

# Department for Work and Pensions



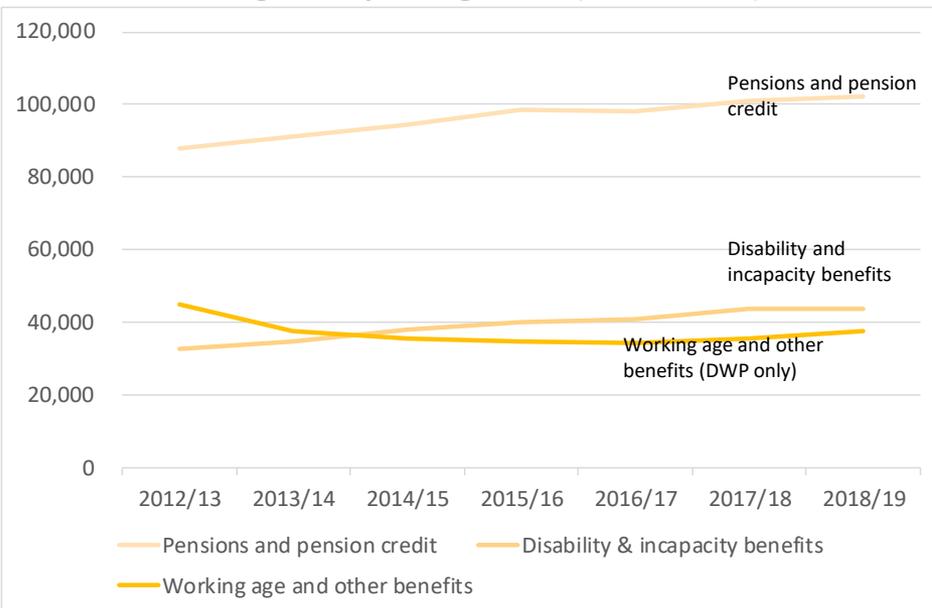
# Annually Managed Expenditure (Resource AME)

## Spending Review 2015

SR 15 planned welfare savings of £12 billion a year by 2019-20 through measures including:

- Freezing working age benefits for four years from 2016-17 to 2019-20
- Reducing income thresholds in tax credits/ work allowances in Universal Credit; and increasing the tax credits taper rate (changes later delayed and modified)
- Limiting child tax credits to 2 children for new claims
- Lowering the benefit cap to £23,000 in London, and £20,000 elsewhere

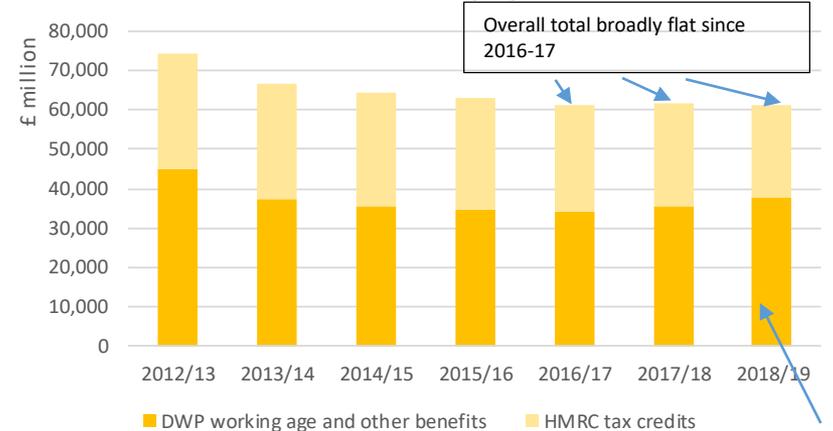
## Long-term spending trends (£m, nominal)



## Trends

- Spending on pensions and pension credits continues to rise steadily despite lifting of state pension age, and speeding up of pension equalisation between women and men. State pensions are uprated each year by the “triple lock”.
- Spending on disability and incapacity benefits also continues to rise, despite the introduction of Personal Independence Payments. PIPs and Disability Living Allowance have continued to be uprated by CPI each year
- DWP spending on working age and other benefits has fallen, but is now starting to rise as Universal Credit is rolled out and DWP absorbs costs previously borne by HMRC. Overall cost to govt is broadly flat. Most working age benefit rates are being frozen for 4 years.

## tax credits and DWP working age/other benefits



DWP share starts to grow as Universal credit rolled out



# Day-to-day Spending (Resource DEL)

*DWP spends 2% of total Resource DEL*

## Spending Review 2015

The 2015 Spending Review planned for DWP to spend 22% less on administration in real terms, including

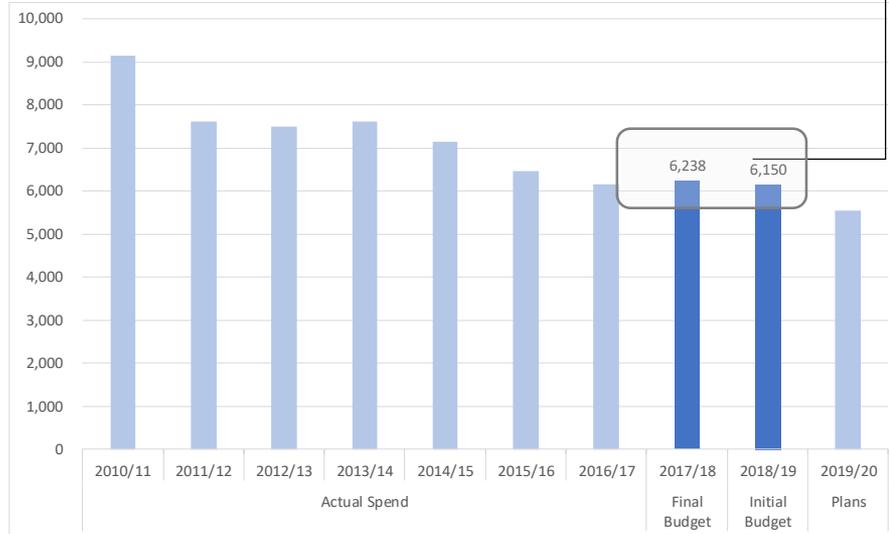
- a 30% reduction in estate costs, reducing the estate size by 20%
- £319 million of savings on technology (34% less in real terms)

## Trends

Previous Spending Reviews have already reduced administration costs and the size of the DWP workforce. The overall workforce of DWP and its arms length bodies and agencies has fallen from 115,565 in 2010/11 to 78,052 in 2018 (full time equivalents).

Source: [DWP workforce management information](#)

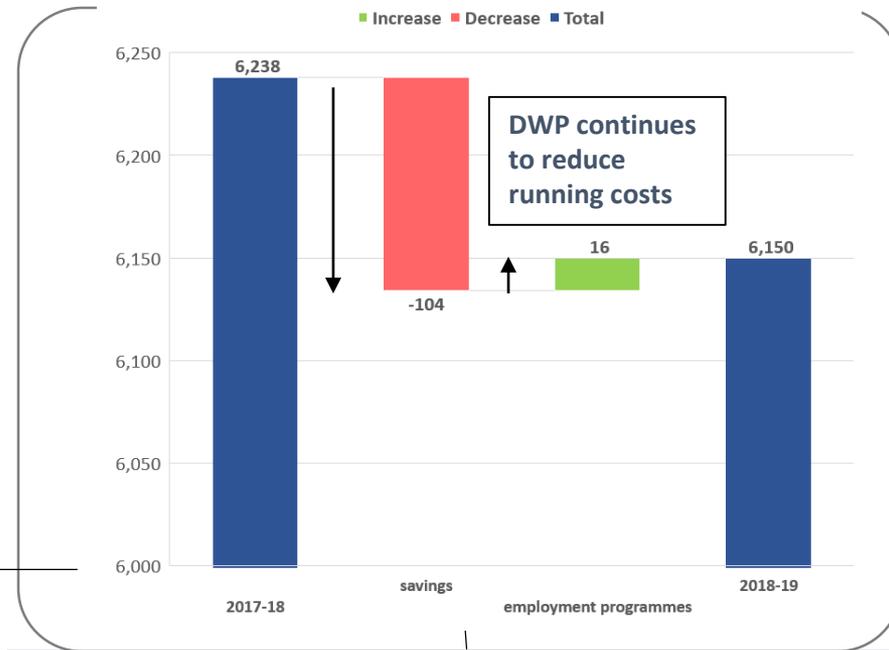
## Long-term spending trends (£m, nominal)



1

2

## Breakdown of changes in budget from 2017-18 to 2018-19, £m



## Changes from last year

DWP plans to *reduce*

- operational delivery spending from £2,028 million last year to £1,992 million this year (-1.7%); on Departmental operating costs from £2,720 million last year to £2,709 million this year (-0.4%); and on its IT service company, BPPTS, from £40 million to zero
  - Resource spending on the Health and Safety Executive falls from £127 million last year to £122 million this year (-3.9%); and on the Pensions Regulator from £86 million to £73 million (-15%)
- DWP also plans to *increase* spending on employment programmes from £359 million last year to £375 million this year (+4.5%)

<sup>1</sup> Final budget at Supplementary Estimates 2017-18 (Feb 2018)

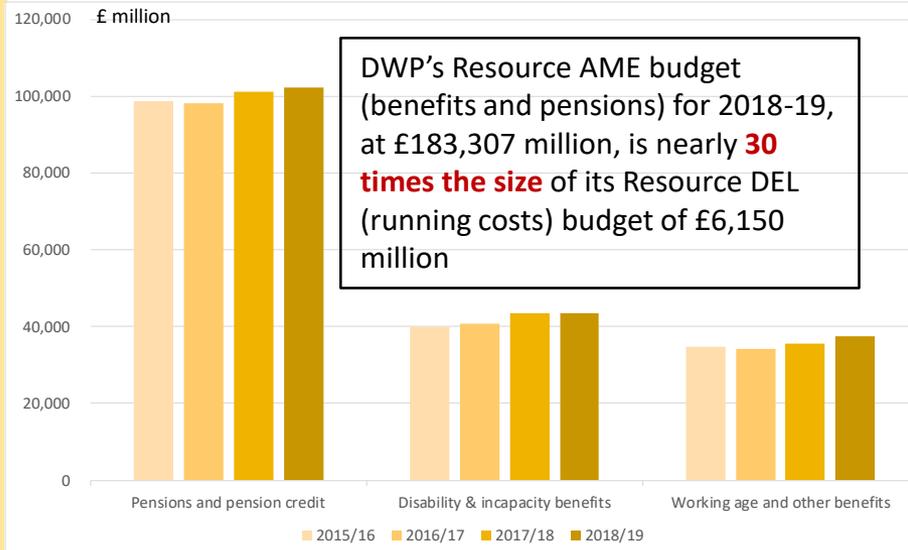
<sup>2</sup> Initial budget as at Main Estimates 2018-19 (April 2018)



# Breakdown of spending and changes since last year:

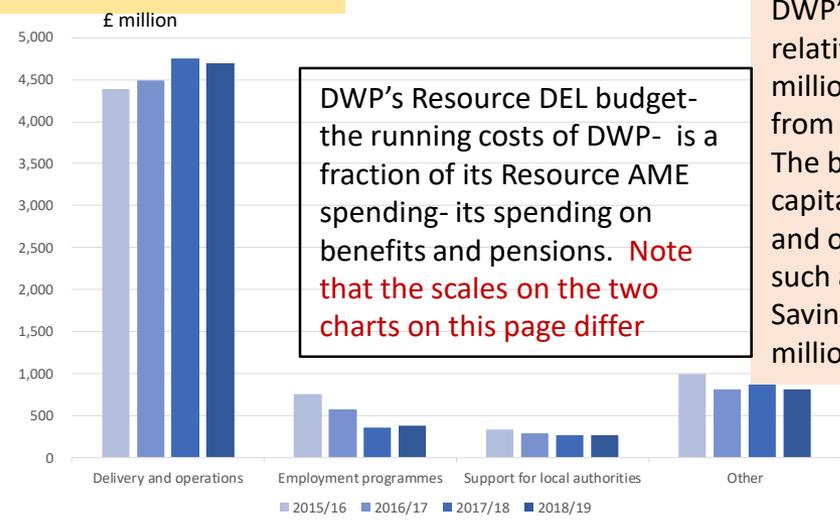
## Resource AME

- Around £ 7,000 million increase in costs since last year (+4%) of which £3,000 million is cost of uprating state pensions
- Spending on disability and carer benefits is forecast to be 8.5% higher than last year. These benefits are being uprated by 3% in 2018-19, but DWP says the rise is also due to new modelling for PIP expenditure better reflecting actual likely costs. Carer's allowance spending is also increasing sharply (up 12.4% ) both because of PIP modelling changes and higher numbers of child DLA cases
- Spending on pensioner benefits is forecast to rise by 3%, in line with the uprating. State pension equalisation is expected to have more of an impact on pension credit spending with forecast spending down over 7% compared to initial budgets last year
- Spending on most other benefits is either flat, or increasing only because DWP's share grows, while HMRC's reduces, because of the introduction of Universal Credit.



## Resource DEL

- After falling for several years, spending on DWP's delivery and operating costs (which together make up over 75% of DWP's Resource DEL ) rose in 2016-17 and 2017-18. Reductions are now forecast for 2018-19 and 2019-20.
- Spending on employment programmes has fallen from £1,037 million in 2013-14 to £375 million in 2018-19.
- £79 million has been provided in 2018-19 for additional support to enable ESA claimants to take steps back to work



## Capital DEL

DWP's capital DEL budget is relatively small, totalling £255 million in 2018-19, a reduction from £501 million in 2017-18. The budget covers IT projects, capital building costs and loans and other financial transactions such as National Employment Savings Trust loans (£162 million).

## Capital AME: now includes

£148 million to cover mortgage loans, which replace former benefits



# Changes in benefits:

## Universal Credit

### Universal Credit continues to be rolled out

UC replaces **six previous benefits**:

- ✓ Income support
- ✓ Job Seeker's allowance (income related)
- ✓ Employment and support allowance (income related)
- ✓ Housing benefit
- ✓ Working tax credit (previously paid by HMRC)
- ✓ Child tax credit (previously paid by HMRC)

Benefits caps frozen at £23, 000 (London) and £20,000 (elsewhere)

Support for mortgage interest replaced by loans with interest from April 2018

For more information see House of Commons library paper: [2018 Benefits upratings](#)

New claimants of Universal Credit **may get less than they would have done** under the previous tax credit arrangements. Protections exist for existing claimants until circumstances alter

Universal Credit rollout plans have been persistently delayed. Rollout of full service expected by December 2018, after which existing claimants which be moved to UC from 2019. [Rollout schedule](#), March 2018

### Most benefits **frozen for four years**, including:

- ✓ Universal Credit
- ✓ Child Benefit
- ✓ Jobseekers' Allowance
- ✓ Work related Employment and Support Allowance
- ✓ Income Support
- ✓ Housing Benefit under women's state pension age
- ✓ Local Housing Allowance rates
- ✓ Child Tax Credit
- ✓ Working Tax Credit

## Upratings for 2018/19

### Up by 3% (CPI inflation index at September 2017):

- ✓ Attendance Allowance
- ✓ Personal Independence Payment
- ✓ Disability Living Allowance
- ✓ Carer's Allowance
- ✓ Bereavement Allowance
- ✓ Maternity Allowance
- ✓ Statutory Maternity/Paternity etc Pay
- ✓ Statutory Sick Pay
- ✓ Support Group Employment and Support Allowance

### Up by 2.3% (linked to earnings, May to July 2017):

Pension credit

### Up by 3.0% (triple lock: earnings, consumer price inflation or 2.5% whichever is greater):

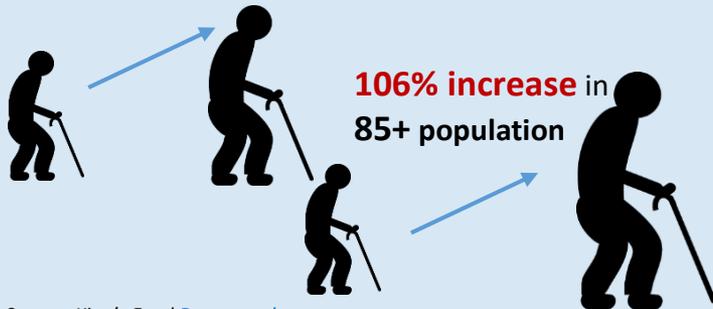
State pension



# Trends Ageing population

Over the next 20 years:

**39% increase** in 65+ population



Source: King's Fund [Demography](#)

# Income inequality (Gini coefficient) over time

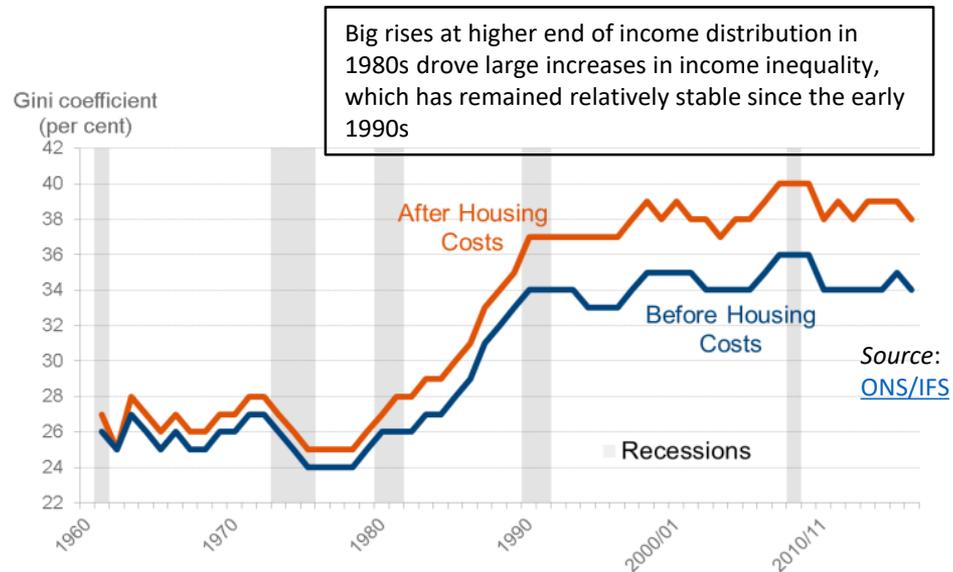
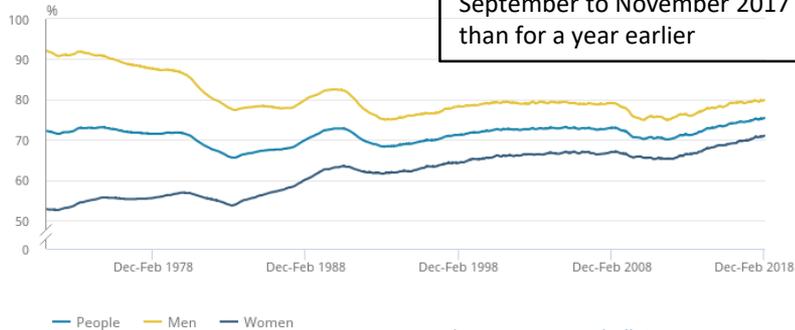


Figure 2: UK employment rates (aged 16 to 64 years), seasonally adjusted  
January to March 1971 to December to February 2018

## Employment rates

December 2017–Feb 2018 figures showed 32.26 million people in work, 55,000 more than for September to November 2017 and 427,000 more than for a year earlier



[Link to source: ONS bulletin](#)

Source: Labour Force Survey, Office for National Statistics

## UK disability employment rate gap



Disability employment gap has been slowly falling, but remains 31.3% above the rate for the population as a whole Source: [DWP Annual Report and Accounts 2016-17](#)

