House of Commons

Public Accounts Committee

Oral evidence: Department for Work and Pensions Accounts 2021-22, HC 44

Wednesday 20 July 2022

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Mr Louie French; Peter Grant; Kate Green.

Also present: Sir Stephen Timms, Chair of the Work and Pensions Committee.

Gareth Davies, Comptroller & Auditor General, National Audit Office and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1-108

Witnesses

I: Peter Schofield CB, Permanent Secretary, Department for Work and Pensions, Neil Couling CBE and CB, Director General, Change and Resilience, DWP, Bozena Hillyer, Director, Counter Fraud, Compliance and Debt, DWP, and Elizabeth Fairburn, Customer Experience Director, DWP.

Examination of witnesses

Witnesses: Peter Schofield, Neil Couling, Bozena Hillyer and Elizabeth Fairburn.

Q1 **Chair:** Welcome to the Public Accounts Committee on Wednesday 20 July 2022. We have started a bit late because we have had a private briefing in advance of the hearing from the DWP about certain issues that are not wise to play out in the public domain. I think we all have an interest in ensuring that the DWP, on behalf of the taxpayer, is cracking down on organised crime and fraud. We will ask some of those questions in public because some of the answers are perfectly reasonable to have in the public domain.

I welcome our witnesses to the session on the DWP annual report and accounts, which is a very interesting document that tells us how a large amount of taxpayers' money is spent to support people when they need help the most. It has been a very challenged Department during covid, when there was a huge increase in the number of universal credit claims, which created an ongoing challenge. We have Peter Schofield, the permanent secretary at the Department for Work and Pensions, Neil Couling, the director-general for change and universal credit and the SRO for universal credit at the Department for Work and Pensions. A lifetime's work, Mr Couling—12 years and counting ***Neil Couling:*** It feels like it, Chair.

Chair: We have Bozena Hillyer—no relation and a different spelling, I note—who is the director for counter-fraud and compliance and debt at the Department for Work and Pensions. I am delighted to welcome Elizabeth Fairburn, who is the customer experience director at the DWP, for her first session in front of the Public Accounts Committee.

Before we get into the main session, there are some questions from Kate Green, and I am delighted to welcome Sir Stephen Timms, who chairs the DWP Select Committee, as a guest on our Committee.

Q2 **Kate Green:** Briefly, in the light of the report that the Work and Pensions Committee produced recently in relation to no recourse to public funds, has the Department done any work on the balance of the costs and benefits of people not being able to access recourse to public funds in times of crisis?

Peter Schofield: Of course, there are funds available for people who are not eligible for public funds, from local authorities. They are eligible for contributory benefits as well, but beyond that, I am not aware of any further work that we have done.

Q3 **Kate Green:** I think, in a moment, Sir Stephen will want to ask a bit about the shunting of the costs elsewhere, but I was particularly interested in DWP's perspective of the benefits that access to an entitlement of public support can bring to improving the ability to be in employment, long-term outcomes for children, the quality of housing that you may be able to sustain and therefore health outcomes. Has that been given any consideration in the Department? If not, are there any plans to consider that?

Peter Schofield: At the heart of this is a Home Office policy, related to immigration status, so it is for the Home Office. I do not know what work it has done on the costs and benefits of the policy, but I am not aware that we have done any work like that in DWP.

Q4 **Kate Green:** I am only saying so, Mr. Schofield, because some of the cost impact on DWP ambitions, such as good employment, progression at work, child poverty and children's long-term outcomes.

Peter Schofield: There are welfare funds available for people in that situation—some of the funds through local authorities, and they are eligible for contributory benefits, but in terms of access to public funds, that is part of their immigration status, which is a Home Office lead.

Q5 **Sir Stephen Timms:** On that point, one of the welfare funds potentially available is the household support fund. Although if local authorities ask, are we allowed to pay people with no recourse to public funds from the household support fund? I think they are told they should take their own legal advice rather than being given a yes or no answer.

I know from a recent parliamentary answer that information on how local authorities have spent the first tranche of the household support fund will be published shortly. Will it be apparent when that is published how much was spent on families with no recourse to public funds? Are local authorities submitting that information to the Department?

Peter Schofield: I have not seen what we are going to publish yet, I'm afraid, Sir Stephen. I don't know what we are going to be publishing.

Q6 **Sir Stephen Timms:** Are you able to shed any light on when "shortly" might turn out to be?

Peter Schofield: I fear it is not this side of the summer recess. It may be a civil service autumn, I'm afraid.

Sir Stephen Timms: Well, I look forward to seeing it when it is published.

Q7 **Peter Grant:** Good afternoon again to our witnesses. What indication have you been given, Mr Schofield, of what your share of the planned 90,000 civil service job cuts is likely to be?

Peter Schofield: I think it is known that the Government have commissioned every Department to make a proposal or comeback to the commission of how the civil service as a whole would reduce its staffing levels back to where we were in 2016. We, like every Department, submitted our response to that commission, on 30 June—absolutely on time. But Mr Grant, you will understand I can't say any more around what will happen after that, given where we are in terms of the overall situation. Obviously, the Government needs to make a decision about what it wants to do with the responses that it has had from every Department.

Q8 **Peter Grant:** I appreciate you might not want to tell me what the advice you gave was, but have you indicated to the Government your view as to the maximum number and maximum speed of job cuts your Department can take without a significant deterioration in public service? Unlike with a lot of Departments, a lot of your staff are very much customer facing and they are providing services to people who cannot afford to go a week or two without their pension or benefit.

Peter Schofield: Yes, our people do an amazing job each and every day all around the country. The spending review settlement that we had implied quite a lot of work around use of digital technology and automation to modernise our services on a number of different fronts. For example, even—sorry, I shouldn't say "even" universal credit. Universal credit in particular, as a digital service at its heart, saves considerable sums of money in terms of taking administration costs from old, legacy DWP systems, HMRC and local authorities and driving reductions from that. But also, our service modernisation plans involved a lot of automation around child maintenance and retirement services. An example is retirement services on the new state pension. Well over half of new state pension claims are fully automated, with no human intervention. It's the sort of thing that, as we roll out, we can do much more of. The heart of a lot of our automation, and universal credit is an example of that, is that you save money in the back office and that enables us to put more people in the front office—in the case of universal credit, work coaches. So we spend less people time processing benefits and more people time helping people into work. That is the sort of model that we have had.

There is more to do in terms of service modernisation, but our plans, as funded by the spending review, already imply quite a lot of that. Beyond that, there are obviously choices that any Government has about activity that it wants to continue, do more of or do less of, but those are genuinely decisions for the Government to make.

Q9 **Peter Grant:** Thank you. If you have read the Committee's most recent report on the challenges of delivering major digital transformation, you may be able to understand why some of us are not convinced that the introduction of new technology is going to be done quickly and effectively enough to get to a 90,000 headcount within the timescale that the Government have suggested. But we may look in more detail at that nearer the time.

I want now to look at a specific example—which I don't think is included in the 90,000 headcount reduction, because it was announced, if I remember rightly, before that—and that is the reductions in what have been described as back-office staff in a lot of DWP offices. One of them, in Kirkcaldy, is not in my constituency, but from the emails that I am getting, I know that a significant number of the people whose jobs are affected are my constituents. They have been given a list of other potential Government employers that might be able to give them employment. As far as I could tell, all of them involve an additional commute of between 45 minutes and an hour each way. That could be up to 10 hours of additional commuting, on top of what they already have. What is a reasonable commute to expect a civil servant to undertake just to get to their work in the morning?

Peter Schofield: On the particular examples that you are talking about, this is not a job reduction plan; this is, absolutely, investing in our back offices to get high-quality office space, taking advantage of the fact that many of our leases for our office space come to a break in March 2023, five years after the completion of the prime PFI contract. What we are seeking to do, where we have older, smaller, inefficient office space that is not energy efficient and may be too small for us to work in multidisciplinary teams in the way we really want to, is to take the opportunity to withdraw from those sites and move to newer space, better space, that enables us to be more productive and more effective in our delivery of services to the public. That is what is driving all of this.

As you rightly say, there are relatively small numbers, but numbers all the same where we don't have necessarily— We are offering everyone the opportunity to move somewhere else, but often, as you say, we are outside the normal mobility. The precise answer to your question is a difficult one, because different people have different contractual conditions. I do not know precisely the terms of the individuals you are talking about, but "reasonable" means reasonable. We are encouraging and supporting colleagues who we don't have opportunities for within the vicinity to find other opportunities—potentially, as you say, outside in other civil service departments. We don't want to lose high-quality people from the civil service. This is not being driven by looking to reduce numbers of people employed by the Department for Work and Pensions; it is absolutely investing in our office space to drive efficiency.

Q10 **Peter Grant:** As well as the additional distance these people would have to travel to get to their new jobs, if they exist, none of the places they were advised to try is a UK Government responsibility. They are all either Scottish Government Departments or Scottish Government Executive agencies. Did you speak to the Scottish Government, or the Welsh Government for that matter—either to tell them you're going to be advising employees to try to get a job with them, or to find out whether they had any jobs that might be suitable—before you sent a list to them?

Peter Schofield: We have done a lot of engagement with colleagues. I do not know precisely, in the example that you are giving, who we actually talked to—I can write to you on that—but we are doing a huge amount of stakeholder engagement in all of those situations where we are moving to a different office. I don't know, Neil, whether you know.

Neil Couling: We work a lot with the Scottish Government, particularly Social Security Scotland, because they are recruiting quite a lot of ex-DWP staff into some of their roles. There is a good discussion there. Of course, we are one civil service. Although we work for different Governments, we are one civil service, so roles in the Scottish Government are as available to

UK civil servants as they would be to Scottish Government civil servants—and vice versa.

Q11 **Peter Grant:** That leads on to my final question on this. If somebody employed by a UK Government Department transfers to a Department of one of the devolved Administrations under those circumstances, do they keep all the accrued benefits related to their length of service with the civil service?

Peter Schofield: Yes, they would do, wouldn't they? It would also be part of the civil service pension scheme, wouldn't it?

Neil Couling: Yes, Scottish Government civil servants are part of the principal civil service pension scheme.

Q12 **Peter Grant:** I am thinking about a number of other provisions, such as annual leave entitlement, sick pay entitlement, maternity and parental leave entitlement, and redundancy notice entitlement, if it comes to that, all of which depend on length of service. Are you able to give an assurance that anyone who transfers out of the DWP to a devolved Government Department will maintain not less of the provision of all of those features of the condition of service, which are related to their continuous service with the civil service?

Neil Couling: It might be easier to write, but I would say in general that there are common rules and there are particular rules for Departments or the Scottish Government. Something like annual leave entitlement may be determined by the Scottish Government rather than by previously accrued entitlement in the UK Government, but things such as pension service and so forth would be continuous, and treated as such.

Q13 **Peter Grant:** If you were able to write to the Committee with the exact—

Neil Couling: If there is a particular area of concern that anybody has, Mr Grant, that would help us craft a reply.

Q14 **Peter Grant:** I've listed the main things that come to my mind: condition of service where, generally speaking, the benefit that accrues to the employee increases with the length of continuous service. I want to ensure that there's no question of anybody losing part of their annual leave.

Neil Couling: No, we don't want any barriers between civil servants moving between the two Governments, for example.

Peter Schofield: Pensions would be absolute continuation. Leave entitlements may be different.

Q15 **Chair:** I think a conversation perhaps needs to be had offline, and we can then pursue it further if necessary. While on the subject of headcounts, Barry Gardiner, the MP for Brent North, has raised with us a concern about work coaches on short contracts. A number of them have been laid off, even though you have promoted to us several times in Committee that you want to invest in work coaches. Obviously they have experience, and you are recruiting into other roles. What is the rationale on that? Is it that you are worried about the headcount train coming down the tracks, Mr Schofield?

Peter Schofield: No, this is all part of our workforce plan going forward, coming out of the spending review. When we doubled the number of work coaches from 13,500 to 27,000 as part of our response to the pandemic, we took them on on fixed-term appointments, many of which came to an end in June. But then we looked at what we thought we would need going forward in terms of our forecasted demand. Obviously, the situation in the labour market has improved since the pandemic but, going forward as well, as more people move into universal credit, that is an upward pressure on the number of work coaches that we need, so we balanced that out and, in the end, we were able to offer something like 9,500 permanent roles for people who had fixed-term appointments. We went through this in a process where we identified very carefully, in quite some detail, not only the overall number of people that we needed nationwide, but the parts of the country where we needed them. We then did a process where we looked at ranking in terms of performance, and we identified the best people out of a wonderful cadre of amazing people that we managed to recruit in the pandemic.

Q16 **Chair:** Okay. Thank you for that. I want to move on to the annual report and accounts in more specific terms. Perhaps I can come to you first of all, Bozena Hillyer, about the levels of fraud and error, which have always been high and are even higher. Why are levels of fraud and error so high, in simple terms?

Peter Schofield: Can I just come in beforehand?

Chair: Ah, there we go. Permanent secretaries always like to take over. Okay, Mr Schofield, but I hoping to get a detailed answer from Mrs Hillyer as well.

Peter Schofield: You will get a detailed answer from Bozena as well. Obviously fraud and error is too high in the welfare system—we can absolutely all agree on that—but I think it is important to recognise that the numbers that we published in May related to this quite backwardlooking sample. We did the sample between October 2020 and November 2021. As the C&AG himself recognises, right then we were still in the middle of a lot of the pandemic challenges and responses, and that has an impact and indeed, when we here last year, we did say that these numbers would be pretty much where they were the year before. That is the reason why these numbers are looking challenging, but we have a plan. There is a huge amount of work that we are doing—that we have already done—to re-engage some of the easements that we allowed to be put in place. For example, a quarter of the fraud in universal credit is from people who are self-employed, and we suspended the minimum income floor and the gainful self-employment test throughout a lot of the pandemic period. We only started to reintroduce that—

Q17 **Chair:** Can I perhaps cut across you on that? We recognise there will be time lags on some of this, so it was partly where it was going to go next. Are you confident then—from what you have said, you are making all these changes—that those changes will drive down the levels of fraud and error?

Peter Schofield: Yeah. I mean, look—

Chair: And to what level?

Peter Schofield: The challenge is: what is the baseline? What is happening to the propensity for fraud and error outside—

Chair: Which I am going to come to Mrs Hillyer on.

Peter Schofield: Which you are going to come to in a minute. The impact of what we are doing is something that we will measure and are measuring and looking at how that plays out—for example, on the selfemployed, reimposing the gainful self-employment test, which has taken us a year to fully run through the cohorts. We started in August 2021 and we are just finishing now; that will make a difference in next year's statistics. Of course, we are already in the middle of the sample for next year's statistics so that won't fully work through, but it will make a difference to the overall number in terms of fraud and error among the self-employed. Likewise, we already saw a reduction in fraud and error from capital in universal credit. One of the reasons for that is action that we took to make it easier for claimants to let us know when there has been a change of circumstances on capital. Some of this is already working through, but it will work through bit by bit. But obviously the big thing is the plan that we announced in May, which will do more to drive it out over the next three years.

Q18 **Chair:** Mrs Hillyer, we know that the easements were put in place during covid. You knew, and you had some understanding as a Department, that fraud and error would increase. Nevertheless, were you surprised at the rate of increase?

Bozena Hillyer: No, I was not actually. There are two really big factors there. One is, of course, as Peter has already mentioned, that we knew we had to make it easier to make sure people got paid during covid. We have talked about this before. We talked about this last year.

As I said, and I think it was in the accounts, last year we ended up with levels of fraud and error at 3.9%, but we actually put in a lot of mitigations to minimise the effect of that incoming fraud and error. We did things like setting up a brand-new team around looking at intelligence and risk assessment, and an enhanced checking service, and all these things meant that, if we had not done that, that 3.9% would have been 5.5%.

We knew how hard we had to work just to keep it at that level of 3.9%. Since then, we have seen that an awful lot of that increase has been in universal credit, because we had a huge increase—over doubling the number of claims that came in—and a lot of the cohort that came across was inherently riskier, because there was a lot more self-employment. We don’t have the same databases of really timely information to allow us to be able to verify and assess as much with claimants who are selfemployed. Then add to that the increased propensity to fraud anyway, so if you like, we are on a ship and the tide is rising, and we are battling against that at the same time. So, all those things being the case, of course it is massively too high—none of us wants to be there—but we understand how we have got there and we also understand, because of what we were able to do through covid and this past year, the things that we need to do to bring it down and to continue to bring it down to the levels that we want to see.

Q19 **Chair:** You raised the issue of the background increase in levels of fraud and organised crime more generally, which I think we recognise. I wonder how much you think the fraud for DWP is a result of that, compared with individuals not providing the right information fraudulently or inadvertently.

Bozena Hillyer: One of the best illustrations of that is that the teams I

have working on economic and serious organised crime have doubled in size in the past year, and we are carrying on growing. We have seen some very concerted attacks on the system—again, I think we told you about one of those last year around the 2020 May bank holiday—and we have continued to find further attacks of all natures linked to serious criminality. So, there is a considerable element of that.

I would say as well, however, that it is a complete spectrum, because we are talking about fraud and error. We have everything from someone making a simple mistake—claimed in error, and some error being things we do not get quite right as well, so official error—and individuals perhaps exaggerating circumstances a bit or not quite understanding what they need to say, all the way through to the concerted attacks on the system. We see the whole lot, but yes, we have definitely seen an increase in the level of organised criminality.

Q20 **Chair:** Do you disaggregate the serious and organised element of it, from the individual errors and fraud?

Bozena Hillyer: We have a range of different interventions that we can deploy in counter-fraud, compliance and debt, depending on the seriousness and whether something is criminal or civil.

Q21 **Chair:** Let us take those two. You are saying that the organised stuff is going up. We can assume it is, because your team has doubled in size— unless they all have an easier job than they had before—and we know that is true across society. What about individual levels of fraud? It was quite interesting that it was after the height of covid with the overpayments—there are lots of ways of cutting this, but some of that can include fraud and error. After the height of covid, it increased to 17.3%, compared with 9.4% or just under 10%, in 2019-20. Have you seen an increase generally in fraud, as well as in the organised crime end of it?

Bozena Hillyer: Yes, we have seen—not just us, but right across Government and indeed internationally—an increase in propensity to fraud. That manifests itself in things like people not thinking it is wrong, as perhaps they would have done a few years ago, to put in information that is not quite right, or thinking that it is okay to game the system a bit.

Q22 **Chair:** You say that with some confidence, but it sounds a bit anecdotal. How do you know that?

Neil Couling: We can give you the British social attitudes survey, if you like, Chair.

Q23 **Chair:** Okay, so the British social attitudes survey tells us that, does it? Then you read it through to your records in DWP. Are you seeing a different trend in why individuals do things?

Bozena Hillyer: Again, this will be slightly anecdotal, but it is difficult not to be anecdotal if you're trying to give an example of something that you've seen. We see cases where somebody does have entitlement, but they kind of gild the lily—they may even go as far as buying some fake documentation, just to make sure they get the entitlement. We have definitely seen some of that.

Q24 **Chair:** That is a bit more than gilding the lily, isn't it?

Bozena Hillyer: Well, it depends how they see it. You and I might say that, but, if you're in that position and you want to make sure that—

Q25 **Chair:** Yes, but it is a crime, isn't it?

Bozena Hillyer: It is, but what I am trying to say is that the attitude is slightly different to what you might think.

Peter Schofield: I think there is a space in the middle, which is: when I made my claim, it was based on accurate information; my circumstances have changed, but I don't rush to tell DWP about it.

Neil Couling: Typically living-together fraud is an example of that.

Chair: We've been around that house a fair few times.

Peter Schofield: Or you're self-employed and the business has started up again and you're not reporting your earnings. What is really interesting and comes out in the C&AG's Report in the middle of this is that the single biggest growth area in fraud and error in universal credit is people who just melt away when we get in touch with them to do the sample. They don't actually want to engage with us because they don't like to answer the detailed questions that we go into. We don't know what type of fraud that is, but we treat it as fraud. If they were genuine claimants, they would engage with us and give us the evidence.

Q26 **Chair:** Okay, so non-engagement is a red flag for fraud or proof, for you, Ms Hillyer?

Bozena Hillyer: I suppose you would have to say that non-engagement means that your money stops. So, if you don't engage with us, it is reasonable to assume that that was money that you either were not entitled to or don't need. Last year, we had a look at some of those people who failed to engage. We did some sample investigations just to see what was there and we found that a lot of that was fraudulent.

Q27 **Chair:** Can you tell us what percentage of claims were from the section that failed to engage? I did have a figure somewhere.

Peter Schofield: It's in the Report, actually.

Bozena Hillyer: We have no statistically significant information that I can give you in terms of how that failure to engage is split up.

Peter Schofield: I don't think this answers your question, Chair, but there is a lovely graph on page 224 that shows the ups and downs of the different elements. As I say, the single biggest one is that third set of bars from the left, which is failure to engage in the process. This year, we did the sample, but we didn't then do the follow-up work into the circumstances of those claims. We just treated them as fraudulent or an overpayment.

Q28 **Chair:** Don't you think there might be some advantage in digging a bit deeper into that? In terms of attitudes of claimants, but also for any lessons learned, if there is ever another sudden increase in previously inexperienced claimants—if you put it politely—or previous non-claimants who suddenly started claiming.

Peter Schofield: We did that last year.

Q29 **Chair:** But are you going to do it again?

Neil Couling: That, in essence, is what the target case review is about, because it repeats at volume what the samplers do. That will then give us a quarry to understand just what is going on with this particular group.

Q30 **Chair:** There's egregious fraud in getting fraudulent documents—that is just criminal. Then, as you say, people sometimes inadvertently or deliberately forget to pass on information. However, there are also people who don't usually engage with the process. You are all over it, but we see from our constituency cases week in, week out, how complicated a letter is—in fact, I still owe you, Mr Schofield, some of the complicated letters that you promised to have a look at and make into plain English. Some of those letters are incomprehensible to somebody who doesn't understand the process. Perhaps Ms Fairburn can come in on this in a moment. I think that that must be an issue, too. Surely, there is an opportunity for you to learn to improve your customer service, as a result.

Peter Schofield: Liz, do you want to say a little bit about this? Liz joined us from Direct Line a few months ago and is bringing a very different perspective into how we are engaging.

Chair: A Whitehall outsider! Ms Fairburn, you are welcome to the Public Accounts Committee.

Elizabeth Fairburn: Indeed, thank you. I have been in the civil service for three months now. That is a fair reflection in terms of what citizens can experience. It can sometimes be complicated. Of course, we train our people in DWP to understand that. Our customers do not have the luxury of that insight and training when they are trying to do that. There is clearly a real opportunity for us to understand that in more detail and to simplify some of these processes to make it easier for those that are genuinely eligible to claim.

To reference Bozena's point, there are times when we need to be more sophisticated in the way that we capture potential claimants that are not eligible.

Q31 **Chair:** Tell us, because as constituency MPs we wait with bated breath, wanting to know what changes our constituents will see in customer service and making it easier.

Elizabeth Fairburn: Clearly, it is very early days.

Q32 **Chair:** Give us a timeframe in what you want to see. What's your vision?

Elizabeth Fairburn: We are mapping out the plans and trying to piece things together. It is a big Department, and I am trying to get my head around a lot of things. I can see some real opportunities in how we could use different approaches to map out the journey from a customer's point of view, which would help us as the civil service understand what that looks like and therefore where we can make improvements. Peter has already referenced the work that we are doing on digital and automation, which is a real opportunity, but we cannot automate processes that are clunky or difficult. We have got to review those, simplify them and then make them available on a digital solution to encourage customers to engage with us.

Chair: There are so many layers; we could spend all day discussing customer service.

Elizabeth Fairburn: I feel certain we could.

Q33 **Chair:** Many of us would welcome you to our surgeries so you could see on the frontline what the problem is when something goes wrong.

Peter Schofield: That would be great. I vaguely mentioned it earlier, but one example is making it easier for claimants to indicate when there has been a change of situation on, for example, capital. That is something where we have rolled out a solution over the last year or so. There has been a small reduction in fraud and error driven by capital. It is the sort of thing where we can do more to make it easier for claimants to tell us the information they need to in order to get their claim right. For people who fundamentally want to be honest—

Q34 **Chair:** It is still very complicated. I could pull together some examples of complicated cases.

Elizabeth Fairburn: Please do. There is another great example in unsigned fit notes, which we know is an indicator for us in that fraudulent space. It is about understanding that in more detail, making it really easy for people who need it to get those fit notes signed, but to flag those others.

Chair: There are lots of layers we could get into there. I will hand over to

Sir Stephen Timms.

Q35 **Sir Stephen Timms:** Thank you. On the fraud and error point, an important part of business case for universal credit was that it would enable fraud and error to be reduced. However, so far, the record shows that it has gone up rather than down following the introduction of universal credit. How do you now see the role of UC in reducing fraud and error?

Peter Schofield: It is part of the business case that there will be a reduction compared to the counterfactual of what we would have seen had there been the same pressure on society—and fraud and error more broadly—under the legacy system. There are some areas where there have been very significant improvements in the reduction of fraud and error because of moving to universal credit. I will give you two examples. One is related to the automation. As a means-tested benefit, one of the biggest areas of overpayment and getting it wrong is having the wrong earnings data. With the real-time earnings feed from HMRC we automatically can adjust for that. We think that fraud and error from earned employment would have been about 2.9% with the legacy system; with universal credit it is 0.1%. The big pressure on earnings fraud is with the self-employed, but for those who are employed, where we capture the data through RTI, it has gone to a vanishingly small level. That is a success of universal credit based on automation.

I will give you another example of designing out fraud in the way that the benefit works in practice. In childcare fraud we have seen a significant amount in tax credits, but I do not think universal credit even showed up in the sample at all. Where there are things that are different about universal credit—where you can design out the fraud or use automation— then we see the fraud go away. What we have seen instead is pressure on other fronts. That may well have been there but undetected in tax credits or legacy benefits. With capital fraud, on tax credits there is no capital limit. What we are seeing with universal credit is a capital limit, and a huge amount on capital fraud. I have talked about that number having gone down, but it is still a very large number that we need to address.

And on the self-employed, there is more that we think we can do, by working more closely with HMRC and working to improve data sharing. Making Tax Digital will make a difference on this front as well. It is more difficult, but doing some of the things we have already done with RTI and applying that to data sharing on self-employed earnings, and indeed capital in bank accounts—I am sure we will talk later about the plan that we published in May, and our wish to get some legislation to give us more powers to access data on things like bank account details.

Q36 **Sir Stephen Timms:** I think the plan was that you would reduce it to 6.4% by 2019-20. Was that the aim? Actually, it was 9.5% in 2019-20. Are you saying that difference is because there is more fraud in society or is it that the full benefits of universal credit have not yet been realised?

Neil Couling: It is wrong to say that, pre-pandemic, the level of fraud and error overpayments was rising. In fact, it had fallen to its lowest level in measurable history—that is on page 59 of the departmental report. What is true—

Q37 **Sir Stephen Timms:** Can I just pick you up on that, Neil? That is assuming that in-year tax credit overpayments, which are resolved after the year end, count as fraud and error, whereas I certainly would not regard them as fraud and error. On page 59, the curve to look at is the one underneath rather than the one on top.

Neil Couling: I am very old, as the Committee knows; the Chair tried to retire me last time I was here, so I had better be careful what I say. Back in 2004-05, the Public Accounts Committee felt that those were overpayments and thought they should appear in the Government's calculation. They certainly appear in the calculation in the business case for universal credit. On a like-for-like basis, fraud and error overpayments were falling prior to the pandemic.

Q38 **Sir Stephen Timms:** If you look at the graph on page 59, the orange graph was rising before the pandemic. That is "Overpaid Fraud & Error in UC + UC replacement benefits + Tax Credits Error & Fraud".

Neil Couling: Because the tax credits fraud is migrating over to universal credit, so we are catching some of it but not all of it, which is how the overall level falls in those years in question. In the migration period you will always see levels rise in universal credit, as we pull over more people from tax credit.

Q39 **Sir Stephen Timms:** My point was just that fraud was going up before the pandemic, not down.

Neil Couling: The overall position of the Exchequer was improving. The component of fraud was increasing.

Q40 **Sir Stephen Timms:** What I want to understand is do you think that is simply because fraud in society is going up, or is it because the full potential benefits of universal credit in addressing fraud have not yet been realised?

Peter Schofield: There are a number of things in there. There is no doubt that underlying fraud in society is going up, and I have talked before in this Committee about the arms race that I think we face.

Secondly, the case mix we are seeing into universal credit is increasing and there is more potential for fraud and error. I talked about the selfemployed; the self-employed case mix leapt very dramatically through the pandemic. That is not the period we are talking about, but it leapt from 5% to 15% of the case load very quickly, and the number of people who have capital has gone up as well.

Thirdly, there are elements of the business case and elements of the delivery of universal credit that are still to come on stream. We talked separately about transaction risking, but some of the capabilities that we are building there are still to come on stream. They will come on stream, and that will make a difference as well.

Q41 **Sir Stephen Timms:** As the Chair has pointed out, I am not a member of this Committee, but I agree with its view that the Department ought to set an overall target for fraud and error. I know you have made the point that you are not able to do that at the moment, but how long do you think it will be before you can set a target?

Peter Schofield: There are two dimensions to that. First of all, I am absolutely clear that I need to regularly hold Bozena to account, as I do, for delivering the savings that I want her teams to be delivering, so that what we are doing first of all is continuing to measure and identify the savings that our counter-fraud and compliance teams are delivering and the effectiveness of the interventions that we are doing. That also includes the investment of the £613 million that the then Chancellor announced in December and was part of the plan that we published in May. That is set to deliver £2 billion of savings over the course of the spending review period and then further savings beyond all of that. The first stage is setting the target, so that we know the impact of the measures that we are doing. Bozena, I think your objective for this year is to save £1.1 billion.

Bozena Hillyer: That's right.

Peter Schofield: We are including in the annual report and accounts numbers for the savings that we are seeing from our efforts on fraud and error. We will continue to do that and to develop better, stronger metrics for the effectiveness of our work. That is the first thing, so at least the Committee, the public and Parliament can understand the value that we are delivering with the investment that is being put into this capability.

Q42 **Sir Stephen Timms:** Would you expect, for example, in a year's time to be in a position to set a target for reducing fraud and error?

Peter Schofield: The second element is, "Okay—that is off what baseline?" That is the conversation we are coming back to. I talked to the Secretary of State about this earlier in the year, which led to the letter I wrote to the Chair earlier in the year—I think back in May. We felt at the moment that we weren't in a position to set a target based on the overall amount of fraud and error that we can see at a point in the future, but we are regularly reviewing the situation. We are regularly reviewing the data and our understanding of what the baseline position is.

I was here in September and I said I could imagine us being able to do this quite soon, because I thought the data we had in May would give us more clarity about the baseline position, but I didn't feel it did. So I am not answering your question, Sir Stephen, because I don't yet know how much clarity I am going to have about the baseline, but in the meantime what we will be able to do is continue to measure the effectiveness of the work that we are currently doing.

Q43 **Chair:** It does feel that we hear from you, and your predecessors, over and over again how difficult it is to pin down a figure. Whatever the baseline is, it would be very helpful to have an agreed way of transparently reporting your thinking on this, where we are going and what targets are being planned. It just feels like it is a moving situation. It is very difficult for us. As we know from the C&AG's qualifications on the accounts over—how many years now?

Gareth Davies: Thirty-four.

Chair: Thirty-four years—we are dancing around this.

Peter Schofield: I agree that we need to do this. Where we can definitely do this is around the savings that our actions are delivering. There is a lot of work going into that. What I suggest is that I could maybe engage with the C&AG and the NAO on the work we are doing. I am really keen to share the work we are doing and give clarity about that. Even if we do not have the underlying baseline, we can talk about the effectiveness—

Neil Couling: We are probably being tougher on ourselves than you think here, because if I were to include the effects of the Alpha and Delta waves, which are in the last set of stats, for example, we did not have the kind of controls that we have in jobcentres now. There was no conditionality. There was no requirement to come in and have face-to-face interviews, for example. We think that will have a marked effect on the position. I don't think that is a fair baseline—to pick the period when the Alpha and Delta waves were going on.

Q44 **Chair:** I am looking to the C&AG to give us some clarity on what could be done to get a clearer response to this Committee, the Work and Pensions Committee and, indeed, the taxpayer.

Gareth Davies: You are never going to be able to remove context from this debate and that will change all the time. Coming to an agreed basis for reporting and then explaining, alongside those numbers, rather than saying that the context prevents you reporting, is where we need to get to—having that agreed basis as soon as possible, and then good quality commentary alongside it.

Q45 **Chair:** That sounds like a good plan. Mr Schofield is nodding.

Peter Schofield: We are up for that.

Chair: Good. We take that as a positive. Back to Sir Stephen.

Q46 **Sir Stephen Timms:** Obviously, the pandemic led to a significant surge in fraud and error, as you have said. Is it possible to estimate when you will get back to the pre-pandemic level—the sort of 9.5% level?

Peter Schofield: There are two dimensions to that. One is stopping the fraud coming in in the first place. As I said earlier, during the period in which the sample that underpinned this set of statistics was undertaken, many of the controls were not back in place. Neil was talking earlier about face-to-face interventions in jobcentres. At the time of the pandemic, in March 2020, we suspended initial evidence interviews in jobcentres. To be honest, we really started inviting claimants to start coming back into jobcentres only in April 2021.

The sample was basically through the course of calendar 2021—October 2020 to November 2021—and even from April 2021 we were only starting to rebuild that, so we did not really reach full pelt on jobcentre interventions until, probably, November of last year. That will start to be seen in next year's statistics.

Q47 **Sir Stephen Timms:** So should we be back down to the pre-pandemic levels in '22-'23?

Peter Schofield: I am so sorry: I am waffling a bit. There are certain things around protection and stopping the fraud getting into the system in the first place. The second problem, in terms of getting back to the prepandemic situation, is that once fraud is in the system, it is very difficult to get it out again.

We did a lot of work—it is recorded in the annual report and accounts— that we called retro action and that we carried out during the course of the last year, when we reviewed 900,000 cases. It was light touch, because we were doing the sort of checks that we would otherwise have done in jobcentres, but doing them over again. We saved almost £500 million as a result of that, but we have realised that to root fraud out, we need to do incredibly thorough checks, which is a more time-consuming costly basis. That is the reason for the targeted case review that is set out in our plan. We need to look at 2 million cases—that is our estimate—and we need to build up a workforce of 2,000 people to do that. That will take some time.

Q48 **Sir Stephen Timms:** You say in the annual report that, in this context, you want to take another look at the claims made early in the pandemic, including those that have since been closed—I think, to begin with, you focused on the ones that were carrying on. You said that you wanted to have another look at the ones that were closed, in which you have estimated, based on a sample you have looked at, that fraud and error is 4%. For that particular set of claims, what is that 4% error in money terms?

Peter Schofield: Sorry, I do not have that cash figure. Do you have it, Bozena?

Bozena Hillyer: I do not want to quote. We do have a figure, but I am not sure if it is published.

Neil Couling: We think it would recover £65 per case.

Q49 **Sir Stephen Timms:** And £65 per case would lead to a recovery of how much altogether?

Neil Couling: What are the maths?

Bozena Hillyer: Also, I would just say that there are real confidence limits around this. If we are going to answer that, I would rather do so in writing.

If you are getting money from fraud, the likelihood is that you will stay on the system until such point as we find you. When we had that big chunk of cases to look at that had come through trust and protect, one of the reasons for not looking at it in the first place was that we thought it was lower risk. If you remember, we had about a 12% hit rate on the initial ones that we looked at, which were the highest risk. Here it looks to be around 4%. Again, I am not sure if that is published. We have looked at some of the other risks cohorts in between and got less than 12%, so it is very much where we thought it was going to be.

Q50 **Sir Stephen Timms:** The annual report makes the point that you will look again at the closed ones, which are 4%, so much less than 12%.

Neil Couling: We said we will look again at the case for intervening. I think we will need to look at the value for money for doing that, and at what alternative investment for the same level of resource could get you.

Q51 **Sir Stephen Timms:** That is what I was wondering: does it look like value for money to pursue that again?

Peter Schofield: There are two reasons why it might not be. One is, as Bozena says, that the fact that they have closed their cases suggests that they were honest in the first place—otherwise, why would they have closed their case? The second thing is that where you are closing down a live case you are avoiding future payments. You can look at the future payment streams that otherwise you would have paid, and you are not going to pay them, so that is part of the benefits in the value-for-money case. If they have closed, you are talking about the case for going back and recovering money that has already gone out the door, which is more difficult anyway.

Q52 **Chair:** Except you can trace it through PAYE—you can get attachment of earnings.

Peter Schofield: You could do an earnings attachment. My point would be that, as I build up the resource to do this targeted case review, I will use all the analytics and risk-weighting work that Bozena is doing to focus it first and foremost on the places where I think I am going to get the most return. I am not necessarily going to give up on those cases, but they are probably not going to be top of my list in terms of where to target resource.

Q53 **Sir Stephen Timms:** A final point. On page 68, you said: "We have also conducted a data review on a representative sample of the circa 800,000 'closed' Trust and Protect cases and are considering how best to tackle this cohort." It sounds as though you are planning to do something further, not considering whether you should do something further.

Bozena Hillyer: Everything that we do in the counter-fraud space is about moving resource to where the biggest risk is. That can change very rapidly depending upon what is happening in that space. Of course, we would always consider and look at these things, but as Peter says it is absolutely about value for money. There will be work that my teams can do that will bring in a far bigger return than from this, so we will keep it under advisement, but I think what we are saying is that we are not promising to actually do anything about it at this moment in time.

Peter Schofield: It is not the place I will start, but I never want to give up on getting the money back.

Q54 **Sir Stephen Timms:** Clearly you have not started there, because you looked at the 12% group. It certainly reads as though you are considering how best to tackle this, not whether you should tackle it.

Peter Schofield: I do not think I ever want to say to anyone who has taken money from the taxpayer, "I'm going to leave you alone and am never going to come back." I would have carefully worded it to imply that you cannot be safe.

Q55 **Sir Stephen Timms:** Hopefully you would get 800,000 times £65 out of that. The question is whether the cost of doing it provides value for money.

Peter Schofield: Yes, but my point would be that I am building up this resource. I am going to send it where I can get the most return back. Eventually, I will come to the ones where the return is going to be lowest, but if it is only £65 there are other types of fraud that are obviously considerably more than that. As I said earlier, where I can prevent a future payment going out from someone who is a live claimant, that is where I really want to be targeting, so that I stop that.

Neil Couling: For the record—sorry, I have misread; my glasses are not good today—it is £67, not £65.

Chair: Okay, well that throws our back-of-the-envelope maths, which is that £52 million would have been raised from £65. We will have to add on a bit. I will not do that maths in a hurry in the heat, but that is a lot of money. We need to be clear: these are small figures in the grand scheme of the number of claimants, but sometimes the total amount adds up to a lot of taxpayers' money. I think we would all agree that preventing it in the first place is the ideal.

Q56 **Kate Green:** I would like to ask a little more, if I may, about your plans for the £613 million that you have secured, how you intend to use it and what challenges you may face in implementing your plans. First, what are your intentions in relation to the recruitment and training of frontline staff to counteract fraudulent activity?

Peter Schofield: I guess there are three dimensions to that. One is the work that we do to constantly empower and support our frontline staff more broadly.

The second is building Bozena's team up to the complement that we have the funding for as part of the spending review, which is around 9,500 fulltime-equivalent colleagues—so getting Bozena back up to where she needs to be.

The third in terms of people is the targeted case review, which is 2,000 folk. We are building that up. We need to build that up gradually because people need to be properly trained. This is difficult work. It is detective work. We need it also to be done in a way that delivers results at a productivity level that enables us to get through claims, because we want to get through 2 million claims. We think it will probably take until April 2024 to get fully up and running with that, so it is going at the full run rate. It is difficult to do, but this is a considerable investment.

Alongside all that, there is a further £145 million, as part of the £613 million, that is going into more work around data analytics.

Kate Green: I will ask you about that in a moment.

Peter Schofield: Okay, we can come on to that, but it is a key part of the investment, because as well as rooting out the fraud and error that is already in the system, which is what this targeted case review is all about, the real future here is stopping the fraud getting into the system in the first place, and our data analytics are a key part of that so that we can spot risky claims before they come into payment and we can then focus the work of our teams—particularly Bozena's teams but also casework teams across universal credit—so that they can be identifying and understanding whether what looks like it could be a risky claim is in fact a genuine claim and we just need to get it into payment quickly, or is one that we need to prevent.

Q57 **Kate Green:** At the start of the meeting this afternoon, we talked about the headcount reductions that all Departments are having to face. What priority is recruiting for Ms Hillyer's team being given in the context of the headcount pressures that you will face as a Department?

Peter Schofield: Well, I am driving forward with the plan. I need to drive on with the plan, so Bozena is recruiting and building that team. Obviously, there is a very positive business case for investing in dealing with fraud and error. I have said this to this Committee before, and the £8.5 billion lost through fraud and error last year makes the case a strong one. We talked earlier, in my answer to Mr Grant, about the scope that we have to reduce headcount through automation and digital techniques, but then it is for the Government to make a decision about whether there are particular things they want to stop in order to reach a particular number in the civil service, if that is what they want to do.

Q58 **Kate Green:** In the tight labour market that we find ourselves in anyway, what steps are you taking to present this as an attractive employment opportunity either for new recruits or in terms of your retention strategy in the Department?

Peter Schofield: It is a tight labour market. I think jobs in DWP are incredibly attractive. They add huge value, and people see that. We saw, through the pandemic, that we were able to recruit some amazing people to come and work in DWP, not just in Bozena's area but in work coach roles in jobcentres all across the country. But it is a difficult labour market to recruit in. Bozena, I don't know whether you want to say a bit about the challenge and how we make them attractive roles.

Neil Couling: Could I say one fact? Of the 9,500 people we offered permanent contracts to, off the fixed-term appointments, practically every one took up—

Peter Schofield: Yes, that's a very good point.

Q59 **Kate Green:** When was that?

Neil Couling: In the last couple of months.

Peter Schofield: Yes, because as I said, the fixed-term appointments came to an end at the end of June, so we were running that through from the spring onwards.

Bozena Hillyer: Indeed, I am welcoming over 600 of those this month. They are coming across to counter fraud, compliance and debt. So, by the end of July I will be at 9,500 FTE. Of course, because people work part time and so on that's a lot more in people. I think we hit the 10,000 people mark about three weeks ago. We have brought in—welcomed— over 4,000 new colleagues, which has been fantastic.

How do we make this attractive? Well, they are interesting jobs, where you can really make a difference. They are very much about—of course— rooting out and reducing fraud and error, but also very much about what the Department is about, which is supporting the most vulnerable in society. It is those two elements together that I think people are very much attracted to. We do of course now have a counter-fraud profession as well. It is about three years old now. I think the professionalising and putting standards into that job and all the training and development that comes with it is also really attractive. I think we delivered 39,000 learning days last year, because we welcomed so many new people. All of that together, as a package, does make it very attractive.

Peter Schofield: Sparing Bozena's blushes, I think there is a real sense of mission among Bozena's people about the fact that a pound saved in fraud and error is a pound that can be reinvested in public services more broadly—

getting money to people who do deserve it, who are eligible for it. That passion and sense of mission is, I think, a really attractive thing.

Q60 **Kate Green:** If I may, I will ask now about the data analytics and the use of technology both to improve your identification of fraud that has occurred and to prevent future fraud—as you have said, Mr Schofield, to stop money going out the door. What are you able to tell us about the degree of transparency that the public can have about how the data analytics and the system will work?

Peter Schofield: It is a challenging balance, because what we need to do is to avoid a situation in which people who are deliberately trying to get money that they are not entitled to from the Government understand what we are looking for and look to identify in terms of characteristics or how we seek to prevent. This is an arms race, and I do not want to play my hand in a way that enables fraudsters to be able to take advantage of that. We talked earlier about the equalities impact assessment, and that is something we need to be doing. Then we should look at publishing what we can publish to provide the confidence to the public that you have described.

Q61 **Kate Green:** Are you able to say anything at present about how the process is applied to ensure that vulnerability is taken account of?

Peter Schofield: Yes. At every stage we are looking at vulnerability. I might bring in Liz in a moment to say something about the advanced customer support leads, which come under her area. We test for vulnerability. If we are concerned about someone for whom we might be preventing or suspending a payment because of our checks, if we suspect vulnerability, ultimately we would look to bring in our ACSL team. Liz, how many ACSLs do we have now?

Elizabeth Fairburn: We now have 36—we have increased those from 30.

Peter Schofield: Will you say a little about what their role is?

Elizabeth Fairburn: They are there proactively to support the wider DWP in identifying and signposting support for our customers with the most complex needs. In the example you were just talking about, my team work closely with Bozena's team and, when there is a difficult decision to make about stopping someone's benefit because of potential fraud, my team are there to support the frontline to say, "Have you considered X, Y or Z to ensure that we are doing the right things for our customers and making the right decisions?"

Q62 **Kate Green:** Can the analytical tool that you are using help to identify vulnerability, or do you need human intervention to do that?

Peter Schofield: What it is looking at is characteristics for fraud, but we have other, different ways of understanding whether someone is vulnerable—notes that might be on the system, for example—and those are the things that help us to know whether and how to engage with Liz's team to support them.

Elizabeth Fairburn: A good example of that is on PIP, where we have an additional support marker—it puts a watermark on to the system, so that somebody can see that there are additional needs there for that customer. It is really visible on the front page, so the person speaking to the customer can respond in an appropriate way to support them.

Bozena Hillyer: When my team are looking at a case in which they might be looking to suspend, for example, because we have evidence to suggest it is fraudulent, we will look through to check whether there are any markers at all for vulnerability around that person or in that case. If we have other information to suggest that they are, that will result in a case conference, including—

Q63 **Chair:** That is all manual?

Bozena Hillyer: Yes, it is an individual looking at it and saying—

Chair: That is very time consuming.

Neil Couling: I don't think machines can do this—

Q64 **Chair:** You could have a box that is ticked when you first assess someone, because they have a vulnerability, a language or literacy issue, or something.

Neil Couling: You could if, first, that vulnerability is visible, but secondly, that that vulnerability does not change.

Chair: It would not catch everyone, but it might catch some.

Neil Couling: We have pin notes on the case—the first thing we see when we open a new UC case is a pin note that may address a known vulnerability.

Elizabeth Fairburn: We also have our call listening service, which helps us to understand where there might be customers with vulnerability whom we can support further. That is something that we are looking to expand over the course of the next 12 months, but again, that is a safety net for us in the Department. It is something that is slightly more automated than the manual interventions.

Peter Schofield: This is fabulous. We probably do not have time to go into this in any detail. We set this out under the serious case panel section in the annual report and accounts. We are looking to roll out the listening service to 100% of calls.

Q65 **Sir Stephen Timms:** You are looking to roll out?

Peter Schofield: To 100% of calls. Briefly, Liz, do you want to tell us?

Elizabeth Fairburn: The call listening service looks at themes that we might identify. We are doing that on 30% of the calls but, through the serious cases, as Peter said, we have agreed to roll that out to 100% of calls. There are some technology implications and it will take a little while, but we will be doing that throughout the course of next year.

Peter Schofield: It listens automatically for particular words that trigger a response.

Q66 **Kate Green:** In relation to the bigger picture and the use of the analytical tool, you say in the annual report that there has been a fairness assessment in relation to a number of groups who have been subject to the process. Can you tell us which groups that fairness assessment has been conducted for?

Bozena Hillyer: As we were discussing earlier, we have done it for a number of the protected characteristics. I am happy to write back and tell you exactly which ones we have looked at. Most importantly, this is still very much in the test phase. We are still learning. We will be looking at each stage to ensure that there is no unintended bias in the outcome of the system in terms of the algorithm or the machine learning. Eventually, that will inform what we publish in terms of the equality impact assessment, as Peter was saying.

Peter Schofield: There is a good list of the things we are doing in the C&AG's Report, under paragraph 49 on page 229. We rolled it out first for advances fraud. It discusses what we are doing around pre-launch testing and continuous monitoring and the fairness analysis we talked about, as well as the fact that we have "meaningful human involvement in decisionmaking" and, as we talked about earlier, caseworkers not being "told why each case has been flagged for review."

Q67 **Kate Green:** What, if anything, might come back from all the measures you are taking to ensure that the model works fairly? What might give you pause and lead you to say that you have to put those tools on hold while you resolve the problem?

Bozena Hillyer: The sorts of things we would be looking at are not just the positives, but any false positives that we get—so, anything that the model suggests might be fraudulent but, when we look at it, actually is not. We will be doing an analysis to see whether it is doing that more for a particular protected characteristic—is there a higher proportion than we would expect to see? That is what we are looking at in the testing and the learning that we are doing here.

Q68 **Kate Green:** Will you continue to keep that under review?

Bozena Hillyer: Absolutely, yes.

Kate Green: Because clearly neither the model nor its application will be static.

Bozena Hillyer: Absolutely. This is a continuous improvement-type project. We will be continuously learning as we roll it out. It is really important for people to feel that it is being applied fairly. I absolutely agree that that should be the case.

Neil Couling: One of the things you do when you take these things forward, Ms Green, is alter the values inside the transaction risking, so that the fraudsters can't work out where you have set the tolerances. You are trying to stay ahead of that, as well. This kind of active monitoring will need to carry on as long as we use these tools, which I think we will be doing for years.

Q69 **Kate Green:** The Government have set out standards for the use of algorithmic tools. Is your model compliant with those standards?

Bozena Hillyer: Yes, it is.

Q70 **Kate Green:** You talked earlier about the capital rules. Something you had hoped for in your tackling fraud strategy was to be able to make more use of third-party information, and particularly to be able to access information from banks and financial institutions. There was nothing in the Queen's Speech to suggest that you would have new legislative powers to do that. What impact will it have on your fraud and other plans that you don't have that legislative opportunity?

Bozena Hillyer: I think we are looking for the earliest possible, aren't we? That is still sort of there, but—

Q71 **Chair:** Just to be clear, what do you mean by that?

Bozena Hillyer: In terms of the legislation, which is obviously something that we do need, but it is longer term. Even if we got it now, it wouldn't have any effect in this spending review, because of the time it takes to bring in the legislation and then get everything in place that we need to make it work. That is one of the reasons we have gone down the targeted case review route.

I think I have said this before but, in my rather simple theory of how you counter fraud, there are only two things you can do. You can reduce the flow, and that is about transaction risking and prevention, with all the design things that Neil was talking about in universal credit. That is about preventing fraud and error from happening in the first place. Or you can take it out of stock. Targeted case review is about taking it out of stock.

What we are doing in this spending review is deploying people to have a look at the stock and take out the fraud and error. In the longer term, we need legislation. We need the tools that will enable me to do that kind of bulk data-matching. I can already get information where I suspect fraud in an individual case, but this is about how we do that in a way that helps us to prevent something from going into payment in the first place. For both capital and self-employment, this legislation will be the longer-term answer.

Q72 **Kate Green:** So we wouldn't expect to see a quick change in the approach that you are able to take.

Bozena Hillyer: No, that's right. It is a combination of the two, and that is absolutely our plan.

Peter Schofield: We will need it.

Q73 **Kate Green:** If you had the legislation, would the associated costs of doing that be within the £613 million that you have been allocated already, or will there need to be a future allocation in a future spending round?

Peter Schofield: Obviously, we would need the legislation and the regs, and all the work around that before we can do it.

Q74 **Kate Green:** Ms Hillyer is saying that we are not likely to be able to do it in the course of this spending period. I am assuming, therefore, that the £613 million that is for this spending period is not envisaging being attributed to that particular part.

Peter Schofield: No, it includes all the things that I have talked about. That said, given what we tend to find with the Treasury where we can make a very good case for additional funding, if that is what we would need in order to be able to make the most of the fraud and error legislation, I am sure that there will be an opportunity to bid for that outside a spending review period.

Q75 **Kate Green:** The other thing that I want to ask about is in relation to the discussion we were having a few moments ago about error as opposed to fraud—both customer error and official error. In what way do you approach fraud, customer error and official error differently, or do you think that the tools that you are using can be applied across all forms of what we might call overpayment—payment that should not have been made? If that works for identifying these overpayments, how then would you differentiate your response in terms of recovery strategies?

Bozena Hillyer: In terms of how you would find it, it is an awful lot of the same technology and the same scans of our system that we would do to find things. When you are looking at fraud and error, you are taking that next step and saying, "Well, what was the cause?" Fraud and error is a difference of behaviour. Fraud is deliberate; error is mistake. The technology that we deploy will find both. We then obviously would deal very differently with something that we think of as error as opposed to something that we think of as fraud. We have a range of different interventions in different teams in counter-fraud, compliance and debt, and going out in all the different benefit teams—all the frontline operational teams—where we will do regular scans and say, "This doesn't look quite right. We think it's an error." It goes out to them to put it right, or we might do a very simple desk-based intervention. We would deal with the individual differently if it is error rather than fraud.

Another thing that is very important in terms of our battle and strategy around reducing error is our quality assurance framework, which we have just reviewed. It is very much based on learning from other things that have happened, like the state pension exercise. We are also very much looking to change it so that, working with Liz and her team, when we look at quality as we go forward it looks not just at the numbers, and whether it was correct, but at what the customer experience was in that. Did the customer find it easy? If you look at customer error, partly that is because they do not understand, so there is guidance, communication, better training and better processes. There are things that we can do there. If you look at our error, that is about whether we have followed the process—whether the guidance has been followed by the person.

It is a really complex landscape. We would deal with all these things differently depending on the underlying cause of the overpayment, or indeed underpayment. We talk about overpayments a lot, but actually my teams are just as keen to find and put right underpayments as overpayments, and we do find those too.

Q76 **Peter Grant:** I want to spend a bit more time on the distinction between fraud and error. Given that you have accepted that those are two different things, Mr Schofield, why do you continually refer to fraud and error as if it is almost a single word, and a single thing?

Peter Schofield: Well, because it is loss to the taxpayer that I am seeking to address.

Q77 **Peter Grant:** Why not just call it loss to the taxpayer, then?

Peter Schofield: Or overpayments. I use lots of different words. We do report on fraud, official error and claimant error separately as well, as Bozena was talking about.

Q78 **Peter Grant:** My concern is that there are certainly two instances here where the DWP seems to build in an assumption of fraud that I don't think is valid. There is the non-engagement that I think Kate Green picked up on earlier. Have you considered that there could be a significant number of people who choose not to engage with follow-up inquiries for reasons that have nothing whatsoever to do with fraud or dishonesty?

Peter Schofield: Absolutely, and we talked a little bit earlier about where we know about a vulnerability or where we think we can identify a vulnerability and how we support—

Q79 **Peter Grant:** Can you tell me some of the other circumstances where you think a number of people would potentially disengage at that point, where the explanation is something other than fraud?

Peter Schofield: Neil, did you want to come in?

Neil Couling: In the measurement process, on the cases that don't engage, the people who do the assessments, independent of Bozena's team, go in to try to find out if it is vulnerability that has caused that nonengagement before the claim is suspended. Then you will see some people, after their claim has been suspended, come back to us and say, "You have stopped my benefits—what is going on here?" and there will be a conversation about the case, what we were trying to discover and whether they are fraudulent or indeed very vulnerable and just not engaged on those grounds.

Peter Schofield: It is the importance of the case conference in that situation. We talked a little bit about the markers of vulnerability—the notes on the file, if it is universal credit; we talked about the watermark in PIP, and all the different ways that we identify vulnerability.

This is one of the first things we talked about at the serious case panel, actually—the circumstances under which we might stop paying a benefit for someone. Maybe it is because we have lost contact with them or maybe it is because they have not responded, or whatever it is, but we have put in place new arrangements. It was part of the reason for creating the advanced customer support lead function and to build that to the scale that it is now, and all the work that goes with that. It was one of the first things we talked about at the serious case panel. Yes, we stop money going to people who shouldn't be getting it, but we protect people who should be getting it, who are vulnerable. That is a key part of Liz's work.

Q80 **Peter Grant:** If you have got somebody who is in work but entitled to benefits and they believe, rightly or wrongly, that the boss might just sack them if they hear that they are under investigation for fraud, or if you've got somebody who believes, rightly or wrongly, that their landlord will evict them if they hear that they are under investigation for potential fraud, does your system know that? Is that the kind of vulnerability that your system would have identified? Would you know that was what was going through that person's mind?

Peter Schofield: The starting point is the way that we open up the conversation with the individual. We started this bit of conversation talking about the way that we do the sampling, which is just a survey—quite an innocent conversation. Neil probably knows a bit more about how we engage, but it is not, "You're under investigation for fraud." It is just, "We would quite like to talk to you a little bit about your claim for a DWP benefit." This isn't about, "You are under investigation for fraud", until we get to the point where: one, we have established evidence; two, we have understood vulnerability and gone through the case conference that I described, where that is appropriate; and three, decided which is the best way to tackle the situation. That may be a compliance conversation, it may be an investigation, something that Bozena's skilled folk would be all over, but that is only after we have gone through the bits of the process I have just described.

Q81 **Peter Grant:** How many attempts do you make to engage with somebody before you decide that they are refusing to engage?

Bozena Hillyer: I'm sorry, Mr Grant—are you asking about this specific performance measurement process, not about our general approach?

Peter Grant: If you have identified a claim that you think doesn't look right and you go back to the claimant to ask for more information, how many times do you go back to somebody who is just not answering the phone calls and letters before you decide, "That is probably a fraudulent claim, we'll stop it?"

Peter Schofield: It depends on the situation. If it is someone who we suspect has a degree of vulnerability, we would not stop payments; we would basically go through a process of case conferencing. The advance customer support lead would engage with other people who might have contact with the individual, such as their landlord, local authority, support worker or GP—a whole range of different players—to try to establish what is going on. Obviously, where there is very strong evidence of fraud and we can identify no legitimate vulnerability, we need to protect the taxpayer.

Q82 **Peter Grant:** You seemed to suggest earlier on that almost the default position is that if you have tried to engage with somebody when there is a query against their claim, you clock that up as a fraudulent claim that has been stopped if they do not engage. The answer you just gave says something completely different.

Peter Schofield: I think there are two dimensions here. I was talking about the statistics earlier. The statistics are based on a sample of claims—13,000 this year. We look at them, we get in touch and say, "Can we talk about your claim?" The biggest area of change from last year's statistics was the number of people who failed to engage with the process, which for statistical purposes we attribute to fraud—I think that is right.

Bozena Hillyer: That is right.

Peter Schofield: But in any individual situation where we make a choice to switch off the payments of benefits, we go through the process I described.

Q83 **Peter Grant:** In circumstances where there might not be a great deal of positive evidence of wrongdoing but the claimant has simply declined to answer any of your attempts to contact them, is there anything attached to their record showing that their claim is statistically being treated as fraudulent?

Peter Schofield: No, not in terms of the way we take the sample of 13,000. That wouldn't put anything on.

Bozena Hillyer: Not as far as I am aware, no.

Neil Couling: We are building a feature in universal credit where if somebody does not engage with the targeted case review process and we think that is because of fraud, the case is flagged so that you cannot get back on to benefits without answering the questions we were trying to put to you on your old claim. It is called mission memory.

Q84 **Peter Grant:** Do you have an indication of how many cases there are of claims being stopped because of non-engagement? In how many cases is there evidence of fraud, and in how many cases is it just that the person will not talk to you?

Neil Couling: Again, I think we are oscillating between the measurement of the fraud statistics and what happens in the world of people claiming. In the measurement of the fraud statistics, we went back to that sample 18 months ago because I thought, "The figures seem very large. What is going on?" I tried to ascertain whether they were fraudulent or actually vulnerable. Some people refused to continue engaging with us. We established some fraud in that further engagement, but lots of fraudsters just run away at that point.

That is in the measurement process. In the process of people claiming benefits, as the permanent secretary laid out, there are processes—Liz sits atop some of them—designed to ensure we establish whether there is criminal intent or some vulnerability that is causing the non-engagement.

Q85 **Peter Grant:** I would like to move on to the continuing saga of underpayment of state pensions. I see from the NAO Report that the number of people who have been underpaid and the scale of underpayment are now significantly higher than you thought the last time we spoke to you. To be fair, I think you warned us that there was a significant margin of error in the estimates you gave us last year. What would you like to say to the 100,000 widows that, since your last report, you have discovered were underpaid their pension?

Peter Schofield: Well, I go back to what I said when I was here in October and we were talking about the NAO Report. I wanted then, on behalf of DWP, to apologise to everyone who had been affected. This goes back over many years; the earliest one that we have corrected was 1985. I want to say that I am very sorry to all of those who have been affected, but also sorry to those we have newly identified. I would add one thing though, because I absolutely feel we are doing the right thing. Your challenge to me—which is the right challenge—is that you know what the level of overall underpayment of the state pension is because you get it from your statistics. The big challenge is detecting those cases so that you can put them right.

When I was last here, we were going to do more scans. We said that we were going to do this and it was referred to in the C&AG's Report on the state pension underpayment exercise. We have done more scans; we have identified more people. We know the total number of underpayments. Within that, we think we have now been more effective, using more scans, in identifying some of the people who need to be paid. In that respect, it is not an increase in the number of people who have been underpaid, but it is an increase in the number of people who we think we can find so we can put this right.

Q86 **Peter Grant:** One of the issues that has become potentially much bigger since last time is underpayments of the home responsibilities protection, which is essentially a way of adjusting the qualifying requirements for somebody's pension to recognise that they have taken time out of paid employment to care for a relative, for example. What is your current best estimate of the scale of underpayments on that scheme?

Peter Schofield: I don't know. I'll tell you what I do know. The HRP was something that was provided for in the national insurance system between 1978 and 2010. In this year's sample on the underpayments, we did a lot more work around the state pension. We did not just use our own records; we got in touch with customers to try to really work through in detail to understand their situations. What we have identified is cases where their national insurance records don't seem to be complete, because they don't seem to recognise what looks as if they should have had an HRP entitlement built into their national insurance records at some point during the time period that I just described. We have done a lot of work and identified this. This is the main reason why overall underpayments for the state pension have in our numbers gone up from 0.3% in the previous year to 0.5%. It is a factor there. In terms of the number of people, we have identified that and that is a good thing.

Q87 **Chair:** So you have got to go back over a period covering 32 years.

Peter Schofield: The starting point is with HRMC, which holds the national insurance records, and to understand and work it through with staff there, because it would have been their responsibility to make sure that HRPs were recognised in the national insurance contribution. The reason why we have picked it up is that the national insurance contribution drives the level of state pension that an individual is getting. When we have taken our sample, there has been a number of cases—not a large number but enough to show up the sample—where we have gone through with someone and looked at their state pension payments and it seems to be right compared with the national insurance record, but we have asked the next question, which is: is your national insurance record correct? In a number of cases, enough to drive the statistics, it has identified an issue.

Neil Couling: This makes the case for looking at fraud and error together, because it is the fraud and error sampling that spotted this. In the questioning, we asked, "Have you ever been caring for a child during the period below pension age?" The response was, "Yes, I was," and when we checked the national insurance record, it didn't show HRP in place. That flagged to the teams that there was a problem here. It is a problem over in HMRC: its staff were not aware of it, and we were not aware of it until we did this sampling.

Q88 **Chair:** So is it almost impossible for the individual to find that out for themselves? We are talking about two Departments. How many systems?

Neil Couling: It is the national insurance recording system that should hold people's national insurance records. They look, from this sampling, to be incorrect. Colleagues in HMRC are looking at this now. This is why we do not have an estimate of what it is, other than what is in the estimate from the fraud and error sample.

Q89 **Chair:** It just seems to get worse. Every time you look a bit deeper, you are finding more problems, more people affected and more people who are not getting the money that they should have had.

Peter Schofield: I go back to the challenge from the Committee: are you looking hard enough to find cases of underpayment? I would say we are, because we are finding some.

In this case, it is additional to the sorts of errors that we thought were out there. The other thing that you might want to talk about is more of the cases of widows—well, you mentioned earlier actually, Mr Grant, didn't you, the cases of those where there is a missed conversion. That is within the total that we talked about before, but we have now detected more of the underpayments. We knew that the underpayments were there; we just detected more of them.

Q90 **Peter Grant:** Is any of you able to update us as to the number and total value of underpayments on HRP, or does that depend on your colleagues in HMRC as well?

Peter Schofield: There is a lot of work to be done there, because it is in two stages. You have got to go back and look at whether the national insurance record needs to be corrected; then, in the light of that, we would need to look at the state pension calculation and seek to recalculate it. It is time-consuming work. HMRC are in the lead in the first stage. We need to work out whether we can develop scans and other things to enable us to work out the overall number of people likely to be affected. I know we will go on reporting on this in our annual reports and accounts and I imagine that this Committee will, quite rightly, hold me to account on this.

Q91 **Peter Grant:** I think you got a sense of the feeling of anger on the Committee and indeed among other Members of Parliament when this originally came to light, but in the last year the numbers have increased by over 100,000 and the value of the underpayment has increased by over £400 million. How can this Committee, and presumably Sir Stephen's Committee, be assured that we are not going to see another half a billion added to that next year?

Peter Schofield: We always knew we had to do a further scan on the missed conversions. As I said, it is referred to in the C&AG's report on the state pension underpayment exercise, so we always knew we would need to do that to give the best estimate we could last year. We could not do the scan of the main computer system for pensions, the pensions strategy computer system, in the time. We carried it out at the end of calendar 2021. What we were reliant on was a different type of scan based on the payments that we were making. Obviously, that picked up quite a lot of cases but not nearly as many as now appear to be out there.

The main assurance would be that we have now done all of the scans on each of those three categories that we have talked about in the annual report and accounts. We think we now know the number of people affected. What we still need to do—we haven't had time to do it just yet, but we aim to do it in time for the Autumn Budget, I think—is to sample some of the cases, so that we get a good estimate of the likely underpayment on a case-by-case basis, and we can feed that into the model. We have done the scans, so it is unlikely to change significantly in terms of the number of people affected, but we still need to complete the work on the sampling to just check the amounts.

Q92 **Chair:** So, the number is stable but the things that could have happened to them could have been multiple?

Peter Schofield: Exactly.

Q93 **Chair:** Again, it is impossible for the individual to work this out.

Peter Schofield: No. To give you some assurance on the priority I am giving this—notwithstanding the conversation and people sort of challenging me in terms of numbers of colleagues in DWP—I started this exercise with 100 folk; it is now well over 500 folk. I am aiming to build this team up to over 1,500 folk to be able to drive this through so I can get the money—I mean this is a big commitment for us. We are absolutely determined to get this right and get money paid to people who are entitled to it as quickly as we possibly can. Obviously now we have identified another 300,000 cases we need to look at.

Q94 **Peter Grant:** So compared to what you had just now, you need another 1,000 people. Do those 1,000 people have to be compensated for in order to get to the headcount reduction that somebody is going to present you with?

Peter Schofield: It's a "I refer you to the answer I gave a moment ago" type of thing, although I would also say that the headcount reduction is aiming for March 2025—that was the date we were talking about. The provision I have made is on the basis of finishing the exercise completely, including the additional 300,000 I am going to need to do by the end of 2024. We should be able to complete it before we have to show any reduction.

Q95 **Peter Grant:** Between January 2021 and March 2022 you were able to review an average of 4,000 cases per month. In order to hit the target you have just given us, you need to review almost five times that— 19,000 per month compared to just over 4,000 per month that you managed the first 14 or 15 months. Do you genuinely think that a 400% increase in workload is going to be achievable with a 200% increase in staff numbers?

Peter Schofield: During the course of last year I started with 100 people; it grew over time—it has been growing since then. I cannot remember the average number I had during the course of last year, but it was between 100 and 200 people for most of the year. I am now at 500. I am going to grow it to 1,500. That is the scale of it. That's the first thing. Secondly, as we started the process, one of the challenges was quality—we came to the Committee and talked about it in October. I have told you before that I have sat with the teams going through this; it is difficult detective work— difficult and complex. We have had to improve the quality. We are now up to 98% in terms of quality, so we have got a process that works.

The third element is automation. As we talked about in the annual report and accounts, we are working on an automation that makes it easier for us to detect the records of the spouse, which is a key part of many of those cases. That will help us to increase the pace. It is a combination of more people, working quicker with cases with more automation—that gearing effect—that gives me the confidence that we will get there.

Q96 **Peter Grant:** It still means that there will be pensioners who have to wait another two and a half years before they get their money. Some of the amounts of money will be very small, as we have found previously, but some of them will be potentially life-changing amounts of money. Some of those pensioners will not be here in 2024. What have you done to assess not only the financial impact but the life and emotional impact on those pensioners, considering some of them will wait another two and a half years for money that, in some cases, has been owed to them for several years already?

Peter Schofield: You make a powerful point about the importance of the work. I would say a number of things. First, I want to reassure the Committee of the priority we are putting on this, given the scale of resourcing I have described. I am determined to do this. I cannot help that it will take some time given the scale of the numbers that we need to work our way through. Secondly, we have sought to identify people who we think, based on the characteristics that we can see, are likely to be most vulnerable—the over-80s and those who seem to have been affected by a combination of the three types of error we have described—and we will focus on them and get through them first. I know you will quite rightly hold me to account on this. We will drive this and deliver this because we are determined to get money to the people who are entitled to it.

Q97 **Peter Grant:** You told us previously that you would consider doing more to understand how effectively you have been communicating both the progress and results of your LEAP exercise. What have you done on that so far and are there any lessons?

Chair: Ms Fairburn may have an update on that.

Peter Schofield: I will say one thing and then Liz may want to add to it. I covered it a little bit in my letter to the Chair a couple of months ago. We have talked before about how someone can check for themselves. We talked about the difficulty of that when I was in front of the Committee in October. We put information on gov.uk and we are regularly taking feedback from those pages. I think I flagged in my letter the pages to which I am referring. We have been adapting them and getting the wording right to help people know when they need to contact us and get access to the support that they need. Liz, do you want to add anything?

Elizabeth Fairburn: Just to echo what Peter said, we are ensuring that we are reviewing the communications and simplifying them. I have a team within customer experience who are continually looking at the communications that we send to customers to make sure that they are simple. Obviously, we are reliant on listening and learning techniques, such as what we see through complaints, to identify where to look. When we see those things, we can simplify the processes, and potentially the communications to customers, to help them with that and keep them updated.

Q98 **Chair:** I think the permanent secretary wrote to say that you are working through cases in priority order and aim to complete any presenting cases within two months. Are "presenting cases" people who rung up?

Peter Schofield: Those are people who have approached us. As the NAO concluded in its Report, for most of the categories at least—I cannot now remember the stats—the proportion of presenting cases that turn out to be people we've underpaid is very low. I encourage people in the categories that we were talking about to wait for us to contact them, because the danger is that my people chase up cases that don't turn out to be incorrect, and it just delays it.

Q99 **Chair:** That goes back to how effectively Ms Fairburn's team, or the DWP, is communicating with people. What is your generic message now, Ms Fairburn, to people who think they might be caught up in this?

Elizabeth Fairburn: As Peter said, we are working through that. We are being very systematic in the way that we are doing that. We are prioritising where we know there is a potential vulnerability, or a particular—

Q100 **Chair:** Let's say I rang up and said, "I think my mum might have been caught up in this." What is your message to me, or to the person ringing up?

Peter Schofield: If you are worried because it's someone who is over 80 and they didn't get their category D payment, we will get to them—they don't need to contact us. If it's a missed conversion, because someone didn't inherit the pension that they should have inherited, we will get to them. The category in which someone should—

Q101 **Chair:** I'm sure that is true—we do not doubt you—but it is not very reassuring, is it? You will "get to them" when? It is just the simple messaging.

Peter Schofield: The people who do need to contact us are people who needed to make a claim: someone in the case of a divorce; someone whose husband reached state retirement age before 17 March 2008; someone who is not a woman married to a man and you reach retirement age before 2010.

Chair: Already I am getting confused—maybe it is the heat. My worry here—

Peter Schofield: I'm afraid it is the nature of the legislation we are working within.

Chair: There's a lesson for all future Ministers.

Peter Schofield: Those are the categories. You are right: it is incumbent on us to make it as clear as we possibly can for people. I know the Committee understands that, but the best way of me getting through the cases that I've described is if we can focus on the ones that are most likely to be wrong, as opposed to presenting cases where, as I say, the NAO's work suggested that we got the vast majority of those right in the first place.

Q102 **Chair:** I think it is probably taken as read that everybody who is listening who might be affected should keep every piece of paper they've ever had from the DWP. I don't think I am ever going to throw anything away now—I will probably print off hard copies of everything just to be sure. Seriously, there is a point there about keeping information, because those records have obviously been destroyed for a lot of people, particularly those who are deceased.

Peter Schofield: To reassure—we talked about this back in October—we were obviously not destroying any records relating to this, even if that would have normally been something that we would have done during the normal course of business.

Q103 **Peter Grant:** Mr Schofield, our Report into the pension underpayments came to a conclusion that I don't remember a parliamentary report ever coming to before: the system was simply not fit for purpose. How long do you expect it to be before we have a state pensions management system that is fit for purpose?

Peter Schofield: We have it. It is called Get your State Pension. We built it for the new state pension claims from 2016 onwards. Our plan is to migrate all the records on the Pensions Strategy Computer System—the 1989 system—over the next few years. It is a painstakingly difficult task, because there are 11.5 million records that we need to move over. We are starting by moving over, first, people who made claims online and are automatically on Get your State Pension—the post-2016 claims. We are next moving over the claims that were made post-2016 where they made a paper or telephony-based application. Then we are seeking to move people over from the old PSCS system.

Q104 **Peter Grant:** We are perhaps using a different understanding of "fit for purpose". My view is that the system is fit for purpose only when everybody is on that system. If we still have millions of people on the old system, the entire envelope of the system is not fit for purpose. When are we likely to see the records of everybody who should be on the state pension system transferred over to a system that we can trust?

Peter Schofield: We got funding in the spending review. The objective is to try to complete the work during the spending review period. The one thing that I would say is that we have to do this in a measured, careful way, because the last thing we want to do is, in some way, make a mistake in that careful move from one old legacy system to another. We are determined to do it, because of all the issues that we have discussed in this Committee before around the risks of some of the manual elements to that.

The system is built, but we just need to move folk over. We will need to balance doing this carefully and doing it quickly.

Q105 **Peter Grant:** Are you confident that it will be completed during your tenure as permanent secretary?

Peter Schofield: There's a question.

Q106 **Mr French:** On a similar theme, the Government are currently running a pension credit awareness campaign, which I think is excellent; I am not just saying that because it features Len Goodman, who grew up in Bexley and went to the same school as me—full disclosure, Chair. Len, if you're listening, it's a 10 from me. In all seriousness, we have spoken a lot about people on state pensions missing out here. What advice would you give to any pensioners listening about how they can come forward to claim pension credit? How many people do we think are affected by that?

Peter Schofield: I think we have talked about the statistic before. We are working through the reliability of this, but something like three quarters of a million people, or more, might be eligible for pension credit and not claiming it. For some people, they are eligible for only relatively small amounts, because remember it tops you up to £170-something I think.

The campaign with Len Goodman was very successful; I think I talked to Sir Stephen's Committee the other day about this. In that particular week of action, we saw a tripling of claims compared with the same week the year before. Pension credit claims remain elevated and we are working hard to work through those claims. The big message that we gave as part of that video was that it was not just a message for people who might themselves be entitled; we were also seeking to reach out to family members or friends who are often more aware and able to support older family members to make a claim that they might be entitled to. I do not know whether the claims are coming in indirectly, but it is definitely working.

Chair: It is putting money into people's pockets when they need it most.

Q107 **Mr French:** On that point of making sure that the information is more accessible to people who are perhaps not online—with your Department's support, I will hopefully set up a pensions event later this year to try to tackle this problem—in terms of headcount and the questions that Mr Grant was asking about your Department, will you require an increase in headcount or will this be captured by your existing headcount and the numbers that you have been discussing on the other issues?

Peter Schofield: This plays into a wider point, which we talked about with Sir Stephen's Committee when I was there with the Secretary of State the other week, about overall demand for our services, which is significantly higher on a number of fronts—pension credit is one such element. What we regularly do is look at the overall demand position of the Department and seek to rebalance. We have to live within the spending envelope that we have, but we regularly have to look at where we move colleagues around—

to and from—to keep up with pressure. Pension credit is one area where we are looking at how we meet the demand. As you say, we are happy to be getting the demand, but we then need to make sure that people are not waiting for payments. There is an online component to it, but unlike the new state pension where, as I said, we can fully do more than half of claims straight through without any human hands, pension credit is not a fully automated system, so it needs people to deliver it.

Q108 **Chair:** Can you remind us whether it can be backdated to the date of retirement or, if not, how long it can be backdated for?

Neil Couling: It is backdated three months from the date of claim.

Chair: As with other benefits. So people should get cracking now and claim.

Peter Schofield: Yes please, get cracking now.

Neil Couling: If you claim now, you will also get the cost of living payment, if you are entitled.

Chair: There you go—a little advert for the DWP. I am sure all the consumer journalists are hanging on your every word and will be writing this up. I thank you very much indeed for your time and patience on this hot, sticky day—it seems warmer than it did on Monday. Our fans interfere with the microphones, so we were unable to put them on. The uncorrected transcript of this session will be up on the website in the next couple of days, and I am sure there will be plenty of people out there crawling through some of the comments you have made, particularly about the fraud and error and, of course, the LEAP scheme and pension underpayment, which is a worry. We look forward to seeing you again in the autumn. We will do a Report on the issues that we have discussed today that will be out some time in the autumn.