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.

Current membership

Frank Field MP (Independent, Birkenhead) (Chair)
Heidi Allen MP (Liberal Democrat, South Cambridgeshire)
Jack Brereton MP (Conservative, Stoke-on-Trent South)
Neil Coyle MP (Labour, Bermondsey and Old Southwark)
Rosie Duffield MP (Labour, Canterbury)
Ruth George MP (Labour, High Peak)
Steve McCabe MP (Labour, Birmingham, Selly Oak)
Nigel Mills MP (Conservative, Amber Valley)
Anna Soubry MP (The Independent Group for Change, Broxtowe)
Chris Stephens MP (Scottish National Party, Glasgow South West)
Derek Thomas MP (Conservative, St Ives)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

© Parliamentary Copyright House of Commons 2019. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/copyright/.

Committee reports are published on the publications page of the Committee’s website and in print by Order of the House.

Evidence relating to this report is published on the inquiry page of the Committee’s website.

Committee staff

The current staff of the Committee are Zoë Backhouse (Assistant Clerk), Jessica Bridges Palmer (Senior Media and Policy Officer), Michelle Garratty (Committee Assistant), Esther Goosey (Senior Committee Assistant), Anne-Marie Griffiths (Clerk), Libby McEnhill and James Mirza Davies (Senior Committee Specialists), Aisling Munnelly (Assistant Policy Analyst) and Stuart Ramsay (Second Clerk).

Contacts

All correspondence should be addressed to the Clerk of the Work and Pensions Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 8976; the Committee’s email address is workpencom@parliament.uk

You can follow the Committee on Twitter using @CommonsWorkPen
First Special Report


Appendix: Government Response

Introduction

1. The Government notes the recommendations made in the Work and Pensions Select Committee’s report into the overpayments of Carer’s Allowance (CA).

2. The Government recognises and appreciates the vital contribution made by informal carers who provide invaluable support for relatives, partners, friends and neighbours who may be ill, frail or disabled.

3. The primary purpose of CA is to provide a measure of financial support and recognition for people who give up the opportunity of full-time employment in order to provide regular and substantial care for a severely disabled person. Real terms expenditure on CA in 2019/20 is forecast to be £2.98 billion.\(^1\) Between 2019/20 and 2023/24 real terms expenditure on CA is forecasted to increase by just over a quarter or more than £0.75 billion. The rate of CA has increased from £53.90 in 2010 to £66.15 a week now, meaning an additional £635 a year for carers since 2010.

4. There is an important area of wider social policy around how the Government (together with employers and wider support from the family) can support carers in combining some employment with their caring responsibilities where they can. As well as providing extra income for the carer and helping them save for retirement, this would add to economic output as a whole.

5. The benefit system should not act as a disincentive to work for carers however, whether through the way earnings might affect their entitlement; or by imposing burdensome demands on them to report those earnings; or disproportionate “penalties” where claimant errors have occurred. Whilst many carers report their earnings whilst on CA to the Department without apparent difficulties, the Committee’s inquiry and report has highlighted some shortcomings in our procedures and the Department is determined to address these.

6. Our broad strategy must be centred around stopping overpayments occurring in the first place by continuing to improve:
   
   i) claimant communications so carers are fully aware of their responsibilities to report changes of circumstances, including earnings;

   ii) DWP workforce management so that we have the right people in the right place at the right time to effectively manage priority areas of CA work (recognising that this will often involve making finely balanced calls on

---

where to deploy the available resources – these are common challenges to any customer facing delivery organisation working within set budgets and headcount; and

iii) the use of technology matching information provided to DWP by carers themselves with that recorded by employers with HMRC and made available to the Department via Real Time Information (RTI).

7. The Government’s detailed responses to each recommendation, and a short commentary on each section of the report, which follow, should be seen in this context.

**Detecting and recovering overpayments**

8. As the Department has set out in our introduction these are issues where prevention is better than cure, particularly recognising the work needed to calculate and recover overpayments and the potential impact of recovery on carers (an area where we plan to undertake research).

*Recommendation 1, paragraph 20*

We recommend that the Department ensures that it has sufficient staff in place to meet the current demand and any future rise in the numbers claiming CA in order to prevent delays. It should make its current "aspirations" for processing new claims (15 days) and changes in circumstances (13 days) firm targets and set out when they will be achieved. These targets should be published so that claimants know what to expect. The Department should review staffing levels for its CA unit if these targets are not met.

9. The Department has sufficient staff in place to meet demand. We forecast supply to meet demand based on forecast volumes and review the position regularly. The Department does not use performance aspirations as formal delivery targets for those working directly with claimants; rather we aim to process CA claims in an average of 15 working days and CA changes in an average of 13 working days. This forms part of our wider performance management framework and helps encourage staff to do the right thing rather than rigidly following targets.

10. DWP staff focus on providing each claimant with the best possible service rather than just achieving a narrow numerical target. We aim to keep claimants informed and to give clear indications of when their claims and changes will be processed. The processes currently employed in the CA Unit are under review to ensure that we process claims and changes as quickly as possible and that claimants receive clear communications. As such, we expect the performance aspirations to be adjusted in due course so as to ensure we are providing the best service possible.

*Recommendation 2, paragraph 21*

We further recommend that the Department provide the Committee with details of how it came to its assessment that 447 (FTE) staff will be sufficient to deliver CA services and how this accounts for any future growth in the CA caseload. Along with targets for processing new claims and changes in circumstances, it should set out the levels of service it expects this level of staffing will allow it to deliver to claimants.
11. The assessment of staff required to deliver CA services follows a recognised approach. DWP analysts forecast the expected number of “claims and changes” we are likely to receive and an “activity timing” to process these (based on a Work Study) is then applied. This generates the number of processing minutes required and is converted into the FTE resource required to process these volumes. (This is based on a DWP standard methodology used in the Zeus resourcing models. We are always looking to improve forecasting methodology.)

12. There is a relationship between the caseload and number of expected changes to take into account, as an increased caseload will result in more changes being reported. Workloads are monitored on a regular basis to understand the impact of any variance from the analysts’ forecasts. Analysis of the 2019/20 forecasts so far show that changes are in line with forecasts and claims are only three % below forecast. The 447 FTE is an annual average figure, but the monthly FTE takes into account seasonal workload peaks and troughs – the lowest point is in July where 341 FTE are required and highest point is in November where 454 FTE are required. The Department manages its resources to reflect peaks and troughs and maintain performance based on the best available forecasts.

**Recommendation 3, paragraph 29**

_We recommend that the Department includes an evaluation of the impact overpayment repayments have on claimants in the research it plans to publish in Spring 2020._

13. The Department will commission and publish new research with CA claimants. The research will examine the facilitators and barriers to engaging in the labour market that claiming entails. In-depth qualitative interviews will be carried out with CA recipients as well as a quantitative survey of claimants. The research will examine the recent lived experience of CA claimants, including knowledge and awareness of obligations regarding the reporting of changes of circumstances, and the effects of the repayment of overpayments. The research is expected to report in the summer of 2020.

**Recommendation 4, paragraph 33**

_We recommend that the Department conduct a review of the individual cases where it is seeking to recover overpayments of CA and where its own administrative failures have allowed overpayments to accrue. It should consider on a case by case basis whether overpayments are worth pursuing given its culpability, the cost of recouping the overpayments and the impact on the lives of carers and those who they care for. The Department should start with cases of overpayments worth over £2,500, the majority (two-thirds) of which its internal audit team found it could have detected earlier and decide whether it should be writing off amounts where the claimant has made an error in failing to report changes in their circumstances, which is understandable due to the complexity of the rules around CA and unclear advice issued by the Department._

14. The Department does not accept that CA is a particularly complex benefit. For example, it does not contain a broad means-test, but has an earnings limit. We work hard to ensure advice to claimants is clear. However, we do recognise that there is always the opportunity to improve claimant communications. When we develop our products (whether letter templates, forms or web pages) our primary objective is always to provide our claimants with all the information they need whilst making the products clear and easily understandable.
15. Due to the need for continual improvement, the Department has committed to reviewing key CA customer facing products in the next 12 months. Carers UK has agreed to work closely with us on improving our customer communications so that both the CA earnings limit and the changes carers need to report to us are made even clearer.

16. Legislation and case law is, and always has been, clear that claimants are required to report relevant changes of circumstances to the Department, including changes to their earnings. HM Treasury guidance states that where overpayments occur as a result of the claimant’s failure to report such changes, the Department is obligated to ensure they are recovered. This guidance also states that overpayments can only be waived in very limited circumstances, usually where the recovery of the overpayment would cause substantial medical and/or financial hardship (so bulk reviews are not possible). If a claimant believes they meet the criteria for a waiver they can contact DWP’s Debt Management Team to make a waiver application. If such an application is made the case will then be reviewed to decide whether a waiver is appropriate.

**Recommendation 5, paragraph 34**

In some cases of overpayments to carers, the disabled person for whom they care would have been entitled to a similar amount in disability benefits if Carer’s Allowance had not been claimed. We recommend that, in those individual cases and with the consent of the carer and the disabled person, the Department should seek to resolve the situation without clawing back the money from the carer, only to pay a similar amount to the person they were caring for.

17. Where CA is stopped for the carer, we already have internal processes in place within DWP to identify whether additional amounts could then be due, as a result, to the disabled person being cared for. We contact the disabled person to establish their circumstances and pay any arrears due. If there are arrears they are paid to the disabled person, not the carer, so the Department cannot offset these as they are in respect of a different claim to the overpaid CA. This reflects a long-standing principle within the benefit system that, outside of couples, adults claim benefits in their own right based on their own circumstances. Of course that does not stop individual carers and the disabled person they are caring for from coming to a suitable arrangement between themselves to use any arrears of benefit paid out to help the carer then clear some or all of their overpayment.

**Preventing future overpayments**

18. The Department believes it is now well on the way to having the right strategy (set out in the introduction section) and processes in place (discussed throughout this response) to limit future overpayments. These will continue to be built around the responsibility of the claimant to inform us of relevant changes of circumstances, including to their earnings.

**Recommendation 6, paragraph 39**

We recommend that the Department ensures that its Carer’s Allowance Unit is adequately resourced to investigate matches flagged by its VEPs system. It should set targets for the length of time between matches being flagged and the claimant’s case being investigated, which minimise the impact on claimants. It should immediately review the number of staff it allocates to investigating matches if it is failing to meet these 6 monthly targets.
19. The Department believes that it has allocated sufficient funding and resource to make best use of the opportunities that the VEPs system provides, including some flexibility to prioritise such work where appropriate.

Recommendation 7, paragraph 42

We recommend that the Department automate alerts to its CA unit when the earnings of carers on UC rise above the CA earnings threshold, using the data it holds on claimants’ earnings within the UC system.

20. The VEP Service receives the same information Universal Credit (UC) receives from HMRC (RTI). A notification is automatically received by VEP when the weekly net pay exceeds the CA earnings limit (regardless of whether the carer is on UC or not). The VEP Service then applies a series of business rules (for example – around the amount of earnings) to determine if a VEP Alert should be sent on to the CA Unit to action.

Recommendation 8, paragraph 45

We recommend that the Department finds a way to automate process of increasing a claimant’s UC award when they lose their entitlement to CA. Until it can do this, it should urgently and then regularly communicate to carers claiming UC that they must inform UC if their CA is stopped, and the consequences of them failing to do so.

21. The Department continues to look for opportunities to automate its services and systems and to exchange data automatically between systems where appropriate (this includes between UC and CA systems). Benefit claimants are already informed through letters and information available online which changes they need to report to DWP, including where a benefit stops being paid to them.

Reducing the burden on CA claimants

22. DWP believes there are stronger arguments for making better use of the available provision to average earnings and linking the CA earnings limit to 16 hours work at the National Living Wage level (discussed in para 29 below), than there are for much more radical change through introducing an earnings taper into CA. Underpinning this is the importance of working effectively with stakeholders, and continuously improving claimant communications, so that carers can fulfil their responsibilities to inform us timeously of relevant changes of circumstances.

Recommendation 9, paragraph 51

We recommend that the Department introduce a taper to CA. It should explore the different options at which it could start the taper as well as different withdrawal rates. This should include looking at options which are not cost neutral, such as tapering CA at the same rate as UC, given that CA is only 3% of the Government’s overall benefit expenditure.

23. This is an issue that the Department has already looked at closely, particularly in the light of recommendations from the Committee in its report on “Employment support for carers”, as well as support for a taper from some other stakeholders. As previously set out, there are a range of policy and delivery issues to consider. These include the potential impacts a taper would have on CA operations, as well as the risk of more fraud and error,
not less, with a resulting increase in overpayments. We would not want to replicate in CA the earnings taper already available in UC or reduce the amount of CA for lower earners (thus risking a work disincentive) in order for some carers with higher earnings to still receive part of the allowance. The Government has, however, noted the Committee's continuing interest in a taper.

**Recommendation 10, paragraph 52**

IF it will not do this, we recommend that where claimants' earnings are within 5% of the earnings threshold the Department should limit the period that an overpayment is recoverable for to one month. The Department expects its new systems to be more efficient at identifying overpayments, and on that basis we do not expect it would need to make these adjustments in many cases.

24. The Government's approach is to simplify the benefit system wherever possible, making it both easier to deliver and for claimants to understand. The basic CA earnings rules at the moment are straightforward, as is the requirement for claimants to report changes to their earnings timeously, and an understanding that they may have to repay any overpayments if they do not. This sort of "tolerance" approach could potentially confuse claimants, DWP staff and other advisors alike.

**Recommendation 11, paragraph 57**

We recommend that, as part of its review into how it treats carers with fluctuating income, DWP should use the data it holds on carers' earnings patterns to look at whether assessing carers' income over a different time period from the current default weekly payments would work better for the majority of carers. It should report these findings to the Committee.

25. Dealing effectively with fluctuating earnings has traditionally been one of the biggest challenges in the benefit system. The use of HMRC RTI largely solves that in UC, but different earnings rules in CA means that we need to continue to look for other opportunities to improve our processes in CA. We are already reviewing the treatment of fluctuating earnings and will report back to the Committee in due course.

**Recommendation 12, paragraph 58**

We further recommend that the Department makes it clear to claimants that they can ask for their earnings to be averaged if they have fluctuating income, and makes it easy for them to do this. This information should be presented in a clear and accessible way on the GOV. UK website and in the letters the Department sends to carers. Once an averaging pattern has been identified, claimants should be told how to average their earnings across this period.

26. As part of the Department's wider review of the way we treat those with fluctuating earnings we have also been looking at the advice, support and information that is available to claimants in this position. We will set out associated communication plans when we update the Committee on the outcome of our review.

**Recommendation 13, paragraph 62**

We recommend that the Department continues to work with stakeholders such as Carers UK to improve the information it provides to claimants including both direct communications to individual claimants (e.g. letters) and generic communications such as those on the GOV.
UK website. It should also ask carers themselves to give feedback on its communications and how they could be improved. If it cannot upgrade its computer system, it must find another way to ensure all claimants get the information they need in a form that is easy for them to access and understand.

27. DWP Ministers and officials regularly meet Carers UK: claimant communications are a standing agenda item and will continue to be so. We also have an end user testing group which allows claimants to contribute directly to the development of communication products. As already discussed in this response, we are committed to improving CA claimant communications.

Recommendation 14, paragraph 63

As part of its work with stakeholders, the Department should consider how best the letters sent annually and at the start of a claim to carers could make clear that claimants lose their entitlement to CA in every week in which their net earnings exceed £123 per week. It should also consider how best to communicate the allowable deductions to carers—perhaps with a list in the letter of the main allowable deductions, and a link to the full list on GOV.UK to enable claimants to work out their net earnings. The Department must also give carers clear details at every opportunity of how claimants must report a relevant change of circumstances, including earning above the threshold in any one week, even if they have already informed other DWP departments of the changes, and give the relevant phone number, email or web link.

28. Planned changes to the CA “uprating” letter for 2020 will make information about the net weekly earnings limit clearer and it will be placed in a more prominent position (it will be at the forefront of the letter under the heading ‘Important information for people who work or start work’). DWP has already improved the information on allowable expenses carried on GOV.UK. We are considering further changes to the CA information carried on GOV.UK in consort with the Government Digital Service.

Recommendation 15, paragraph 67

We recommend that the Government links the CA earnings threshold with the National Living Wage. For as long as 16-hour rules exist in the benefits system, the CA earnings threshold should be equivalent to no less than 16 hours at the National Living Wage.

29. The position on the weekly CA earnings limit is slightly different to that on a taper and “tolerance level” as set out above in paras 23 and 24 above. The Government recognises that a working pattern based around 16 hours work will be common for some carers – partly because this is a trigger for childcare support and Working Tax Credits, but also because it might be a convenient number of hours for some employers to offer and it allows carers to successfully combine some employment with their caring responsibilities. The forthcoming research will touch on carers employment and potential barriers to them working. We will look at the findings from the research and other evidence and arguments with an open mind, and would consider any changes to the earnings limit to be a priority for DWP if they were deemed to be necessary and affordable. In the meantime, the Government will look to ensure that the earnings limit maintains its value as far as is possible, as we have been able to successfully do over the last few years. For example,
in April 2019, the CA earnings limit increased from £120 to £123 a week net. The OBR forecast average earnings to have increased by around 6% between 2017 and 2019. Over the same time period, we have matched that with a 6% increase in the earnings limit.

**Recommendation 16, paragraph 70**

*We recommend that the Department links any increase in Carer’s Allowance to the small overpayments limit, so that it is not seeking to recover overpayments of just one week.*

30. The Small Overpayment (SMOP) limit is not tied to the weekly rate of CA, or indeed any other benefit. Its close proximity to the weekly rate of CA has been coincidental, and there are many benefits where the weekly entitlement is already in excess of the SMOP limit.

31. The SMOP limit was calculated in 2007 and is simply the point at which the recovery of a benefit overpayment becomes cost effective. As the efficiency of our processes has improved significantly since 2007, any recalculation of the SMOP limit would be likely to result in it decreasing, rather than increasing. It is also important to note that there are already certain protections in place to prevent one week’s worth of overpayments being recovered from carers. If a claimant has a change of circumstances which affects their CA, but they have already been paid in advance for the next week, we will not seek to recover the resulting overpayment.

**Measuring fraud and error**

32. The Department already has plans in place to better measure fraud and error in CA, an area where not only do we need to think about protecting the public purse, but also about the impact of fraud and error and overpayments on the carer themselves and the potentially vulnerable disabled people they are caring for.

**Recommendation 17, paragraph 76**

*We recommend that the Department take the advice of the National Audit Office on how often it should measure the rates of underpayments and overpayments in Carer’s Allowance, and that it should comply with that advice.*

33. Following a public consultation in 2018, the Department agreed that it would include a measurement of CA in the national ‘Fraud and Error in the Benefit System’ 2019/20 statistics. These will be published in May 2020. We work closely with the National Audit Office (NAO) in setting out our future measurement programme. We keep this programme under constant review in order to ensure that our measurement resources are targeted in such a way as to give the most information about our areas of greatest loss. CA has not been a regularly measured benefit due to its relatively low expenditure, and when measured in the past, the losses associated with CA were much lower than those in the continuously measured benefits. We have not finalised our measurement programme for 2020/21. However, we will consult closely with the NAO in finalising that programme, and this will take in to account the findings from CA measurement for 2019/20.
Recommendation 18, paragraph 80

We recommend that the Department assesses the levels of reductions of fraud and error which are achievable across all of its benefits, and sets individual targets for underpayments and overpayments for each of the benefits it administers.

34. The Government understands that this is an important issue and recognises the detrimental effect that fraud and error can have on claimants, which is why we are committed to reducing it across all benefits. DWP has an ongoing programme of work to target key areas of loss through prevention and detection activity. We are developing new ways to target loss areas and areas of underpayments more effectively, particularly through the use of data and technology. We recognise the need for accountability and continue to work openly with the NAO on their various investigations, including their ongoing Value for Money study on ‘Fraud and error – managing the income risk’. We are discussing with the NAO what targets we should be setting ourselves to work towards achieving the lowest feasible level of fraud and error.

Learning lessons

Recommendation 19, paragraph 87

We recommend that the Government set out, in response to this report, an action plan for improving the Department’s capacity to listen to feedback—from its own staff, its customers, and outside organisations—and how it will measure success.

35. The Department is already introducing a range of measures to become a stronger learning organisation. We know that serious mistakes, although they occur infrequently, can have significant consequences for people’s lives. It is vital that we get better at identifying issues sooner, correct problems when they do arise, and learn from them to prevent future problems. We will create a much more effective feedback stream and culture which will support the Department to continuously develop and improve our services.