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Research Briefing

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An introduction to social security in the UK

Contents

Summary

This briefing provides an introductory overview of the social security system in the United Kingdom. It includes information on the Department for Work and Pensions, as well as on government objectives for social security, different benefit types, and social security spending.

Who is responsible for social security?

The Department for Work and Pensions (DWP) has overall responsibility for much of the benefits system in Great Britain, delivering the State Pension and a range of working-age, disability and ill-health benefits to around 20 million claimants and customers. The DWP is responsible for more spending than any other UK Government department – £220 billion in 2020/21.

However, the DWP is not the only government department to administer welfare provision. Her Majesty's Revenue and Customs (HMRC) has responsibility for tax credits, as well as Child Benefit.

Local authorities administer Housing Benefit, and since April 2013 in England have been responsible for their own Council Tax Reduction schemes and local welfare assistance schemes (national schemes exist in Scotland and Wales).

What is social security for?

Governments have attempted to pursue various aims simultaneously – sometimes overlapping, sometimes conflicting – through the payment of benefits, pensions and tax credits. Over time, government aims have included:

- relieving poverty,
- income maintenance and replacement,
- income redistribution,
- meeting additional costs (such as for disabilities and childcare), and
- compensation.

Governments have also pursued wider economic and social aims through the social security system, including encouraging participation in the labour market, providing income stability and economic stimulus in downturns, and changing behaviours.

Development of the benefit system

Social security benefits in the UK were established gradually in the first half of the 20th century, based primarily on the contributory principle.

The National Insurance system, first introduced in 1912, was extended significantly as part of the post-Second World War welfare state, based on the model proposed by William Beveridge. Under the Beveridge scheme, eligibility for benefits was to be based largely on NI contributions, without (it was hoped) the need for means-testing to have a significant role.

However, the proportion of total working-age social security spending accounted for by means-tested benefits and tax credits – targeted at households with low incomes and savings – has risen dramatically since the 1970s. The same has not happened in pension-age provision, where contributory State Pensions account for over four fifths of social security support.

Welfare spending

Nearly half of all DWP benefit spending is on people of pension age, with contributory State Pensions alone costing £100.8 billion in 2020/21. In the same year, £57.2 billion was spent on working-age benefits, £38.1 billion of which was Universal Credit. £28.6 billion was spent on disability benefits, mainly on extra-costs disability benefits such as Personal Independence Payment (PIP).

HMRC benefits include Child Benefit, which accounted for £11.5 billion in spending in 2020/21, and tax credits, on which £15.1 billion was spent. In the next few years, as Universal Credit caseload rollout is completed, tax credit claimants will be invited to claim Universal Credit, and this additional expenditure will move to the DWP.

Reserved and devolved powers

Social security is mostly a reserved matter in Great Britain. In Northern Ireland it is almost entirely devolved (or “transferred”) and is the responsibility of the Department for Communities (aside from HMRC benefits and tax credits). By long-standing convention, however, Northern Ireland maintains “parity” with social security, child maintenance, and pension systems in Great Britain. Although since 2016, the Northern Ireland Executive has received funding to provide a "mitigation package" of measures to reduce the impact of the UK Government's welfare reforms on the most vulnerable claimants.

Recent devolution of some social security powers to Scotland has altered the structure of welfare provision in the UK. The Scotland Act 2016 gives the Scottish Parliament and Government powers over benefits falling within certain categories, including extra-costs disability, industrial injuries, and carer benefits, as well as the power to top-up reserved benefits and create other new social security benefits.

The Scottish Government is introducing a suite of new devolved benefits. Most of the new Scottish benefits being introduced by the Scottish Government are direct replacements for DWP benefits, including extra-costs benefits such as Personal Independence Payment (being replaced by Adult Disability Payment from 2022). The Scottish Government is also introducing new benefits which do not have a direct equivalent elsewhere in the UK, such as the Scottish Child Payment – a weekly payment for low-income families with children.

Key events and publications

The final section of this briefing provides information on key social security events and publications, including those related to:

- Benefits uprating – the process by which most benefits are usually increased each year.
- The annual Office for Budget Responsibility Welfare Trends report, which looks in detail at social security and tax credit spending.
- The Budget, the date for which may be influence by events, but which since 2017 has usually taken place in the Autumn, with a Spring Statement in March.
- The DWP Annal Report and Accounts, which is usually published in the Summer (June or July).
- Other DWP publications, covering a wide range of statistics on benefits, pensions, employment programmes, income distribution, and other subjects.

1 A brief tour of the benefits system

1.1 DWP structure and operations

The Department for Work and Pensions (DWP) is responsible for the delivery of welfare, pensions, and child maintenance policy in Great Britain. As the United Kingdom's biggest spending public service department, the DWP administers the State Pension and a range of working-age, disability and ill-health benefits to around 20 million claimants and customers. In 2020-21 the Department paid out £212.4 billion in benefits, pensions and other payments, and its running costs totalled £7.1 billion.[1]

The DWP is not the only Government department involved in delivering social security. Her Majesty's Revenue and Customs (HMRC) has responsibility for Child and Working Tax Credits, Child Benefit, Guardian's Allowance, National Insurance contributions, and the administration of employer-provided Statutory Payments such as Statutory Sick Pay (SSP). The DWP is, however, responsible for policy on SSP and Statutory Maternity Pay (SMP), and the Department for Business, Energy & Industrial Strategy (BEIS) is responsible for policy on Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP), Statutory Shared Parental Pay (ShPP), and Statutory Parental Bereavement Pay (SPBP).[2]

The structure and organisation of the Department for Work and Pensions has changed in recent years.

While the DWP has overall responsibility for the benefits system and policy, before 2008 the day-to-day administration of the benefits claims was devolved to three operational organisations:

- Jobcentre Plus administered most benefits for people of working age. It was formed by the merging of the Employment Service with parts of the former Benefits Agency[3] concerned with working age benefits. Its services are provided via a network of local Jobcentre Plus offices.

- The Pension Service provided a largely telephone-based service for current and future pensioners. It administers the state Retirement Pension, Pension Credit, and Winter Fuel Payments.

1 DWP Annual Report & Accounts 2020-2021, 15 July 2021
2 HMRC, Statutory Payments Manual, para SPM100400 (accessed 10 May 2022)
3 People may still refer to the "Benefits Agency", but it has not existed for many years.

- The Disability and Carers Service administered benefits for disabled people and those with caring responsibilities, and provided advice on entitlements. The main benefits it was responsible for were Disability Living Allowance (DLA), Attendance Allowance and Carer's Allowance.

On 22 January 2008, it was announced that the Pension Service and Disability and Carers Service would be brought together to create a single agency, under a single Chief Executive.[4] The Pension, Disability and Carers Service (PDCS) came into being in April 2008.

From 1 October 2011 both Jobcentre Plus and the PDCS ceased to have formal agency status. Day-to-day operations of both organisations were brought under the leadership of a single Chief Operating Officer, as part of a restructuring of DWP "to make it more efficient and streamline its management."[5] "DWP Operations" was responsible for the payment of all benefits, including pensions, together with some additional functions. The change did not affect the way services are delivered, which continued under the Jobcentre Plus, Pension Service and Disability and Carers Service "brands".

DWP Operations was in turn abolished on 1 April 2019, as part of a wider restructuring within the Department so that "Operations" and "Corporate Centre" groups are no longer organised separately. The Department said that the changes would enable it to "work across boundaries and join up more effectively to deliver the right outcomes for the people we serve".[6]

The "Service Excellence" Director General Group is now responsible for, among other things, Retirement Services, Child Maintenance services, and Counter Fraud, Compliance and Debt. The "Work and Health Services" Director General Group is responsible for Disability Services, Working Age and Universal Credit Operations. The "Change and Resilience" Director General Group is responsible for, among other things, major change projects and programmes, including the Universal Credit Programme.[7]

The Jobcentre Plus and Pension Service "brands" continue to be used, but the Department no longer refers to a Disability and Carers Service.

Local authorities are responsible for administering Housing Benefit and, since April 2013, their own Council Tax reduction schemes. Following the abolition of the discretionary Social Fund in April 2013, local authorities in England are also responsible for local welfare assistance schemes in place of Crisis Loans and Community Care Grants (national schemes exist in Scotland and in Wales).

4 HC Deb 22 January 2008 cc49-50WS
5 DWP press release, Government announces organisational changes to Jobcentre Plus and the Pension, Disability and Carers Service, 11 September 2011
6 DWP Annual Report and Accounts 2019-20, p15
7 See DWP Annual Report & Accounts 2020-2021, 15 July 2021, p16

Up until April 2006 the Appeals Service – which provided for independent tribunals for hearing social security appeals – was also a DWP executive agency, but responsibility for running the appeals system transferred to the Tribunals Service, an executive agency of the Ministry of Justice. From 1 April 2011 HM Courts & Tribunals Service was created by the merger of the HM Courts Service and the Tribunals Service into one integrated agency providing support for the administration of justice in courts and tribunals.

DWP also contracts out certain functions to the private sector. One important function which is contracted out is Medical Services, which provides medical advice and examination services to assist the DWP in determining individual claimants' entitlements to incapacity and disability benefits. The current contractor is MAXIMUS Health and Human Services Ltd, which took over from Atos Healthcare on 1 March 2015 and which operates as the Health Assessment Advisory Service[8]

Assessments for Personal Independence Payment – which is replacing Disability Living Allowance for people of working age – are delivered under three separate regional contracts. Atos holds two of the contracts, and it operates as Independent Assessment Services.

Capita holds the third contract, which covers Wales and central England.

The DWP has begun work to procure assessment services to replace the existing contracts, for a five-year period starting from August 2023. Under new Functional Assessment Service contracts, successful providers will carry out both PIP assessments and Work Capability Assessments in each geographical lot in England and Wales. The provider for the lot covering Northern England and Scotland will undertake WCAs and some other assessments in Scotland, the Scottish Government taking responsibility for administering a replacement for PIP assessments from 2022.

Following the transfer of certain welfare powers to the Scottish Parliament under the Scotland Act 2016, devolved disability benefits are replacing Disability Living Allowance, Personal Independence Payment, and Attendance Allowance, in Scotland (see section 1.7 below). The Scottish Government has given a number of commitments as to how assessments for these benefits will differ from those for the DWP benefits, including having fewer face-to-face assessments and not using private sector contractors.[9]

DWP also has responsibilities beyond the payment of benefits and pensions and related functions.

The Child Maintenance Service provides services to separated parents who can't make their own, family-based arrangements for financial support for

[8] The Health Assessment Advisory Service arranges and carries out assessments for DWP. The Health Assessment Advisory Service is delivered on behalf of DWP by Centre for Health and Disability Assessments, operated by in turn by MAXIMUS.

[9] Scottish Government, Disability assistance in Scotland: response to consultation, 28 October 2019; and Scottish Government, Disability Benefits Policy Position Papers: Papers 1-5, 23 October 2020

their children. Services include calculating how much maintenance the paying parent should pay to the receiving parent; collecting maintenance payments, if necessary; and providing information and support to help parents make informed choices about child maintenance.

The DWP has several executive and advisory non-departmental public bodies and public corporations, which operate independently but are accountable to the Department. Details of the main "arm's length" bodies are given in the box below.

Box 1: DWP's arm's length bodies

In addition to the 'core' Department which consists of its public services and corporate functions, the DWP also includes a number of 'arm's length' bodies. An arm's length body is an organisation that delivers a public service, but is not a ministerial government department. They consist of non-departmental public bodies and public corporations. Together, DWP's arm's length bodies employ around 4,900 full-time equivalent staff and have a combined net expenditure of around £554 million each year.[10]

Pensions

- The Pensions Regulator – which regulates workplace pension schemes.
- Pension Protection Fund – the 'lifeboat fund' for defined benefit pension schemes that wind up under-funded on the insolvency of the employer. It is funded by a combination of a levy on eligible schemes, the assets of schemes transferred to it and investment returns.
- The Pensions Ombudsman – an independent organisation set up by law to investigate complaints about pension administration. Can also consider complaints about the actions and decisions of the Pension Protection Fund and about some decisions made by the Financial Assistance Scheme.
- National Employment Savings Trust (NEST) Corporation – set up under the Pensions Act 2008 to as a low-cost workplace pension saving scheme available to any employer who wants to use it for their auto-enrolment duties.
- The Money and Pension Service (MaPS) – brought together three existing bodies – the Money Advice Service, the Pension Advisory Service and Pension Wise – to provide pensions and wider financial matters guidance and debt advice, and to work with Government and the Financial Conduct Authority (FCA) to protect consumers against financial scams.

Health and safety

10 DWP Annual Report and Accounts 2020-2021,15 July 2021, p148

- Health and Safety Executive – independent regulator for work-related health and safety in Great Britain.
- Office for Nuclear Regulation – the UK civil nuclear safety regulator.

Advisory bodies

- Industrial Injuries Advisory Council – independent body that advises on industrial injuries benefits.
- Social Security Advisory Committee – independent body that advises DWP on secondary legislation and conducts ad-hoc studies.

Other

- Independent Case Examiner – reviews complaints about certain government organisations dealing with benefits, work and financial support.

Further information

Department for Work and Pensions: About us

National Audit Office, Departmental Overview 2020-21: Department for Work & Pensions, November 2021

Institute for Fiscal Studies, A survey of the UK benefit system, IFS Briefing Note BN13, November 2016

Jane Millar and Roy Sainsbury, 'Social security: the Landscape', in Jane Millar and Roy Sainsbury (eds), Understanding social security, 3rd edition, April 2018

Pensions Policy Institute: Pensions Primer, May 2021); Pension facts, June 2021; plus briefing notes on a range of pensions issues

1.2 DWP's objectives

Since the 2020 Spending Review, each Government department has been required to produce an "Outcome Delivery Plan" setting out its priority outcomes, its strategy for achieving them, and the metrics it will use to track its performance. These replaced Single Departmental Plans.

The Department for Work and Pensions Outcome Delivery Plan: 2021 to 2022 sets out the DWP's plans to deliver its objectives, and to achieve its priority outcomes, which are:

Core Objective	Priority Outcome

Maximising employment and in-work progression	Maximise employment across the country to aid economic recovery following COVID-19. Improve opportunities for all through work, including groups that are currently under-represented in the workforce.
Improving people's quality of life	Address poverty through enabling progression in the workforce and increasing financial resilience.
Delivering excellent services for citizens and taxpayers	Deliver a reliable, high-quality welfare and pensions system which customers have confidence in.

Annex C sets out the Department's delivery plans for each of the priority outcomes, and the associated performance metrics. [11]

1.3 What is social security for?

Through payment of benefits, pensions and tax credits, successive governments have attempted to pursue various aims at the same time – some overlapping, sometimes conflicting. This is one reason why the system is so complicated. The emphasis has shifted over time. The aims of social security have included:

- Relieving poverty.
- Income replacement and insuring against risks – eg unemployment, sickness, bereavement.
- Redistribution.
  - Vertical – from richer to poorer.
  - Horizontal – between groups in the population and over the lifecycle – eg from people without children to those with children, and pensions.[12]
- Meeting needs and helping with additional costs – eg housing and the extra costs of disability and children.
- Compensation – eg for industrial injuries or diseases.

11 Department for Work and Pensions Outcome Delivery Plan: 2021 to 2022, 15 July 2021, Annex C

12 More on these different forms of redistribution can be found in John Hills, Good times, bad times: the welfare myth of them and us, 2015

The welfare system also has wider economic and social functions including:

- Encouraging engagement with the labour market.
- An "automatic stabiliser" in economic downturns.
- Changing behaviours – eg paying Universal Credit as a single, monthly payment, to encourage claimants to take responsibility for budgeting.

Further information

Roy Sainsbury, 'The aims of social security', in John Ditch (ed), Introduction to social security: Policies, benefits and poverty, 1999, pp34-47

Paul Spicker, An introduction to Social Policy: Social Security (accessed 1 June 2022)

Commons Library briefing CBP-9090, The aims of ten years of welfare reform (2010-2020)

1.4 Benefit types

There are various ways of categorising social security benefits.

The basis of payment

One common approach, used by the Department for Work and Pensions in its benefit expenditure and caseload data, is to define benefits by the basis upon which they are paid:

Means-tested benefits (also referred to as "income-related" or "social assistance" benefits) are only paid to people who have limited income and capital. They include:

- Universal Credit
- Income Support
- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Pension Credit
- Housing Benefit
- Tax Credits are also income-related, but unlike these other benefits do not take into account capital held by claimants.

Entitlement to **contributory** benefits (sometimes referred to as "social insurance") depends upon the person having met contribution conditions usually linked to paid employment – National Insurance contributions or credits. Contributory benefits include:

- The State Pension
- Contributory "New Style" Employment and Support Allowance
- Jobseeker's Allowance

Non-contributory, non-income-related benefits (sometimes referred to as "categorical" benefits) do not depend upon contribution records or the resources of recipients. Generally, these are paid to certain categories of claimants deemed to require or deserve additional financial support. Examples include:

- Child Benefit – paid to households with children.
- Attendance Allowance, Disability Living Allowance, Personal Independence Payment – intended to help with the extra costs of disabilities and health conditions.
- Carer's Allowance – paid to full-time carers of people with disabilities and health conditions receiving certain extra costs benefits.

The UK has no permanent **universal** cash benefit. But there are proposals such as universal basic income which would provide support to all citizens regardless of means, contribution record or category.[13]

Before the 20th Century, social security provision took the form of means-tested Poor Law provision, administered in local parishes, and often delivered in workhouses. The UK's modern welfare state was established gradually in the first half of the 20th century, based primarily on the contributory principle. The National Insurance system, first introduced in 1912, was extended significantly as part of the post-Second World War expansion of the welfare state, and built on the model proposed by William Beveridge in 1942.[14] Beveridge envisioned it as: "first and foremost a plan of insurance – of giving in return for contributions benefits up to subsistence levels, as of right and without means test, so that individuals may build freely upon it."[15]

Alongside this, means-tested support was offered through National Assistance – a forerunner to Universal Credit today. Beveridge and others had hoped that contributory benefits, along with other policies such as full employment, would be largely sufficient, and would leave only a residual, diminishing role for means-testing.

13 See Commons Library Debate Pack CDP-2020-0096, The introduction of a universal basic income, 9 October 2020

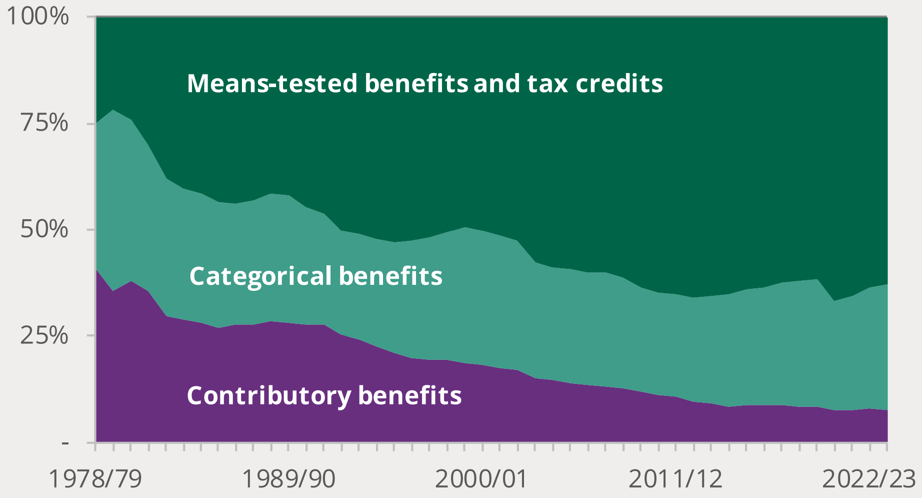
14 National Archives, Citizenship, Brave new world, The welfare state, (accessed 25 May, 2022)

15 Social Insurance and allied services, Sir William Beveridge, November 1942, Cmd. 6404, p7

This did not happen for working-age benefits.[16] Instead, the proportion of total social security spending accounted for by means-tested benefits and tax credits has risen dramatically since the 1970s. Many policy decisions across multiple governments contributed to this change. The role of means-tested benefits has tended to expand – for example, the growth of means-tested in-work support from the 1970s onwards and the introduction of more generous means-tested support for children (via tax credits) under the last Labour Government. At the same time, working-age contributory benefits such as New Style Jobseekers Allowance and Employment and Support Allowance have remained paid at a flat rate not designed to meet full household costs, and have fallen in real value over recent decades.[17]

Contributory benefits' share of non-pensioner welfare spending has fallen

Benefit and tax credit expenditure directed at working-age adults and children, 1978/79 to 2022/23



Note: Data for 2021/22 and 2022/23 are forecasts.

Source: DWP, Benefit Expenditure and Caseload tables: Autumn Budget 2021, table 2a and non-DWP welfare table

Pension-age provision has not followed the same trend – contributory State Pensions account for over four fifths of social security support. This has happened because, in contrast to working-age contributory benefits, the real value of the State Pension has significantly increased since the 1970s. More favourable treatment of the basic State Pension compared to Unemployment Benefit (and its successor, Jobseeker's Allowance) over the past 50 years has meant that the former is paid at nearly twice the rate (£141.85 a week in 2022/23) of the latter (£77 a week), despite having been at the same level until 1973.[18]

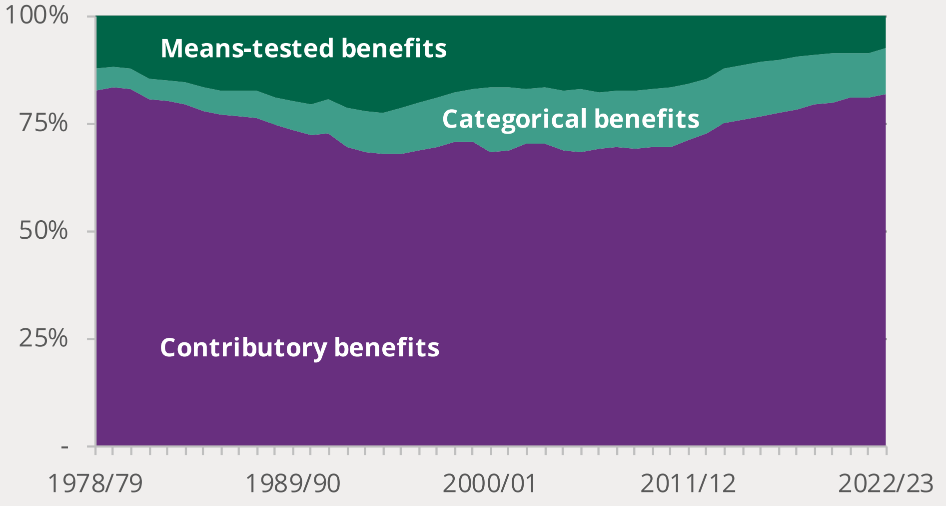
16 See Commons Library insight, Contributory benefits and social insurance in the UK, 29 October 2020
17 See Commons Library briefing CBP-9489, How benefit levels are set, p19
18 Commons Library briefing CBP-9489, How benefit levels are set

Policies such as voluntary National Insurance Contributions also allow the vast majority of people of pension age to qualify for contributory benefits – nearly all pensioners (97%) are in receipt of the State Pension.[19]

Pension Credit – the means-tested benefit designed to top-up pensioner incomes – plays a much less significant role, and has declined as a proportion of social security support for people of pension age.

Contributory benefits make up the bulk of pensioner welfare spending

Benefit expenditure directed at State Pension age adults, 1978/79 to 2022/23



Note: Data for 2021/22 and 2022/23 are forecasts.

Source: DWP, Benefit Expenditure and Caseload tables: Autumn Budget 2021, table 2a

The client group

Benefits are often categorised by the group they are designed to help. These categories include:

- Older people
- Families with children
- People with disabilities and health conditions
- Unemployed people
- Low-income in-work households

[19] DWP, Pensioners' Incomes Series: financial year 2020 to 2021, 31 March 2022

- People who have experienced accidents at work or occupational diseases

This is the general approach used for international comparisons of benefits systems, for example by the International Social Security Association in their country profiles, and by the European Mutual Information System on Social Protection.

The purpose of the benefit

Another way of categorising benefits is to consider their purpose.

Income-replacement benefits are intended to compensate a person because they are unable or not expected to work, for various reasons. There are a wide range of situations in which income needs to be replaced. For example:

- Unemployment – supported through benefits such as Jobseeker's Allowance.
- Old age – through pensioner benefits such as State Pensions and Pension Credit.
- Parenting – through benefits for parents of young children such as Income Support and Universal Credit.[20]
- Sickness and disability – through benefits such as Employment and Support Allowance.
- Maternity and pregnancy – through Statutory Maternity Pay and Maternity Allowance.
- Caring for disabled people – through Carer's Allowance and additional amounts in Universal Credit.

Universal Credit is also an income-replacement benefit for unemployed people, as well as those with health conditions and disabilities which affect their capability to work, and caring responsibilities.

Another class of benefits is intended to provide for the **extra costs** faced by people because of health conditions or disabilities. These are provided by three different benefits:

- Disability Living Allowance – to help with the extra costs of care and mobility for children under the age of 16.
- Personal Independence Payment – to help the extra costs of care and mobility for people of working-age.

[20] In recent decades the role of income replacement for this group has shrunk. Parents of all but the youngest children, including single parents, have generally been expected to work,

- Attendance Allowance – to help people above State Pension age with the costs of care or supervision.

Further information

Paul Spicker, An introduction to Social Policy: Social Security

Commons Library constituency casework page, What benefits might people claim?

Policy in Practice, Simple guide to the benefit system (PDF), April 2021

Newcastle City Council, Introduction to Benefits and Tax Credits (PDF), March 2022

1.5 Social security spending

The Department for Work and Pensions, which delivers most benefits in Great Britain,[21] accounts for more spending than any other UK Government department[22] – £219.6 billion in 2020/21. The overwhelming bulk of this spending is paid out in the various benefits the Department administers, with £7.4 billion spent on Departmental running costs.

The chart below shows that nearly half of all DWP benefit spending is on pension-age benefits, with contributory State Pensions alone costing £100.8 billion in 2020/21. £57.2 billion was spent on working-age benefits, £38.1 billion of which was Universal Credit.

£28.6 billion was spent on disability benefits, mainly on extra-costs disability benefits.

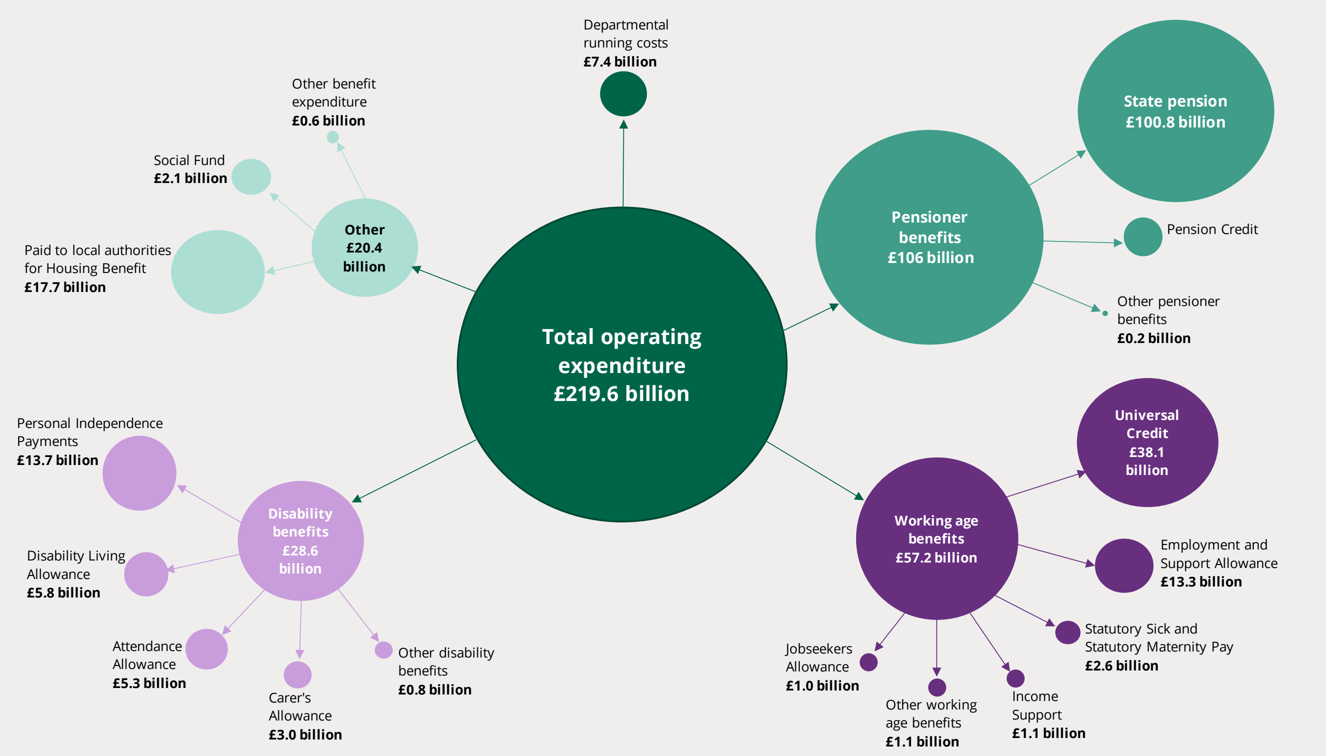
This does not include the £11.5 billion spent on Child Benefit in 2020/21, or the £15.1 billion tax credit expenditure.[23] In the next few years, as Universal Credit caseload rollout is completed, tax credit claimants will be invited to claim Universal Credit, and this additional expenditure will move to the DWP.

21 Notable exceptions include tax credits and Child Benefit, which are administered by HMRC and the new Scottish disability assistance benefits replacing UK benefits such as Personal Independence Payment.

22 See Institute for Government, Departmental budgets, (accessed 6 May 2022)

23 See HMRC, Annual Report and Accounts 2020 to 2021, 4 November 2021, p260

Department of Work and Pensions breakdown of expenditure 2020/21



Source: Adapted from National Audit Office figure published in DWP departmental overview 2020/21, p11 (PDF) based on DWP Annual report and accounts 2020/21

Up-to-date information on DWP spending can be found in the National Audit Office's annual departmental overview, the 2020/21 version of which was published in November 2021. [24]

More detailed breakdowns of benefit spending, including historical series going back to 1948/49 and forecasts for the next few years, can be found in the DWP's benefit expenditure and caseload tables.

1.6 Decisions, appeals and complaints

Individual benefit claims are decided by specialist staff known as decision makers or case managers, who act under the authority of the Secretary of State (legally, the Secretary of State is responsible for decisions on benefit entitlement in most cases). The decision maker/case manager is usually not the person the claimant may have had initial contact with over the telephone or at the local benefit office, and may even be located in a different office or region.

[24] National Audit Office, Departmental Overview 2020-21: Department for Work & Pensions, 23 November 2021

Where a benefit claim involves medical issues and the claimant has been referred to a “healthcare professional” for an assessment of their capabilities or their condition, it is not the healthcare professional who ultimately decides whether the individual is awarded benefit. So, for example, while MAXIMUS currently undertakes Work Capability Assessments on behalf of DWP for people making claims for Employment and Support Allowance (ESA), the formal decision on entitlement on ESA is taken by a DWP decision maker. In making the decision, the decision maker will take into account the MAXIMUS healthcare professional’s report and recommendations, but may also look at other evidence and does not have to follow the MAXIMUS recommendation.

Claimants should receive a written “decision notice” informing them of the decision on their benefit claim. A decision notice on a decision against which there is a right of appeal must inform the person of:

- their right to dispute the decision; and
- their right to request a written “statement of reasons” for the decision (if this was not given in the decision notice).

If the person requests written statement of reasons, this can extend the time limit for challenging the decision. A person can also ask for an explanation of the decision maker’s decision, by contacting the office that issued the decision.

Most decisions in relation to claims for social security benefits or tax credits can be challenged, if the person is unhappy with the decision. A decision can be changed in different ways:

- By asking DWP, HMRC or the local authority to look at the decision again (this is known as "revision" or "reconsideration").
- By asking for the original decision to be superseded. This is known as "supersession", and if successful the new decision will usually only apply from the point the request was made. A decision may be superseded to reflect a change of circumstances since the original decision, or in certain other situations including where a revision/reconsideration is not possible (e.g. because the time limit has passed).
- By appealing to an independent Tribunal.

It used to be possible for a claimant dissatisfied with a benefits decision to appeal directly to a Tribunal without first seeking a revision/reconsideration. However, following the Welfare Reform Act 2012, individuals seeking to challenge a benefits decision must ask for DWP or HMRC to reconsider their decision before they can appeal. This rule – known as "Mandatory Reconsideration" – was introduced in April 2013 and now applies to all social security benefit (except Housing Benefit) and tax credit decisions.

When the DWP or HMRC has looked at the decision again, the person will be sent a Mandatory Reconsideration Notice setting out their decision.

Appealing to a Tribunal

If the Mandatory Reconsideration Notice confirms the original decision, the person can then appeal to an independent First-Tier Tribunal. The appeal must be lodged directly with HM Courts and Tribunals Service. This is referred to as "direct lodgement."

Where a person has appealed to a First-Tier Tribunal and disagrees with the Tribunal's decision, there are various possibilities. A Tribunal's decision can be "set aside" on procedural grounds, eg where relevant documents were not received by one of the parties, or some other procedural irregularity. In this situation the Tribunal's decision is cancelled, and the appeal is heard again.

Claimants who are unhappy with a First-tier Tribunal's decision can also appeal to the Upper Tribunal, but only if the First-tier Tribunal made an error of law. The fact that a person disagrees with a Tribunal's decision is not sufficient grounds in itself for an appeal to be heard by the Upper Tribunal. Those dissatisfied with a decision of the Upper Tribunal may be able to appeal further to the Court of Appeal (or the Court of Session in Scotland).

Complaints

People who have problems with any aspect of the service they receive from the Department for Work and Pensions or an organisation providing services on its behalf can complain, whether or not a claim for benefit has been made. The DWP's Customer charter sets out the standards of service the public can expect from it. Information on the DWP's complaints procedure is available on GOV.UK.

The DWP has a scheme which offers "special payments" to people who have been affected by "maladministration" (sometimes also referred to as "official error"). The aim is to put people back into the financial position they would have been in had the error not happened.

If a person has made a claim for benefit and they think the decision is wrong, they cannot change the decision by making a complaint. The procedure for seeking to get a benefits decision changed is quite separate – see the preceding section Mandatory Reconsideration and appeals.

People who have exhausted the internal complaints procedure can take their complaint further to the Independent Case Examiner, who is not a civil servant and acts independently of the DWP.

Members of Parliament can refer cases involving maladministration to the Parliamentary and Health Service Ombudsman, but it will normally be expected that a person has exhausted the normal complaints procedures before any approach is made.

Further information

Commons Library constituency casework page, Challenging benefit decisions

Commons Library constituency casework page, Appealing benefits decisions beyond the First-Tier Tribunal

Commons Library constituency casework page, Social security complaints

1.7 Scotland and Northern Ireland

Significant aspects of social security policy are reserved in Great Britain, with largely equivalent welfare provision available in Northern Ireland, where social security policy is otherwise mostly devolved. Since 2016 devolution of some social security powers to Scotland since 2016 has substantially altered the structure of welfare provision in the UK.

The following chart illustrates how this is expected to look in 2025 when the Scottish Government is scheduled to have completed rollout of new devolved benefits delivered by Social Security Scotland, by which time the DWP expects to have completed the caseload rollout of Universal Credit.

UK Social Security: Projected structure in 2025

Based on Scottish Government and Department for Work & Pensions forecasts

	Scotland	England & Wales	Northern Ireland
	Social Security Scotland	**Department for Work & Pensions**	**Department for Communities**
Carer, disability, and sickness benefits	• Pension Age Disability Payment • Adult Disability Payment • Child Disability Payment • Carer's Assistance • Young Carer Grant • Employment Injury Assistance	• Attendance Allowance • Disability Living Allowance • Personal Independence Payment • Carer's Allowance • Industrial Injuries Benefit • Severe Disablement Allowance	• Attendance Allowance • Disability Living Allowance • Personal Independence Payment • Carer's Allowance • Industrial Injuries Benefit • Severe Disablement Allowance
Payments for childcare, heating, and other expenses	• Winter Heating Assistance: Child, Low Income, and Pension Age • Funeral Support Payment • Best Start Grants • Scottish Child Payment • Job Start Payment	• Cold Weather Payment • Winter Fuel Payment • Funeral Expenses Payment • Sure Start Maternity Grant	• Cold Weather Payment • Winter Fuel Payment • Funeral Expenses Payment • Sure Start Maternity Grant
Means-tested benefits	• Universal Credit (including Scottish Choices in Scotland) • Pension Credit		• Universal Credit Northern Ireland • Pension Credit
Contributory benefits	• Contributory ('New Style') Jobseeker's Allowance • Contributory ('New Style') Employment and Support Allowance • Bereavement Support Payment • State Pension		• Contributory ('New Style') Jobseeker's Allowance • Contributory ('New Style') Employment and Support Allowance • Bereavement Support Payment • State Pension
Other categorical benefits	**Her Majesty's Revenue and Customs** • Child Benefit • Guardian's Allowance		

Table: House of Commons Library

Scotland

Devolved social security powers

Until recently, social security was almost entirely a reserved matter in Great Britain, but the Scotland Act 2016 devolved significant welfare powers to the Scottish Parliament.

The Act gives the Scottish Parliament and Government powers over benefits falling within certain categories, outlined in the table below. The Scottish Parliament and Government have the power to determine the structure and value of these benefits, or replace them with new benefits, in line with the legislative framework.

Benefit category	DWP benefits
Disability, industrial injuries and carers' benefits	Attendance Allowance, Carer's Allowance, Disability Living Allowance, Personal Independence Payment, Industrial Injuries Benefit, Severe Disablement Allowance
Benefits for maternity, funeral and heating expenses	Cold Weather Payment, Funeral Payment, Sure Start Maternity Grant, Winter Fuel Payment
Other benefits	Discretionary Housing Payments

In addition, other powers are devolved:

- An expanded power to provide discretionary payments and assistance (beyond the powers under which the Scottish Welfare Fund is currently delivered).
- The power to top-up reserved benefits.
- The power to create other new social security benefits (other than pensions) in areas not otherwise connected with reserved matters.
- The power to legislate for welfare foods.
- Powers to vary the housing cost element of Universal Credit for rented accommodation and change payment arrangements for Universal Credit.

The Scottish Parliament also has powers with regard to support for unemployed people through employment programmes.

Any and all benefits not explicitly devolved by the Scotland Act 2016 continue to be reserved, which include:

- Means-tested benefits, such as Universal Credit and the benefits and tax credits it is replacing.
- Contributory benefits for people of working age, such as New Style Jobseeker's Allowance.
- Retirement age benefits, such as the State Pension.
- HMRC benefits, such as Child Benefit and Guardian's Allowance.

This amounts to over 80% of social security expenditure in Scotland.[25]

The devolved social security system

The Social Security (Scotland) Act 2018 sets out the framework for a new Scottish social security system, and the principles which underpin it.

The Scottish Government has also created an executive agency – Social Security Scotland – to deliver the devolved benefits (other than discretionary housing payments and the Scottish Welfare Fund, which are delivered by local authorities). It is set to deliver all devolved social security benefits in Scotland by 2025,[26] but as a transitional measure the Scottish Government is using agency agreements under which the DWP continues to deliver existing benefits that are now devolved until they are replaced by their new Scottish equivalent benefits. The UK Government provides funding to the Scottish Government for devolved social security benefits, including where they continue to be delivered by the DWP under agency agreements. This funding is known as a Block Grant Adjustment (BGA), which is the amount by which the UK block grant to the Scottish Government is increased to reflect spending on the benefits that are now devolved.

In April 2020, full financial and legal responsibility for almost all social security benefits devolved by the Scotland Act 2016 was transferred to Scottish Ministers. The new devolved benefits being introduced by the Scottish Government are briefly described in section 7.8 of Commons Library briefing CBP-9048, Social security powers in the UK.

Most of the new Scottish benefits being introduced by the Scottish Government are direct replacements for DWP benefits, including "extra costs" disability benefits. Disability Living Allowance for children is being replaced by Child Disability Payment, Personal Independence Payment is being replaced by Adult Disability Payment, and Pension Age Disability Payment will replace Attendance Allowance.[27]

The Scottish Government is, however, also introducing new benefits which do not have a direct equivalent elsewhere in the UK. Scottish Child Payment, for

25 For detailed information on the scope of devolved social security powers, see Part 3 of the Scotland Act 2016 and the accompanying Explanatory Notes.

26 Social Security benefits - update: statement by the Cabinet Secretary for Social Security and Older People, GOV.SCOT, 17 November 2020

27 Social security: Disability Assistance, GOV.SCOT webpage (accessed 11 May 2022)

example, is a weekly £20 payment (as of April 2022, when it increased from £10 per week)[28] for low-income families with children under 6. It will be increased again to £25 per week and extended to low-income families with children under 16 by the end of 2022.[29]

Universal Credit remains a reserved benefit, but under Universal Credit Scottish Choices the Scottish Government has used the powers conferred by the Scotland Act 2016 to change payment arrangements in Scotland for Universal Credit and to vary the housing cost element for rented accommodation. Scottish Choices is delivered by the DWP on behalf of the Scottish Government and provides the following options for UC claimants in Scotland:

- Being paid Universal Credit twice a month rather than monthly
- Having their Universal Credit housing element paid directly to their landlords[30]

Scottish Ministers also have the power to split UC payments between members of a couple, instead of making one payment per household. They can also vary the amount of housing costs paid to people in receipt of UC, and intend to use this power to remove the under-occupation deduction. Further detail on the implementation of these policies is still being developed by the DWP and the Scottish Government.[31]

A Joint Ministerial Working Group on Welfare was established in February 2015 to provide a forum for UK and Scottish Ministers to discuss social security matters, to ensure the smooth transfer of the powers, and to resolve "contentious and challenging issues".[32]

In January 2022, a concordat between the DWP and Scottish Government was published on an agreed framework for cooperation between the two, including an agreement to maintain good communications on the implementation of devolved social security powers, and the services provided by the DWP to the Scottish Government and vice versa.[33]

Further information

Commons Library briefing CBP-9048, Social security powers in the UK, sections 6 and 7

28 Social Security Scotland press release, Scottish Child Payment doubles, 4 April 2022
29 Tackling child poverty delivery plan 2022 to 2026: statement by Cabinet Secretary for Social Justice, Housing and Local Government, GOV.SCOT, 24 March 2022
30 Scottish Government, Universal Credit: new choices for people living in Scotland, 31 January 2018
31 Scottish Affairs Committee, Welfare Policy in Scotland, HC 55, 23 June 2021, paras 144-148
32 Joint Ministerial Working Group on Welfare, GOV.SCOT
33 DWP and Scottish Government, Concordat between the Department for Work and Pensions and the Scottish Government, 31 January 2022

Commons Library briefing CDP-2019-0084, Devolution of welfare

Northern Ireland

All social security powers are devolved (or "transferred") formally to Northern Ireland, aside from Child Benefit, Guardian's Allowance, Working Tax Credit, and Child Tax Credit, which are "excepted' powers". By long-standing convention, Northern Ireland maintains "parity" with social security, child maintenance, and pensions systems in Great Britain. In practice, this is an important limitation on the ability of the Northern Ireland Executive and Assembly to diverge from UK Government policy. The Department for Communities delivers social security benefits in Northern Ireland, aside from tax credits and other HMRC-delivered benefits, such as Child Benefit.[34]

The National Insurance Act 1946 enabled reciprocal arrangements for coordinating the two National Insurance systems in Great Britain and in Northern Ireland, so that they could operate as one system. Additionally, the Social Services (Agreement) Act 1949 maintained parity in the rates of contributions and payments for a range of benefits. Reciprocal transfers were a key part of this arrangement so that reserves in each fund per contribution were equalised, although in practice these transfers were and are mainly from Great Britain to Northern Ireland. The UK Government has remained committed to meeting the shortfall in social security spending in Northern Ireland, on condition that people in Northern Ireland pay the same rate of income tax and National Insurance, so that they enjoy the same rights and benefits as people in Great Britain.[35]

The 'principle of parity' was codified in legislation by section 87 of the Northern Ireland Act 1998. It provides that the Northern Ireland Minister responsible for social security and the Secretary of State for Work and Pensions should consult one another with a view to securing a single system of social security, child support, and pensions for the UK. The 1998 Act contained a list of legislation where reciprocal consultation is required, and this is updated on a regular basis.[36]

There are, however, some differences in social security provision in Northern Ireland compared with Great Britain. The most recent example of this is a "mitigation package" of measures in place from 2016 (agreed as part of the November 2015 "Fresh Start Agreement") which enables the Northern Ireland Executive to reduce the impact of the UK Government's welfare reforms from 2010 onwards on the most vulnerable in Northern Ireland with a series of Welfare Supplementary Payments (WSPs), amongst other measures. These were due to expire in March 2020, but the "New Decade, New Approach"

34 Professor Gráinne McKeever (Ulster University), Social security devolution: Northern Ireland and Scotland (PDF), September 2017; Northern Ireland Assembly Research Service Briefing Paper 99/11, Parity and Social Security in Northern Ireland (PDF), May 2011

35 Commons Library briefing CBP-9048, Social security powers in the UK

36 Northern Ireland Act 1998, s87

agreement in January 2020 included a provision to continue mitigation measures beyond this date, and to develop plans to extend them further.[37]

On 15 November 2021, Communities Minister, Deirdre Hargey, announced that WSPs in Northern Ireland would be extended for a further three years.[38] Subsequently, the Welfare Supplementary Payments (Amendment) Act (Northern Ireland) 2022 received Royal Assent, providing a legislative basis for continued WSP payments, as well as for a review of WSPs to be completed “no later” than 31 March 2025, to inform future decisions on the provision of, and need for, WSPs after this date.[39]

Universal Credit is also delivered slightly differently in Northern Ireland to England and Wales. UC claimants in Northern Ireland have the option of certain payment flexibilities, including:

- Twice monthly payments for all households as the default, with monthly payments available on request.
- Payment of the housing element of UC direct to the landlord (“managed payment”) as the default position. Direct payment of the entire UC award including the housing element to the household is available on request.
- Split payments (paid into separate bank accounts) are possible between parties in a household on request.

Further information

Commons Library briefing CBP-90489, Social security powers in the UK, section 5.

Northern Ireland Audit Office, Welfare Reforms in Northern Ireland, 17 January 2019

Northern Ireland Affairs and Work and Pensions Committees, Welfare policy in Northern Ireland, HC 2100 2017-19, 9 September 2019

37 UK Government and Irish Government, New Decade, New Approach Deal, 9 January 2020, para. xvi
38 Department for Communities press release, Communities Minister Hargey announces welfare protections extension, 15 November 2021
39 Welfare Supplementary Payments (Amendment) Act (Northern Ireland) 2022

2 Key social security events/publications

2.1 Benefits uprating

Most benefits are usually increased – "uprated" – each year, following a review carried out in the preceding Autumn to determine whether they have retained their value in relation to either prices or earnings. Approaches to uprating have varied between benefits, and over time. Although their effect in most individual years is undramatic, uprating decisions and rules compound, and have over time had a dramatic impact on the level and shape of benefit provision afforded by the social security system.

Each year, a draft Social Security Benefits Up-rating Order is laid before Parliament, to be agreed by both Houses.[40] The Commons debate on the 2022 Order was on 7 February 2022.[41]

Historically, the debate on the Benefits Up-rating Order has been one of the main events of the parliamentary calendar, allowing frontbenchers and backbenchers alike to discuss wider social security issues, not solely the level of benefits.

For the 2022/23 financial year, the Government made changes to the State Pensions "triple lock", temporarily suspending the earnings element. These changes, and the debate surrounding them, are discussed in the Library's briefing on The Social Security (Uprating Of Benefits) Bill 2021-22 - now an Act.[42]

Further information on benefits uprating policy and practice is given in the Commons Library briefing on how benefit levels are set. For information on this year's uprating and 2022/23 benefit levels see our briefing on benefits uprating 2022/23.

2.2 OBR Welfare Trends Report

The Office for Budget Responsibility's (OBR) annual Welfare Trends report looks in detail at social security and tax credits spending. Since 2018, the OBR

40 The latest became The Social Security Benefits Up-rating Order 2022, SI 2022/292
41 HC Deb 7 February 2022 cc709-750
42 The Social Security (Up-rating of Benefits) Act 2021

Welfare Trends reports have examined particular themes rather than looking at expenditure across the board:

- The most recent Welfare Trends report published on 24 May 2022 and focused on the impact of recessions over the past 40 years on working-age welfare spending.
- The report published on 23 March 2021 covered the drivers of Universal Credit and the Covid-19 pandemic's impact on the working-age welfare spending outlook.
- The report published on 19 December 2019 focused on the impact of the Summer Budget 2015 welfare spending cuts.
- The report published on 15 January 2019 reviewed the effects of disability benefit reforms on spending, in particular the transition from Disability Living Allowance to Personal Independence Payment.
- The report published on 25 January 2018 focused on Universal Credit.

Welfare Trends reports contain a wealth of analysis and data not readily available elsewhere, and commentary on whether welfare policies are meeting their aims.

2.3 Budgets and other fiscal events

Since 2017 the general practice has been to have a single Budget in the Autumn, with a Spring Statement in March responding to the Office for Budget Responsibility's updated fiscal and economic forecasts (see our Commons Library briefing: March 2022 Spring Statement). However, over the last three years this timetable has been affected by the timing of the 2019 General Election and the Covid-19 pandemic, so that both 2020 and 2021 Budgets took place in the Spring.

Following each "fiscal event" (ie Budget or Spring/Autumn Statement), the DWP publishes updated Benefit expenditure and caseload tables containing historic (from 1948) and forecast benefit expenditure and caseload data.

In the weeks leading up to the Budget, the Institute for Fiscal Studies (IFS) publishes its flagship Green Budget report, which in the past has included chapters on welfare topics including Universal Credit. The IFS also produces post-Budget analysis briefings. The Resolution Foundation also publishes briefing notes providing an assessment of the measures announced at each Budget or fiscal event.

During the coronavirus crisis from 2020 and cost of living increases from 2022, there have also been ad-hoc spending announcements outside of fiscal events. Most recently, additional payments to certain benefit recipients and pensioners were announced on 26 May 2022 as part of a cost of living support package.[43]

2.4 Annual report and accounts

The DWP's Annual report and accounts for the financial year just ended is usually published at the end of June – the DWP Annual Report and Accounts 2020 to 2021 was published on 15 July 2021.

The Report by the Comptroller and Auditor General – which is published alongside the Annual Report and in the same volume – includes an analysis of the levels of fraud and error in the benefits system, and a critique of the Department's approach to addressing it. In 2021, this is of particular interest due to the rising fraud and error rates during the coronavirus pandemic.

2.5 DWP reports

The DWP publishes a wide range of statistics on benefits, pensions, employment programmes, income distribution and other subjects it is responsible for – see Statistics at DWP on GOV.UK. Key publications to look out for include:

- Income-related benefits: estimates of take-up – provides estimates of take-up, by caseload and expenditure, of the main means-tested benefits. The take-up estimates for 2019-20 estimates were published on 24 February 2022.

- Households Below Average Income (HBAI) statistics – statistics and commentary on living standards in UK households, as determined by disposable income. They include the number and percentage of people living in low-income households, and changes in income patterns over time. The most recent HBAI report was published on 8 April 2022.

- Fraud and error in the benefit system – provides estimates of fraud and error for benefits administered by the DWP and local authorities. The most recent report – for 2021-22 – was published on 26 May 2022.

- Abstract of DWP benefit rate statistics – an annual National Statistics publication that aims to provide a reference source for users interested in the main aspects of benefit uprating and indices of prices and earnings. The most recent edition was published on 25 January 2022.

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[43] HM Treasury, Cost of Living Support, 26 May 2022

For further upcoming statistics see the DWP's statistics release calendar.

The DWP publishes most of its statistics through the digital portal Stat-Xplore, including data not included in the regular statistical publications listed above.