Stephen Timms MP
Chair, Work and Pensions Committee
House of Commons
London
SW1A 0AA

Dear Stephen,

Government Response to the Committee's Thirtieth Report of Session 2017-19 on Overpayment of Carer's Allowance

The Secretary of State has asked me to reply to your predecessor's letter of 30 October 2019.

Regarding the Department's original response to the previous Committee's report on the overpayment of Carer's Allowance, I can assure you that the each of their recommendations were considered very seriously. The fact that in a number of areas we already had work underway, broadly in line with some of these recommendations, suggests a degree of commonality of thinking and purpose. I was pleased that the Committee welcomed much of the work we are doing to address overpayments of Carer's Allowance.

A number of the Committee's recommendations contained multiple elements. Therefore, we have added a fourth, "partially accepted", category to those requested by the Committee. We hope this approach is helpful to the new Committee as it allows us to more accurately categorise each of our responses. I have attached a table which covers each recommendation in turn, setting out our formal response and clearly and briefly explains why we have rejected some. In particular, it contains further commentary on recommendations 4, 6, 8, 18 and 19 which were highlighted in your predecessor's letter.

I hope the newly constituted Committee finds this further response helpful and I look forward to working with you in a constructive manner on this and other inquiries.

Just.

JUSTIN TOMLINSON MP

MINISTER FOR DISABLED PEOPLE, HEALTH AND WORK

SUMMARY OF DWP RESPONSES TO RECOMMENDATIONS

Recommendation	Response
1. Staffing levels and targets	Partially accepted. Of course the Department agrees that it needs to have sufficient staff in place to meet demand and believes that to be the case. We generally favour a system of performance aspirations (which help encourage staff to do the right thing) over rigid targets, as the latter can sometimes drive perverse behaviours.
2. Staffing levels and targets	Partially accepted. The Department set out in its formal response the approach taken to assessing the number of staff needed to handle Carer's Allowance (CA) claims and changes. We have already set out why we do not favour a system of rigid targets to manage CA work. We aspire to a service where carers are able to claim CA and report changes through a channel of their choosing; where our communications to carers make as clear as possible the process for reporting changes of circumstances; and where we process claims and changes as timeously and accurately as possible.
3. Evaluation of impact of overpayment recovery	Accepted.
4. Writing off overpayments	Rejected. We have noted the Committee's strongly held views on this recommendation. We have acknowledged the need to improve claimant communications and set out some timescales for doing so, working with key stakeholders. However, as set out in a formal response, we are required to try and recover overpayments where they arise as a result of the claimant failing to fulfil their obligations to notify us timeously of any relevant change of circumstances. (Any information held by the Department does not negate those responsibilities which fall to the claimant.) Whilst bulk write-offs, as suggested by the Committee, are not possible, we will consider requests by individual claimants to waive recovery in the very limited circumstances where this is allowable under HM Treasury guidance.

Recommendation	Response
5. Cases where additional amounts may be due to the disabled person being cared for	Rejected. It is simply not possible to take benefit payments due to one person and use them to offset benefit debt owed by a different person. If the disabled person wishes to transfer any money received from the DWP to their carer, that is their decision, but not one that DWP is empowered to make on their behalf.
6. Verify Earnings and Pensions (VEPs) system – resources and targets	Partially accepted. We have already set out in this supplementary response why we generally favour a system of performance aspirations (which help encourage staff to do the right thing) over rigid targets, as the latter can sometimes drive perverse behaviours. As mentioned in our formal response, this approach provides us with the flexibility to prioritise VEPs work where appropriate and adjust the resources accordingly.
7. Automation of alerts on changes to earnings	Accepted in principle. There is currently a process in place to alert CA of a claimant's change in earnings above the threshold and we believe this is working well. But it is not dependent upon there being a claim to Universal Credit (UC), rather information is received directly from HMRC. And the current work to improve CA services is investigating how this will be incorporated into the future service through linking directly to the data.
8. Increasing UC awards when CA stops	Accepted in principle. As we modernise our systems, we are actively looking at opportunities to automate CA and share timely data through central DWP systems. As already mentioned though, any information held by the Department does not negate those responsibilities which fall to the claimant to timeously inform us of any relevant change of circumstances.
9. Introduce an earnings taper in CA	Rejected. The Department has noted the Committee's continuing interest in a taper. But as set out in our responses to two reports from the Committee now, there are currently a range of policy and delivery issues to consider which militate against such an approach.
10. Limit recovery of overpayments to one month in specified circumstances	Rejected. As set out in our formal response we are looking to simplify the benefit system where possible. A "tolerance" approach has the potential to sow confusion.
11. Treatment of fluctuating earnings	Accepted. We are already reviewing the treatment of fluctuating earnings and will report back to the Committee during 2020.

Recommendation	Response
12. Communications on averaging earnings	Partially accepted. We believe that the onus should remain with DWP to calculate the initial actual average earnings figure for benefit purposes in such cases, but we accept the need to improve communications to claimants, including what they should do where their earnings change from those previously reported.
13. Improving communications and working with stakeholders	Accepted.
14. Improving communications	Accepted. As set out in our formal response, we are in the process of improving claimant communications so as to remind carers, at each appropriate opportunity, of the importance of reporting changes of circumstances, including to their earnings.
15. Linking the CA earnings limit to 16 hours work at National Living Wage levels	Partially accepted. The Government is proud of the National Living Wage and the significant increases that have been made to it. UC flexes to take increased earnings into account. CA has a weekly earnings rule. Subject to Parliamentary approval, this will increase from £123 to £128 net a week from April 2020, in line with average earnings growth. In terms of a formal link to 16 hours work at National Living Wage levels, DWP is to undertake research into carers employment and potential barriers to working. We will look at the findings from the research and other evidence with an open mind when the level of the earnings limit is next considered.
16. Level of Small Overpayments which are written off	Rejected. As set out in our formal response, 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.
17. Measuring underpayments and overpayments	Partially accepted. As the Committee would expect, DWP will discuss future measurement programmes with the NAO.
18. Reducing fraud and error and targets	Partially accepted. We already have an extensive programme to reduce incorrect payments resulting from fraud and error. We are currently working with the NAO to establish what the lowest feasible level of fraud and error will look like going forward.

Recommendation	Response
19. Improving capacity to listen to feedback	Partially accepted. As set out in our formal response we are already introducing a range of measures in this area. This includes setting up a new dedicated team looking to improve our capability in this area, which involves setting up a Serious Case and Learning Panel for example. We are also bringing together our customer insight functions to provide a more holistic understanding of what is working for our customers, what isn't and what the opportunities for improvement might be.

Work and Pensions Committee

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From the Chair

Justin Tomlinson
Minister for Disabled People, Health and Work
Department for Work and Pensions
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12 May 2020

Dear Justin,

Overpayments of Carer's Allowance

Thank you for your letter of 26 March, responding to the previous Committee's letter of 30 October 2019.

<u>Operational capacity to deliver Carer's Allowance</u>

The NAO's investigation, and the previous Committee's report, concluded that problems with DWP's systems, compounded by staff shortages, had allowed overpayments of Carer's Allowance to go unchecked for long periods. Several of the previous Committee's recommendations also related to the substantial backlogs of new claims for Carer's Allowance and changes of circumstance reported by existing claimants.

We would therefore be grateful for an update on the Department's progress in improving the quality of the service it offers to people claiming Carer's Allowance, as well as information about how performance has been affected by the coronavirus outbreak and the unprecedented pressures on the Department's capacity.

> **1. Before the coronavirus outbreak, what was the backlog of alerts into potential overpayments to carers awaiting investigation? What is the backlog now?**
>
> **2. Before the outbreak, what proportion of new alerts flagging possible Carer's Allowance overpayments were being reviewed each week? What is the proportion now?**
>
> **3. What do you expect to happen to the number of alerts awaiting investigation during the coronavirus outbreak, and what are the plans to reduce and remove any backlog following the outbreak?**

4. Before the coronavirus outbreak, was the Department meeting its aspiration of processing new claims for Carer's Allowance within 15 days? How do you expect performance to be affected by the coronavirus outbreak? • What is the current average time for processing a Carers' Allowance claim?

5. Before the coronavirus outbreak, what percentage of calls to the Carers Allowance Unit were being answered? How does this compare to any aspirations the Department had previously set, and how has it been affected by the coronavirus outbreak?

6. Before the outbreak, how many staff were processing CA claims and investigating overpayment alerts? Has this number changed as a result of the outbreak?

7. What is the Department's aspiration for processing claims made under the Special Rules for Terminal Illness, and was this being met before the outbreak? Has that situation changed since mid-March?

How Carer's Allowance works during the coronavirus outbreak

8. Under the current rules, eligibility for Carer's Allowance will usually end if the person a carer looks after spends 28 days in hospital. Given the intense pressure on resources at this time, the effort required to enforce this element of eligibility, and the higher likelihood of those who require care spending long periods in hospital, have you considered relaxing this restriction?

This is a difficult time for everyone, but it is likely to be particularly difficult for many carers. The previous Committee's inquiry heard how hard it already was for carers to keep abreast of the rules for eligibility for Carer's Allowance and to report changes of circumstance (including relatively small changes in income) promptly.

9. Might you therefore reconsider, at least as an emergency measure, the previous Committee's recommendation that, where claimants' earnings are within 5% of the earnings threshold, DWP should limit the period for which an overpayment is recoverable to one month?

10. Many carers are self-employed. Have you provided guidance for carers and support organisations about how eligibility for Carer's Allowance might be affected by any claim a carer makes on the Self-Employment Income Support Scheme?

Recommendations made by the previous Committee

The Government accepted several of the recommendations in the previous Committee's report. We recognise that the current crisis has necessarily meant that many staff have been redeployed to work urgently on processing claims. For the time being, we are seeking updates only on those recommendations which have a clear relevance to the current crisis. DWP has undertaken to review key Carer's

Allowance customer communications, and to work closely with Carers UK to ensure that both the CA earnings threshold and the changes carers need to report to DWP are made clearer.

11. Might you please update us on the progress that review had made, and tell us about any specific changes that have happened as a result? In particular, has it informed any communications to CA claimants during the coronavirus outbreak?

The Department has also committed to a review of how fluctuating earnings are treated in the award of CA and will report to the Committee "during 2020".

12. Given that many more people's earnings are now insecure and fluctuating, might you let us know what progress that review had made before the outbreak? Do you have any specific plans to address the difficulties caused for carers whose earnings fluctuate because of coronavirus?

The previous Committee identified particular problems for carers who are also claiming Universal Credit, and recommended that the Department find a way to automate process of increasing a claimant's UC award when they lose their entitlement to CA. Your letter explains that this recommendation has been accepted in principle, but it has not yet been implemented. For now, people need actively to alert the Department, through their online journal, that they are no longer receiving CA.

Carers may be more likely to lose their entitlement to CA during this outbreak, perhaps because the person they care for has to spend a long time in hospital, or—very sadly—because the person they care for has died. At such times, it may well be difficult

13. What steps has the Department taken to ensure that people who lose their entitlement to Carer's Allowance understand very clearly the steps they need to take to ensure they receive the correct amount of Universal Credit, and that any journal messages are acted on promptly?

The Committee will want to examine your response, once we have it, and consider what further work we wish to do on this subject.

Yours sincerely,

Rt Hon Stephen Timms MP
Chair

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Rt Hon Stephen Timms MP
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5 June 2020

Dear Stephen,

Overpayment of Carer's Allowance

Thank you for your letter of 12 May 2020. For ease of reference, responses to your questions in the letter are set out, in turn, below.

As you will be aware, DWP has now introduced two important temporary measures which have been well received by stakeholders to help unpaid carers through the current emergency:

- Unpaid carers will be able to continue to claim Carer's Allowance (CA) if they have a temporary break in caring, because they or the person they care for gets Coronavirus or if either have to isolate because of it. (Under normal rules there are restrictions on breaks in care, but these have been lifted.); and
- Providing emotional support (rather than just more traditional forms of care) to a disabled person will also now count towards the CA threshold of 35 hours of care a week.

1. Before the coronavirus outbreak, what was the backlog of alerts into potential overpayments to carers awaiting investigation? What is the backlog now?

An outstanding alert does not necessarily indicate an under or overpayment. On 16 March 28,285 alerts were waiting to be actioned. On 15 May the figure was 29,700. We continue to prioritise our resources on processing new claims and payments. As a result, no action is currently being taken on any alerts that are generated, though the Department is constantly reviewing available resources against priorities.

2. Before the outbreak, what proportion of new alerts flagging possible Carer's Allowance overpayments were being reviewed each week? What is the proportion now?

Alerts show that the part of the system informing us about earnings is working and that many carers are able to combine their caring commitments with some work. The caseload of work is managed as routine and includes cases where we are waiting for information to be provided by the claimant. The most fruitful cases are prioritised. 49% of alerts reviewed in the week commencing 9 March identified an overpayment. As already mentioned, we are currently prioritising the processing of new claims and payments, in the context of unprecedented demand for DWP services, so have temporarily suspended activity on alerts.

3. What do you expect to happen to the number of alerts awaiting investigation during the coronavirus outbreak, and what are the plans to reduce and remove any backlog following the outbreak?

Resuming activity to review alerts will be considered alongside other DWP priorities as we seek to understand the impact of measures related to the Covid-19 outbreak.

4. Before the coronavirus outbreak, was the Department meeting its aspiration of processing new claims for Carer's Allowance within 15 days? How do you expect performance to be affected by the coronavirus outbreak? What is the current average time for processing a Carers' Allowance claim?

Our focus on processing claims and payments has resulted in an improvement in the average time taken to process a claim, which has fallen from 28 days to 25 days. The number of new claims received weekly has remained in line with forecasts.

5. Before the coronavirus outbreak, what percentage of calls to the Carers Allowance Unit were being answered? How does this compare to any aspirations the Department had previously set, and how has it been affected by the coronavirus outbreak?

Before the Coronavirus emergency we were answering an average of 75% of calls. The number of calls we are receiving has reduced. Currently we are answering an average of around 85% of calls received.

6. Before the outbreak, how many staff were processing CA claims and investigating overpayment alerts? Has this number changed as a result of the outbreak?

Prior to the pandemic we had approximately 200 full time equivalent (FTE) colleagues working on CA claims. This number reduced to 120 FTE due to absences related to COVID-19. As a result, the 60 FTE doing some work on alerts were diverted to new claims work. Due to recent reductions in absences, we now currently have 205 FTE working on new claims with alerts work suspended.

7. What is the Department's aspiration for processing claims made under the Special Rules for Terminal Illness, and was this being met before the outbreak? Has that situation changed since mid-March?

Supporting people who are terminally ill and their carers remains an absolute priority for the Department. In the case of Carer's Allowance, when we become aware that a person being cared for has a terminal illness we give priority to the claim for CA from their carer. We are looking to improve our processes in this area, including collecting relevant data.

8. Under the current rules, eligibility for Carer's Allowance will usually end if the person a carer looks after spends 28 days in hospital. Given the intense pressure on resources at this time, the effort required to enforce this element of eligibility, and the higher likelihood of those who require care spending long periods in hospital, have you considered relaxing this restriction?

We have looked at the current hospital admission rules. Imperial College research put average hospital stays for Coronavirus at between 8 and 16 days. This was well within the current 28-day period for disability benefits for adults where entitlement can be retained during a hospital admission.

9. Might you therefore reconsider, at least as an emergency measure, the previous Committee's recommendation that, where claimants' earnings are within 5% of the earnings threshold, DWP should limit the period for which an overpayment is recoverable to one month?

We set out in our formal response to the previous Committee's report. My letter of 26 March 2020 also outlined why we cannot accept this recommendation. We believe that it would complicate the current straightforward CA earnings rules and reporting requirements, making the requirements of the benefit harder for claimants to understand and adhere to.

10. Many carers are self-employed. Have you provided guidance for carers and support organisations about how eligibility for Carer's Allowance might be affected by any claim a carer makes on the Self-Employment Income Support Scheme?

We do not differentiate between carers who are also employed or self-employed in terms of the basic CA rules - both are subject to the same earnings limit.
As the Government introduces new measures to support those impacted by the Coronavirus pandemic, DWP is, of course, ensuring that the treatment of such income replacement schemes for benefit purposes is properly considered and that staff are made aware through new guidance and instructions, enabling them to accurately assess claims and advise carers.

As the Committee is aware, DWP maintains a close working relationship with Carers UK. DWP has kept Carers UK informed of developments throughout the pandemic period which have been introduced to better support carers at this time. This includes advising Carers UK of changes to rules and easements in operating processes. Carers UK have been able to quickly get messages to carers who use their services. DWP has also added some additional advice on changes made to the CA pages on Gov.UK.

11. Might you please update us on the progress that review [of customer communications] had made, and tell us about any specific changes that have

happened as a result? In particular, has it informed any communications to CA claimants during the coronavirus outbreak?

This work is ongoing and has involved consulting DWP staff, external stakeholders and claimants. Improvements have already been made across a number of key channels, including letters, claim forms and online.

Most notably we have (i) made changes to the annual CA uprating letter to give greater prominence to the CA earnings rules and changes that need to be reported and (ii) significantly reworked the CA claim form and accompanying notes, strengthening key messages about CA earnings rules and changes that claimants must report. We have also made changes to information held on Gov.UK, including around the detailed CA earnings rules.

Further planned work includes reviewing the 25 most frequently issued clerical products. Additionally, over the last few weeks, during the Coronavirus emergency, we have developed specific messaging which has included changes to Gov.UK and further changes to the clerical claim form to reflect easements introduced as a result of the emergency.

12. Given that many more people's earnings are now insecure and fluctuating, might you let us know what progress that review had made before the outbreak? Do you have any specific plans to address the difficulties caused for carers whose earnings fluctuate because of coronavirus?

We average earnings where there is a recognisable pattern. We have also put some previously suspended "earnings cases" back into payment where earnings have now reduced or ceased. For carers undertaking other work as the self-employed, we have made changes to the evidence we require to calculate an earnings figure for CA purposes.

13. What steps has the Department taken to ensure that people who lose their entitlement to Carer's Allowance understand very clearly the steps they need to take to ensure they receive the correct amount of Universal Credit, and that any journal messages are acted on promptly?

Universal Credit (UC) claimants are informed at the new claim declaration stage, and on a regular basis via their monthly award statement, that all changes in circumstances, including changes to caring, must be reported either via their online account or by telephone. This will ensure that the correct adjustments are made to their UC award. The Case Manager or Work Coach receives a notification in real time each time a claimant submits an entry into their online journal. Journal entries are monitored daily as part of our case management response, though not all entries will require a response.

Finally, I wanted to pay tribute to the work done by our staff in the Carer's Allowance Unit. With much depleted numbers themselves because of this emergency, they have continued to provide carers with an exceptional service.

Kind regards,

Just.

Justin Tomlinson MP
Minister for Disabled People, Health & Work