of the state pension system is not within the Pensions Commission's remit'[22], although options for reforming private pensions 'cannot be assessed without considering both the implications of the state system for private saving' and possible state system changes as an alternative or complement to private system reforms.[23] The Commission expects to publish its second report in Autumn 2005. This will include conclusions on the effectiveness of the existing UK pension system, in particular its private elements, and recommendations for change. It will present conclusions on whether there is a need to expand the role of compulsion beyond 'what is already implicit in the State Second Pension and the contracting-out options.'[24]

16. Following publication of the Pensions Commission's first report, Government ministers made statements about the future direction of pension reform and the role of Pension Credit. The Secretary of State for Work and Pensions said that there were no plans to continue with Pension Credit 'indefinitely'.[25] A paper outlining the principles on which the Government will base its pension reforms is expected in the near future.[26]

[21] Pensions Commission, *Pensions: Challenges and Choices. The First Report of the Pensions Commission* (Norwich: The Stationery Office, 2004), Executive Summary

[22] Pensions Commission, *Pensions: Challenges and Choices. The First Report of the Pensions Commission* (Norwich: The Stationery Office, 2004), p 280

[23] Pensions Commission, *Pensions: Challenges and Choices. The First Report of the Pensions Commission* (Norwich: The Stationery Office, 2004), p 246

[24] Pensions Commission, *Pensions: Challenges and Choices. The First Report of the Pensions Commission* (Norwich: The Stationery Office, 2004), p 283

[25] HC Deb, 13 October 2004, col 309

[26] In fact, the DWP published *Principles for reform: The national pensions debate* on 24 February 2005.

3 The impact on current pensioners

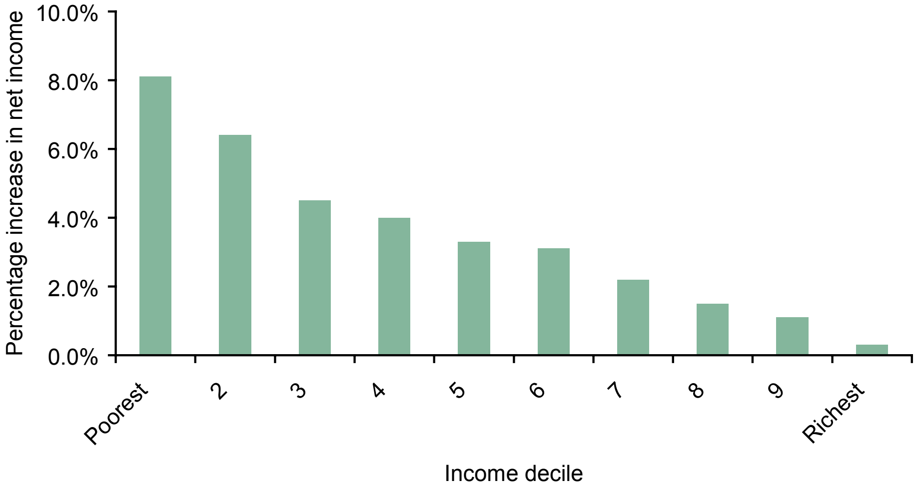
The Pension Credit and pensioner incomes

17. At the end of December 2004, there were some 2.65 million pensioner households (3.22 million individuals) in the UK receiving Pension Credit, with an average weekly award of £41.67. Of these 2.65 million pensioner households, 1.99 million were getting more money than was the case under the previous Minimum Income Guarantee.[27] Many welcomed this increase.[28]

18. The Department for Work and Pensions estimates that the Pension Credit reform cost £2 billion and that nearly 60% of this additional spending goes to the poorest third of pensioners and around 80% to the poorest half.[29] The progressiveness of the reform across households containing an individual aged 65 or over, under the assumption that all entitled families claim the Pension Credit and other mean-tested benefits, is shown in Figure 1. (In practice there are some low income pensioners who are not taking up their Pension Credit entitlements. Incomplete take-up is discussed in Chapter 6.) The poorest tenth see an increase in their net incomes of 8.1%, while the richest tenth see an increase of only 0.3%. In cash terms, the bottom decile still gains the most. The large increases in the incomes of lower income pensioner households who receive the Pension Credit should have a considerable effect on their living standards, and research by Age Concern has found that just over half of respondents in their study of Pension Credit recipients reported that it had made "a noticeable difference to …[their] quality of life".[30]

19. **We welcome the fact that the Pension Credit has increased the incomes of many pensioners.**

Figure 1 Gains from the Pension Credit across the income distribution of those aged 65 or over



Note: Income deciles are derived by dividing the total population into 10 equally sized groups according to household income adjusted for family size. Decile 1 contains the poorest tenth of the population, decile 2 the next poorest tenth and so on, up to the richest tenth in decile 10.

[27] HC Deb, 2 February 2005, col 68WS

[28] See for example, Ev 142, Ev 156 and Ev 167.

[29] Ev 88

[30] Ev 143

Source: T.Clark, Rewarding Saving and Alleviating Poverty? The Final Pension Credit Proposals, Briefing Note no. 22, (Institute for Fiscal Studies, London, 2002)

The Pension Credit and pensioner poverty

20. Recent years have seen a large fall in the proportion of pensioner households in absolute income poverty.[31] In 1996–97, 27% of pensioner households had income after housing costs of less than 60% of median income in that year. The latest figures, which are for 2002–03, show that only 9% of pensioner households had income below the same threshold. For absolute income poverty, figures for income before housing costs also show a decline from 21% in 1996–97 to 12% in 2002–03.[32]

21. The picture for relative income poverty[33] is less clear. As highlighted in DWP's memorandum,[34] in terms of income after housing costs there has been a decline in the proportion of pensioner households with incomes below 60% of median contemporary incomes from 27% in 1996–97 to 21% in 2002–03.[35] On this measure of income, for the first time in almost 20 years a pensioner drawn at random from the population is less likely to be in poverty than a non-pensioner.[36] For relative income poverty, in terms of income before housing costs there is no evidence of a decline, as there were 21% of pensioner households with income below 60% of median income in both 1996–97 and 2002–03.

22. Figures for 2003-04 will become available in the Spring of 2005, and will cover a six month period when the Pension Credit was in place and the preceding six months when it was not. **The Committee recommends that the Department publishes separate statistics on pensioner poverty for the first and second halves of 2003-04 to give a better indication of any early impact of the Pension Credit on pensioner poverty.**

31 Defined as less than 60% of the 1996/97 median household income up-rated in line with inflation. DWP, *Opportunity for all: Sixth Annual Report 2004*, Cm 6239, September 2004, para 242

32 DWP, *Households Below Average Income 2002-03,* March 2004, Table G8.1

33 Defined as below 60% of median income.

34 Ev 92

35 DWP, *Households Below Average Income 2002-03,* March 2004, Table G3.1

36 Brewer et al, *Poverty and Inequality in Britain: 2004: Commentary 96,* (Institute for Fiscal Studies, London, 2004), p 62

4 The Pension Service

Setting up a service for pensioners

23. In March 2000, the then Secretary of State for Social Security announced the creation of a new organisation, separate from the Benefits Agency, that would be 'solely focused on the needs of pensioners and pensions policy'.[37] The Department's research had shown that older people did not like calling into social security offices[38] and in July 2000 the Spending Review included a £200 million investment over three years to deliver a central, largely telephone-based service for pensioners.[39] The introduction of the new agency formed part of the Government's policy of refocusing the Department on 'key client groups'[40] and was linked to the reorganisation of the Employment Service and parts of the Benefits Agency to form Jobcentre Plus. The Pension Service was to take responsibility for pensioners while Jobcentre Plus was to focus on services for people of working age.

24. The Pension Service was formally launched on 1 April 2002, replacing over 400 social security offices as the means of delivering state pensions and benefits to pensioners. During the following two years, 26 Pension Centres were phased in to process applications for Pension Credit (see Annex B).[41] Applications are taken by the Pension Credit Application Line (PCAL). Based at four sites, PCAL is delivered by the Pension Service in partnership with a private company, Ventura.[42] Calls to PCAL are on a freephone number, in line with the Committee's previous recommendation that DWP 'investigate the cost and practicability of providing a freephone number for claimants'.[43] PCAL operators fill in Pension Credit application forms for callers. Completed forms are then sent to claimants so they can be checked, signed and returned, with supporting documents, to the appropriate Pension Centre for processing. Pension Centres also have telephony staff who take calls to Pension Centres about the progress of applications.

25. At the time of the introduction of the Pension Service, fears were expressed that the Government was reducing the options for pensioners who wanted or needed a local face-to-face service.[44] However, the then Minister for Pensions claimed that the telephone application process would be backed by improved community-based services for pensioners.[45] During the Standing Committee debate on the State Pension Credit Bill, the Minister for Disabled People explained that this Local Service would include 'a targeted visiting service both in the home and at third party locations, and a 'drop in' surgery

[37] HC Deb, 15 March 2000, col 309

[38] Stg Co Deb, Standing Committee A, *State Pension Credit Bill [Lords]*, 16 April 2002, col 62

[39] HM Treasury, *Spending Review 2000: New Public Spending Plans for 2001-2004: Prudent for a Purpose: Building Opportunity and Security for All*, Cm 4807, July 2000, para 18.6

[40] HC Deb, 15 March 2000, col 309

[41] A National Pension Centre, an International Pension Centre and a National Pension Forecasting Telephone Centre were also introduced.

[42] HC Deb, 15 Sept 2003, col 564W. Ventura's role is to provide 'expertise in the running of the operation and … the staff and facilities to handle calls at the Dearne Valley site.' The remaining three sites are DWP sites.

[43] Work and Pensions Committee, Second Report of Session 2001-2002, *Pension Credit*, HC 638-I, para 52

[44] For example Stg Co Deb, Standing Committee A, *State Pension Credit Bill [Lords]*, 25 April 2002, col 230.

[45] HC Deb, 20 May 2002, col 33W

service for outreach and take up activities; and services provided with partners such as local authorities and voluntary sector organisations.'[46]

26. The combination of Pension Centres and PCAL, supported by a Local Service was described as 'a major change for the good'.[47] The Minister added, 'I am not exaggerating about the cultural and organisational change that will take place. Five years from now, when compared with the new pension system, the old system will not be recognised. There will be a five-year rolling programme of improvements.'[48]

The performance of the Pension Service

27. In its first Pension Credit inquiry, the Committee expressed 'serious concerns over the ability of the fledgling Pension Service to cope with the huge administrative burden that the Pension Credit will impose'.[49] However, much of the evidence presented to us in this inquiry suggested the agency coped well with the move from Minimum Income Guarantee to Pension Credit. For example, Age Concern reported that, 'While there have inevitably been some problems, those who had predicted major problems on the scale that was experienced when new tax credits were introduced were proved wrong. The transfer from MIG went smoothly.' [50]

28. Research by both the Department for Work and Pensions and Age Concern suggests that the experience of applying for Pension Credit is positive for the majority of users. In a recent survey by Age Concern, 70% agreed that the process of applying was easy for them to manage without help.[51] For many older people, the telephone had proved an 'effective and easy way of claiming and contacting the Pension Service'.[52]

29. DWP found that callers to PCAL were 'almost universally satisfied…, with over four in five very satisfied'.[53] PCAL staff appear to have strong customer service skills, with surveyed callers giving particularly positive ratings for operators' manner, friendliness and politeness.[54] As regards the processing of applications, again the evidence suggests that on the whole this works well. Age Concern commented that 'in general the process appears to work smoothly and efficiently'.[55] Help the Aged found that errors and delays affected a minority of customers.[56]

30. However, there were concerns regarding: the quality of completion of application forms; the accuracy of awards, particularly regarding the inclusion of additional amounts;

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[46] Stg Co Deb, Standing Committee A, *State Pension Credit Bill [Lords]*, 25 April 2002, col 243

[47] Stg Co Deb, Standing Committee A, *State Pension Credit Bill [Lords]*, 16 April 2002, col 65

[48] Stg Co Deb, Standing Committee A, *State Pension Credit Bill [Lords]*, 16 April 2002, col 65

[49] Work and Pensions Committee, Second Report of Session 2001-2002, *Pension Credit*, HC 638-I, para 55

[50] Ev 151

[51] Age Concern, *The Impact of Pension Credit on those receiving it: Report of a survey among older people,* June 2004, p 21

[52] Ev 152

[53] Continental Research, *DWP Pension Credit Application Line Customer Satisfaction Market Research Report,* October-November 2003, p 4

[54] *Ibid.* See also Ev 137.

[55] Ev 152

[56] Ev 166

the quality of award letters; the quality of advice by some Pension Service staff on more complex issues; delays in some cases and the procedures for correcting errors and dealing with problems when they do occur.

Application forms

31. Citizens Advice reported difficulties at the stage when PCAL operators send completed claim forms to callers. Problems highlighted were entirely blank forms; wrongly completed forms, including cases where advisers made the claim and knew that correct information was supplied; and long delays in forms being sent out, or no form being sent at all.[57] Lancashire County Council Welfare Rights Service pointed out that claimants did not always notice wrong information entered on claim forms when they were returned for them to sign.[58]

Accuracy of awards

32. The Pension Service's accuracy rate for Pension Credit claims is 90.9%, below its target of 94%.[59] In a footnote in its 2004 Autumn Performance Report DWP says that the target was not met 'due to the prioritisation of activity to support the take-up of Pension Credit.'[60] DWP's accuracy rates are checked internally and then audited by the National Audit Office. However, the 2004 figure has not yet been validated in this way. There were concerns among witnesses that DWP's checking systems were not identifying all errors.[61] Citizens Advice said its bureaux continued to deal with 'significant numbers of clients with incorrect Pension Credit awards.'[62] A number of organisations were concerned that people entitled to additional amounts were not being awarded them. Citizens Advice Scotland reported that the carer's additional amount was not always correctly awarded, despite the fact that Pension Service staff were theoretically entitled to check DWP's mainframe computer to check whether it should be.[63] Lancashire County Council Welfare Rights Service said it had many cases where carer and severe disability additions had been overlooked.[64]

Award letters

33. A number of organisations expressed concerns at the quality and clarity of Pension Credit award letters. Letters issued to claimants are computer-generated and cannot currently be amended by staff. Help the Aged, Citizens Advice and Lancashire County Council Welfare Rights Service reported that many older people found these letters very

[57] Ev 197

[58] Ev 159

[59] Department for Work and Pensions, *DWP Autumn Performance Report 2004: Progress against Public Service Agreement targets*, Cm 6397, 2004, p 64

[60] *Ibid.*

[61] For example Ev 199.

[62] Ev 199

[63] Ev 185

[64] Ev 159. See also, Ev 153.

difficult to understand.[65] Citizens Advice described the letters as 'so poorly drafted and presented' that pensioners find their contents worrying.[66] Common problems included an inconsistent approach to informing claimants of their total award - with some letters including the State Pension and some not - and internal inconsistencies with letter and calculation sheet showing different amounts.[67] Some letters were clearly incorrect, such as an award notice informing a pensioner that 'from 22 January 1811 you will get £163168.66 a week'.[68] Lancashire County Council Welfare Rights Service and Citizens Advice Scotland also reported that 'nil entitlement' letters were being sent out while a decision on housing costs was still pending.[69]

34. Where problems with standard letters are identified, changes have to be made centrally. During our visit to Blackpool Pension Centre we were told that it could take up to a year to make changes to standard letters due to the difficulty in amending the legacy IT system.[70] One of the functions of the new 'Pensions Transformation Programme' (see Chapter 5) is that it will allow staff to 'tailor' letters 'to the particular individual' before they are sent out.[71]

Information and advice

35. Witnesses expressed concern about PCAL and Pension Centre staffs' knowledge of in more complex areas, particularly the interaction of Pension Credit with other benefits.[72] A recurrent concern was insufficient understanding of the conditions of entitlement for disability and carer benefits.[73] It was felt that staff often did not know enough to recognise underlying entitlements to the associated additional amounts in Pension Credit.[74] Steve Johnson from Citizens Advice told us: 'Time and again, we find that the staff, although they are obviously trying their best, do not know about disability benefits enough to spot the entitlements, and that is a great shame.'[75] Jim Dickson from Lancashire County Council Welfare Rights Service told us, 'Around premiums we find the accuracy levels dreadful'.[76] He explained, 'There is an issue around carer's premium where, because the Pension Service are not encouraging people to take up underlying entitlement, on a straightforward superficial accuracy check that person's benefit will be seen as being correct… We find that all over the place, basically.'[77] We note that the Disability and Carers Service has set

[65] Ev 160, Ev 169 and Ev 198.

[66] Ev 198

[67] *Ibid.*

[68] *Ibid.*

[69] Ev 160 and Ev 186.

[70] Ev 230, para 37. See also Ev 198

[71] Q 382

[72] For example, Ev 153 and Ev 196.

[73] We use the phrase 'disability and carer benefits' to refer to Disability Living Allowance, Attendance Allowance and Carer's Allowance.

[74] Ev 169, Q 27, Q 19 and Ev 185.

[75] Q 27

[76] Q 226

[77] Q 227

increasing awareness of these benefits among other DWP staff as a priority.[78] Citizen's Advice also highlighted problems in other areas, such as poor knowledge of the rules for Savings Credit and of the different effects that Guarantee and Savings Credit have on the capital limit for Housing Benefit and Council Tax Benefit.[79]

36. Carol Habberfield from the Local Government Association told us that the telephony scripts provided for staff restrict the accuracy and range of advice given to callers.[80] She highlighted a lack of information about the Severe Disability Premium rate for couples.[81] Citizens Advice Scotland claimed that scripts do not ask questions about applicants' entitlement to the carer's addition:

> "The Pension Service staff are theoretically able to access the DWP's mainframe computer system to check if entitlement to carer's premium can be included in the pension credit claim, but our bureaux evidence indicates that this does not happen consistently, meaning that claimants are not receiving money that they are entitled to."[82]

Dealing with errors and delays when they occur

37. DWP say that Pension Credit claims are being handled more quickly than was the case with Minimum Income Guarantee, taking an average of nine days once the completed form is received at the Pension Centre.[83] Customer representative groups pointed to difficulties and delays in what appears to be a minority of cases.[84] Citizens Advice reported that the need for Pension Centre staff to input information onto the computer system from claim forms already completed by PCAL staff was causing problems, including loss of forms, active claims being wrongly classified as dormant, and long delays.[85] Bureau advisers had been told by Pension Centre staff that there are 'huge backlogs and several weeks of unopened mail.'[86] Janet Gurney from Leicestershire County Council Social Service Department argued that 'there is no evidence at all that the Pension Service are able to cope with their current workload. The administration is poor, the backlogs are too long.'[87]

38. Help the Aged gave an example of a claimant entitled to a significant amount whose award was delayed by several months as a result of poor administration:

> "On 29 January 2004 SeniorLine received a call from an older person who had completed a Pension Credit application form in September which the Pension Service lost so the caller completed another one which also got lost. The caller's third

[78] Ev 230, para 5

[79] Ev 196

[80] Q 232

[81] Q 232

[82] Ev 185

[83] Ev 102

[84] See for example, Ev 152 and Ev 166.

[85] Ev 197-198.

[86] Ev 198

[87] Q 281

claim began in December so has not been processed yet. SeniorLine calculated the caller was eligible to £43.07pw."[88]

39. When delays and errors do occur, they seem to take some time to resolve. Both Lancashire County Council Welfare Rights Service and Citizens Advice reported that it could take months to correct false awards.[89] Help the Aged claimed that the Pension Service was 'just seeming to accept that claiming will be a nightmare for some'. Furthermore: 'customers find it can be difficult to get an individual member of staff to take responsibility for resolving problems, and communication could be improved.'[90] Pensioners wishing to query errors or delays have to phone Pension Centres for which there is no freephone number. Citizens Advice reported that such phone calls could be lengthy.[91]

40. **The introduction of Pension Credit has gone smoothly and the Pension Service has provided a good quality of service for many pensioners. The Committee recommends that further work is done soon to improve the accuracy and quality of completed claim forms being sent out to claimants.**

41. **The Committee recommends that a freephone number for contacting Pension Centres be provided by 1 October 2005. The Committee also recommends that procedures are reviewed by 1 May 2006 to ensure that complaints about delays in applications and queries about the correctness of awards are dealt with swiftly.**

42. **The Committee recommends that in the course of its audit of accuracy of Pension Credit awards, the NAO should investigate and publish the extent of inaccuracy due to undiscovered entitlement to 'qualifying benefits' such as Attendance Allowance and Carer's Allowance.**

43. **The Committee recommends that new technology allowing award letters to be amended by staff should be prioritised and customer representative groups consulted on future output.**

44. **The Committee recommends that the Department review the information, training, and supervision provided to Pension Service staff to ensure they are able to provide good quality information on more complex issues and on disability and carer's benefits.**

The Local Service

45. The Local Service offers pensioners an alternative means of contact with the Pension Service and has a key role to play in encouraging take-up of Pension Credit. The Local Service works with a range of partners, with the aim of providing a 'dedicated, holistic, face-to-face service for older people.'[92] This can either be at a local Information Point or in

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[88] Ev 167

[89] Q 27 and Ev 159.

[90] Ev 166

[91] Q 31 and Ev 199.

[92] Ev 103

the customer's own home. The Local Service became fully operational in April 2003. Since then, over a million older people have had contact with the service.[93]

46. In 2004 the Pension Service introduced two innovations in Local Service partnership work – Joint Teams and Alternative Offices. Joint Teams are integrated partnerships between the Local Service and primary tier local authorities which are intended to reduce duplication by providing access to a number of benefits and services at one point of contact.[94] Joint Teams operate under a single management structure, preferably in a joint location.[95] Staff come from each partner organisation, with each partner providing training and support to all staff.[96]

47. There are 29 Joint Teams currently operating, but the Pension Service has agreement for the formation of such teams with 100 Local Authorities.[97] The intention is to roll them out to all primary tier local authorities over the next two years (across England, Scotland and Wales).[98] DWP expect to reach full national roll-out by April 2006.[99] Joint Teams initially began with staff from Social Services Fairer Charging Teams, but DWP say they increasingly include Housing Benefit and Council Tax Benefit visiting staff and individuals from the voluntary sector. They state that the medium term aim is for all teams to involve this wider participation.[100] The Minister of State for Pensions informed us that in at least two local authorities the Primary Care Trust has also become involved.[101] The Chief Executive of the Pension Service told us that they were expecting to accommodate half of Joint Teams within their own accommodation and that the remainder would be housed in the voluntary sector and by local authorities.[102]

48. Alternative Offices are being piloted with Age Concern.[103] They can be voluntary organisations or the offices of local authorities which administer Housing Benefit and Council Tax Benefit and can be either stand alone arrangements or work as part of Joint Teams.[104] Local authority employees and voluntary sector workers are authorised to verify social security claims and offer face to face help in completing applications for older people.[105]

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93 Ev 89

94 DWP, *Link Age: Developing networks of services for older people: Pull-out One: Joint teams,* 26 August 2004, para 3

95 Pull-out One: *Joint Teams*, paras 4 and 11

96 Pull-out One: *Joint Teams*, para 8

97 Q 411 [Malcolm Wicks]

98 Ev 89

99 Ev 103

100 DWP, *Link Age: Developing networks of services for older people: Pull-out One: Joint teams,* 26 August 2004, para 2.2

101 Q 411

102 Q 420

103 Ev 90

104 Pull-out Two: Partner organisations taking benefit claims – 'Alternative Offices', 26 August 2004, paras 2 and 10

105 DWP, Link Age: Developing networks of service for older people: Pull-out Two: Partner organisations taking benefit claims – 'Alternative Offices', 26 August 2004, para 1

The Performance of the Local Service

49. Witnesses were mostly very positive about the role of the Local Service. For example, the Civil Service Pensioners' Alliance reported:

> "Many of our local groups have… reported a high degree of satisfaction in… Pension Service speakers… Their ready availability and knowledge of the local situation is an important part of the service. …Our experience of… [the home-visiting] service is that it is very good. The Pension Service staff were pleasant and helpful, giving advice and assistance about other benefits as well, …We think this is a very valuable service.'[106]

50. Age Concern said it was 'extremely pleased that the local service is involved in initiatives to encourage claims from disadvantaged groups and those who may have difficulties in accessing the service – for example disabled older people, those from black and minority ethnic groups and people living in isolated rural areas.'[107]

51. Evidence presented to us also suggested that the Local Service was a positive place to work, where staff carried out their roles with commitment. Citizens Advice reported: 'Most local service staff appear to have been energised and motivated by the positive focus of their work. They find it fulfilling to help older people to obtain all the benefits and services to which they are entitled.'[108] The Public and Commercial Services Union agreed: 'The staff that transferred to this work had genuine job satisfaction from their roles in assisting pensioners in claiming their entitlements.'[109]

52. Key concerns that emerged about the Local Service in evidence to the inquiry centred around the extent to which it is publicised and the nature of its partnership working in some areas. In addition, there was anxiety about the impact the requirement to achieve efficiency savings was having on the Local Service (see Chapter 5).

Publicising the Local Service

53. Various groups representing older people felt that a significant number would find it difficult to contact the Pension Service by telephone.[110] Some organisations argued that there was a need for a fixed Local Service presence in the high street.[111] Sally West from Age Concern said:

> "One of the difficulties is that it is the telephone that is always publicised and there are no longer local social security offices for older people, and, even though perhaps in the past people did not find that they were very attractive places to go, they tended to know that the local office was on the high street so that if they needed to go, because of a crisis or to pick up a leaflet, it was there. If you do not know that

[106] Ev 137

[107] Ev 153. See also Q 15.

[108] Ev 201

[109] Ev 208

[110] For example, Ev 140, Ev 152, Ev 158 and Ev 199.

[111] Ev 153 and Q 83

perhaps there is a pension service in your local Age Concern on the first Tuesday in the month or that the pension service do local visits, it is very difficult to know how you get into the system."[112]

54. We note that a permanent high street presence was one of the components of the 'model service' drawn up as a result of the pilots conducted under the Better Government for Older People programme.[113] Witnesses felt that the Local Service needed to be made more accessible and to be better publicised.[114] Help the Aged stressed that the opportunity for home visits was not advertised and pointed out that there was no mention of the Local Service on Pension Credit literature until very recently. They also highlighted that the only way to arrange a home visit is over the phone.[115] Citizens Advice argued that Pension Credit Application Line staff should be better trained to recognise people who are struggling on the phone and offer them an alternative.[116] Some organisations reported that Jobcentre Plus offices did not always help pensioners who called into them.[117]

55. Most of the evidence we received reported that pensioners did not like sending original documents through the post to validate their claims.[118] For example, Citizens Advice Scotland reported a client who 'wished he had not bothered' claiming Pension Credit because of the difficulties he had providing proof of his capital and occupational pension.[119] Alternative Offices would increase opportunities for verifying documents locally, but they are currently only at pilot stage.[120] Citizens Advice reported that there were some alternatives to posting documents currently available, such as referral to the Local Service, or, for some documents, sending a photocopy, but that older people were only made aware of these if they resisted mailing originals.[121] Leicestershire County Council Welfare Rights Team stated that a previous agreement allowing them to verify original documents had been withdrawn.[122]

56. **In the absence of a 'high street' presence, the Committee recommends that the Department do more actively to promote the availability of home visits, details of Local Service information points and arrangements for verifying documents locally.**

Partnership working and benefit take-up

57. A key aspect of the Local Service is its involvement in work to encourage take-up of Pension Credit and other benefits. This was seen to be most effectively done when the

[112] Q 80

[113] Dorothy Chang, Nicky Spicer, Andrew Irving, Ian Sparham and Liz Neeve, *Modernising Service Delivery*, Research Report No: 136: Better Government for Older People Prototypes, (Norwich: 2001), p 3

[114] See for example Q 15.

[115] Ev 169

[116] Ev 199

[117] Ev 153, Ev 158 and Ev 191.

[118] For example, Ev 131 and Ev 141.

[119] Ev 185

[120] Ev 90

[121] Ev 197

[122] Ev 141

Local Service worked in collaboration with local partners.[123] DWP accepts the importance of partnership work and places considerable emphasis upon the development of Joint Teams.[124] The aim is that an 'older person is visited by one person who is trained and accredited to cover, in a holistic manner, the range of benefits and financial assessment processes.'[125] Emerging evidence suggests that Joint Teams have helped to increase take-up of benefits other than Pension Credit. The Chief Executive of the Disability and Carers' Service attributed much of the recent increase in Attendance Allowance take-up to the development of Joint Teams.[126]

58. Partnership working was felt to have considerable potential to improve services for older people.[127] Concerns centred around the fact that partnerships were not working well in all areas. Carol Habberfield of the Local Government Association said that although some partnerships, particularly in the south-west, were operating very successfully, they were not working uniformly well across the country.[128] PCS also claimed that this 'good work… is patchy across the country'.[129] Both Lancashire and Leicestershire County Council Welfare Rights Services reported difficulty setting up effective liaison arrangements and gaining co-operation from Pension Service staff.[130] For example, Jim Dickson said that the Pension Service had arrived in Lancashire 'almost as a colonial power'. His view was that despite the fact that the local authority had almost two decades experience of highly successful take-up work, there had been 'an almost complete failure to co-operate with a lot of the existing work that has been going on in Lancashire.'[131]

59. There were also concerns that partnership arrangements posed a challenge to the independence of voluntary organisations. Age Concern commented that 'the challenge for us locally and nationally is to ensure that partnership working improves the service for older people without compromising our independence.'[132] Some organisations also feared that the advent of Joint Teams could lead to an erosion of independent welfare rights advocacy. Child Poverty Action Group argued that it 'strains credibility, …that a case in which the Departmental interpretation of the meaning or purpose of the legislation was disputed could be advocated by a member of a Joint Team'.[133] Indeed DWP recommends that those who have verified claims in Alternative Offices should not act as advocates in appeals.[134]

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123 See, for example, Q 15.

124 Ev 99

125 DWP, *Link Age: Developing networks of services for older people*, 26 August 2004, p 18

126 Ev 230, paras 12 and 13

127 For example, Q 15, Ev 151 and Ev 224.

128 Q 223

129 Q 314

130 Q 221 and Q 224.

131 Q 221

132 Ev 151

133 Ev 225

134 DWP, Link Age: *Developing networks of service for older people: Pull-out Two: Partner organisations taking benefit claims – 'Alternative Offices'*, 26 August 2004, para 15

60. Neil Bateman and Company argued that local authorities are already using the development of Joint Teams as the rationale for reviewing grants for welfare rights agencies.[135] There were also concerns that Joint Teams were, initially at least, focused on local authority care service users – a fairly small section of the population who are already 'relatively well-placed to receive benefits advice'.[136]

61. Evidence suggests that Local Service partnership working is variable in its quality across the country. **The Committee recommends that the Pension Service should monitor the Local Service Partnership working, carefully evaluate its impact on sources of advice and advocacy, and then by 1 July 2006 develop a plan for improving partnership in areas where it may be found to be weak.**

[135] Ev 228-229

[136] Ev 227. See also Ev 152.

5 Efficiencies

62. DWP has been challenged to find efficiency savings following Sir Peter Gershon's Review of Public Sector Efficiency, published in July 2004.[137] In this chapter we discuss whether the Pension Service can make the required efficiencies without compromising delivery of Pension Credit to its customers.

Targets for staff reductions in the Pension Service

63. In March 2004, prior to the Budget, the then Secretary of State told the Committee that the Department was planning to cut 18,345 posts by March 2006, as a result of 'the major modernisation programme agreed as part of the 2002 Spending Review (SR) settlement'.[138] These reductions included a 43% cut in Pensions Service staff from 19,945 to 11,300 (see table 1 below).

Table 1 Planned staff reductions in DWP as at March 2004

	31 Dec 2003 Actual staffing	31 Mar 2006 Planned staffing	Planned cuts	% change 2003/2006
Jobcentre Plus	80,848	76,600	4,248	-5%
The Pension Service	19,945	11,300	8,645	-43%
Child Support Agency	10,719	8,000	2,719	-25%
Disability & Carers Directorate	7,320	6,900	420	-6%
Corporate Centre*	12,113	9,800	2,313	-19%
Total DWP	**130,945**	**112,600**	**18,345**	**-14%**

**including Debt Management Source: Based on letter from the then Secretary of State for Work and Pensions, Rt Hon Andrew Smith, to the Chairman of the Work and Pensions Committee, Sir Archy Kirkwood, Department for Work and Pensions – Staffing Levels, 10 March 2004*

64. Following the Gershon Review, DWP agreed to find a further 11,655 cuts across the Department as part of the challenge to find annual efficiency gains of at least £960 million by 2007-08.[139] In October 2004, the Secretary of State said that he expected in early 2005 to be able to give the Committee details of how the 30,000 target reduction would fit across DWP.[140] Regrettably, final decisions on the contribution from different parts of DWP had still not been announced by the time that this report was written.

[137] Sir Peter Gershon, CBE, *Releasing resources to the front line: Independent Review of Public Sector Efficiency,* July 2004, p 54

[138] Letter from the then Secretary of State for Work and Pensions, Rt Hon Andrew Smith MP, to the Chairman of the Work and Pensions Committee, Sir Archy Kirkwood, *Department for Work and Pensions – Staffing Levels,* 10 March 2004

[139] Sir Peter Gershon CBE, *Releasing resources to the front line: Independent Review of Public Sector Efficiency,* July 2004, p 54. Staff reductions are expected to amount to £810 million. Letter from the Secretary of State to the Committee, 11 November 2004

[140] Work and Pensions Committee, Minutes of Evidence, Departmental Report, HC 1171-I, p 12

65. Following the Committee's recommendation in its report into the performance of the Child Support Agency,[141] the Secretary of State announced that there would be 'no major reduction in frontline CSA staff numbers until the new computer system is working effectively'.[142] On 2 February 2005, he told the Committee that this change would 'be reflected in alterations elsewhere' but that otherwise the share of staff cuts across the Department would be approximately in line with the proportions given in the original figures.[143]

66. In June 2004, it was announced that Pension Centre sites were to be reduced from 29 to 19.[144] Much of the efficiencies to be achieved in the Pension Service are predicated on the implementation of the Pensions Transformation Programme. On 13 January 2005, it was announced that 12 Pension Centres would receive Pensions Transformation Programme (PTP) investment.[145] The remaining eight non-transformation sites would 'continue to conduct pension service business over the next few years' although their future would be kept 'under review' and the Department would 'consider any transfer opportunities' that arose.[146]

67. In January 2005, we were told by DWP that the plan was to reduce the number of staff in the Pension Service to 15,200 by March 2005 and to 14,605 by March 2006.[147] The fact that this is a far more modest reduction than that originally proposed for March 2006 (to 11,300) was said to be due to a decision to phase in the Pensions Transformation Programme more gradually (see below).[148]

68. The longer term aim is to reduce staffing levels to around 8,000. The intention is that staffing levels in the Pension Service will reach this point by 2011/12.[149] A target staff reduction to 2008 had not been announced when the report was agreed. However, the Pension Service told us that Waves 1 and 2 of the Pensions Transformation Programme, if implemented successfully within this period, are expected to enable a reduction to just over 9,000 staff.[150]

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[141] Work and Pensions Committee, Second Report of Session 2004-05, *The Performance of the Child Support Agency*, HC 44-I, para 207

[142] www.publicfinance.co.uk, 28 January 2005. The announcement was reiterated in the Government's Five Year Strategy for DWP. HM Govt, *DWP: Five Year Strategy: Opportunity and security throughout life,* Cm 6497, February 2005, p 35

[143] Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 2

[144] HC Deb, 29 June 2004, col 9WS. Derby, Norwich-Baltic House, Nottingham, Wolverhampton, Stockton and Wrexham were to be transferred to Jobcentre Plus; the Appeals Service was to take over Burnley; the Child Support Agency was to take over Plymouth and two other Pension Centres, York and Liverpool, were to stop carrying out DWP business altogether.

[145] Burnley, Cwmbran, Dundee, Leicester, Motherwell, Seaham, Swansea, Stockport Warrington and Newcastle as well as the International Pension Centre and National Pension Forecasting and Teleclaims Centre at Newcastle. HC Deb, 13 January 2005, col 22WS. Burnley Pension Centre which was to have transferred to The Appeals Service was instead to remain within the Pension Service.

[146] HC Deb, 13 January 2005, col 22-23WS

[147] Ev 117

[148] *Ibid.*

[149] Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 5

[150] Ev 230, para 87

The Pensions Transformation Programme

69. The Pension Service expects the Pensions Transformation Programme (PTP) to deliver 'substantial improvements in service …and significantly improved efficiencies'.[151] In January 2005, the Committee visited the Glasgow Pensions Group Solution Centre, which has assisted with the design and testing of PTP. PTP is described as a fundamental transformation of the way the Pension Service delivers its services. It will 'allow customers to transact more of their business at a single point of contact', 'eliminating the need …to provide the same information more than once.'[152]

70. At present, fragmented business processes and lack of communication between legacy IT systems can mean that up to seven contacts are needed with a customer who wishes to claim both Retirement Pension and Pension Credit. Customers have to repeat previously given information, increasing the scope for inaccuracy. Up to three months can be required to train staff in complex processes and systems.

71. Under the new operating model, supported by new IT, first-line customer agent teams would handle both State Pension and Pension Credit, allowing a customer to make claims for both in the same contact.[153] In 50% of cases, this will enable customers to know the amount of their entitlement at the end of their call. There will be no paper-based processing. There are also advantages in terms of improving take-up (see Chapter 6). Specialist teams would be available to handle more difficult claims, with on-screen access to information previously given, so that callers would not have to repeat details.

Phasing in of PTP

72. The Pensions Transformation Programme is being introduced in six stages (Waves 0 to 5), with different phases adding new functionality and benefits:[154]

- Wave 0 involves pulling forward some of the business processes and efficiencies in PTP that are not reliant on IT.[155]
- Wave 1a, to be introduced in Dundee, Newcastle and Swansea Pension Centres, is expected to speed up State Pension claims.[156] Between April and September 2006, all 'transformation sites' will receive State Pension and Pension Credit IT that will enable customers to make claims for Retirement Pension and Pension Credit together (Wave 1b). Waves 2a and Waves 2b are expected to complete this process.
- Funding has not yet been secured for Waves 3 to 5. The Pension Service hopes to secure this 'in SR 2006 or as soon as additional funding becomes available.'[157] Because of this, there is a break in roll-out between Wave 2 and Waves 3-5. The

151 HM Treasury, *2004 Spending Review: Stability, security and opportunity for all: Investing for Britain's long-term future*, Cm 6237, 12 July 2004, p 159

152 Ev 230, para 46

153 See Ev 230, Figures 1 and 2 for further comparison of the previous operating structure with the new operating model.

154 See Ev 230, Figure B.

155 Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 5

156 Ev 230, paras 73 and 84.

157 Ev 230, para 86.

> Chief Executive describes these waves as 'just gradually adding richness and functionality to what has been put in waves one and two',[158] although they also appear to present significant opportunities in terms of increasing take-up of a range of benefits (see paragraph 126).

The PTP told us that 85% of the advantages would be in place by the completion of wave 2.

Can DWP meet its 2006 target without compromising service delivery?

73. DWP claims that the March 2006 target of 14,605 posts in the Pension Service will be achieved partly 'as a result of a fall in Pension Credit workloads (a reduction of 2,100 staff)' and partly by 'the initial phase of the Pension Transformation Programme (Wave 0) where savings of 2,350 staff have been identified as a result of restructuring the organisation and improvements in managing existing business processes.'[159] Keith Wylie from the Public and Commercial Services Union told the Committee that PCS had been informed that there would be a 'ramping up' for the Pension Credit introduction period followed by a 'ramping down'.[160] The union felt that some reduction in staffing was 'possible and sustainable'[161] although the successful implementation of new IT was crucial:

> "If the two things worked properly then at those levels we could do the service. It might not be the Rolls-Royce service we would want to deliver but at least it would be a decent service."[162]

74. A number of organisations felt that the Pension Service was already experiencing administrative difficulties (see Chapter 4) and could not, therefore, cope with a reduction in staff.[163] PCS said there were already problems with 'backlogs building in the centres', cases and 'important documents being lost, because we have not really got the resources to deliver the service that we are trying to deliver.'[164] The changes to be introduced through the Pensions Transformation Programme, in particular the reduction in processes following the combining of State Pension and Pension Credit processing, should have the effect of reducing error and delay. However, most of these benefits seem likely to be achieved over the longer term (Waves 1b and 2 being phased in from April 2006).

75. Citizens Advice were concerned that there might be difficulty keeping track of claims when processing work is transferred from closing Pension Centres.[165] The manager of the Pension Centre at Blackpool, however, expressed confidence that they could absorb the work being transferred there from Wrexham.[166]

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158 Q 14

159 Ev 117

160 Q 302

161 Q 304 [Vizard] with reference to figures given in Q 299 [Mr Wylie].

162 Q 340

163 For example, Ev 131, Ev 140, Ev 154, Ev 158, Ev 190 and Ev 208.

164 Q 305

165 Ev 131 and Ev 201.

166 Ev 230, para 30

76. The Committee agrees that the changes to business processes, coupled with the likely decline in workloads, should enable the Pension Service to make some fairly significant staff reductions by March 2006, without adversely affecting service. **The Committee recommends that, by 1 October 2005, to help increase confidence, the Department prepares and publishes the business case for reducing staff to 14,605 by March 2006, including a plan to deal with weaknesses such as current case backlogs.**

Can DWP meet its 2008 target without compromising service delivery?

77. Waves 1 and 2 of the Pensions Transformation Programme are to be delivered over the period to 2008. The Pension Service expects successful implementation of Waves 1 and 2 to enable 85% of the efficiencies projected from PTP to be delivered and to enable a reduction in staffing to just over 9,000.[167] This is a dramatic reduction in staffing levels (55%), compared to the 19,945 employed in the organisation in December 2003.

78. DWP says that the introduction of PTP follows the Department's new IS/IT strategy of avoiding 'the 'big bang' approach'.[168] Instead, new 'front end' systems are phased in over time, while the old 'backend' legacy systems continue to be used.[169] The Committee was told that PTP had been 'realistic about the capacity of the Pension Service to absorb change without excessive disruption to the business.'[170]

79. The recognition of the importance of changes to business processes as new IT is introduced is welcome. The Committee's recent report on the Child Support Agency (CSA) found the 'root cause' of continued problems with the CSA to be a failure on the part of the Department to comprehend the scale of business transformation required.[171] It is therefore encouraging to note that the Pension Service is introducing PTP in staged waves, starting with changes to business processes. Also welcome is the recognition that 'people change management, communication, risk mitigation and contingency planning' is considered to be integral to the process.[172]

80. Although we were told that PTP has 'cushion' periods between waves to allow for slippage,[173] we note that PTP has already been delayed following a decision to rephase IT investment.[174] Furthermore, PTP is dependent on 'a wide variety of internal and external factors' including:

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167 Ev 230, para 87 and Figure C.

168 Ev 230, para 48

169 *Ibid.*

170 Ev 230, para 84

171 Work and Pensions Committee, Second Report of Session 2004-05, *The Performance of the Child Support Agency*, HC 44-I, para 41-42

172 Ev 230, para 59

173 Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 3 [Ms Cleveland]

174 Ev 117

- The Customer Information System project – a project to develop a central Departmental database of customer information - the due end date for which is February 2007.[175]
- Policy changes, particularly to support the acceptance of electronic claims forms.[176]

81. We are concerned that if there are difficulties with the implementation of Waves 1 and 2 of PTP, managers will be put under pressure to find cuts in other ways. PCS were concerned that there was pressure to reduce the time spent training staff, although the Chief Executive commented that training would increase in future as the Pensions Transformation Project is brought in, and that the training would aim to help clerks to deal with a wider range of topics.[177] A further concern was that the Local Service would be seen as a 'softer target' for cuts, as the Pension Service would have to prioritise processing benefits.[178]

82. The Pension Service will be required to make very significant reductions in staff by 2008. Much of this is dependent on the successful implementation of the Pensions Transformation Programme, which is in turn dependent on a range of external factors, including other IT projects. Significant uncertainty must, therefore, remain as to whether the planned efficiencies can be achieved without detriment to the quality of service. **The Committee recommends that staff reductions are postponed if there is any further delay to implementation of PTP or if it proves unable to deliver the expected efficiencies or if there are signs that the quality of service is deteriorating.**

Planning and staff morale

83. Managing the process of change on this scale and to a tight timescale represents a very significant challenge. In Blackpool, the Committee was told that staff felt they had been encouraged to join an innovative service without warning that the jobs might go in the future.[179] Indeed in April 2002, when the Pension Credit Bill was going through Parliament, the Minister for Pensions, said:

> "I can only say that the resources are available in spades for the new Department, as the creation of the Pension Service and Jobcentre Plus shows… There has never been a better time and place to work in the public service than there is now at the Department for Work and Pensions, and we intend to maintain good working relationships."[180]

84. Paul Vizard of the Pension Service Trade Union side said that "Shock' certainly is not too strong a term' to describe the reaction of staff to the situation now facing them.[181] While the unions had expected some reduction in staff following the implementation of

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175 HC Deb, 18 January 2005, 910W

176 Ev 230, para 59

177 Q 375

178 Q 315

179 Ev 230, para 44

180 Stg Co Deb, Standing Committee A, *State Pension Credit Bill [Lords]*, 16 April 2002, col 64

181 Q 303

Pension Credit, they had expected it to be on a smaller scale and to be dealt with mainly through fixed term contracts.[182]

85. At the time of taking evidence, there was considerable uncertainty about what staff reductions were going to be required and where these cuts would fall. The Committee was told on its visit to Blackpool that, from a staff perspective, the process did not appear planned and there was felt to have been inadequate communication.[183] Union representatives gave the example of Stockport where there were vacancies in the town's benefits processing centre but the local Jobcentre Plus, which was expecting cuts, would not release staff so that they could apply for the jobs.[184] Overall, the trade union side said it was beginning to see evidence of 'destabilisation' within the service, with low morale and staff trying to leave.[185] 2,500 staff had departed voluntarily since April 2004.[186] Paul Vizard told us that:

> "With the projected cuts in the longer term we feel that the service will fall over and fail, and not just because of the numbers but also because of the lack of morale amongst the staff and staff trying to get out at every opportunity. That is a big problem now, not in 2008. It is a problem that exists at the present time."[187]

86. The Secretary of State identified one of the big risks of driving through change like this to be 'the effect on staff morale.'[188] He said that the 'odd patch of problems' and the 'odd minor problem in quality of service' would be unavoidable given the numbers of staff being redeployed and retrained.[189] The Department considers that a 30,000 reduction in staff numbers will not be possible entirely from normal staff turnover rates and has therefore secured £50 million in 2004/05 and in 2005/06 to fund voluntary early exit schemes.[190] The Secretary of State said that an agreement had now been reached with the unions about how to go through the efficiency process, avoiding compulsory redundancies.[191] He also told the Committee that the Department had 'tough decisions to make':

> "It is a big department with a lot going on and we have to be absolutely sure that we have looked at all eventualities before we put our staff's mind at rest. That is one of the reasons we have got high wastage rates. Once we do this we will have a lower wastage rate because people will be more certain about their future."[192]

87. PCS, on the other hand, were concerned that the 'attrition rate' (staff leaving the service) would 'go through the roof' following 'the next announcement'.[193] There are still

182 Q 302

183 Ev 230, paras 42 and 43

184 Ev 230, para 43

185 Q 338

186 Ev 117

187 Q 340

188 Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 1

189 Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 4

190 Letter to the Committee from DWP, *Winter Supplementary Estimates 2004/05,* 4 February 2005, p 3

191 Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 1

192 Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 63

193 Q 305

eight Pension Centres, not earmarked for transformation activity, whose future is uncertain beyond the next 'few years'.[194]

88. The Committee is extremely concerned about the impact of change on this scale on staff morale, and on the ability of the remaining staff to deliver a quality service to pensioners, particularly if it is the more experienced staff who accept voluntary redundancy (although ultimately, of course, this is a matter for management and unions to negotiate). **We urge the Government to make an announcement by 1 June 2005 on the share of cuts across DWP, and that staff at non-transformation Pension Centres should be kept fully informed throughout the process of change.**

Impact on the Local Service

89. Changes to the Local Service since the efficiency challenge was set have taken the following form:

- Staffing levels have been reduced from 3,075 at 31 March 2004 to 2,675 at 1 October 2004.[195]
- The Local Service clusters have been reorganised, reducing them from 165 to 133 and bringing them more closely into line with local authority boundaries (with the number of Local Service Delivery Managers also reduced to 133).[196]
- The number of Partnership Liaison Managers has been cut by approximately a third, to 203.[197] DWP says the aim, now partnerships are in place, is to increase the number of Customer Liaison Managers, in order to focus on one-to-one contact.[198]
- The number of Local Service Information Points (surgeries) has been reduced from 2,566 in April 2004 to 1598 in December 2004[199] and the number of customers seen each month at Information Points has fallen by 10,000 (to 15,802) between April and November 2004.[200]
- There has been an increase in the number of home visits conducted by Local Service staff, with 48,720 home visits in November 2004 compared to 42,220 in April 2004.[201]

90. One of the aims of DWP's efficiency plan is to enable it to redeploy jobs to front-line roles and services.[202] The Chief Executive told us that staffing reductions to date had been

194 HC Deb, 13 January 2005, col 22WS

195 Ev 115

196 Ev 107

197 Ev 114. Although PCS say this does not include an additional third of Partner Liaison Managers that have already left the Service without being replaced (Q313).

198 Ev 114

199 Ev 116

200 Ev 122

201 Ev 119

202 Sir Peter Gershon CBE, *Releasing resources to the front line: Independent Review of Public Sector Efficiency*, July 2004, p 54

'more in the management grades than in the face-to-face service.'[203] PCS, on the other hand, described it as a reduction by a third of 'our capacity in the field.'[204] We were told that there would be further reductions following the introduction of Wave 3 of the Pensions Transformation Programme for which the Pension Service hopes to receive funding in SR2006.[205] However, these reductions would be to administrative staff who currently book and schedule appointments.[206] The Chief Executive told us that 'we are not planning on reducing the number of front-line staff.'[207]

91. There was considerable concern among local authorities and customer representative groups that the Local Service would be damaged by staff cuts.[208] Citizens Advice wrote that in view of the 'huge job that remains to be done to increase take-up of Pension Credit, especially amongst harder to reach pensioners, we consider that any cutbacks in the local service would be a breach of faith.'[209] Concerns centred around the reduction in the number of Information Points and apparent changes in the sort of work the Local Service was able to do to encourage take-up.

92. DWP told the Committee that the reduction in the number of Information Points was to enable the emphasis to be placed 'on identifying eligible Pension Credit non-recipients predominantly through direct one to one contact.'[210] It was claimed that decisions to close Information Points were made on the basis of low attendance[211] and in consultation with partners.[212] However, evidence from the voluntary sector suggests such consultation is not always considered adequate.[213] Jim Dickson of Lancashire County Council Welfare Rights Service told us that in Preston and Longridge, which have a population of over 150,000, surgeries had been reduced to one location one day a week.[214] He added that this had had 'quite a severe impact', leaving 'very little choice for people other than having to make very long journeys in order to verify documents' and receive face-to-face advice.[215]

93. The Chief Executive indicated that home visits were now being linked to Direct Payment activity, with resources having to be used for both Pension Credit and Direct Payment conversions up to March 2004.[216] Evidence from organisations working with older people indicated some pressure on home visiting resources. Citizens Advice, for example, reported the case of a couple who had been refused an early home visit to sort out

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[203] Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 27

[204] Q 315

[205] Ev 230, paras 86 and 87

[206] Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 28

[207] Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 28

[208] For example, Ev 154, Ev 171 and Ev 196.

[209] Ev 201. See also Q 15 [Ms Isaacs]

[210] Ev 116

[211] Q 418

[212] Ev 116

[213] Q 84, Ev 141 and Ev 202-203.

[214] Q 281

[215] Q 281

[216] Q 365

a missed payment of Pension Credit: 'They were told that a visit for this purpose was not a priority, although it clearly was a priority for the couple concerned who had no income'.[217]

94. There was also concern about the impact on the sort of work the Pension Service was able to do. PCS claimed that staff who had previously been involved in high-quality outreach work are now being required to 'cold call' pensioners on the basis of computer generated scans in a drive to meet take-up targets.[218] They told us that even at this very early stage in cuts:

> "in a lot of the Joint Team areas the Pension Service partners are walking away and saying, "We cannot possibly deliver that any longer". The good work that has been done in building up those relationships and starting to get the Joint Teams working is patchy across the country. In some areas it has been very successful, but the Pension Service now seem to be saying, "Because we have got to deliver these cuts we can no longer deliver that sort of service. We are not going to try and deliver that level of outreach work any longer". I think that leaves very vulnerable people with nowhere to go at all."[219]

95. A number of organisations were concerned that telephoning customers on the basis of computer-generated scans was not generating 'good returns'.[220] The Chief Executive said she recognised that 'staff do not like it, because they enjoy the face-to-face customer contact, they enjoy that activity, but we have to balance out what delivers in terms of results for us in terms of the take-up as well.'[221]

96. Telephoning may be a quicker way of contacting a large number of customers. However, the National Audit Office's study of benefit take-up by pensioners suggested that local outreach work, though more resource-intensive, would be more successful with 'hard-to-reach' pensioners.[222] The Pension Service has recently appointed someone with the important role, but awful title of, Customer Acquisition Director, who will be looking at how take-up work develops in the future.[223]

97. Evidence from local authorities, voluntary organisations and the trade union side suggests that there is considerable concern about the effect of pressure to achieve efficiencies on the ability of the Local Service to deliver high-quality outreach work. There was also a concern that consultation on how the service was to be delivered had not been adequate. Citizens Advice commented that the Pension Service had a 'long way to go in thinking through what partnership really means at both local and national level.'[224]

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[217] Ev 203

[218] Q 318

[219] Q 314

[220] Q 235

[221] Q 417

[222] NAO, *Tackling pensioner poverty: Encouraging take-up of entitlements*, HC 37, Session 2002-03, 20 November 2002, para 15

[223] Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 24

[224] Ev 202. See also Q 21.

98. **We welcome the assurance that there will be no further reductions in front-line Local Service staff, but recommend that there should be more consultation with national and local partners on service delivery.**

Ensuring the quality of service is maintained across the Pension Service

99. The Gershon review emphasised the importance of 'effective and continuing parliamentary and public accountability systems for the delivery of agreed efficiency targets.'[225] DWP's efficiency target will only be met if savings 'are achieved without detriment to performance' with customers experiencing 'no diminution in the service they receive.'[226] This is to be measured with reference to the Public Service Agreement (PSA) framework and in the Departmental Annual Report. In addition to its targets to increase take-up, the Pension Service has targets for the accuracy of awards and answering of telephone calls. Spending Review 2004 introduced a new target to issue 15.4 million pension forecasts by 2007-08 and undertake 60,000 successful pension traces a year. [227]

100. The Committee does not consider that reporting of progress against the PSA targets, together with the Departmental Annual Report, will give an adequate picture of how the service is developing at this important time. **We recommend that DWP establishes a 'standards committee' (including voluntary organisations and local authorities) tasked with producing six-monthly reports on how the Pension Service is proceeding with its programme of efficiencies and the impact this is having on the service it is able to provide.**

[225] Sir Peter Gershon CBE, *Releasing resources to the front line: Independent Review of Public Sector Efficiency*, July 2004, para 4.5

[226] DWP, *SR 2004 efficiency target Technical Note*, 29 October 2004, para 17

[227] HM Treasury, *2004 Spending Review: Stability, security and opportunity for all: investing got Britain's long-term future,* Cm 6237, 12 July 2004, Box 19.1

6 Take-up

Take-up Targets

101. In its first Pension Credit inquiry, the Committee identified high take-up levels as a necessity if the Credit was to be considered a success and urged the Government to set clear and achievable targets.[228] Levels of take-up of means-tested benefits amongst pensioners are lower than amongst the population as a whole.[229] The most recent figures show that in 2002/03 between 26% and 37% of pensioners entitled to the Minimum Income Guarantee (which was replaced by Pension Credit) did not take it up.[230]

102. The Committee was concerned, in its first report on Pension Credit, at DWP's inability to produce reasonable estimates for take-up and urged the Government to set out 'clear and achievable targets for take-up of Pension Credit.'[231] DWP now has a target to have 3 million households claiming Pension Credit by 2006 and 3.2 million by 2008. These targets imply a take-up rate of some 75% for Pension Credit[232] (although this figure should be treated with caution as the projections of eligibility are subject to a margin for error of some 100,000 to 200,000 on either side.[233]) Within the overall target, there is a target to be paying Guarantee Credit to 2.1 million households by 2006 and 2.2 million households by 2008.[234]

The introduction of Pension Credit

103. Pension Credit came into force in October 2003. 1.8 million households were transferred across from Minimum Income Guarantee (MIG) and others were invited to claim.[235] At the end of December 2004 there were 2.653 million pensioner households receiving Pension Credit. 2.08 million were receiving Guarantee Credit (the equivalent of MIG).[236]

Table 2 Pension Credit claimants by benefit entitlement 2003-04 (thousands)

	All claimants	Guarantee Credit and Savings Credit	Guarantee Credit only	Savings Credit only
November 2003	2,066.0	1,127.2	718.5	220.3
February 2004	2,264.1	1,179.3	733.7	351.1

[228] Work and Pensions Committee, Second Report of Session 2001-02, *Pension Credit*, HC 638-I, Summary and para 61

[229] NAO, *Tackling Pensioner Poverty: Encouraging take-up of entitlements*, HC 37 Session 2002-03, 20 November 2002, p 3

[230] DWP and National Statistics (2004), *Income Related Benefits Estimates of Take-Up in 2002/03*

[231] Work and Pensions Committee, Second Report of Session 2001-02, *Pension Credit*, HC 638-I, para 61

[232] HC Deb, 13 September 2004, col1394W

[233] Q 359

[234] Pension Service Annual Report and Accounts 2003-2004, p 15; DWP PSA Technical Note for 2005-2008, www.hm-treasury.gov.uk

[235] Department for Work and Pensions, *The New Pension Credit, A Review of the Campaign to May 2004*

[236] DWP, *Autumn Performance Report: Progress against Public Service Agreement Targets*, Cm 6397, December 2004, p 47

May 2004	2,492.6	1,265.6	751.1	475.9
August 2004	2,602.3	1,298.1	759.8	544.5
December 2004	2,653.2	1,312.9	768.0	572.2

Pension Credit Quarterly Report: August 2004 and HC Deb, 2 February 2005, col 68WS

104. Definitive National Statistics figures on Pension Credit take-up will not be available for some time. However, the Government estimates that 2.08 million households getting Pension Credit guarantee awards represents take-up of 'in excess of 80 per cent'.[237] Take-up among those entitled to Savings Credit only is much lower – just 572,200 households are claiming out of some 1.2 million estimated to be eligible (see Annex C),[238] implying a take-up rate of some 48%.

Take-up by the poorest pensioners

105. The Pensions Policy Institute points out that the pattern of take-up is clearly higher for the 'poverty avoidance' part of Pension Credit than for the 'savings reward' part.[239] The Secretary of State said that his concern was to ensure the Department concentrates on take up of the Guarantee Credit and that he would be worried if they were a long way off target on that. However he was not worried that they were missing out on these pensioners 'to any enormous degree'.[240] The Committee was particularly interested to probe the extent to which the poorest pensioners were actually claiming and whether it is indeed the case that most of those failing to take-up their entitlements are entitled to relatively small amounts.

106. DWP says that 'the number of households now benefiting by over £50 a week has exceeded initial projections'. However, it considered the available evidence insufficiently robust to enable it to provide further details of the sorts of amounts going unclaimed, although it hopes this evidence will improve.[241] This means that we do not know how many of those pensioners not claiming Guarantee Credit are missing out on relatively large amounts, £20 a week for example. Citizens Advice said it was 'still regularly seeing people' who thought they had to live on a state pension.[242] They were entitled to Guarantee Credit, but did not realise this. Lancashire County Council Welfare Rights said that it continued to identify pensioners entitled to both large and small amounts and that there was 'no sign from our work that the level of awards was trailing off.'[243] The average amount of award for relatively new claimants (under three months) is £61.49, compared to an average of £41.78 overall.[244]

107. We do not know how many of those who are not claiming their entitlement to Savings Credit are claiming Housing Benefit and Council Tax Benefit and therefore only missing

237 HC Deb, 3 February 2005, col 68WS

238 HC Deb, 11 October 2004, col 46W

239 Ev 176

240 Uncorrected Transcript of oral evidence, to be published as HC 1171-I, 2 February 2005,Q 68

241 Q 359. See also Ev 108.

242 Q 1

243 Q 289

244 Department for Work and Pensions, *Pension Credit Quarterly Statistics, August 2004,* table PC 3.4

out on small amounts overall (although entitlement to Savings Credit also has the advantage of acting as a passport to the Social Fund).[245]

108. The Chief Executive told us that she would favour a target that focused on the amount of money unclaimed, on the basis that this would focus attention on ensuring that those who are likely to gain most received Pension Credit.[246] She said there were difficulties measuring this, given uncertainties about data, but that the Service was continuing to work on establishing an adequate baseline.[247]

109. The Committee endorses the focus on the poorest pensioners, with a specific target for take-up of Guarantee Credit. However, we are concerned that little detail is available about the sorts of amounts those not yet claiming would be entitled to. **We recommend that by 1 October 2005, the DWP establishes a target based on the amount of Pension Credit unclaimed, and that the Family Resources Survey be used to gain a better understanding of overall take-up of means-tested benefits by pensioner households (including Pension Credit, Housing Benefit and Council Tax Benefit) in order that resources to increase take-up can be focused on those who are missing out on the largest amounts. Government estimates suggest that about one and a half million people are not receiving the Pension Credit to which they are entitled[248]. The current strenuous efforts to increase take-up must continue to ensure this figure is reduced.**

Take-up of disability benefits

110. At the end of August 2004, there were 985,400 people aged 60 or over receiving Disability Living Allowance and 1.4 million receiving Attendance Allowance.[249] Entitlement to these benefits can in certain circumstances attract the severe disability addition in Pension Credit.[250] Some 22% of all Pension Credit recipients were receiving the severe disability addition.[251]

111. In its report on Pensioner Poverty, published in 2000, the Social Security Committee concluded that a take-up campaign for Income Support among pensioners cannot fully succeed unless undertaken in tandem with identification of those eligible for Attendance Allowance.[252] There is considerable uncertainty around the extent to which take-up of Attendance Allowance and Disability Living Allowance, if increased, would impact on the projections of those entitled to Pension Credit. Research published in 1998 estimated take-up of Attendance Allowance to be between 40 and 60% and of the care component of

[245] Child Poverty Action Group, *Welfare Benefits and Tax Credits Handbook,* (London: 2004), Chapter 21

[246] Q 361

[247] Work and Pensions Committee, Uncorrected Transcript of Oral Evidence, to be published as HC 298-i, Q 31

[248] At the end of December 2004, there were 3.22 million individuals receiving Pension Credit (see paragraph 17). The Government estimates that some 4.65 million individuals are eligible for Pension Credit in 2004/05 (see Annex C) although there are margins of error around such estimates.

[249] Department for Work and Pensions, *Attendance Allowance Quarterly Statistics 2004*; *Disability Living Allowance Quarterly Statistics,* August 2004

[250] The claimant must be getting AA or DLA care component at the middle or higher rate, have no non-dependent living with them and no-one claiming Carer's Allowance in respect of them.

[251] Department for Work and Pensions, *Pension Credit Quarterly Statistics,* August 2004, table 6.1

[252] Social Security Committee, Seventh Report of Session 1999-2000, *Pensioner Poverty*, HC 606, para 126

Disability Living Allowance to be between 30 and 50%.[253] However, these figures have not since been updated.[254]

112. A number of witnesses to the inquiry thought more should be done to encourage take-up in this area.[255] Richard Wilson of Age Concern argued that it was important to have a target in order to focus the Department's efforts on increasing take-up.[256] On the question of setting a target, the Minister for Pensions told us: 'We are very concerned that those eligible for Attendance Allowance should receive it, so we are happy to look at that again and discuss that with the Minister responsible.'[257]

113. **We recommend that the Government undertakes and then publishes research providing estimates of eligibility for Attendance Allowance and Disability Living Allowance, and of the potential impact of this on Pension Credit eligibility, and soon thereafter announces a take-up target for disability benefits.**

Are the targets sufficiently ambitious?

114. Jim Dickson of Lancashire County Council Welfare Rights Service told us that 'this is the first Government that has ever introduced a target for take-up of benefits and for me that was quite a development and something to be welcomed. From our point of view it is hats off to them for that.'[258] Other witnesses argued that the target should be made more ambitious. The Pensions Policy Institute argued that 'the elimination of poverty depends on take-up of Guarantee Credit being 100%.'[259] Citizen's Advice and Help the Aged argued for the target to be set at 90%.[260]

115. There is evidence of progress made to date, with the Department having achieved more than two thirds of the increase required in a third of the time available.[261] The Chief Executive told us that a large increase in claims in March 2004 (with the caseload increasing by 138,000[262]) was the result of a 'big effort on our part to make sure we processed cases and it was driven by a target at that point, but it was part of a very long campaign we have been running since April 2003 for take up.'[263] There has since been a considerable slowing down in the rate of increase, with only 30,000 additional households starting to claim in the three months from 1 October to 31 December 2004.[264]

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[253] Craig P and Greenslade M (1998), *First Findings from the Disability Follow-up to the Family Resources Survey: DSS Research Summary No 5*, p 11

[254] Q 92

[255] See, for example, Q 1, Q 94 and Q 239.

[256] Q 93

[257] Q 367

[258] Q 234

[259] Ev 176

[260] Ev 193 and Ev 166

[261] Ev 97

[262] Ev 194, However, Citizens Advice note that the figures are difficult to interpret as they are net of people leaving Pension Credit (presumably often due to death).

[263] Q 363

[264] HC Deb, 3 February 2005, col 68WS

116. Reliable take-up statistics on Pension Credit in the first six months will be available in autumn 2005 (and for the first full year in 2006).[265] DWP says it is on course to meet the target for 2006[266] but considers the targets to be challenging. It argues that to make the target more ambitious, for example, by increasing the 2008 target to 3.85 million households (90% of those estimated as eligible) would involve a substantial increase in the marginal effort required to identify and successfully convert potential new customers, with a 'corresponding impact on our resource requirement.'[267] The Committee notes that 4.25 million households are expected to be eligible in 2008/09[268] so even if the 2008 target is met there will still be around a million pensioner households not claiming. **The Committee acknowledges the value of take-up targets for Pension Credit but recommends that they should be set at a more challenging level, supported by the necessary resources to make them attainable.**

DWP's take-up strategy

Factors influencing take-up

117. A number of recent pieces of research have helped clarify steps that could be taken to maximise take-up. A National Audit Office report, *Tackling pensioner poverty: Encouraging take-up of entitlements*, identified three types of factors influencing take-up.[269] These included:

- *The system*: complexity of the overall system (including rules that are variable and complex linkages between benefits) and means testing (requiring pensioners to provide sensitive information about income and capital).
- *Administration*: leaving the initiative to the pensioner to start the claim process and unresponsive or inaccessible channels of communication and perceived difficulties in obtaining information.
- *Customer level*: ignorance of and misconceptions about benefits available, difficulty completing forms, fear of stigma or humiliation, fear of losing independence and a perception that claiming is not worth it.

Strategy to encourage take-up of Pension Credit

118. Pension Credit was introduced with a phased approach:[270]

- *Phase 1- April to September 2003.* This was an advance claim period during which those households claiming Minimum Income Guarantee were converted to Pension Credit and 200,000 additional households invited to apply.

[265] Ev 126

[266] DWP, *Autumn Performance Report: Progress against Public Service Agreement Targets*, Cm 6397, December 2004 p 46

[267] Ev 107

[268] HC Deb, 14 June 2004, col 729W. By 2008 means as at the end of March 2008. Department for Work and Pensions: '*Public Service Agreement for 2005-2008. DWP PSA and technical note for 2005/08'*, www.hm-treasury.gov.uk

[269] National Audit Office, Session 2002-2003, *Tackling Pensioner Poverty: Encouraging take-up of entitlements,* HC 37

[270] DWP, *Departmental Report 2004*, Cm 6221, April 2004, p 104

- *Phase 2 – October 2003 to October 2004.* The Pension Service wrote to every pensioner household in the country to encourage them to apply. This was supported by a marketing campaign and local service partnership activity.

119. DWP has conducted surveys to measure the impact of its marketing messages and found that there was 'increasing awareness of Pension Credit as the campaign progressed.' Its current strategy includes: using proven data-matching techniques to identify people most likely to qualify and targeting marketing activity accordingly; writing to people most likely to be eligible; and PCAL staff telephoning customers who have yet to make contact. The Local Service is 'focusing on one-to-one contact rather than events for large numbers as the individual approach is often more productive in generating applications.'[271] A series of pilots has been run aimed at contacting the 'hard-to-reach'.[272] These pilots demonstrated the importance of good working relationships between the Local Service and partner organisations. They found that older people valued the 'personal approach of face-to-face contact, personalised letters and the availability of private rooms to discuss personal affairs.' Short-term funding has also been made available to local and national organisations through the Partnership Fund for take-up initiatives.[273]

120. The challenge, as DWP now perceives it, is to encourage take-up among those pensioners who have not previously been entitled to means-tested benefits and who may only be entitled to small amounts.[274] It is currently looking at ways to make claiming more attractive for this group, for example, by paying Savings Credit in a lump sum.[275]

Simplifying the System

121. One of the key objectives of Pension Credit is to make it easier for pensioners to take up their entitlement.[276] The National Audit Office (NAO) report outlines the action taken prior to the introduction of Pension Credit to tackle barriers to take-up.[277] These included only requiring claimants to report certain changes of circumstances every five years, reducing the length of claim forms and some alignment of Pension Credit rules with those for other benefits. Nonetheless, witnesses to the inquiry felt that more should be done to simplify the interaction of Pension Credit with other benefits (see Chapter 8). Furthermore, Age Concern argued that complexity of the Savings Credit calculation, in particular, made it difficult for people to know whether they would qualify and that this made them reluctant to attempt a claim.[278]

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[271] Ev 97

[272] Defined as those 'less likely to respond to Pension Credit media advertisements and direct mailings, for example, because of physical, psychological, cultural or geographical reasons'. Ev 97

[273] Ev 98

[274] Q 362; Work and Pensions Committee, Uncorrected transcript of oral evidence, to be published as HC 298-I, Q68

[275] House of Commons, Minutes of Evidence taken before the Work and Pensions Committee, Departmental Report. Wednesday 20 October 2004, HC 1171-I, Q 34

[276] Ev 90

[277] National Audit Office, Session 2002-2003, *Tackling Pensioner Poverty: Encouraging take-up of entitlements,* HC 37, p 5

[278] Ev 144

Developing a holistic approach to take-up

122. Levels of take-up of benefits by pensioners vary. Take-up of the state pension is close to 100%.[279] Among means-tested benefits, take-up of Housing Benefit is highest (with only around one in ten (between 16% and 10%) not claiming their entitlement). Take-up of Council Tax Benefit is lowest, with around two-fifths (between 44% and 38%) not claiming their entitlement.[280]

123. The Local Service plays a key role in encouraging take-up of Pension Credit and other benefits (see Chapter 4). However, there is also much that the Department can do, through its own processes and its links to other agencies delivering benefits. Sally West of Age Concern said that if take-up of income-related benefits were to increase significantly, it was necessary:

> "to look at an approach that does not rely on older people making contact with one of the agencies or even being identified and then encouraged to claim; you need systems that actually are integrated. For example, anybody who has claimed Housing Benefit and Council Tax Benefit has given all their information about income and savings to the local authority, but currently that information is not automatically transferred to the pension service to check entitlement to Pension Credit."[281]

124. She argued that in the context of the current system, wherever somebody gets into the system 'they should be offered the full array of benefits and services.'[282] The Department's vision is to provide older people with 'easy access in their local area to information about the full range of services available – either through a single access point, or several access points which can offer advice across a range of issues.'[283] Measures under consideration include 'developing better arrangements for sharing relevant data' so that when a person enters one part of the system, information about them can be shared with other relevant agencies.[284] Both Age Concern and Help the Aged, however, expressed frustration that, despite the intention to make systems more integrated, little progress had been made.[285]

125. The vision of an integrated network of services for older people is described as a longer term aspiration towards which steps are being taken at present. Examples of such steps include the development of Joint Teams (see Chapter 4). Evidence presented to the Committee suggested there are other steps that can be taken to link different parts of the system in the meantime. These included bringing forward the relevant waves of the Pensions Transformation Programme, easing the transfer from Income Support at age 60, easing the process for accessing the carer's addition in Pension Credit and allowing the Pension Service to accept some local authority assessments of income and capital.

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279 Ev 151

280 DWP and National Statistics, *Income Related Benefits Estimate of Take-Up in 2002/03,* Table 3.1 and Table 2.1

281 Q 88

282 Q 96

283 Department for Work and Pensions, (2004), *Link-Age. Developing networks of services for older people,* p 6

284 Department for Work and Pensions, (2004), *Link-Age. Developing networks of services for older people,* para 4.1

285 Q 88 and Ev 147.

Pensions Transformation Programme

126. The Pensions Transformation Programme (PTP) (see Chapter 5) represents a significant opportunity in this respect. Waves three and four of this programme have potential to improve take-up of benefits other than Pension Credit. Listed as among the advantages of these waves, are 'continued improvement in take-up through better triggers and automated referral processes' and 'roll-out of processes for gateway referrals.'[286] The Chief Executive told us that under wave three 'an agent would be able to see straightaway all the benefits someone was getting.'[287] Proposed measures of success for these waves are 79,000 'gateway' referrals for Attendance Allowance and 95,000 for Council Tax Benefit and Housing Benefit, and that 85% of these referrals should 'pass the eligibility test of the other agency.' There are also advantages for Local Service take-up work. Staff would be able to do more automatically and input data at people's homes or at information points, rather than doing that on paper.[288]

127. However, the Pension Service told us it has not got funding for waves three and four, but is hoping to secure this in Spending Review 2006.[289] This means there will be a break in the roll-out of PTP, requiring it to be re-started after a break. Were funding available, work on design would start in another twelve months.[290] The Chief Executive said that in the meantime, they were working on 'linking together data-matching between the various systems and doing some of that as a clerical process.'[291]

The transfer from Income Support

128. Witnesses also identified problems in the transfer to Pension Credit from Income Support at age 60. While MIG claimants were transferred across automatically when Pension Credit was introduced, this no longer happens and people have to make a claim. Sally West of Age Concern told us that there were 'lots of delays and gaps.'[292] The Chief Executive accepted that there had been problems and said the Department was now working 'with Jobcentre Plus …to make sure there is not any break in entitlement or break in payment for these people.'[293]

The carer's addition

129. Carer's Allowance is awarded to a person providing regular and substantial care (at least 35 hours a week) to a person receiving Attendance Allowance or the middle or higher rate of the care component of Disability Living Allowance. Like the Basic State Pension, it

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[286] Ev 230, para 80

[287] Uncorrected transcript of oral evidence (to be published as HC 298-I, 2 February 2005, Q 21

[288] Work and Pensions Committee, Uncorrected transcript of oral evidence, to be published as HC 298-i, 2 February 2005, Q 14

[289] Ev 230, para 87

[290] Work and Pensions Committee, Uncorrected transcript of oral evidence, to be published as HC 298-i, 2 February 2005, Q 23

[291]Work and Pensions Committee, Uncorrected transcript of oral evidence, to be published as HC 298-i, 2 February 2005, Q 21

[292] Q 135

[293] Q 368

is a non-means-tested earnings-replacement benefit. This means that the two cannot be paid at the same time (due to the 'overlapping benefit rules').[294]

130. The carer's addition in Pension Credit is paid to pensioners who are receiving the Carer's Allowance, or who would receive it were it not for the overlapping benefit rules. Under current arrangements, to gain entitlement to the carer's addition, a person has to make a claim for Carer's Allowance even if they know that they will not be paid it because they are receiving a State Pension. A number of witnesses identified this as a procedure that needed streamlining.[295] Jim Dickson of Lancashire County Council Welfare Rights Service told us that there should at least be a shortened form for this process.[296] In addition, he felt that communication between the Carer's Allowance Unit and Pension Service needed to be improved to ensure the additional amount was actually awarded in appropriate cases.

Local authority assessments of income and capital

131. Pensioners do not always realise they have to make a claim for each means-tested benefit separately, expecting that, if the Department has the information, it will make an award automatically. Analysis of Family Resources Survey data from 1997 to 2000, found that take-up of means-tested benefits varies by benefit, although most (90%) of those entitled to IS, HB, and/or CTB claimed at least one of them. In view of this, the researchers argued that there seemed to be a strong argument for making a claim for one means-tested benefit a trigger for others. While this effectively already happened for those who claim Income Support as a start point, it worked less well if the 'initial point of contact with the benefit system is Housing Benefit or Council Tax Benefit.'[297]

132. To increase benefit take-up by pensioners, the Government needs to work towards a situation in which there are multiple ways into the benefits system but that, once in, the process of claiming all benefits to which one is entitled is automated as far as possible.

133. **Given the advantages for benefit take-up, the Committee recommends that guaranteed funding should be provided to enable the Pensions Transformation Programme to be implemented as originally planned, without a break between Waves 1-2 and 3-5.**

134. **The Committee recommends that the Pension Service should be allowed to accept recent assessments of income and capital made for the purpose of assessing claims for Housing Benefit and Council Tax Benefit.**

135. **The Committee recommends that the process for establishing entitlement to the carer's addition in Pension Credit should be streamlined.**

136. **The Committee recommends that the transfer from Income Support to Pension Credit should be automatic, with steps taken to contact individuals for any extra information required.**

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294 Child Poverty Action Group, *Welfare Benefits and Tax Credits Handbook 2004/05,* p 1076

295 Ev 156 and Ev 166.

296 Q 268

297 Hancock R, Pudney S, Barker G, Hernandez M and Sutherland H, 'The Take-Up of Multiple Means-Tested Benefits by British Pensioners: Evidence from the Family Resources Survey', Fiscal Studies (2004), vol 25, no. 3, p 279-303

7 Direct Payment

The introduction of Direct Payment

137. On 24 May 1999, the then Secretary of State for Trade and Industry announced that the Government would introduce 'a more modern and efficient way of paying benefits' from 2003.[298] This was to be Direct Payment by automated credit transfer (ACT).[299] Payment of benefits into bank accounts had been available since the early 1980s but now order books and girocheques were to be phased out entirely. DWP portrayed the change as 'a more secure and efficient way of paying benefits and pensions… [that would] cut down on payment fraud… [and deliver] what many customers want'.[300] The introduction of Direct Payment was also presented as an important means of reducing financial exclusion by increasing the number of people with a bank account, as well as saving the Department £450 million per annum in transaction costs.[301]

138. Prior to the introduction of Direct Payment, DWP stressed that it was 'committed to ensuring' that clients who wanted to continue collecting their benefits at a Post Office branch would be able to do so.[302] Customers would be given the choice of: i) opening or using an existing bank or building society current account, which might or might not be usable at Post Offices ii) opening or using an existing basic bank or building society which would give access to banking at Post Offices or iii) opening a Post Office Card Account – a very simple account developed by Post Office Ltd which can only be used for collecting benefits and pensions.[303]

139. DWP began a two-year phasing in period for Direct Payment in April 2003. This is due to be completed in March 2005, with the last pension book foils dated 28 February 2005.[304] DWP has a contract with ATOS Origin to send mailings and take calls about Direct Payment at Customer Conversion Centres.[305] Post Office Card Accounts have proved far more popular than the Government expected.[306] By December 2004, 4 million card accounts had been opened.[307]

140. There are large cost savings to be made by introducing Direct Payment for pensioners. Each Direct Payment costs around 1p. This compares to 68p for an order book foil and £1.47 for every girocheque under the previous system.[308] Automated credit transfer is also a more secure method of payment than posting order books and allows changes in benefit to

[298] HC Deb, 24 May 1999, col 21W

[299] HC Deb, 14 June 1999, col 33W

[300] DWP, *Touchbase: Our newsletter for advisers, intermediaries and other professionals,* summer 2002, p 1

[301] HC Deb, 8 December 2004, col 161WH

[302] DWP, *Touchbase: Our newsletter for advisers, intermediaries and other professionals,* summer 2002, p 1

[303] DWP, *Touchbase: Our newsletter for advisers, intermediaries and other professionals,* summer 2002, p 1-2

[304] HC Deb, 7 July 2004, col 478W

[305] HC Deb, 18 October 2004, col 478W

[306] Trade and Industry Committee, *Government Response to the Committee's Eleventh Report of Session 2002-03*, HC 1102, p 1

[307] HC Deb, 24 January 2005, col 61W

[308] Ev 105

be paid more quickly. DWP says that Direct Payment will also avoid £50 million being lost annually through mislaid or stolen order books.[309]

141. Between October 2004 and March 2005, the Government is phasing in an 'Exceptions Service', which sends weekly cheques to clients by post.[310] These cheques can be cashed in banks, building societies and Post Offices and have the flexibility to be cashed by a series of different people.[311] The cheques are not intended to be a fourth option for payment, but rather an Exceptions Service for those clients who cannot manage an account.[312] However, those pensioners who have failed to give any account details by March 2005 will be automatically transferred to the cheque payment service.[313] Each cheque payment under the Exceptions Service costs £1.35.[314] The Department estimates the net savings from Direct Payment, after being offset by additional expenditure resulting from the Exceptions Service, to be around £240m.[315]

The experience of Direct Payment

142. 90% of pensioners already had an account suitable for Direct Payment[316] (85% of females aged 85 or over and 90% of males aged 85 or over) and research commissioned by DWP found that 50% of pensioners who have converted to this method of payment felt it was better than the previous system and 83% thought it was at least no different.[317]

143. However, 15% of pensioners felt that Direct Payment was a worse system of payment.[318] Much of the evidence presented to us reported that the change to Direct Payment was causing distress to this substantial minority.[319] Age Concern pointed out that dissatisfaction was likely to be even greater among those who had not yet converted.[320]

144. DWP research undertaken in 2001 reported that there were two groups likely to be resistant to Direct Payment: those who had an account but were unlikely to be persuaded to use it for pension payments and those who did not have an account and were very unlikely to open one to receive their pension or benefit.[321] The former group was largely made up of elderly pensioners, with an average age of 74. They were opposed to Direct Payment because of difficulty accessing bank and building society branches, a strong

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309 Ev 105

310 HC Deb, 11 October 2004, col 39W

311 HC Deb, 11 May 2004, col 7WS

312 Q 405

313 Q 403

314 HC Deb, 17 November 2004, col 1662W

315 Letter from the Secretary of State to the Work and Pensions Committee following oral evidence session, 11 November 2004

316 Ev 106

317 Lorna Adams, Karen Bunt and Danielle Bright, *Customer Experience of Direct Payment: A Report of research carried out by IFF research Ltd on behalf of the Department for Work and Pensions,* 2004, p 31

318 Lorna Adams, Karen Bunt and Danielle Bright, *Customer Experience of Direct Payment: A Report of research carried out by IFF research Ltd on behalf of the Department for Work and Pensions*, 2004, p 31

319 For example, Ev 143, Ev 160, Ev 187, Q 35 and Ev 200.

320 Ev 154

321 DWP, Elaine Kempson and Claire Whyley, *Research Report No 146: Payment of pensions and benefits: a survey of social security recipients paid by order book or girocheque*, August 2001, p 11

preference for operating a cash budget and a deep-seated objection to being paid in this way. The second group, who were also mainly pensioners, were very disengaged from the world of banking, having mostly lived on very low incomes for long periods, with nine out of ten having relied on benefits. They also had real mobility problems and a third had their benefit or pension collected by someone else.

Opening a Post Office Card Account

145. Many witnesses complained about the complexity of opening a Post Office Card Account (POCA).[322] Lancashire County Council Welfare Rights Service and Citizens Advice Scotland claimed that POCAs were taking too long to open, with Citizens Advice Scotland claiming they were taking an average of six to eight weeks.[323] To open an account customers need to complete four steps: i) call the Customer Conversion Centre to discuss their options; ii) wait to receive a Personal Invitation Document (PID) from DWP; iii) take the PID to their Post Office branch to collect a Post Office Card Account application form to complete; and iv) as with all accounts, send the required account details to DWP.[324] Richard Wilson from Help the Aged suggested to us that the first two stages were unnecessary and that people should be able to open an account without a PID.[325] In response to a similar recommendation by the Trade and Industry Committee, the Government claimed that calling the Conversion Centre is important, because it helps 'to ensure that customers have fully understood all their account options before making their final choice'.[326] It pointed out that POCA has limited features so may not be the best option for many people and that research shows that many people mistakenly believe that it is the only account which can be used at the Post Office.[327] The Government also argued that issuing PIDs is a means of ensuring that only benefit, pension and tax credit recipients open a POCA. In oral evidence to the Committee, Richard Wilson from Help the Aged responded that it seems unlikely that people who do not have benefits, pensions or credits would try to open a POCA.[328]

146. We believe many customers will be able to make up their minds on the basis of a letter explaining all the payment options available to them. **We therefore recommend that DWP discontinues the requirement that people who need to open an account in order to receive payments of Pension Credit have a telephone discussion with Conversion Centre staff before making a decision. DWP should provide a letter giving a detailed explanation of choices about the types of accounts available. The freephone number should remain for customers who have further queries or remain unsure about their options.**

[322] For example, Ev 155, Ev 160, Q 34 [Ms Isaacs] and Q 125.

[323] Ev 187 and Ev 160.

[324] Trade and Industry Committee, *Government Response to the Committee's Eleventh Report of Session 2002-03*, HC 1102, p 1

[325] Q 125

[326] Trade and Industry Committee, *Government Response to the Committee's Eleventh Report of Session 2002-03*, HC 1102, p 2

[327] *Ibid.*

[328] Q 125

Third-party collection

147. An area of concern in evidence was access to payments for those who rely on someone else to collect their money on their behalf. With order books a pensioner could allow anyone to pick up payments. However, under the Post Office Card Account, only one person can be nominated, making it difficult for pensioners who rely on a number of different carers. A pensioner who falls ill and has not already made a nomination would also be unable to collect their payment. Age Concern told us that the different arrangement by banks and building societies make it difficult for organisations to advise people who need their money collected by a third party.[329] Leicestershire County Council Welfare Rights Team also pointed out that pensioners who are able to nominate someone to collect payments are 'vulnerable to financial exploitation on a far larger scale than was previously the case as access was restricted to one week's benefit rather than the full amount in the account'.[330] We note that some care agencies are now refusing to allow their staff to collect payments due to this risk.[331]

148. **We recommend that DWP works with Social Services Departments and Post Office Ltd to try to find a solution to the difficulties faced by pensioners who need their money collected by a third party.**

The Exceptions Service

149. The Government has always acknowledged that there would be 'a small number of people for whom Direct Payment is not suitable'[332] However, the Government's failure to clarify the Exceptions Service[333] before introducing Direct Payment came too late for customers to have full knowledge of their options. It was only on 11 May 2004 that details of the service were outlined.[334] This late timing may have resulted in customers converting to Direct Payment either when it was inappropriate for them or when they did not wish to do so. Many organisations reported that some people felt they had been put under great pressure by Conversion Centre staff to convert to Direct Payment.[335] We note that the secondary Conversion Centre telephony script sent to us by the Department does not mention cheque payment at all. Those customers who are not persuaded by the operator to change to Direct Payment are told 'Please continue to cash your order book in the usual way. But please be aware that order books and girocheques are ending. So, if you change your mind please call us and we will take your account details.'[336] In response to the question ' What happens if I can't open an account, or if I don't think I can manage an account?' the Pension Service leaflet 'How to change to Direct Payment' says pensioners should contact the Pension Service to discuss their options.[337] Although the leaflet does

[329] Ev 154

[330] Ev 141

[331] Trade and Industry Committee, *Eleventh Report of Session 2003-04, People, Pensions and Post Offices: The impact of 'Direct Payment' on Post Offices and their customers*, HC 718, Ev 97

[332] Ev 106

[333] See para 141.

[334] HC Deb, 11 May 2004, col 7WS

[335] For example, Ev 141, Ev 155 and Ev 160.

[336] DWP, *Direct Payment Script (Non-PCAL),* p 14

[337] DWP, 'How to change to Direct Payment', p 11

add, 'we'll make sure you still get your benefit or pension' there is no mention of the Exceptions Service. Both these omissions could cause unnecessary anxiety for older people who may worry that their pension and benefits will stop if they fail to provide account details. **The Committee recommends that the Department should do more to publicise the Exceptions Service.**

150. The decision to introduce cheque payments rather than retaining order books as an exception is surprising to some, given that the average cost of a cheque is more expensive than an order book foil (£1.35, versus 68p). Many witnesses expressed concerns about the adequacy of the service and were worried about the impact of postal delays and lost mail.[338] The Department estimates that the maximum number of enquiries from pensioners seeking replacement cheques will be in the region of around 2,300 a week for 2005.[339] Witnesses reported that no guidance had been given to pensioners, DWP staff or to advice services about what to do if payments are not received.[340]

151. Age Concern suggested that 'as a minimum several cheques should be issued together so people know they can get their money on time'.[341] DWP say that this is not possible because it would 'replicate a number of the costly and insecure features of the order book process related to fraud and recall of payments'.[342] However, in response Richard Wilson from Help the Aged and Sally West from Age Concern argued that weekly cheques provide a lot more opportunities for post to go missing than monthly batches and increase postage costs.[343] Following his appearance before the Committee, the Minister of State for Pensions wrote to us about the Department's procedures for handling inquiries about lost cheques, suggesting that pensioners' first point of contact in this situation should be their Pension Centre which would send them a form to complete so that a replacement cheque could be posted.[344] He added that in 'circumstances where this is not appropriate' an appointment might be made with a Local Service representative, possibly in the pensioners' home, to provide assistance in completing the form and 'where necessary' a cheque replacement or an 'Out of Hours' cash payment might be arranged.[345]

152. **We welcome the fact that it may be possible for replacement payments to be delivered though a home visit. We urge the Government to publicise its guidance on the Exceptions Service as soon as possible. We recommend that pensioners being paid under the Exceptions Service should be sent cheques in batches of four.**

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[338] See Ev 131, Ev 143, Ev 158 and Ev 187.

[339] Ev 116. Lancashire County Council Welfare Rights Service claimed that they had been told that an estimated 4,000 cheque payments were expected to go missing each week (Ev 158).

[340] For example, Ev 155 and Q277.

[341] Ev 155

[342] HC Deb, 17 November 2004, col 1662W

[343] Q 113-114 [Ms West] and Q 115 [Mr Wilson].

[344] Ev 116

[345] *Ibid.*

8 Pension Credit Policy Changes

153. A number of witnesses to the inquiry recommended changes to the details of the rules of entitlement to Pension Credit and the way in which it interacts with other benefits.[346] Prior to its introduction, steps were taken to align the rules for other benefits and care charging policies with those for Pension Credit.[347] However, considerable complexity remains. Richard Wilson of Help the Aged said:

> "The fact that every different means test, whether it is social services or pension credit or housing benefit, seems to have different capital limits, different tariff incomes, different ways of assessing, makes the whole system very complicated. So if those could be brought into line it would make the job of people working for the DWP and for local authorities much easier and, of course, would make it much more easy for older people and their families trying to navigate the system, and actually one of the first priorities of working together is to have one standard means test so that everyone knows they are going to be treated the same by different agencies."[348]

154. Key areas of complexity include different rules for the treatment of capital and income across different benefits and forms of financial assistance. Another is that Savings Credit and Guarantee Credit are taken into account in different ways in determining entitlement to other benefits, such as housing benefit and council tax benefit. Further simplification or alignment would have advantages, in terms of making the system easier to navigate and easier to administer. However, there are likely to be costs attached.

Interaction with other benefits

155. Those entitled to Guarantee Credit are 'passported' to full Housing Benefit (HB) and Council Tax Benefit (CTB) and health benefits, such as free dental treatment. The same is not the case for those entitled to Savings Credit only. A separate calculation of entitlement to other benefits usually needs to be done, with Savings Credit taken into account as income. For example, entitlement to HB is reduced by 65 pence for every pound of income (including Savings Credit) above a certain level (known as the 'applicable amount').

156. The Government's intention, when introducing Pension Credit, was to ensure that pensioners did not see all their gains 'clawed back', through reductions in other benefits.[349] In its previous report on Pension Credit, the Committee welcomed the fact that those entitled to HB and CTB were to see their Pension Credit gains protected.[350] There were a number of possible mechanisms to achieve this. One option would have been to disregard Savings Credit as income. The disadvantage of this approach, however, is that the disregard does not apply to those who have saved more, with the result that their 'qualifying income' is too high to qualify for Saving Credit. The possible result is that a pensioner who has

346 See for example, Ev 139, Ev 142, Ev 156, Ev 166, Ev 182 and Ev 190.

347 NAO, *Tackling Pensioner Poverty: Encouraging take-up of entitlements*, HC 37 Session 2002-03, 20 November 2002, p 24

348 Q 110

349 Ev 89

350 Work and Pensions Committee, Second Report of Session 2001-2002, *Pension Credit*, HC 638-I, para 44

saved more could end up worse off (when HB entitlement is calculated) than someone who has saved less and qualifies for Savings Credit. This result could be avoided by applying the disregard to other income.

157. The approach the Government took, however, was to increase the applicable amount in HB and CTB by an amount equal to the maximum Savings Credit. The effect of this was that a person receiving partial help from HB and CTB in October 2003, who also started to receive Savings Credit at that time, would have continued to receive at least the same amount of HB/CTB as before the Savings Credit was introduced.[351] A person who received partial help from HB/CTB but applied for Pension Credit after 6 October 2003, would have seen an increase in their HB/CTB in October due to the increase in the applicable amounts. However, if they were later awarded Savings Credit, this would have been taken into account as income, reducing HB by 65p and CTB by 20p for each £1 of Savings Credit awarded. This has created some difficulties in terms of how Pension Credit is perceived, apparently making some people reluctant to claim because they fear most of it will be taken back in lost HB and CTB.[352] DWP is currently looking at ways to try to make claiming more attractive for this group (see paragraph 120).

158. Age Concern argued that retaining the £16,000 limit for Housing Benefit and Council Tax Benefit for pensioners receiving Savings Credit only, could produce unfair results. As an example, a single person with a Basic State Pension and £18,000 savings would be entitled to Guarantee Credit, Savings Credit, and Housing Benefit and Council Tax Benefit to help with their rent and council tax. However, a few extra pounds of, for example, occupational pension, would mean they no longer got Guarantee Credit and would not be entitled to help with rent or council tax, 'making them considerably worse off.'[353] This might seem particularly unfair if the income that took them above Guarantee Credit level was 'assumed income' from savings. An income of £1 is assumed for every £500 above the lower limit (usually £6,000[354]). Both Age Concern and the National Pensioners Convention reported that they continued to hear from pensioners who felt the assumed levels of income from savings were unfair.[355] Age Concern argued that the assumed income on savings should be £1 for every £1,000.

159. Citizen's Advice told the Committee that the differential passporting arrangements from Savings Credit and Guarantee Credit were inconsistent and confusing.[356] For example: Guarantee Credit acts as a passport to full remission of all health charges, while Savings Credit recipients have to apply under the NHS low-income scheme.

160. There is also a significant number of other inconsistencies, in terms of the treatment of income and savings and how the different benefits respond to changes in circumstance.[357] The table below outlines the rules for treatment of capital. There are

351 Note from Age Concern, Pension Credit, Housing Benefit and Council Tax Benefit, December 2003

352 Q5; Work and Pensions Committee, Uncorrected transcript of oral evidence, to be published as HC 298-i; 2 February 2005, Q 34

353 Ev 193

354 £10000 for those in care homes

355 Ev 132 and Ev 142.

356 Ev 193

357 Ev 193

different rules for HB depending on whether someone is aged under 60, 60 to 64 or 65 and over.[358] Steve Johnson of Citizens Advice told us that:

> "Our impression is that there are large numbers of people who simply do not know what they have got and what it passports through to. Certainly the interaction with Housing Benefit is, I would suggest, a bit of a mess."[359]

Table 3 Capital Rules in Benefits and Charges for People Aged 60 and Over, 2004/05

	Upper limit*	Lower limit*
Pension Credit	None	£6,000
Pension Credit (care home)	None	£10,000
Local authority (LA) financial assessment - care homes (England)	£20,000	£12,250
LA financial assessment (Scotland) – for living expenses in care homes. Personal care is free.	£19,500	£11,750
LA financial assessment – care homes (Wales)	£20,500	£13,500
Local authority financial assessment – home care (England)	£20,000 but can be higher at LAs discretion	£12,250 but can be higher at LAs discretion
Local authority financial assessment – home care (Scotland)	None	£6,000 but can be higher at LAs discretion
Local authority financial assessment – home care (Wales)	£20,500, but can be higher at LAs discretion	£13,500, but can be higher at LAs discretion
HB/CTB if receiving guarantee credit	None	Passported from PC
HB/CTB if not receiving guarantee credit	£16,000	£6,000
Income Support, Jobseekers Allowance**	£12,000	£6,000
Health benefits if receiving PC guarantee	None	Passported from PC
Health benefits (if not getting PC guarantee),	£12,000	£6,000
Health benefits (care home) England if not receiving PC guarantee	£20,000	£12,250
Independent Living Fund	£18,500	£11,500
Tax credits	None – income only assessed	

Source: Adapted from table provided by Age Concern England (Ev 147) to include figures for Scotland and Wales.

[358] Ev 147

[359] Q 48 [Steve Johnson]

161. In response to the Committee's report on DWP's Management of Information Technology Projects, the Government said it 'recognised the need for further work in this area to identify opportunities to simplify and streamline the portfolio of current benefits.'[360] On 2 February 2005, the Secretary of State told us, 'on the general picture for the future we have a big thing going on in DWP which is benefit simplification. It is huge'.[361] **The Committee recommends that in its work on benefit simplification, the Department focuses on reducing the complexities in the interaction between Pension Credit and other benefits. We recommend in particular that the Department consider the case for harmonising the treatment of capital and assumed income from savings, setting out fully any arguments for differences, and considering whether these are outweighed by the advantages of having the same treatment across all benefits and care charges.**

Interaction of Pension Credit with local authority care charging policies

162. When a local authority is arranging or providing a place in a care home, it must carry out a financial assessment of the claimant's income and capital to calculate how much a person should contribute to the cost. The rules are set nationally. Very broadly speaking, most capital and income is taken into account (with some disregards) in deciding how much a person has to contribute, although they are left with a Personal Expenses Allowance (see paragraph 165).[362]

163. In its earlier report on Pension Credit, the Committee asked the Government to make clear how Pension Credit would be taken into account in deciding on the level of financial assistance a person was entitled to in these circumstances. In response, the Government said that it intended that those in residential care should 'gain from Pension Credit as other pensioners do.'[363] It appears that the Government did not achieve this.

164. The approach taken by the Department of Health was to introduce a disregard on savings, (including Savings Credit). In 2005/06, this is expected to be £4.85 for a single person compared to a maximum Savings Credit of £16.44. In response to a letter from the Committee querying whether pensioners in residential care had in fact gained from Pension Credit in the same way as other pensioners, the then Secretary of State said that the residential care charging system and benefits system are used for different purposes and that this would inevitably mean the regimes would differ. Furthermore, it was argued that 'people in their own homes have bills and other financial commitments to meet.' [364]

165. The financial assessment for residential care takes account of an individual's income and savings, leaving residents with an amount for personal expenses. In 2005/06, this is expected to be £18.80 a week in England and £19.10 in Wales. The Social Security Committee criticised the low level of the Personal Expenses Allowance in its report on

[360] Work and Pensions Committee, Second Special Report of Session 2003-04, *Government Response to the Committee's Third Report into the DWP's Management of Information Technology Projects*, HC 1125 para 1

[361] Uncorrected transcript of oral evidence, , to be published as HC 2 98-I, 2 February 2005. Q 68

[362] See for example, Age Concern England, Factsheet 10, April 2004; Age Concern Scotland, Factsheet 10s, June 2004

[363] Work and Pensions Committee, Second Special Report of Session 2001-02, *Pension Credit: Government Response to the Second Report of Session 2001-02*, HC 1006, para 21

[364] Letter from the then Secretary of State for Work and Pensions, Rt Hon Andrew Smith MP to the Chairman of the Work and Pensions Committee, Sir Archy Kirkwood, *Department for Work and Pensions*, 15 March 2004

Pensioner Poverty in 2000.[365] Its level remained an issue of concern for some of the witnesses to the current inquiry.[366]

166. To complicate matters further, a different approach is taken by local authorities in deciding the amount a person should have to contribute towards the cost of non-residential care services. In this case, the Savings Credit is disregarded in full.[367] Richard Wilson of Help the Aged took the view that there had been a 'break down in communication' between the DWP and the Department of Health. As a result:

> 'it was quite late by the time the Department of Health decided what they were going to do about this. It was clear there was no extra money, that no one had bid for any extra money for them to pass over the more generous rules that were being introduced on income related benefits over to home care charges, and there are two different teams, one on residential care and one on home care, which seem to have taken two completely different views on how they should try and work this on a revenue neutral basis.'[368]

167. **The Committee is concerned that the Department has not achieved its intended aim of ensuring that pensioners in residential care gain from Pension Credit in the same way as other pensioners and recommends that the Department enters into discussions with the Department of Health to address this. The Committee remains concerned at the low level of the Personal Expenses Allowance and repeats the recommendation of the Social Security Committee that the Government should 'conduct research to establish the amount necessary to enable pensioners in institutional care to live their lives with dignity.'**[369]

Earnings disregard

168. DWP research found that around 9% of women and 8% of men are in employment after State Pension Age.[370] The largest groups of employed and self employed work part-time, predominantly through choice. Men working beyond State Pension Age reported financial situations that were superior to those of non-workers, with some 59% of men working past State Pension Age saying they were living comfortably, compared with 40% of those not working (and aged 65-75). Among women, 87% of workers older than State Pension Age said they were either living comfortably or doing all right compared with 65% of those women not working. The decision to continue working or not was affected by other factors such as family and workplace factors, as well as the rewards of work itself.[371]

[365] Social Security Committee, Seventh Report of Session 1999-2000, *Pensioner Poverty*, HC 606, para 51

[366] See for example, Q 108.

[367] Letter from the then Secretary of State for Work and Pensions, Rt Hon Andrew Smith MP to the Chairman of the Work and Pensions Committee, Sir Archy Kirkwood, 15 March 2004

[368] Q 105

[369] Deborah Smeaton and Stephen McKay, *Working after State Pension Age: Quantitative Analysis: DWP Research Report No 182*, (Leeds 2003), table 2.1

[370] Deborah Smeaton and Stephen McKay, *Working after State Pension Age: Quantitative Analysis: DWP Research Report No 182*, (Leeds 2003), table 2.1

[371] Helen Barnes, Jane Parry and Rebecca Taylor, *Working after State Pension Age: Qualitative Research: DWP Research Report No 208*, (Leeds 2004), p 2

9 Women and Pensions

174. Women's earnings and employment patterns in the past mean they are less likely to have their own State Pension entitlement, less likely to have savings and more likely to be in poverty.[383] Women's greater longevity contributes to the fact that about three quarters of single pensioners are women, and single pensioners are also likely to be the most deprived. The Government's priority was to focus resources on the poorest pensioners.[384] Pension Credit, and its predecessor, the Minimum Income Guarantee, were the mechanisms for doing this. Half of those eligible for Pension Credit are single women and, when partners are included, almost two-thirds of those benefiting from Pension Credit are women.[385]

175. The Pensions Commission found that while Pension Credit had been more effective than previous policies in offsetting the impact of factors contributing to female pensioner poverty, 'the unavoidable consequence is that women's pension income from the state includes a larger means-tested element.'[386] The Committee decided to take evidence on the factors contributing to relatively low incomes in retirement for women and to explore some of the options for reform.

The reasons for women's low income in retirement

176. According to the Equal Opportunities Commission, the median income of women in retirement is just over half (57%) that of men.[387] Katherine Rake of the Fawcett Society identified four key factors contributing to this:[388]

- Women tend to be paid less during their working lives, meaning they are excluded from the pensions system overall or are unable to make additional contributions to occupational and personal pension saving.
- They are more likely to take time out of the labour market for caring responsibilities.
- Although some women (typically those working full-time and in the public sector) have good occupational pension provision, many women work part-time and, particularly when employed in the private sector, tend to be in occupations with poor coverage of occupational and personal pensions within part-time employment.
- The state pension system is founded on two underlying, outdated principles: that couples divide between a male breadwinner and female carer and that couples will be in a lifelong marriage.

383 Ev 92

384 Ev 88, Q 342

385 Ev 93

386 Pensions Commission, *Pensions: Challenges and Choices: The First Report of the Pensions Commission* (Norwich: TSO, 2004) p 268

387 Ev 162

388 Q 57

- In order to receive any BSP, a person must have paid or been credited with contributions in at least 25% of the requisite number of years.[395] For a woman, this usually means at least 10 years of their working life.

- The way in which Home Responsibilities Protection (HRP)[396] operates means it only partially compensates for time out of the labour market. For example, it does not, in itself, help to accrue contributions, rather, it reduces the number of years for which a person would otherwise have to satisfy contribution conditions.[397] Furthermore, it works on whole years and therefore does not cover partial years of caring. Someone caring for a disabled person is only covered if they provide care for 35 hours a week or more.[398]

- The mechanisms to compensate for caring in the State Second Pension (S2P) scheme are more limited than those for BSP (for example, a person taking time out of the labour market to care for a child is only covered if the child is under 6, rather than 16 as is the case for HRP).[399]

- A person earning below the Lower Earnings Limit (£82 pounds a week in 2005/06)[400] in any one job does not accrue state pension rights even if they earn more than the Lower Earnings Limit overall. (However, those on Working Tax Credit are credited with contributions).[401]

180. We took no evidence on the thorny issue of the 'Married Women's Stamp'.

181. Women's increased participation in the labour market, together with policy measures (such as HRP) which were introduced to help better compensate women for caring means the situation is changing for women who will be pensioners in the future. [402] The Pensions Commission found that 'women below the age of 40 are now as likely to be accruing BSP rights as men, and more likely to be accruing S2P rights'.[403] However, it will be at least 25 years before these women are pensioners. Moreover, the system as it is does not provide full compensation for caring. The Pensions Commission considered that addressing the 'cliff-edges' in the state system 'would have an impact on the adequacy of pensions for

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395 Ev222; Ev 205; Ev 165; CPAG, Welfare Benefits and Tax Credits Handbook 2004/05, p 832

396 Home Responsibilities Protection reduces the number of years needed for a standard rate Basic State Pension. It is available for complete tax years throughout which a person has been awarded Child Benefit for a child under 16, and/or been receiving Income Support and who does not have to be available for work and is caring for someone who is sick and/or disabled; and/or been regularly engaged for at least 35 hours per week in caring for someone who, for a minimum of 48 weeks in the year, receives Attendance Allowance, or the highest or middle rate of Disability Living Allowance care component or Constant Attendance Allowance. From the 2003/2004 tax year, foster parents have also become eligible for Home Responsibilities Protection.

397 Ev 204; Ev 165; CPAG, Welfare Benefits and Tax Credits Handbook 2004/05, p 828

398 Ev 165 and Ev 204.

399 Age Concern Factsheet, No 19, www.ageconcern.org.uk

400 HMT Press Release, 2004 Pre Budget Report Press Notice 2, 2 December 2004

401 CPAG Welfare Benefits and Tax Credits Handbook 2004/05, p 827

402 Ev 128

403 Pensions Commission, *Pensions: Challenges and Choices: The First Report of the Pensions Commission* (Norwich: TSO, 2004) p272

lower paid women that could not be achieved by any change in policy towards private pensions which the Commission might recommend.'[404]

182. Two different approaches are taken as to how these issues should be addressed. The first is to argue that the 'contributory' principle should be retained, but needs to be made more inclusive by recognising a broad base of contributions including paid work and unpaid care work.[405] The other is to argue that the current system should be replaced by a universal or 'citizens' pension, with entitlement based on residence. Key questions to consider in weighing up the options include whether the principle of contributing to a pension is an important one to retain because it relates back, as the Minister put it, 'to citizenship and rights and duties';[406] and whether replacing this with a new test, such as 'residency' would create new difficulties; and whether adjustments to the current system to make it more inclusive are practicable and would feed through in a reasonable timescale.

183. Both the Fawcett Society and Age Concern argue that there are high levels of attachment to the contributory system.[407] The Fawcett Society argues that some changes to make the current system more inclusive could be made retrospectively, such as removing the '10-year rule'[408] and using child benefit records (and some form of self-declaration for periods prior to 1978) to backdate home responsibilities protection. DWP has said that it is 'looking at a number of options which could help those with incomplete NI records'. In examining options, it is taking account of 'affordability and complexity' and impacts on other aspects of social security benefits and the wider economy.[409]

184. Those supporting the introduction of a universal or citizen's pension – such as the Pensions Policy Institute and the Equal Opportunities Commission[410] - do so on the basis that adjustments to the current system would be overly complex and in any case result in a less inclusive system. Alison O'Connell of the Pensions Policy Institute (PPI) said the result would be that the 'complexity increases, the amount of record keeping increases, and inevitably it would only reduce the potential for women to be disadvantaged, not eradicate it.'[411] She also thought it was difficult to see how it could be retrospective and considered a citizen's pension, based on residency, to be a more pragmatic way to create an inclusive system.[412] She argued that a citizen's pension of £105 a week[413] would 'almost eradicate' the 'guarantee credit means-test', although there would still be a residual 2-3% and the need for means-tested benefits such as Council Tax and Housing Benefit.[414] The National Association of Pension Funds estimates that a citizen's pension of £105 a week 'could be

[404] Pensions Commission, *Pensions: Challenges and Choices: The First Report of the Pensions Commission* (Norwich: TSO, 2004) p 280

[405] Ev 204

[406] Q 352

[407] Q76 and Q 131.

[408] Ev 205

[409] Ev 129

[410] Ev 165; Q216

[411] Q 214

[412] Q 216

[413] The maximum amount of Guarantee Credit for a single person in 2004/05.

[414] Q 218

should be the foundation of state provision'. It also argued that: 'To do otherwise would increase the cost of Pension Credit significantly. For example, rewarding all income for those aged 65 and over by removing the savings credit threshold entirely would cost around £8 billion on top of the existing Pension Credit package. It would also extend support much higher up the income distribution, contrary to our declared aim of focusing support on those pensioners who need it most.'[422]

189. Since that time, however, we have had more explicit recognition from the Government that the current contributory benefit does not adequately cover those with caring responsibilities. The Minister for Pensions told us that:

> "I do not think that any of us would say that the National Insurance scheme we have now, with all these different nuances to it, often adversely affecting women and, in the past, carers, is the kind of modernised social insurance system you would want."[423]

190. In the light of this, the Committee considers there is a case for reviewing the way in which Pension Credit rewards savings. The estimated costs of rewarding saving above the level of the BSP actually in payment is as follows.

Table 4 : Option 1. Reward all savings in excess of the Basic State Pension in payment (excluding any increments for deferment)

	2004/05	2050
2004/05 prices	£0.5 bn	-£2 bn
Cash Terms	£0.5 bn	-£8 bn

Table 5: Option 2. For single people, regard all savings in excess of the Basic State Pension in payment (excluding any increments for deferment; and, for couples, reward all savings in excess of either the Basic State Pension in payment (excluding any increments for deferment), or the full married couples rate of the Basic State Pension, if that is lower.

	2004/05	2050
2004/05 prices	£0.5 bn	£0 bn
Cash Terms	£0.5 bn	£0 bn

Source: Ev 127. These calculations are done on the assumption that in 2050 all individuals will have a full basic state pension. For the base case, it is further assumed that the savings credit threshold remains equal to the couples rate of the basic state pension.

191. DWP explains that rewarding savings above the level of BSP in payment has a cost compared to the current situation, as those with less than full BSP entitlement would be rewarded for any additional provision they had made.[424] By 2050, however, there is an

[422] Work and Pensions Committee, Second Special Report of Session 2001-02, *Pension Credit: Government Response to the Second Report of Session 2001-02*, HC 1006, para 7

[423] Q 352

[424] Ev 127 and additional clarification provided by DWP on 27 January 2005.

10 The Future

194. When announcing its proposals for the Pension Credit the Government stated that 'The Pension Credit will ensure that we can both tackle poverty amongst today's pensioners, and boost the incentive for future pensioners to save for their own retirement.'[427]

195. The impact of the Pension Credit on incentives for future pensioners to save is likely to depend on what individuals expect the relative generosity of means-tested and non-means-tested benefits to be when they reach retirement. Present Government indexation policy implies that the means-tested Pension Credit is likely to become relatively more generous than the contributory Basic State Pension.[428] The recent Pension Commission report states that 'means-testing within the state system is already creating, and if current indexation approaches were continued indefinitely would increasingly create, disincentives to private saving, particularly for some low income savers.'[429] Other evidence to the Committee, for example from the Association of British Insurers, the National Pensioners Convention and the Pension Policy Institute, also echoed similar concerns.[430] PPI, for example, argued that a number of features of Pension Credit meant it did not act effectively as a reward for saving: it is complex and disconnected to the savings decision and its take-up is relatively low (see Chapter 6).[431]

196. In practice current working-age individuals are unlikely to understand the extent to which the interaction of the tax, tax credit, and benefit system strengthens or weakens their incentives to save for retirement. However, as stated in the oral evidence from the Pensions Commission to the Committee, there are at least two possible further reasons why greater reliance on means-tested support could lead to reduced pension saving. First, Adair Turner stated: "the point of view of the distribution channels and of the independent financial advisors and of the sales forces of the insurance companies and banks is actually as important as the point of view of the individual, because the vast majority of pension products … are sold not bought".[432] Second, greater targeting of support for pensioners inevitably involves greater complexity, "the findings of behavioural economics very clearly illustrate that people shy away from complexity and difficult decisions".[433] There is, however, a lack of empirical evidence on the extent to which individuals have changed their retirement saving as a result of the Pension Credit reform. Moreover, regarding the current tax incentives to save for pensions (totalling £14 billion of foregone tax revenue each year), the DWP has previously told us that "There has been considerable academic

[427] DWP, *The Pension Credit: the Government's proposals*, November 2001, p 2

[428] The Government has announced that the Pension Credit will be increased in line with earnings until 2007–08, while the Basic State Pension is to be indexed by the greater of 2½% or inflation (as measured by the RPI). Since earnings typically grow by more than this the generosity of the Pension Credit should increase by more than the Basic State Pension.

[429] Pensions Commission, *Pensions: Challenges and Choices: The First Report of the Pensions Commission* (Norwich: TSO, 2004) p xxx

[430] Ev 136, Ev 173 and Ev 179.

[431] Ev 178

[432] Q 165

[433] Q 166

11 Conclusion

202. The Committee concludes that Pension Credit has increased the incomes of many of the poorer pensioners. The Pension Service has succeeded in introducing it smoothly and successfully. Evidence presented to the Committee suggests that for many pensioners their experience of the Pension Service is good, particularly in straightforward cases. However, serious consideration needs to be given to making improvements in particular areas, including: the accuracy of claim forms completed by Pension Credit Application Line; the adequacy of advice Pension Service staff are able to give on more complex issues such as the interaction with other benefits; improving the procedures for dealing with errors and delays and improving the quality of award letters.

203. The Pension Service faces a significant challenge if it is to reduce its staffing levels from 19,965 in March 2004 to around 8,000 in 2011/12. Key to achieving this will be the implementation of the Pensions Transformation Programme (PTP). The Committee is encouraged that the Department appears to have learned from experience and is introducing its business transformation and the new technology in carefully managed stages. However, PTP depends for its success on external factors, including other IT projects. Furthermore, we have yet to see it operate in practice. The Committee's key concern, therefore, is that staffing levels in the Pension Service must be protected until the PTP shows that it is able to deliver all the expected efficiencies.

204. The process of reducing staffing levels to such an extent will inevitably be difficult. The Committee was given evidence that announcements to date, and the resulting uncertainty, have already had a negative impact on staff morale. The situation is extremely disappointing for staff who joined because they saw the Pension Service as a positive place to work, where they could make a difference. The Committee is concerned that the quality of service must be maintained throughout this process, and sufficiently detailed information needs to be provided to enable this to be monitored. The establishment of a 'standards committee', (including representatives of customer representative groups) tasked with producing six-monthly reports on the quality of service would help ensure transparency and accountability . In particular, the Local Service must not be seen as a 'soft target' for cuts. It must have the resources it needs to play a full role in partnership working, to maintain a visible presence at local level and to meet local demand for home visiting.

Conclusions and recommendations

1. We welcome the fact that the Pension Credit has increased the incomes of many pensioners. (Paragraph 19)

2. The Committee recommends that the Department publishes separate statistics on pensioner poverty for the first and second halves of 2003-04 to give a better indication of any early impact of the Pension Credit on pensioner poverty. (Paragraph 22)

3. The introduction of Pension Credit has gone smoothly and the Pension Service has provided a good quality of service for many pensioners. The Committee recommends that further work is done soon to improve the accuracy and quality of completed claim forms being sent out to claimants. (Paragraph 40)

4. The Committee recommends that a freephone number for contacting Pension Centres be provided by 1 October 2005. The Committee also recommends that procedures are reviewed by 1 May 2006 to ensure that complaints about delays in applications and queries about the correctness of awards are dealt with swiftly.. (Paragraph 41)

5. The Committee recommends that in the course of its audit of accuracy of Pension Credit awards, the NAO should investigate and publish the extent of inaccuracy due to undiscovered entitlement to 'qualifying benefits' such as Attendance Allowance and Carer's Allowance. (Paragraph 42)

6. The Committee recommends that new technology allowing award letters to be amended by staff should be prioritised and customer representative groups consulted on future output. (Paragraph 43)

7. The Committee recommends that the Department review the information, training, and supervision provided to Pension Service staff to ensure they are able to provide good quality information on more complex issues and on disability and carer's benefits. (Paragraph 44)

8. In the absence of a 'high street' presence, the Committee recommends that the Department do more actively to promote the availability of home visits, details of Local Service Information Points and arrangements for verifying documents locally. (Paragraph 56)

9. The Committee recommends that the Pension Service should monitor the Local Service Partnership working, carefully evaluate its impact on sources of advice and advocacy, and then by 1 July 2006 develop a plan for improving partnership in areas where it may be found to be weak. (Paragraph 61)

10. The Committee recommends that, by 1 October 2005, to help increase confidence, the Department prepares and publishes the business case for reducing staff to 14,605 by March 2006, including a plan to deal with weaknesses such as current case backlogs. (Paragraph 76)

11. The Committee recommends that staff reductions are postponed if there is any further delay to implementation of Pensions Transformation Programme or, if it proves unable to deliver the expected efficiencies, or if there are signs that the quality of service is deteriorating. (Paragraph 82)

12. We urge the Government to make an announcement by 1 June 2005 on the share of cuts across DWP, and that staff at non-transformation Pension Centres should be kept fully informed throughout the process of change. (Paragraph 88)

13. We welcome the assurance that there will be no further reductions in front-line Local Service staff, but recommend that there should be more consultation with national and local partners on service delivery. (Paragraph 98)

14. We recommend that DWP establishes a 'standards committee' (including voluntary organisations and local authorities) tasked with producing six-monthly reports on how the Pension Service is proceeding with its programme of efficiencies and the impact this is having on the service it is able to provide. (Paragraph 100)

15. We recommend that by 1 October 2005, the DWP establishes a target based on the amount of Pension Credit unclaimed, and that the Family Resources Survey be used to gain a better understanding of overall take-up of means-tested benefits by pensioner households (including Pension Credit, Housing Benefit and Council Tax Benefit) in order that resources to increase take-up can be focused on those who are missing out on the largest amounts. Government estimates suggest that about one and a half million people are not receiving the Pension Credit to which they are entitled. The current strenuous efforts to increase take-up must continue to ensure this figure is reduced. (Paragraph 109)

16. We recommend that the Government undertakes and then publishes research providing estimates of eligibility for Attendance Allowance and Disability Living Allowance, and of the potential impact of this on Pension Credit eligibility, and soon thereafter announces a take-up target for disability benefits. (Paragraph 113)

17. The Committee acknowledges the value of take-up targets for Pension Credit but recommends that they should be set at a more challenging level, supported by the necessary resources to make them attainable. (Paragraph 116)

18. Given the advantages for benefit take-up, the Committee recommends that guaranteed funding should be provided to enable the Pensions Transformation Programme to be implemented as originally planned, without a break between Waves 1-2 and 3-5. (Paragraph 133)

19. The Committee recommends that the Pension Service should be allowed to accept recent assessments of income and capital made for the purpose of assessing claims for Housing Benefit and Council Tax Benefit. (Paragraph 134)

20. The Committee recommends that the process for establishing entitlement to the carer's addition in Pension Credit should be streamlined. (Paragraph 135)

21. The Committee recommends the transfer from Income Support to Pension Credit should be automatic, with steps taken to contact individuals for any extra information required. (Paragraph 136)

22. We recommend that DWP discontinues the requirement that people who need to open an account in order to receive payments of Pension Credit have a telephone discussion with Conversion Centre staff before making a decision. DWP should provide a letter giving a detailed explanation of choices about the types of accounts available. The freephone number should remain for customers who have further queries or remain unsure about their options. (Paragraph 146)

23. We recommend that DWP works with Social Services Departments and Post Office Ltd to try to find a solution to the difficulties faced by pensioners who need their money collected by a third party. (Paragraph 148)

24. The Committee recommends that the Department should do more to publicise the Exceptions Service. (Paragraph 149)

25. We welcome the fact that it may be possible for replacement payments to be delivered though a home visit. We urge the Government to publicise its guidance on the Exceptions Service as soon as possible. We recommend that pensioners being paid under the Exceptions Service should be sent cheques in batches of four. (Paragraph 152)

26. The Committee recommends that in its work on benefit simplification, the Department focuses on reducing the complexities in the interaction between Pension Credit and other benefits. We recommend in particular that the Department consider the case for harmonising the treatment of capital and assumed income from savings, setting out fully any arguments for differences, and considering whether these are outweighed by the advantages of having the same treatment across all benefits and care charges. (Paragraph 161)

27. The Committee is concerned that the Department has not achieved its intended aim of ensuring that pensioners in residential care gain from Pension Credit in the same way as other pensioners and recommends that the Department enter into discussions with the Department of Health to address this. The Committee remains concerned at the low level of the Personal Expenses Allowance and repeats the recommendation of the Social Security Committee that the Government should 'conduct research to establish the amount necessary to enable pensioners in institutional care to live their lives with dignity.' (Paragraph 167)

28. The Committee repeats the recommendation in its previous report that the Government reconsiders the treatment of earnings in Pension Credit, with particular account being taken of the number of Pension Credit claimants who might wish to engage in paid work, the possible impact of this on pensioner poverty and the extent to which the current rules are understood and provide the right incentives. (Paragraph 170)

29. We recommend that, by 1 April 2006, the Government brings the length of time for which Pension Credit can remain in payment during a temporary absence abroad

into line with Housing Benefit and Council Tax Benefit, namely 13 weeks. (Paragraph 173)

30. The Committee recommends that the Government produces projections of the trends of women's pensions in the future, reflecting the varied position of women in different circumstances, for example, according to marital status, age and ethnic group. (Paragraph 177)

31. The Committee recommends that the Government by April 2006 provides detailed analysis of the advantages and disadvantages for women in different situations (for example, by age, marital status and ethnic group) of the two key proposed ways forward – creating a more inclusive system of credits within the current contributory system versus introducing a universal or citizen's pension. (Paragraph 186)

32. The Committee recommends that the Government should consult on the case for changing the way in which Savings Credit is calculated, so that qualifying income above the level of the Basic State Pension actually in payment is rewarded and particular attention should be given to whether this would send a clear message to younger women of the rewards for saving. (Paragraph 193)

33. The Committee recommends that the Department, in conjunction with the Pension Commission, attempts to quantify the relative importance of the tax, tax credit and benefit system in influencing individuals' retirement saving decisions. (Paragraph 196)

34. The Committee recommends that, in order to help individuals plan ahead, the Government should provide details of the likely direction of future reform and some indication of when this might be possible, for example at what time the current primary focus of eradicating abject pensioner poverty might be sufficiently met. (Paragraph 201)

Annex A – Benefits for Pensioners

Basic State Pension

In its consultation paper on Pension Credit in 2000, the Government said that the Basic State Pension 'is and will remain the foundation of pension provision for all pensioners.'[448] While it has tended to use MIG and Pension Credit as a means of targeting the poorest pensioners,[449] it has also introduced increases in the Basic State Pension (BSP) of 7% above the rate of inflation.[450]

In March 2004, there were 11.392 million pensioners in receipt of a State Pension.[451] State Retirement Pension is payable to people of pension age and over who satisfy certain contribution conditions. Pension Age is currently 60 for women and 65 for men. Pension Age for women is due to increase gradually to 65 between 2010 and 2020. The BSP is paid at £82.05 for a single person (2005/06 rates). To be entitled to the full amount in their own right, a person needs to have paid or been credited with national insurance contributions for the requisite number of years, usually 39 years for a woman and 44 for a man. Employees pay national insurance, depending on their level of earnings. For periods when a person is not in paid work, a range of credits is available, for example, for periods of unemployment. In addition, Home Responsibilities Protection can reduce the number of years a person with caring responsibilities is required to contribute.[452] A person without sufficient contributions may be able to claim up to £49.15 a week based on the record of their spouse or ex-spouse. People aged 80 and over are entitled to a non-contributory pension of £49.15, if they do not qualify (or qualify for less) on contributions grounds.

There are financial incentives to encourage people to defer their retirement pension. From April 2005, this can be in the form of a lump sum, as well as an increase in the weekly amount. The Government claims that a typical person who delays their State Pension for five years could receive a payment of £20,000 to £30,000 or a 50 per cent increase in their weekly pension for life.[453]

SERPS/State Second Pension

Since 1978, all employees earning more than the 'lower earnings limit' have been obliged to contribute to a second tier pension, either through the State Earnings Related Pension Scheme (SERPS) or a private pension. This aims to provide a supplement to the Basic State Pension. In its Pensions Green Paper, the Government said that although SERPS was efficient, the fact that it was earnings related meant that it did 'least for those on low incomes, who have most difficulty building up a good second pension.'[454] The Government therefore replaced SERPS with the State Second Pension (S2P), which aims to be more

[448] Department for Work and Pensions, *The Pension Credit: a consultation paper*, Cm 4900, November 2000, P 12

[449] See, for example, DSS, *A new contract for welfare: partnership in pensions*, December 1998, Cm 4179, p 4

[450] Work and Pensions Committee, Transcript of Oral Evidencce, HC 1171-I, 20 October 2004, Q 31

[451] DWP, *State Pensions Summary of Statistics*, March 2004 www.dwp.gov.uk/statistics

[452] For more information, see CPAG's *Welfare Benefits and Tax Credits Handbook 2004/05* (London: CPAG)

[453] DWP (2005), *Five Year Strategy. Opportunity and security throughout life*, Cm 6497, February 2005 p 55

[454] Department for Social Security, *A new contract for welfare: Partnership in Pensions*, Cm 4179, December 1998, p 39

generous to those on low incomes.[455] There is provision to credit certain people with contributions, such as those with caring responsibilities (receiving Carer's Allowance, or Home Responsibilities Protection for those caring for a child under 16 or a disabled person) or receiving certain disability benefits.

Disability and Carers Benefits

Attendance Allowance and Disability Living Allowance are non-means-tested, non contributory benefits designed to help with 'extra costs' associated with disability. Disability Living Allowance is awarded to people under the age of 65 and includes a mobility component (awarded at two rates) for people who have difficulties with walking and a care component (paid at three rates) for people with certain care or supervision needs. Attendance Allowance is paid at two rates and is awarded to people aged 65 and over with certain care needs. Attendance Allowance and Disability Living Allowance are paid on top of other benefits, including means-tested benefits such as Pension Credit or Housing Benefit and Council Tax Benefit. Entitlement to Attendance Allowance (or the middle or higher rate of the care component of Disability Living Allowance) attracts entitlement to the severe disability addition in Pension Credit.[456] At the end of August 2004, there were 985,400 people aged 60 or over receiving Disability Living Allowance and 1.4 million people receiving Attendance Allowance.[457] Some 22% of all Pension Credit recipients were receiving the severe disability addition.[458]

Carer's Allowance is awarded to a person providing regular and substantial care (for at least 35 hours a week) to a person receiving Attendance Allowance or the higher or middle rate of the care component of Disability Living Allowance. Carer's Allowance is a non-means-tested, non-contributory benefit. It is an earnings replacement benefit, which means that it cannot be paid at the same time as another earnings replacement benefit, such as the state pension. It is taken into account as income in calculating entitlement to means-tested benefits, such as Pension Credit. Entitlement to Carer's Allowance attracts the carer's addition in Pension Credit. This is the case even if Carer's Allowance is not actually in payment because the person is receiving a state pension. However, a claim needs to be made, and entitlement assessed, in order for the addition to be awarded.[459] In August 2004, there were 220,385 people aged 60 or over receiving Carers' Allowance.[460] Some 5% of all Pension Credit recipients (households) were receiving the carer's addition.[461]

Housing Benefit and Council Tax Benefit

Housing Benefit is a means tested non-contributory benefit that provides assistance with rent (and with rates in Northern Ireland). Council Tax Benefit is also means-tested and non-contributory and provides help with Council Tax in England, Scotland and Wales. Both benefits are administered by local authorities although central Government

[455] Department for Work and Pensions, *Opportunity for All, Sixth Annual Report*, September 2004, Cm 6239, p 234

[456] For more information, see CPAG's *Welfare Benefits and Tax Credits Handbook 2004/05* (London: CPAG)

[457] *Attendance Allowance and Disability Living Allowance Quarterly Statistics*, August 2004

[458] *Pension Credit Quarterly Statistics*, August 2004

[459] For more information, see CPAG's *Welfare Benefits and Tax Credits Handbook 2004/05* (London: CPAG)

[460] *Carers Allowance Quarterly Statistics*, August 2004

[461] *Pension Credit Quarterly Statistics*, August 2004

determines the rates. Those pensioners who get Guarantee Credit are passported to full help with their rent and council tax.

Housing Benefit and the main Council Tax Benefit are calculated by looking at the amount of payable rent and/or Council Tax and weekly income. These are compared against the applicable amount – or the amount that an individual is expected to live on. When introducing Pension Credit, the Government increased the Housing Benefit and Council Tax Benefit applicable amounts to ensure that pensioners' gains from Pension Credit were fully protected (see Chapter 8).[462] DWP says that it also simplified the Housing Benefit and Council Tax Benefit income test for pensioners to mirror Pension Credit. It claims that as a result of these changes around two million pensioner households qualified for more help, or got help for the first time, with their council tax and/ or rent.[463]

[462] Ev 89

[463] Ev 89

Annex B – Details of Pension Centres

The table below gives details of where Pension Centres were located, the regions for which they processed work and the numbers of staff they employed in August 2004.[464] Those Pension Centres that are now closing are marked in bold.

Table 6

Pension Centre locations	Region of processing work	Number of staff
Bath	South West	400
Birmingham	West Midlands	366
Blackpool	South East	187
Burnley	North West	506
Cwmbran	South East	238
Dearne Valley	Yorkshire and Humberside	372
Derby	East Midlands	290
Dundee	London, Scotland	494
Glasgow	London	484
Leicester	East Midlands	280
Liverpool	South East	253
Motherwell	Scotland	499
Newcastle (Tyneview Park)	London	584
Norwich – BH	Eastern	255
Norwich – KH	Eastern	308
Nottingham	East Midlands	238
Plymouth	South West	360
Seaham	North East, Yorkshire and Humberside	371
Stockport	North East, North West	688
Stockton	North East	317
Swansea	Wales	529
Walsall	West Midlands	253
Warrington	North West	483

[464] In August 2004, DWP also had a National Pension Centre (986 staff), International Pension Centre (997 staff) and National Pension Forecasting Telephone Centre (700 staff) based at Newcastle.

Wolverhampton	West Midlands	378
Wrexham	South East	382
York	Yorkshire and Humberside	285

Data Source: Based on tables given in HC Deb, 6 March 2002, col 418W and HC Deb, 16 Sept 2004, col 1746W

Annex C – Projected eligibility for Pension Credit

The Government has provided estimates of future Pension Credit eligibility up to 2007/08, based on the assumption that current policies are maintained for 2006/07 and 2007/08:

> "Projections of eligibility consistent with the Spending Review expenditure plans, up to 2007/08, are shown in tables 1 and 2 below. These are on the assumption that current policies are maintained for 2006/07 and 2007/08, but this should not be taken to imply that a decision on future levels of payment has been taken. Forecasts will be updated following any further decisions on rates of payment."

Table 7: Projection of pensioners eligible for Pension Credit (individuals)

Year	Guarantee element only	Guarantee element and savings elemnet	Savings element only	Pension Credit
2004/05	1,250,000	1,700,000	1,700,000	4,650,000
2005/06	1,150,000	1,850,000	1,800,000	4,800,000
2006/07	1,150,000	1,900,000	1,850,000	4,900,000
2007/08	1,150,000	1,950,000	2,050,000	5,150,000

Table 8: Projection of pensioners eligible for Pension Credit (households)

Year	Guarantee element only	Guarantee element and savings elemnet	Savings element only	Pension Credit
2004/05	950,000	1,400,000	1,200,000	3,550,000
2005/06	850,000	1,500,000	1,250,000	3,650,000
2006/07	850,000	1,550,000	1,350,000	3,750,000
2007/08	850,000	1,600,000	1,450,000	3,900,000

Source: HC Deb, 11 Oct 2004: Column 46W

Notes:

1. Projections with this breakdown are only available for private households. In addition to pensioners in private households, there are approximately 200,000 pensioners in care homes eligible for Pension Credit. The figures in Tables 7 and 8 above do not include pensioners in care homes.

2. Estimates for private households and individuals in 2004–05 are based on the Family Resources Survey data for 2002–03 projected forward to 2004–05 to reflect changes in taxes, benefit rates and pensioners' incomes.

3. For projections beyond 2004–05 it has been assumed that pensioners' incomes will rise in line with average earnings; the guarantee credit will be uprated in line with average earnings; and the savings credit threshold will be uprated in line with prices.

4. The numbers entitled under these assumptions have then been scaled up to reflect growth in the pensioner population, using projections from the Government Actuary's Department.

5. Projections have been rounded to the nearest 50,000 cases, are subject to a wide margin of error and should be used as broad indications of the likely eligible population only.

6. A pensioner household is defined as single persons aged 60 or over and couples where at least one partner is aged 60 or over. Individuals are single pensioners with eligibility and both partners in a couple with eligibility.

7. Rows might not sum exactly due to rounding.

Witnesses

Wednesday 3 November 2004

Wednesday 10 November 2004

Wednesday 24 November 2004

Thursday 2 December 2004

Thursday 2 December 2004

Written Evidence

WEDNESDAY 23 FEBRUARY 2005

Members present:

Sir Archy Kirkwood, in the Chair

Vera Baird
Miss Anne Begg
Ms Karen Buck
Mr Andrew Dismore
Mr Paul Goodman
Mr David Hamilton
Mrs Joan Humble
Rob Marris
Andrew Selous

The Committee deliberated.

Draft Report [The Introduction of Pension Credit], proposed by the Chairman, brought up and read.

Ordered, that the draft report be read a second time, paragraph by paragraph.

Report Highlights read and postponed.

Paragraphs 1 to 6 read and agreed to.

Paragraph 7 read, amended and agreed to.

Paragraphs 8 to 10 read and agreed to.

Paragraph 11 read, amended and agreed to.

Paragraph 12 read and agreed to.

Paragraph 13 read, amended and agreed to.

Paragraph 14 read and agreed to.

Paragraphs 15 and 16 read, amended and agreed to.

Paragraphs 17 and 18 read and agreed to.

Paragraphs 19 and 20 read, combined and agreed to (now paragraph 19).

Paragraphs 21 and 22 (now paragraphs 20 and 21) read, amended and agreed to.

Paragraphs 23 to 27 (now paragraphs 22 to 26) read and agreed to.

Paragraph 28 (now paragraph 27) read, amended and agreed to.

Paragraphs 29 and 30 (now paragraphs 28 and 29) read and agreed to.

An amendment proposed, to leave out paragraphs 31 to 33 (now paragraphs 30 to 32) and paragraphs 36 to 40 (now paragraphs 35 to 44) and insert the following new paragraphs:

Witnesses reported a variety of reasons for the errors and delays which affected the minority of customers. Some delays were as a result of application forms being returned for signature which were either blank or contained the wrong information. The Pension Service's accuracy rate for Pension Credit claims is 90.9%, below its target of 94%. DWP's accuracy rates are checked internally and then audited by the National Audit Office.

There were concerns that too many pensioners missed out on entitlement to the additional amounts in Pension Credit which are associated with entitlement to a Disability or Carer's benefit. In some cases, the additional amount appeared to be the fact that Pension Service staff had not alerted pensioners to their potential entitlement to the qualifying benefit. Pension Service staff's knowledge in these more complex areas – and in particular, regarding the conditions of entitlement to Disability and Carer's benefits – was criticised by a number of witnesses as being too limited.

Citizen's Advice also highlighted problems of poor knowledge of the rules for Savings Credit and of the different effects the Guarantee and Savings Credit hove on the capital limit for Housing and Council Tax Benefit.

When delays and errors do occur, they seems to take some time to resolve. Help the Aged claim that 'customers find it can be difficult to get an individual member of staff to take responsibility for resolving problems and communication could be improved.' Pensioners wishing to query errors or delays have to phone Pension Centres for which there is no freephone number. Citizens Advice reported that such phone calls could be lengthy.

The introduction of Pension Credit has gone smoothly and the Pension Service has provided a good quality of service for many pensioners. The Committee recommends that further work is necessary to improve the accuracy and quality of completed claim forms being sent out to claimants.

The Committee recommends that procedures for revising incorrect decisions should be reviewed.

The Committee recommends that in the course of its audit of accuracy of Pension Credit awards, the NAO should investigate and publish the extent of inaccuracy due to undiscovered entitlement to 'qualifying benefits' such as Attendance Allowance and Carer's Allowance.

The Committee recommends that new technology allowing award letters to be amended by staff should be prioritised and customer representative groups consulted on future output.

The Committee recommends that the Department review the information, training, and supervision provided to Pension Service Staff to ensure they are able to provide good quality information on more complex issues and on disability and carer's benefits. – (*Miss Anne Begg*)

Question put that the amendment be made.

The Committee divided.

Ayes, 2	Noes, 6
Miss Anne Begg	Vera Baird
Rob Marris	Mr Andrew Dismore
	Mr Paul Goodman
	Mr David Hamilton
	Mrs Joan Humble
	Andrew Selous

Paragraphs 31 to 40 (now paragraphs 30 to 44) read, amended and agreed to.

Paragraphs 41 to 43 (now paragraphs 45 to 47) read and agreed to.

Paragraph 44 (now paragraph 48) read, amended and agreed to.

Paragraph 45 (now paragraph 49) read and agreed to.

Paragraph 46 (now paragraph 50) read, amended and agreed to.

Paragraphs 47 to 49 (now paragraphs 51 to 53) read and agreed to.

Paragraph 50 (now paragraph 54) read, amended and agreed to.

Paragraph 51 (now paragraph 55) read and agreed to.

Paragraph 52 (now paragraph 56) read, amended and agreed to.

Paragraphs 53 to 56 (now paragraphs 57 to 60) read and agreed to.

Paragraph 57 (now paragraph 61) read, amended and agreed to.

Paragraphs 58 and 59 (now paragraphs 62 and 63) read and agreed to.

Paragraph 60 (now paragraph 64) read, amended and agreed to.

Paragraphs 61 and 62 (now paragraphs 65 and 66) read and agreed to.

Paragraph 63 (now paragraph 67) read, amended and agreed to.

Paragraphs 64 and 65 (now paragraphs 68 and 69) read and agreed to.

Paragraphs 66 to 69 (now paragraphs 70 to 73) read, amended and agreed to.

Paragraphs 70 and 71(now paragraphs 74 and 75) read and agreed to.

Paragraph 72 read as follows:

> The Committee concludes that, supported by more efficient business processes and given some decline in workloads, the Pension Service should be able to make some staff reductions by 2006. The Committee recommends that the Department publishes the case for staff reductions to 14,605 posts, to help increase confidence that the process is achievable. The Committee further recommends that the business case for staff reductions should include a strategy to deal with identified weaknesses in administration such as the level of emerging backlogs.

Paragraph disagreed to.

A paragraph – (*Rob Marris*) – brought up, read the first and second time and inserted (now paragraph 76).

Paragraph 73 (now paragraph 77) read and agreed to.

Paragraph 74 (now paragraph 78) read, amended and agreed to.

Paragraphs 75 to 77 (now paragraphs 79 to 81) read and agreed to.

Paragraph 78 (now paragraph 82) read, amended and agreed to.

Paragraphs 79 to 83 (now paragraphs 83 to 87) read and agreed to.

Paragraph 84 read as follows:

> The Committee is extremely concerned about the impact of change on this scale on staff to deliver a quality service to pensioners. We urge the Government to make an announcement on the share of cuts across DWP as soon as possible. Staff at non-transformation Pension Centres should be kept informed throughout the process of change.

Paragraph disagreed to.

A paragraph – (*Rob Marris*) – brought up , read the first and second time, amended and inserted (now paragraph 88).

Paragraphs 85 to 91 (now paragraphs 89 to 95) read and agreed to.

Paragraph 92 (now paragraph 96) read, amended and agreed to.

Paragraph 93 (now paragraph 97) read and agreed to.

Paragraph 94 read as follows:

> The Committee recommends that there should be more consultation with national and local partners and no further reductions in front-line Local service staff.

Paragraph disagreed to.

A paragraph – (*Rob Marris*) – brought up , read the first and second time , amended and inserted (now paragraph 98).

Paragraph 95 (now paragraph 99) read and agreed to.

Paragraph 96 (now paragraph 100) read, amended and agreed to.

Paragraphs 97 to 99 (now paragraphs 101 to 103) read and agreed to.

Paragraphs 100 to 102 (now paragraphs 104 to 106) read, amended and agreed to .

Paragraphs 103 and 104 (now paragraphs 107 and 108) read and agreed to.

Paragraph 105 (now paragraph 109) read, amended and agreed to.

Paragraphs 106 to 108 (now paragraphs 110 to 112) read and agreed to.

Paragraph 109 (now paragraph 113) read, amended and agreed to.

Paragraphs 110 and 111 (now paragraphs 114 and 115) read and agreed to.

Paragraph 112 (now paragraph 116) read, amended and agreed to.

Paragraphs 113 to 116 (now paragraphs 117 to 120) read and agreed to.

Paragraph 117 (now paragraph 121) read, amended and agreed to.

Paragraphs 118 to 122 (now paragraphs 122 to 126) read and agreed to.

Paragraphs 123 and 124 (now paragraphs 127 to 128) read, amended and agreed to.

Paragraphs 125 and 126 (now paragraphs 129 to 130) read and agreed to.

Paragraph 127 (now paragraph 131) read, amended and agreed to.

Paragraph 128 read, amended, divided and agreed to (now paragraphs 132 to 136).

Paragraph 129 (now paragraph 137) read, amended and agreed to.

Paragraphs 130 and 131 (now paragraphs 138 and 139) read and agreed to.

Paragraphs 132 to 134 (now paragraphs 140 to 142) read, amended and agreed to.

Paragraphs 135 to 137 (now paragraphs 143 to 145) read and agreed to.

Paragraph 138 (now paragraph 146) read, amended and agreed to.

Paragraphs 139 and 140 (now paragraphs 147 and 148) read and agreed to.

Paragraphs 141 and 142 (now paragraphs 149 and 150) read, amended and agreed to.

Paragraph 143 (now paragraph 151) read and agreed to.

Paragraph 144 (now paragraph 152) read, amended and agreed to.

Paragraphs 145 to 149 (now paragraphs 153 to 157) read and agreed to.

A paragraph – (*Miss Anne Begg*) – brought up, read the first and second time and inserted (now paragraph 158).

Paragraphs 150 and 151 (now paragraphs 159 and 160) read, divided, combined, amended and agreed to.

Paragraphs 152 and 153 (now paragraphs 161 and 162) read, amended and agreed to.

Paragraph 154 (now paragraph 163) read and agreed to.

Paragraphs 155 to 157 (now paragraphs 164 to 166) read, amended and agreed to.

Paragraph 158 (now paragraph 167) read and agreed to.

Paragraph 159 (now paragraph 168) read, amended and agreed to.

Paragraph 160 (now paragraph 169) read and agreed to.

Paragraphs 161 and 162 (now paragraphs 170 and 171) read, amended and agreed to.

Paragraph 163 (now paragraph 172) read and agreed to.

Paragraph 164 (now paragraph 173) read, amended and agreed to.

Paragraphs 165 and 166 (now paragraphs 174 and 175) read and agreed to.

Paragraphs 167 and 168 (now paragraphs 176 and 177) read, amended and agreed to.

Paragraphs 169 and 170 (now paragraphs 178 and 179) read and agreed to.

A paragraph – (*Rob Marris*) – brought up , read the first and second time, amended and inserted (now paragraph 180).

Paragraph 171 (now paragraph 181) read, amended and agreed to.

Paragraphs 172 to 175 (now paragraphs 182 to 185) read and agreed to.

Paragraph 176 (now paragraph 186) read, amended and agreed to.

Paragraph 177 (now paragraph 187) read and agreed to.

Paragraph 178 (now paragraph 188) read, amended and agreed to.

Paragraph 179 (now paragraph 189) read and agreed to.

Paragraph 180 (now paragraph 190) read, amended and agreed to.

Paragraphs 181 and 182 (now paragraphs 191 and 192) read and agreed to.

Paragraph 183 (now paragraph 193) read, amended and agreed to.

Paragraphs 184 and 185 (now paragraphs 194 and 195) read and agreed to.

Paragraph 186 (now paragraph 196) read, amended and agreed to.

Paragraphs 187 (now paragraph 197) read and agreed to.

Paragraph 188 (now paragraph 198) read, amended and agreed to.

Paragraphs 189 and 190 (now paragraphs 199 and 200) read and agreed to.

Paragraph 191 (now paragraph 201) read as follows:

> On 2 February 2005, the Secretary of State said that the Government would ‘set out the principles on which we will base our pension reforms separately in the near future.’ The Committee recommends that, in order to help individuals plan ahead, the Government should provide details of the likely direction of future reform and some indication of when this might be possible, for example at what time the current primary focus of eradicating abject pensioner poverty might be sufficiently met.

Amendment proposed, at the end, to insert:

> We would like to see a more substantial role for measures that would encourage saving more effectively and would allow most people to avoid means-testing. - (*Mr Paul Goodman*)

Question put, that the amendment be made.

The Committee divided.

Ayes, 1	Noes, 7
Mr Paul Goodman	Vera Baird
	Miss Anne Begg
	Ms Karen Buck
	Mr Andrew Dismore
	Mr David Hamilton
	Mrs Joan Humble
	Rob Marris

Another amendment proposed, at the end, to insert:

> For decades before the Savings Credit was introduced, there was effectively a 100% tax on savings. Now there is a 40% rate which may still discouraging people from putting money aside for retirement. We would like to see it eventually replaced with a system that would allow more people to avoid means-testing. – (*Rob Marris*)

Question put, that the amendment be made.

The Committee divided.

Ayes, 3	Noes, 5

Mr Paul Goodman

Mr David Hamilton

Rob Marris

Vera Baird

Miss Anne Begg

Ms Karen Buck

Mr Andrew Dismore

Mrs Joan Humble

Paragraph agreed to.

Paragraph 192 (now paragraph 202) read and agreed to.

Paragraphs 193 and 194 (now paragraphs 203 and 204) read, amended and agreed to.

Annexes A and B read, amended and agreed to.

An Annex [Annex C] – (*The Chairman*) – brought up and read, the first and second time, and added.

Postponed Report Highlights read, amended and agreed to.

Resolved, that the report, as amended, be the Third Report of the Committee to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Ordered, That the Minutes of Evidence taken before the Committee, together with Appendices to the Minutes of Evidence, be reported to the House. – (*The Chairman*)

[Adjourned till Wednesday 9 March at half-past Nine o'clock.