DWP in 2021: Record fraud, record management bonuses and record pension underpayments

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Department for Work and Pensions

The latest annual report for the Department for Work and Pensions was published last week and reveals yet another litany of failures in this ministry. After a drubbing last year from Parliament's watchdog, the National Audit Office, its accounts were qualified again making it the 34th year in succession it has failed to balance the books accurately.

This finding may also be a Whitehall record – there can hardly be another ministry in Whitehall that has so spectacularly failed to produce accounts with a clean audit sheet.

The big benefit fraud failure is again the government's flagship Universal Credit. In 2020 it the rate of overpayments increased from 4.4% in 2019-20 to 7.5% in 2020-21. Nearly all of the increase in fraud and error was on Universal Credit. DWP estimates it overpaid £5.5 billion of Universal Credit (14.5%) and underpaid £540 million (1.4%).

In 2021 it overpaid £8.5 billion of benefits – the highest level recorded. Fraudulent Universal Credit claims account for £5.2 billion of the £8.5 billion overpaid. DWP estimates that it overpaid 14.7% of all Universal Credit payments in 2021-22, compared to 9.4% in 2019-20 (the year preceding the pandemic). DWP paused fraud and error prevention measures due to COVID-19 disruption, some of which have not yet been reinstated.

As at 31 March 2022, DWP is owed £7.6 billion of benefit overpayments, Tax Credits, and advances by around five million claimants, an increase of over £1 billion from 2020-21. DWP expects this pattern to continue until it has fully embedded new prevention measures. It recovered £2.0 billion of this debt in 2021-22, with 90% of debt recovered through benefit deductions. DWP can only recover overpayments it identifies – most overpayments are not identified and will not be recovered.

Disabled people are also suffering mainly from underpayment of attendance allowance. The NAO report says: "The estimated rate of overpayment in Attendance Allowance is 2.2% (£120 million), and the underpayment rate is 4.3%(£230 million).

" These estimates suggest that Attendance Allowance has the lowest rate of overpayment (excluding State Pension), but the highest rate of underpayment of the benefits sampled this year. Almost all the underpayment of Attendance Allowance is classified as claimant error. In previous years the Department has used Disability Living Allowance (DLA) as a proxy rate for Attendance Allowance."

Turning to pension payment once again women are being singled out to receive the worst treatment after being underpaid for years.

Widowed pensioners left to wait 18 months to 2 years

The report says DWP now estimates that it has underpaid £1.46 billion to 237,000 state pensioners. This is an increase of £429 million and an increase of 105,000 pensioners on its best estimate at the end of 2020-21. DWP has carried out additional reviews of its records to understand the pensioners that may be affected, but the full extent of the underpayments will not be known until every case has been reviewed. DWP aims to complete its review of State Pension underpayments by the end of 2023 for two of the three affected groups[2] but this deadline will not be met for the largest group, widowed pensioners, which may take until late 2024 to complete. DWP will need to significantly increase the rate at which it reviews cases.

This means if you have been widowed civil servants will not even look at what you are owed for another 18 months and you will be lucky to get the money by the end of 2024.

However while pensioners and the disabled wait for their legally entitled payments it has been a bonanza year for the top management of the DWP. This year a record 7 of the 11 (it was 5 the previous year) top management walked away with extra bonuses for their work. This may be due to how the department had to handle extra Universal Credit payments during the pandemic but it is startling given the abysmal report by the NAO on its control of fraud and failure to pay people the right pensions.

You will have to remember some civil servants can retire at 60 depending on what civil service pensions scheme they belong to – 6 years before the public get their state pension – with both high pensions and a generous one off payment.

This is the roll call of the beneficiaries.

From top left: John-Paul Marks, Jonathan Mills, Neil Couling, Peter Schofield, Kate Farrington, Debbie Alder and Nick Joicey. Pic credits: gov.uk

Peter Schofield, permanent secretary and accounting officer, is already on £185-£190,000 a year. He gets a bonus of up to £20,000 plus £33,000 into his pension. He has accrued enough money to retire on £75-£80,000 a year plus a one off payment of up to £170.000 and his pension pot is worth £1.394 million.

Debbie Alder, director general, People, Capability and Place,£145-£150,000 a year. She gets a bonus of up £15,000 plus £57,000 into her pension. She has accrued enough money to retire on £35-£40,000 a year. She has a pension pot of £543,000.

Neil Couling, director of change and resilience (responsible for Universal Credit).£165-£170,000 a year. He gets a bonus of up to £15,000 and £16,000 into his pension. He has accrued enough money to retire on £75-£80,000 a year plus a one off payment of up to £190,000 and a pension pot worth £1.654 million.

John-Paul Marks, who left on 31 December last year, received £105-£110,000 for nine months ,a bonus worth up to £15,000 and £31,000 towards his pension. He left with enough money to retire on £40-£45,000 a year and a pension pot worth £532,000. He is now permanent secretary to the Scottish government.

Katie Farrington, director general, disability, health and pensions ,£120-£125,000. She gets a bonus of up to £10,000 and £87,000 paid into her pension pot. She has accrued enough money to retire on £30-£35,000 a year plus a lump sum of £50-£55,000 and pension pot worth £531,000.

Jonathan Mills, director general, Labour Market Policy and Implementation,

£135-£140,000 . He gets a bonus of up to £5000 and £35,000 paid into his pension. He has accrued enough money to retire on £45-£50,000 a year plus a lump sum of £80-85,000. His pension pot is worth £690,000.

Nick Joicey, director general, Finance, £150-£155,000 . He gets a bonus of up to £5000 and £36,000 paid into his pension pot. He is also the husband of Rachel Reeves, the shadow Chancellor.

He has accrued enough money to retire on £55-£60,000 a year plus a lump sum of £90-£95,000 and a pension pot worth £967,000.

I don't think I have to say anything more and leave the reader to make his or her judgement on the state of the DWP

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