

Work and Pensions Committee

Oral evidence: Pre-Budget hearing: DWP's Departmental Expenditure Limit, HC 1478

Wednesday 17 October 2018

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Members present: Frank Field (Chair); Neil Coyle; Rosie Duffield; Ruth George; Steve McCabe; Nigel Mills; Chris Stephens.

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Witnesses

[I:](#) Peter Schofield, Permanent Secretary, Department of Work and Pensions; Nick Joicey, Finance Director General, Department of Work and Pensions; and Tara Smith, Finance Director Central Services, Department of Work and Pensions.

Examination of witnesses

Witnesses: Peter Schofield, Nick Joicey and Tara Smith.

Q1 Chair: Welcome. Tara, might you begin by introducing yourself and your role? Then we will go down and invite the other two witnesses to identify themselves, and then we will begin with Chris.

Tara Smith: Good morning, everybody. I am Tara Smith. I am the Finance Director for Central Services in DWP.

Peter Schofield: Good morning. I am Peter Schofield. I am the Permanent Secretary at DWP.

Nick Joicey: Good morning. I am Nick Joicey. I am the Finance Director General at DWP.

Chair: As a rule, Peter, will you take the questions and then delegate to the others?

Peter Schofield: Yes, happily.

Q2 Chris Stephens: Good morning, all. The 2015 Spending Review set out over £0.5 billion of cuts to the Department's running costs for the financial year 2019-20. Can I ask, Peter: do you believe the Department is on track to meet this reduction?

Peter Schofield: That is a good question. Thank you, Mr Stephens, for the question. I think this becomes an increasing challenge the further away we get from the year in which the Spending Review settlement was set. It was the 2015 Spending Review, which was in November 2015. We are three years on from that and the challenge becomes greater the further you are away from the year that the plans were set.

I would say a number of things. As you say, there is a reduction. I think the reduction is £600 million between the current year and next year, in terms of our DEL funding. Some of the things have gone in our favour. The way that the plans were set in 2015 took account of the fact that in the early years of the Spending Review we were investing in some significant change programmes—in those change programmes the investment falls away—and some of those change programmes were to deliver policy changes, some were to deliver improvements in service, but some of them were also there to deliver savings in our ongoing running costs.

What you see is the investment falls away and then you get the financial savings coming through. One great example of that is the People and Locations Programme. We have been taking that forward ever since our 20-year contract with Telereal Trillium for the buildings and estates costs of DWP came to an end in March of this year. We had an investment of around £300 million last year. There is a little bit more investment in the



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current year but, going forward, we make savings of something like £140 million on average per year over the next 10 years.

Q3 Chair: The property company is getting less money out of you; is that right?

Peter Schofield: There are a number of things. It was a 20-year contract that came into force on 1 April 1998. Over a period of time, our need for space has reduced but we were locked into the leases that we had.

The second thing is that the contract is like a big black box. In a PFI contract, you make a unitary payment each year but the supply chain is invisible to us as the customer. Now that the contract has come to an end, we have much more flexibility in our leases so, instead of being locked in for 20 years, we have signed up to, normally, 10-year leases with a five-year lease break. Also we contract separately for the supply chain, whether it is security guards, facilities management or capital works, so we are able to drive competition through the supply chain. It is those factors that drive out the savings of something like £140 million.

Things in our favour are, first of all, the profile. The second thing is—People and Locations is an example of that—that we have been terrifically good at driving savings from third party suppliers. Just under £3 billion of our DEL is spent with third party suppliers and we have a fantastic commercial team that we have built up over the last few years. Our annual report and accounts showed savings of about £315 million in third party suppliers in 2017-18. In the current year we are targeting about £250 million, and the same again in 2019-20.

The thing about commercial savings is that they build up. The savings we got in the first year are there in the second year and then you add to and add to, so it is an accumulation.

To be clear, you don't always drive budget savings from those commercial savings because sometimes you get a better price and we go out and buy more volume. Converting those numbers into cash is always a challenge but, even in the current year, we are aiming for something like 60% to 70% change.

There are some things that are going in our favour. There are things that become more difficult. For example, as I said at the beginning, we had planned for change programmes to be frontend loaded and the investment to be falling away in future years, and that has not always been possible. For People and Locations it has.

I will give you another one: the reassessment of cases from DLA to PIP, which we had planned to finish in the current year at the time of the Spending Review, but last year we slowed the reassessments down to drive better quality outcomes from our suppliers. We were concerned about some issues around consistency, so we took volumes down and



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gave the challenge to our suppliers to get consistency improved. The result of that is that we are continuing to do—

Q4 **Chair:** Might you answer Chris's question? Are you going to meet that target?

Peter Schofield: There are things in our favour, things going against us and uncertainties. The reason why I cannot answer that right now is because of some of the uncertainties that we have. The biggest uncertainty at the moment is in terms of volumes going forward. What we always do at this stage in the year, once we have the OBR forecast for economic growth going forward, is to then start the process of translating that into workload and into the number of people that we need, which fits into our recruitment.

Q5 **Chair:** By volumes, do you mean the number of claimants?

Peter Schofield: Sorry; the number of claimants, to be clear.

Q6 **Chris Stephens:** If you are uncertain—this goes back to the Chair's point on property. One of the decisions the Department has taken, which was a fairly controversial one, was the closure of job centres. Is the Department looking to close more job centres, or does it now feel that it is secure?

Peter Schofield: No, it is done. The decisions are done. By and large, at the point where the Telereal Trillium contract finished—it was Easter Saturday; I remember it well, back in March—we then signed up to leases for all our buildings going forward. Most of them are 10-year leases with a five-year lease break. There are some transitional sites where it may be three years, but it carries us all the way through the period that we are talking about. Crucially, it gives us the opportunity to look again at our estate in the run-up to 2023, so more flexibility going forward.

To give you an idea of some of the movements we can see at this stage in the year, I remember sitting behind my predecessor, Robert Devereux, at the Public Accounts Committee—I am trying to remember exactly when it was but I think it was the autumn of last year—and at the time coming out of a planning round we felt we had a gap of about £340 million for the year we are in now. We then did work around volumes following the Budget last year. We were in a position to set a balanced budget for 2018-19, the year that we are in. Volumes moved in the right way, in part because of the success in the labour market. We saw the latest statistics yesterday.

Q7 **Chair:** Peter, it is still not clear. Are you going to meet the target?

Peter Schofield: The answer is that we are right in the middle of the planning at the moment, so there is uncertainty.

Q8 **Chair:** You don't know.



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Peter Schofield: I don't know, because we need to finish our planning work.

Q9 **Nigel Mills:** I am slightly nervous about that, Mr Schofield. We are six months from the start of the 2019-20 financial year and presumably you need to have those savings locked in for the start of the year, otherwise it gets quite difficult to make £0.5 billion savings halfway through a year if you are going to make £1 billion. Are you really sitting there saying, "We just don't know"?

Peter Schofield: No. I know where we are in the planning process, and I know the work that we have done. We have options looking forward into 2019-20. It is not that I don't know in the sense that there is a huge amount of lack of clarity in the numbers coming through. All I am saying is that the volume data coming out—the number of claims coming out of the work we do following the OBR forecast—can change the position quite significantly.

Q10 **Nigel Mills:** You have a budget for next year of £5.4 billion of resource DEL, haven't you? Are you going to hit that budget?

Peter Schofield: It is £5.8 billion if you include capital as well, yes. I think that is the question that the Chair was asking me earlier. My point is that it is a challenge. I know what we can do. I know the things that we are working on. We have an open set of discussions with the Treasury—as you would expect at this time of year—and it will be a challenge, but we will do everything we can to live within the DEL.

Q11 **Chair:** Therefore, you send your Secretary of State into the House of Commons saying, "We have no idea whether we are—"

Peter Schofield: No, that is not what I said, Chair.

Chair: "We are going to do our best but we don't know."

Peter Schofield: No.

Chair: As Nigel said, we are six months away.

Peter Schofield: That is not what I said. What I am saying is that we are in the middle of the planning process at the moment. There are things moving in our favour and we set the final budget for 2019-20 in our winter planning round, which we finalise in the New Year. We will finalise our budgets in January and we will set our plans on the basis of that.

Q12 **Neil Coyle:** Just so that we are clear, is it a known unknown or an unknown known?

Chair: Or a further unknown unknown?

Peter Schofield: What I would say is that there are lots of things that we are doing to drive down the cost of running the Department and there



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are some uncertainties that flow, as they always do at this stage of the financial year.

- Q13 **Nigel Mills:** What is the range? Sitting here now, I don't know whether you think you might hit £5.4 billion or you might hit £7 billion. Is the range: it might be £5.5 billion or it might be £5.6 billion, but hopefully we can get to £5.4 billion? Or is the range much higher than that?

Peter Schofield: This time last year, the work that we did after we got the volumes through moved things by something like £340 million, so there is considerable movement on that. Look, we start with a capital of—

- Q14 **Chair:** But was it up or down—more cost or less cost?

Peter Schofield: In that case, it came down. Given the success in the labour market and given yesterday's statistics, I would hope for continuing good news on that front. Alongside everything that I have said, let us remember there are continuing savings in third party spend and then I have flexibility around what we do in terms of investment and timing of investment plans.

- Q15 **Rosie Duffield:** Just for the sake of clarity, you are definitely saying that there are no plans to close any more job centres at the moment, or going forward for the next couple of years.

Peter Schofield: Yes. There are no plans, other than anything that has been announced. That is where we are, absolutely.

- Q16 **Chris Stephens:** That will be a relief to many people, and I think we have noted that. Let us now go on to known knowns—to use Mr Coyle's phrase—and then turn to Universal Credit. Mr Schofield, have you achieved the level of automation of Universal Credit that is necessary to deliver the savings required to meet the 2019-20 limit?

Peter Schofield: The 2018-19 limit, yes.

Chris Stephens: The 2019-20 limit?

Peter Schofield: 2019-20. Basically, we are dropping in more automation releases every two weeks. We will continue to do those every two weeks going forward. If your question is, "Have we dropped in all the automation that we are planning to do ahead of 2019-20?" the answer is no, because we will continue to do those.

The other point to take into account, which I would emphasise on Universal Credit—and it came out in the NAO report—is that a lot of the way that we drive unit cost reduction in Universal Credit comes from the way the caseload mix changes as we bring more volumes through. There are two things in that. First, it is a digital platform. As more people come on to Universal Credit, the unit cost comes down automatically. The second thing is that as we bring more people into Universal Credit—for example, fewer of the people on Universal Credit are in the first



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assessment period, which is when there is an awful lot of administration and a lot of work to be done—it drives unit cost down.

Q17 **Neil Coyle:** In layman's terms, every delay to bringing more people on will cost the Department more money and affect this threshold, yes?

Peter Schofield: Sorry—

Neil Coyle: You are saying that the more people who are on it the cheaper it gets to run, so the longer it takes to move people on, the more it costs to deliver.

Peter Schofield: Sorry; are you talking about unit cost? You then have to multiply unit costs by the number of people to get the total cost, so that makes it a bit more complicated.

Q18 **Chair:** There are two ways, aren't there? This is what Neil was saying: one is that we know lots of people going on to Universal Credit are going to get cuts in benefit, so that is a saving. The alternative, of course, is you put into your calculations that each tranche of people moving on to Universal Credit will give you administrative savings.

Peter Schofield: Yes. I was focusing very much on the second because I thought the conversation was about our departmental expenditure limit.

Q19 **Chair:** Sure, but any slowdown that the Government come up with will cost you more money, both on admin and because the claimants will be getting higher benefits for longer.

Peter Schofield: I think we are focusing on 2019-20, and that is the crucial thing. We finished the rollout to every job centre in December. That means that all new claims into working age are into Universal Credit. What you will see then, and let's put managed migration to one side because this is important—

Q20 **Chair:** How big a task will that be?

Peter Schofield: To complete the rollout?

Q21 **Chair:** During this period, you will have completed establishing it in every Jobcentre Plus. As opposed to legacy historic claims, how many new claims will you have to do during that period on to Universal Credit?

Peter Schofield: We are currently at about 1.2 million people on Universal Credit. That will rise to around about 2 million in May next year. By the end of 2019, it will be around 3 million. That is my point. Put managed migration to one side. The fact that we have rolled out Universal Credit to every job centre by the end of this year means that all new claims are coming in and that builds volumes, quite apart from—

Q22 **Chair:** Up to 3 million—so you are going to have your work cut out just doing that, aren't you? That is a mega job in itself, isn't it?

Peter Schofield: I absolutely agree. It is a huge challenge, which is why we—



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Q23 **Chair:** Without any transfer of legacy.

Peter Schofield: It is a huge challenge but it plays into the points that colleagues were asking about already, which is around unit cost. My point would be that I see unit costs falling over the coming period because of the increase in volumes in the way that we have described; and, indeed, unit costs have already come down quite significantly. The National Audit Office published a report only in June and, if I remember rightly, it had a unit cost figure of something like £699. The current number is £545. That is just where we are on 17 October.

Q24 **Neil Coyle:** It is supposed to be £173; is that correct?

Peter Schofield: No, it was supposed to be about £505 at this stage. The £173 number is ultimately when we are in steady state.

Q25 **Chair:** If you have, say, 100 claimants now and the unit cost is two, and then you get 200 claimants, although you are saying there is a reduction in the unit cost, the total cost goes up.

Peter Schofield: Yes, but of course this is reducing. We are also seeing reduced volumes into our legacy benefits. At the moment, one of the things we are doing an awful lot of is moving many of our service centres that are currently doing ESA new claims, for example, or Jobseekers Allowance new claims, into Universal Credit. We are moving people over. We are training them up, equipping them and enabling them to be ready for that. We are ready.

Chair: We have lots and lots of questions. We will be coming back that, Peter. Chris, are you happy for us to move on?

Chris Stephens: Yes.

Q26 **Ruth George:** The delay to managed migration will obviously prevent some of those 3 million people who will be moving over by the end of 2019 from receiving any transitional protection for doing so. Is that one of the calculations within the departmental budgets on the lack of transitional protection? I have been quite shocked by the low level of budgeting for that transitional protection, particularly in the OBR's report.

Chair: I thought you said, Peter, that your 3 million was going to be people who would have been getting JSA—people coming on new—and nothing to do with those who are on legacy benefits now.

Peter Schofield: Unless they have had a change of circumstances that triggers a new claim, which opts you into Universal Credit. That would be the point.

Q27 **Chair:** Right. Are they going to be protected?

Peter Schofield: As you know, we have announced the protection for people with Severe Disability Premium. The Government will be bringing regulations for managed migration and transitional protection to



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Parliament shortly. The advantage of moving forward with managed migration is it locks in the transitional protection that you have described.

In the context of our DEL budgets, transitional protection is less relevant. This is scoring in AME, so—back to the context of the earlier discussion—it is not the issue. But you are right that the £3 billion of managed migration transitional protection is there for people when we managed migrate them—

Chair: Whenever you do it.

Q28 **Neil Coyle:** I think the expectation was that about 80% of claimants would be able to verify their identity online, and the NAO report said it was only achieving about half of that. Where is that at now?

Peter Schofield: You are very generous about what the NAO might have said. I think the NAO said it was more like about a third of it. We are around 37%.

Neil Coyle: That is still the case now.

Peter Schofield: Yes.

Neil Coyle: That figure has not changed.

Peter Schofield: No, not significantly.

Q29 **Nigel Mills:** I would have thought you might have come in here and made a pitch for some more money and said, “The key to making this all work is that we need to have more resource on the ground. If we can give people better support, we can get a better outcome. We can reduce the AME spend of £160 billion a year. Every answer we get from Ministers is: we are going to have more support for this and more support for that. If we can give individual claimant commitments, that helps. If we can support them through the journey, that helps.” Is that what you are asking for behind the scenes? Are you saying, “If we are going to get this right and do a good job, these savings are directionally a bad idea. We should be spending to save here. If we can get the quality up, we can save you some of your £160 billion rather than penny pinching on the £5.4 million”?

Chair: Peter, with your statement so far, are you strengthening the Treasury’s hand against your Secretary of State when she goes in to ask for more money? That is Nigel’s question.

Peter Schofield: I understand Mr Mills’s question. We are less than two weeks away from the Budget. I can still do my arithmetic. You can imagine conversations going on with the Treasury. I think every Department is having conversations with the Treasury, and I cannot speculate on that.

This is an important point to get across and it comes out clearly in the business case for Universal Credit, which we published early in the year in response to the Committee asking us to do that. There is a lot of



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recycling of savings into support for claimants. The business case shows £300 million of gross administrative savings, and £200 million of that gets reinvested into support in the frontline, in job centres—

Q30 Chair: So, Peter, you are not going to help your Secretary of State by saying, in answer to Nigel's question, that you do need more money. You are going to send her into the conference chamber naked, are you, to use the classic term of Aneurin Bevan?

Peter Schofield: I do everything I can to support my Secretary of State and my Minister.

Chair: You will not answer Nigel's question.

Peter Schofield: I go back to the answer I gave the Committee earlier.

Q31 Nigel Mills: It is almost like you have been coached, isn't it? We are a year from a Spending Review, aren't we? That is due to come around next year. What is your vision for the Department? Are you saying that you are now as efficient and as small as you possibly can be, and that if you want to deliver the policies that you want to deliver, this is it, and in fact we should put more resource in? Or are you thinking that your Department could take a further round of efficiency savings without it impacting the frontline?

Peter Schofield: We have been doing a lot of work thinking about our vision for the next five years over the last period of time, ahead of the Spending Review. We imagine it will be maybe this time next year, or maybe the summer next year; we are not sure.

There are three broad things that are coming out of this for us, in a world where the challenge will always be—and I am realistic about this as a public servant—to drive greater efficiency and continue to deliver improved levels of service. I am realistic that that is the challenge that we are being given.

There are three things, for me, that have come out of the work we have done so far. One is the opportunity to use automation and digital in all its different forms to help us to do more without having the face-to-face or person-to-person contact. There are some first fruits of that already. We have done some wonderful work in our pensions teams on something called "Check your State Pension", and 10 million members of the public have contacted us to check their state pension records. They can do all of that online without having to speak to us directly. Obviously, with Universal Credit, there is more opportunity for our claimants to interact with us digitally, so I am seeing the opportunity for all—

Q32 Chair: Are you saying that you will be sending your Secretary of State into these negotiations and saying, "Don't worry, we can make further savings"?

Peter Schofield: No. I have three points.



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Chair: I thought that those were the three points.

Peter Schofield: No. That was part way through number one. I am sorry; Chair.

Q33 **Chair:** All right. Let's have number two, then.

Peter Schofield: The first is the opportunity for automation to take some of the—

Chair: We have that. What is number two?

Peter Schofield: The second one is: the number of customers, the number of claimants and the number of members of the public that we will serve is going to go up in the future rather than going down. It goes up for two main reasons. One is demographics—more people on the state pension—and the second is that with Universal Credit we bring people in from legacy benefits, from HMRC or local authorities.

Increasingly, we see a greater mix of people with complex needs. It matters for me that as we use automation to do some of the heavy lifting and enable people—those who can—to interact with us digitally, so we can provide a more tailored support for those people for whom that is the right way to serve them, and do this on a case management basis.

In the past, DWP has delivered many of its services through national telephony. You phone up and you get through to someone, but it might be a different person from the person you phoned last time.

Q34 **Chair:** Peter, Nigel did not ask you that question. He asked you: when you get into the spending round, are you briefing the Secretary of State to go in and take more cuts on admin or, given the increased workload—despite IT and all the rest of it—are you going to ask for more staff and more resources?

Peter Schofield: That was my second point—more tailored support, a bit in the way we have done for Universal Credit. I think Universal Credit is a good example of that. We are taking £100 million in steady state out of the admin costs of Universal Credit. That is £300 million of efficiency savings and £200 million of reinvestment.

Q35 **Chair:** You have been so successful that the Secretary of State has been up before the House on Monday, Tuesday and Wednesday, but never mind. Go on.

Peter Schofield: The third point I would mention is what I have described as focusing in on planning and resourcing in a more flexible way. There are two elements to that: one is going on driving out value from commercial contracts, in the way we have been doing. Each of these savings accumulates. If we can keep doing £250 million a year—

Chair: Peter, we understand all of that. If this goes on, the Treasury will not understand what you are asking for. Believe you me, I don't know what the brief would be—maybe they just give up and say, "Well, do



what you want”—but we are not even clear with what you want.

- Q36 **Chris Stephens:** Mr Schofield, given that customer satisfaction levels in the benefit process are decreasing—and have certainly decreased compared to the previous year and this year—how do you plan to ensure that the Department’s performance improves, given that your resources appear to be decreasing?

Peter Schofield: That is a good question, Mr Stephens, and there are two elements to the answer. Resourcing clearly makes a difference but I think there are two other elements. One is around the way we plan and allocate work to our people. The second is around driving better performance from our contractors. I can talk about both of those.

As the annual report and accounts shows last year, one of the big impacts on our processing times was in state pensions, where we had peaks in inflows. We had peaks in people claiming at particular points in the year. We should never be surprised by people claiming the state pension, but because we enable people to claim four months in advance of them reaching state pension age, sometimes you get an inflow in a way that you are not expecting. Being savvier in the way we invite people to claim for state pensions could make a big difference, because this is where there are huge volumes—huge numbers of people claiming. That is one thing.

The second thing is about driving better performance from our suppliers. Let’s be clear about that. That is one of the reasons why we slowed the reassessment of DLA assessments.

- Q37 **Neil Coyle:** Those contractors have never met the quality standard set by the Department—we have heard that on this Committee—so I do not understand your point. They are not meeting the standard. They are still undertaking the assessments, and the Department is still paying millions for the appeals and mandatory reconsiderations as a result of the failure to get them to meet their quality standards.

Peter Schofield: The question I was asked was around improvements. You are right, Mr Coyle; for MAXIMUS, who do the WCAs, the particular contract metric is having A and B graded reports above 95%—

Chair: They have never met, have they?

Peter Schofield: —which they have never met, but they are improving and we are driving performance on that. We have massively reduced waiting times—

Neil Coyle: Because there are fewer people going through the system.

- Q38 **Chris Stephens:** Can you give us the evidence that they are improving? Any time we have investigated the performance of the contractors, they have not met the simple targets.

Peter Schofield: Okay, I will give you—



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Chair: All right, Peter; the last word goes to you, and then we must move on to the next section.

Peter Schofield: I will not go into any more detail but, to answer Mr Stephens's question in terms of performance, it is about being better at managing the workload as it comes in—state pensions is my example of that—and driving better performance from suppliers. My point, Mr Coyle, was more that they are significantly better than they were. I was answering the question.

Neil Coyle: With a much lower volume of people going through.

Chair: All right, we must move on.

Q39 **Rosie Duffield:** I could go on about performance, but I will not get distracted. We are moving on to talking about tackling fraud and error in terms of financial targets. Are you on target to realise the £1.3 billion per annum reductions in fraud and error that you set out in your case for Universal Credit?

Peter Schofield: We are, but all I would say is it is early days because we are moving to scale. Part of this comes from the way that we move to scale in Universal Credit. We bring more people on to the digital system and we can use the digital processes to drive out fraud and error. The number of £1.3 billion is in the business case for Universal Credit and we are very confident in it, but there is work to be done. I can talk a little bit more about how we are tackling fraud and error if that is—

Q40 **Rosie Duffield:** There are a few supplementary questions that go with that. How does it square with the overpayments—due mostly to error, I would say, in our experience—under Universal Credit? That is estimated to be running at 7.2% of spending, which is higher than any other benefit.

Peter Schofield: Yes, but the measurement in the 2017-18 year was based on the live service, which is the manually based service. A lot of the performance comes from the digital service, which is the thing that we are rolling out now.

Q41 **Rosie Duffield:** Do you have any evidence that that is going to be reduced significantly when it is a full service? How is that going to change?

Peter Schofield: It is a good question. We made a number of changes in our fraud and error work over the last 18 months, bringing all of our fraud and error work under a single director who can see the whole process end to end, so we have the investigators, the policy people, the strategy people and a change programme all together.

What we have asked them to do—what I described at the Public Accounts Committee only a few months ago—is a heat map. For every benefit, we have looked at the cause of overpayment, or indeed underpayment, by each of those benefits. There are categories like: “do we have the



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earnings right?" or, in PIP, "has there been a change in the condition of the claimant?" Hopefully it is positive, but it may be worsening. Are we picking up on people who are living together but claiming benefits separately? Are we picking up on capital?

Anyway, we have the heat map, and what that enables us to do is to target where the biggest overpayments are and, indeed, where the biggest underpayments are. Then there are things we can do about that. For example, one of the crucial things in Universal Credit is we have the data feed from HMRC on earnings, so it enables us to avoid under or overpaying people according to fluctuations in their earnings.

Q42 **Chair:** Peter, will you answer Rosie's question? Are you on target? How much have you saved this year of that £1.3 billion, and how much next year? What proportion of £1.3 billion is it going up in the year after? What is this year's record of the £1.3 billion savings? That is Rosie's question.

Peter Schofield: It is a good question; thank you, Chair.

Chair: We want good answers. We are not worried about the questions.

Peter Schofield: I am worried this is going to be an unhelpful answer, so that is why I am slightly pausing. Just to be clear, Chair, the way we measure is by sampling, and we sample twice a year, so we will know and I will see the preliminary statistics for this year in May. I know it is deeply unhelpful, but we will see the statistics there, and I would hope that we would start to see some of the effect coming forward.

Q43 **Chair:** Given that Universal Credit has been rolled out over seven years so far, on the past year how much have you saved towards that £1.3 billion annual reduction in fraud and error on Universal Credit?

Peter Schofield: As I said to Ms Duffield just a moment ago, because we just do not have the volumes coming through at the moment, the measurement we have done is on the manual system—live service—so we do not have—

Q44 **Chair:** All right. You have no figures at all to give us?

Peter Schofield: I do not have figures to give you on the full service. The £1.3 billion is a number that comes out in the business case and it applies in steady state when we are fully rolled out and finished—

Q45 **Chair:** Fully rolled out; so that is what, 2022?

Peter Schofield: I have the NAO report here—

Q46 **Chair:** Yes or no? Is it 2022 you will be delivering £1.3 billion, but up until then—and certainly now—you cannot give us any figure?

Peter Schofield: It will be rising to the point where we have completed managed migration, which is 2023.



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Q47 **Chair:** We want to know where it is rising from. Where is it now to rise to? Is there no figure at the moment?

Peter Schofield: We have the figure for the fraud and error on the legacy benefits, so: Tax Credits, JSA, ESA, Housing Benefit and Income Support.

Q48 **Chair:** There was a specific target for Universal Credit; that was Rosie's question.

Rosie Duffield: Where did that figure come from?

Chair: And where is it now? You don't know?

Peter Schofield: Where is it now? It is still too early to say. I told you, Chair, that this would be an unhelpful answer, but we do the sampling at particular points in the year and we will publish the data in May.

Chair: It has been running for seven years.

Q49 **Chris Stephens:** Mr Schofield, according to parliamentary answers, you have 4,504 people—full-time equivalent posts—chasing social security fraud. That is 10 times more than the minimum wage compliance unit and four times higher than the HMRC welfare unit. From the answers you have given us so far, are you saying to us that we could recommend that you need more staff to chase fraud?

Peter Schofield: There a number of different things that we do to chase fraud and error. We do absolutely have investigators who are out there. The 5,000 number that is where we are now is the entirety of this. It is not just investigators. We have people who are investigating fraud and they are doing some quite wonderful work. They are uncovering some quite horrendous cases of things like modern slavery. When you track down people who are defrauding the benefit system, you realise there is an awful lot of unsavoury stuff going on here. I commend my colleagues all across DWP who are investigating and tracking this stuff down. It is quite—

Q50 **Chair:** As I am chairing the review of the Modern Slavery Act for the Prime Minister, will you give us a paper on what you have found out and the savings?

Peter Schofield: I would love to, because I am very proud of what we do.

Q51 **Rosie Duffield:** I want to move on to talk about state pensions and the error aspect of that. Overpayments seem to be at 4.4%, up from 4.2% in 2016-17. What is the Department doing to ensure that those rates of overpayment do not continue to rise as Universal Credit is rolled out?

Chair: A lot of that is pensioners, isn't it, Rosie?

Rosie Duffield: Yes, absolutely.

Ruth George: It is excluding state pensions.



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Rosie Duffield: Sorry, excluding state pensions.

Peter Schofield: I am struggling with the number. State pensions is a remarkably good performer.

Rosie Duffield: You mentioned pensions before, so it was in my head.

Peter Schofield: I know; sorry about that.

Rosie Duffield: Basically, excluding state pensions, we are saying that the overpayments are up at 4.4% from 4.2% so how are we going to stop that rising?

Peter Schofield: It goes back partly to my answer to your previous question, Ms Duffield, which is starting with what we call a heat map—I have a copy of it here—which is targeting: where is that 4.4%? Where are the main causes of overpayment and underpayment? It matters to me just as much that we are finding people who are not claiming the benefits that they should be claiming. It gives us the opportunity to do that, and then we have targeted strategies in each of these areas, particularly those where overpayment or, indeed, underpayment is significant.

Q52 **Rosie Duffield:** At the end of every overpayment story there is a human being struggling to pay back these ridiculous clawed-back payments, and having all these sanctions making life very difficult for them. We need to know that that is coming down.

Peter Schofield: Yes, and Nick may want to come in on this as well. You are absolutely right that at the end of the story on overpayment—I talked about modern slavery—there may be people from whom we are claiming benefits back and that is very difficult for them, so we always make sure that we are treating our claimants with absolute sensitivity and awareness of their situation—

Rosie Duffield: That is not my personal experience, I have to say, when I was on these benefits—definitely not.

Q53 **Chair:** Nick, might you tell us how much do you present to Parliament as being written off of overpayments that you cannot recover? What does that figure stand at, please?

Nick Joicey: Maybe Tara wants to explain the detailed figures on the overpayments that we are writing off. In terms of the approach that we are taking and that you highlighted, Ms Duffield, in terms of the critical importance of making the correct payments and then also how we work with our claimants, since joining DWP I have been fortunate to be able to go to our debt operations centres and listen to work that advisers are doing with claimants—

Q54 **Chair:** What is the result, though? That is what we are after.

Nick Joicey: In terms of the results, the importance of this underpins that action that we are taking, in terms of bringing together all of the



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people across DWP who are working on fraud, error and debt into that single fraud and compliance directorate. What we are also doing is working out how we make the best use of the real time earning information that we have from HMRC and others. In that case, we are making use of something called Verify Earnings and Pensions to send out alerts when there are changes. We need to go further on that, so that is why we are working jointly with the NAO on this strategy.

Q55 Chair: This is not Rosie's and my question. We asked: how much do you tell Parliament you have to write off because it is not recoverable?

Nick Joicey: In terms of the losses that we report in the account, the figure is around £330 million on our overpayments that we wrote off in 2017-18.

Q56 Chair: Therefore, Parliament agrees, on average, each year that a third of a billion is written off as not recoverable. Is that right, Tara?

Tara Smith: Yes, as disclosed in our accountability statement, it was £330 million last year. That number has been decreasing year on year since 2012. They are written off for a number of reasons. One is official error, which we do not follow up on, and the other reason is because it is below a de minimis level of £65 where it is just not viable for me to recover.

Q57 Chair: The statement is £330 million you ask Parliament to write off, you cannot recover. All of us have constituents who go on to Universal Credit and get these gigantic sums of historic debts that they have to pay back. Are you able, Tara or Peter, to give an assurance to the Committee that nobody is being asked to repay historic debts that Parliament has already agreed to write off? Yes or no—can you give us that guarantee?

Tara Smith: If they have already been included within that de minimis level of £65 or under, or official error on legacy benefits, they will not be asked to repay that money.

Q58 Chair: Nobody is being asked to repay the £330 million Parliament writes off for you as lost.

Peter Schofield: That is right. For most of our benefits, if there is a change of circumstance and the claimant has told us about the change of circumstance, and we have not done anything about it and they have carried on getting the benefits, it is our problem.

Chair: That is very helpful statement.

Q59 Nigel Mills: There is a bit of a danger that the presentation you are giving us implies this is all getting better whereas, sadly, the data shows it is getting worse, doesn't it? You lost more money to fraud and error last year, and it is a higher percentage than it was the year before. You give us this heat map and these glossy strategies, but it is all going wrong, isn't it? I think three years ago you had another glossy strategy—and something you did not call a heat map. When are you going to get



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this number going the right way rather than the wrong way?

Peter Schofield: You are right that the number has not been going the right way in recent years. We have been working very closely with the National Audit Office in terms of how we develop the strategy and the work that we are doing.

As we increase the number of people of working age coming into DWP benefits, the mix changes. That does make even maintaining the current performance more difficult because people coming in from Tax Credits, for example, are more likely to have had changes of circumstance. The work we are doing in terms of data and analytics becomes ever more important to stabilise and, hopefully, in time bring the number down.

Also, there is no doubt that we are challenged increasingly on fraud, as every other organisation is. We have a cyber-resilience centre that is there to help us target online fraud. The mix and the landscape we are facing is difficult but there is no excuse, Mr Mills. The focus here is on driving down levels of overpayment and driving down levels of underpayment, but doing it in a very sensitive and appropriate way.

Q60 **Nigel Mills:** Mr Joicey cites RTI data from HMRC as being one of the solutions, but you have had that for five years, haven't you, and yet the number is still going up?

Peter Schofield: It is something that we use in terms of Universal Credit. The next stage is enabling that RTI data to be used in a more effective way to prevent fraud and error and overpayments—and indeed underpayments—before they happen. We have had it so that you can run a scan after the event and spot where it has happened. We are now introducing alerts so that you can get the information of a change of circumstance as it happens, which enables you to stop these things happening before they occur—prevention rather than detection.

Q61 **Nigel Mills:** In terms of legacy benefits or non-Universal Credit ones, do you have a target for how much you can get fraud, claimant error and official error down to by benefit, or do you just measure this at a macro Department level?

Peter Schofield: We have the targets for the current year of 1.5% on a net basis.

Q62 **Nigel Mills:** Per individual benefit do you have a target?

Peter Schofield: No, we don't have a target but we do have a focus.

Q63 **Nigel Mills:** Why?

Peter Schofield: One of the things that we are working with the National Audit Office on is we have taken a targeted approach as to how we measure benefits, and on some of the benefits we do sampling more regularly than others.

Q64 **Nigel Mills:** You have a heat map. What is the point of a heat map if you



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don't focus on the hot spots?

Peter Schofield: Sorry; that is what I am saying—we are. That is exactly what it is for.

Q65 **Nigel Mills:** Surely, you must have a heat map that says Housing Benefit is particularly vulnerable?

Peter Schofield: We have. I think, Mr Mills, I am pushing back on the question of: do I have a target for what I want? I would love all the red areas to become green. I would love us to get these numbers down. I do not yet have a target. This was a debate that I was pushed on with the Public Accounts Committee back in May, as a matter of fact.

As we make more use of data and analytics, my ultimate focus is that we get to the point where we have done so much that if we were to spend £1 more on prevention we would not deliver a £1 less in savings, so you push this to the maximum point where it is value for money. Then I will go to Sir Amyas Morse—or potentially his successor, if I am not in time—and say, “You have qualified our accounts since 1980-something. Now is the time not to qualify our accounts.” I would love to be the first accounting officer not to have qualified accounts on that basis.

Q66 **Nigel Mills:** We sit here and we would like more money to help vulnerable people, yet we still see £3.7 billion being lost on fraud and error. We are talking about serious amounts of money and about the potential to use it for what Parliament votes to use it for, rather for than stuff it does not vote to use it for. I wonder why you cannot say, “For Housing Benefit, the total fraud and error last year was £1.5 billion. Realistically, we can get that down to £1 billion.” I know that the numbers will fall, as you say.

I just do not understand why you do not set a target per benefit, so we can measure what your progress is by benefit and then we can understand where there are real problems. Is that something that you do internally but you just don't want to release in case one goes up and one goes down and you want to smooth it out for us, or something?

Peter Schofield: No. That is not my motive. It is more a sense of: we brought this together with a team, we have a strategy and we have this focus. I am giving the team a strategy—

Q67 **Nigel Mills:** It is not working. That is the problem. It is going the wrong way.

Peter Schofield: It is, but—

Q68 **Chair:** We all have targets, don't we? Every week I meet with my colleagues, my staff and people working with them, and we set what we are doing the following week. It gives us all a sense of purpose. If I was a fraud officer with you, I would know it is all very important but I would not have a target. I might think, “I know the boss doesn't have a target—so what?”



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Peter Schofield: There is an overall target. What I am asking my team to do within each of these areas is to tell me how far they can go, and to develop their strategy in each of those areas in the matrix, if I can call it that. On the back of that, we are in a world where I can have an internal discussion about what could be delivered, what could be delivered by when and what is required to enable them to get there—whether it is access to data, resource or whatever. We have an overall target, and that is our process.

- Q69 **Nigel Mills:** A final question from me: how resilient are all systems for all of these legacy benefits that, presumably, you are not expecting to still be using in a couple of years' time? Are you still investing in making sure you have people that can repair them when they go wrong? Are you a bit on a wing and a prayer now that they will keep working—are you saying, "We can stick some foil in the fuse box if they go wrong"? Are you sure that these are resilient? Are you sure that, first, they will keep effectively paying the benefits they need to pay, and, secondly, they are not getting more and more vulnerable to fraud and mistake as we move on?

Peter Schofield: You are right that we have potentially the largest and most complex system of technology of any organisation in Western Europe. Some of these systems have been built up over a period of years. I know there is one system you can date back to the 1970s. There are a number of things we are doing. Universal Credit has been our opportunity to clear afresh and to build something from the start on solid ground with modern technology.

For other systems, we have been doing a lot of work to migrate the way that the systems are hosted, so we are moving them to cloud hybrid hosting. That reduces the cost, improves resilience and enables us to add more up-to-date applications on to them. On our oldest—the virtual machine environments and the mainframes—there is a programme called the VME Remediation programme. We are towards the end of that. It is all about moving that into a more modern set of processes that enables us to be resilient going forward.

It is work in progress but we are a long way through. We are saving money but, importantly, improving resilience and performance.

- Q70 **Ruth George:** Levels of fraud and error under Universal Credit are still a lot higher than they were looking to be, and now you are looking at Carer's Allowance, we understand. There was an article in *The Guardian* a week or so ago saying that the Department is looking to go back over the last five years, presumably with real time information on earnings, and look at Carer's Allowance in comparison to that. Is that article correct?

Peter Schofield: It happens with all of our systems; we are using real time information. In all of our benefits we are using real time information to enable us to go back and look at where there have been potential levels of overpayment and to go back and address them. This is one of the things we are using the real time information to help us do.



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- Q71 Ruth George:** On Carer's Allowance there is obviously a cliff edge, which is dissimilar to many of the other benefits, and claimants who earn just £1 over that cliff edge are then ineligible for Carer's Allowance.

I used to work in the retail sector where we had many carers who were doing part-time work. If they got a 2% wage rise they could inadvertently go above the earnings threshold for Carer's Allowance. How much of the estimated fraud and error do you think is down to claimants inadvertently earning too much?

Peter Schofield: One of the great advantages of real time information—and you remember what I was talking about earlier in my answer to Mr Mills's question—was around the opportunity to use real time information, not necessarily to do the detection so much but to get on the front foot and do the prevention so we are able to pick up on changes of circumstance early on.

- Q72 Ruth George:** But this is going back five years. It is not going forward.

Peter Schofield: No, it is, and back in April we increased that threshold by 3.4%, which was above earnings growth.

For all our benefits we are very clear with people that they are making the claim and it is their responsibility. We want to do this as sensitively as possible, but it is their responsibility to keep us up to date with changes in circumstance.

Our data matching, but increasingly our data alerts, can help us but we do need claimants, as with all benefits, to tell us about changes of circumstance. Once they have told us about change of circumstance on something like Carer's Allowance and we have not picked up on it, then it is an official error and we do not recover, but it is their responsibility. I know this is difficult but, believe me, treating people sensitively is a constant balancing act. I want to do that but, at the same time, it is their responsibility to tell us because for all the reasons that you and your colleagues have just been asking me about, in terms of the overall levels of fraud and error, I do have to look to recover overpayments where we have not been told in advance on something like Carer's Allowance.

- Q73 Ruth George:** There are many people who get a small pay rise and will simply not notice and under Carer's Allowance there are so many different deductions. The calculation of the earnings threshold is a very complicated process and it is very hard to find out how to do that. How much leeway is the Department going to give to people who have inadvertently gone above that threshold over the last five years? You can see that they would think that it was incredibly unfair for people in their position, who have given up at least 35 hours of the week, or most of their waking time of their lives, to care for somebody, saving the state an absolute fortune—around about £15 billion a year is saved by unpaid carers—and now the Department is looking to go back on them because they had a 2% pay rise.



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Peter Schofield: I just want to endorse one of your comments there, Ms George, about the vital contribution that many of these recipients of Carer's Allowance are making to our country. We absolutely appreciate that.

We have increased the threshold by 3.4%. That is ahead of earnings, so that should pick up on the situation where someone that has had a small—

Q74 **Ruth George:** How clear was that? Was every individual claimant of Carer's Allowance written to about that increase in the earnings threshold, told how to calculate it and told very clearly that if one of their pay packets went above the weekly threshold or the monthly one—because obviously it is difficult for people to work out where they are paid on a monthly basis—how that relates to a weekly threshold. Was that all made completely clear to them?

Peter Schofield: Look, I appreciate the question and we would have told everyone about—

Q75 **Ruth George:** Is that yes" or no? Was each claimant of Carer's Allowance written to about the increase in the threshold and informed about that threshold and how they should calculate it themselves and what they should do?

Peter Schofield: We will have written to everyone. Would it be helpful for the Committee if I checked exactly the basis on which we would have alerted people? I would say two things. One is that at the point where a claim was made, we would have been absolutely clear about the responsibility for the claimant to keep us up to date with changes of circumstance, and I am pretty sure—

Q76 **Ruth George:** Change of circumstance is not getting a pay rise of £1 a week.

Peter Schofield: A change of circumstance is a change in earnings, absolutely, among other things. We would have made that—

Ruth George: For people who have fluctuating earnings as well, it is not what most people see as a—

Peter Schofield: Shall I write to the Committee on this?

Q77 **Chair:** Can we wait for your letter, because it looks as though you haven't? Otherwise you could have told us immediately. You could have said yes. We are grateful you are going to check.

Peter Schofield: I will check. I think we will have written, but there were a number of parts to Ms George's question; let me write to the Committee on precisely how we would have addressed those.

Q78 **Ruth George:** Could this Committee ask that account will be taken of the amount of information that claimants had; how clear it was to them throughout their claim—because they might have started claiming Carer's



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Allowance a considerable time ago—what their responsibilities were around the earnings threshold; and how it was calculated, and that that will be taken into account in any seeking of repayments that the Department makes going back?

Peter Schofield: Absolutely. It matters to me that we treat our claimants as sensitively as possible, balancing our responsibility to the taxpayer as well. Let me address that point as well.

Q79 **Ruth George:** They make a huge contribution to the taxpayer.

Peter Schofield: I absolutely agree with what you said.

Q80 **Neil Coyle:** They are taxpayers. There is a false distinction in what you have just said between taxpayers and claimants, because many claimants are taxpayers.

Peter Schofield: That is a very fair point, Mr Coyle, thank you.

Q81 **Chair:** Also, at the end of the day, many, if not all, of these carers are whacked out. The idea they are going to get down to understanding what you mean by this, that and the other is really difficult.

Peter Schofield: Yes, I understand the Committee's point.

Q82 **Ruth George:** Could I ask one other question? This Committee recommended, in our report on carers in work, that there be a tapered threshold for earnings under the carer's allowance. Would that make it easier to avoid the high levels of fraud and error that have been estimated in Carer's Allowance?

Peter Schofield: It is a good policy challenge. I am aware that is a recommendation of the Committee.

Chair: Will you write to us on that?

Peter Schofield: Yes, I will happily write to you on that.

Q83 **Ruth George:** Could you let us know what you think the effect would be on fraud and error estimates under carer's allowance, please?

Peter Schofield: Let me see what I can do.

Chair: That would be really good.

Q84 **Steve McCabe:** We have been discussing overpayments. I want to focus briefly on underpayments, which I understand are currently running at £1.7 billion. Some £470 million of that is accounted for by official error and £140 million through claimant error. How do you explain the other £1 billion?

Peter Schofield: The numbers for underpayment should be a combination of official error and—

Q85 **Steve McCabe:** Yes, but if I add together the figures that were given to the Comptroller and Auditor General, they account for £470 million



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through official error and £140 million through claimant error. I am saying that that leaves £1 billion unexplained. Could you explain that? It is quite a lot of money, obviously.

Peter Schofield: No, I think the numbers are: claimant error is £1.1 billion and official error is £0.5 billion.

Q86 **Steve McCabe:** Are you saying that the Comptroller and Auditor General's report and the Department's accounts are wrong?

Peter Schofield: No, they are certainly not wrong, but there may be some—

Q87 **Steve McCabe:** There is something wrong here, because you cannot make these two figures tally. I am just reading what it tells me.

Peter Schofield: I know what you saying, Mr McCabe, but the numbers I have just given you are from our annual report and accounts, which has been audited by the NAO.

Q88 **Steve McCabe:** These are the same—the 2017-18 report.

Peter Schofield: Yes. Sorry; our numbers have been audited by the NAO as well. I can talk to Amyas to find out exactly where his numbers come from.

Q89 **Steve McCabe:** Let me just read it to you. It says, "Of the total £1.7 billion of underpayments, official error makes up £470 million...The Department classes as claimant error £140 million". By a simple bit of arithmetic—you told us you were still quite hot on that earlier—you can work out there is £1 billion unexplained. I am trying to find out what that explanation is.

Peter Schofield: The explanation is not satisfactory, and I appreciate that. The numbers are the numbers that I have given you from our audited accounts.

Q90 **Steve McCabe:** Shall we leave that on one side? Maybe you could find an explanation, because the numbers are wrong.

Peter Schofield: I will write an explanation agreed with Amyas.

Q91 **Chair:** These figures are from the Comptroller and Auditor General. That is the National Audit Office. We are talking about the same person—the same office.

Peter Schofield: I know—who has audited our other numbers.

Q92 **Steve McCabe:** If it cannot be explained now here in the open, let's see if we can get an explanation.

Peter Schofield: We will take it away; I am sorry.

Q93 **Steve McCabe:** I know you said earlier you had brought your fraud and error people together. What proportion of resources do you devote to



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identifying and rectifying underpayments as compared to preventing and pursuing overpayments?

Peter Schofield: There is a lot of focus now in a number of different ways. There is a particular targeted effort right now on a particular area of underpayment.

Q94 **Steve McCabe:** If you have brought them together, what proportion do you devote to identifying and rectifying underpayments as opposed to the other?

Peter Schofield: It is difficult because it is the same team who look at the same piece of work.

Q95 **Steve McCabe:** Is the answer, "We do not know"?

Peter Schofield: The answer is that all the 5,000 people who work in this area are working on both but, in addition, I have a further 400 people who are working on rectifying underpayments in ESA from the migration from incapacity benefit to ESA.

Q96 **Steve McCabe:** Would it be possible for you to check what proportion of the people you have brought together are working on rectifying underpayments, as opposed to chasing overpayments? Would that be something you could provide? I accept you cannot do it now, but is it something you could?

Peter Schofield: I don't want to be unhelpful, but I am not sure I can necessarily check with an analyst whether they clock on the morning and say, "For the first two hours I am going to—"

Q97 **Steve McCabe:** We spent a lot of time talking about overpayments this morning. Am I right to assume that it is not possible for the Department to give the Committee a view on what proportion of its resources are devoted to rectifying underpayments as opposed to chasing overpayments? Is that the conclusion?

Peter Schofield: No, it is not, really. I would love to be able to transfer—

Steve McCabe: What is the answer? I am lost.

Q98 **Chair:** Let's say you have 100 staff doing the double tasks. How many of them are fraud officers who go there to catch the thieves, and how many of that 100, though they may find fraud, have as their main function getting people to claim benefits to which they are entitled and which they have not claimed?

Peter Schofield: You are right; we have fraud investigators. I will double-check; I think about 2,000 of the 5,000 are fraud investigators.

Chair: What about the other 3,000?

Peter Schofield: All the others will be a combination.



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Q99 **Chair:** Their main purpose is to find underpayment.

Peter Schofield: No, it is to do both. I would say they spend their time pretty evenly on both. In addition, I have 400 people who are working on ESA underpayments. That is in addition—outside of that team. I have a further around 600 who are looking at underpayments on PIP. That is in addition.

Steve McCabe: Therefore, you have about 1,000 people on—

Q100 **Chair:** How many? Can we set those figures out? How many specifically—it does not matter about the benefit—are looking at underpayment and nothing to do with fraud? What is the number in the department?

Peter Schofield: It is 400 on ESA and I think it is 600 on PIP.

Q101 **Chair:** Do you have 1,000 who specifically are looking at underpayment?

Peter Schofield: Those are particular exercises to deal with—

Q102 **Neil Coyle:** As a result of legal action against the Department, it falls to the Department to pay back what was owed to disabled people in particular. You are including that group?

Peter Schofield: On ESA I had a long hearing with the Public Accounts Committee where we talked through what had happened in terms of ESA. What happened on ESA is we picked up underpayments through our analysis of the fraud and error and underpayments data. Our analysis picked it up and we took action.

Q103 **Chair:** We are looking at how you value both tasks. We have 1,000 whose specific duty is underpayment, though they may find fraud. Then we have 5,000 fraud officers.

Peter Schofield: No, that is not what I said, and I should double-check the numbers. We have 5,000 people who work for the Director of Counter-Fraud and Compliance—I brought them all together—of whom a large proportion—I think the number is 2,000; I shall double-check—are fraud investigators.

Q104 **Steve McCabe:** It would be nice if the numbers could be checked for this, because it is obviously a matter of concern. Am I right to say at the moment underpayments are running at their highest level ever—the highest estimated level ever?

Peter Schofield: They are at about 1% at the moment.

Steve McCabe: I think you are at 2%, are you not?

Peter Schofield: No, we are not.

Q105 **Steve McCabe:** The Comptroller and Auditor General has that wrong as well? He says, “Excluding state pension, the estimated level of underpayments has increased to 2%”. That is where the £1.7 billion comes from. That is against your target of 0.9%, is it not? Does he have



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that wrong as well?

Peter Schofield: No, £1.7 billion is 1%. The target is against all our benefits, not excluding state pensions.

Steve McCabe: It does say 2%.

Peter Schofield: To be fair to the Comptroller and Auditor General that is what he says too, so I do not think we are disagreeing on that.

Steve McCabe: I think there is a disagreement if one person is saying 1% and the other person is saying 2%.

Peter Schofield: No, it is not, because, as you read out, Mr McCabe, his 2% was looking at all of our benefits, excluding the state pension, whereas the 1% is a proportion of all our benefits including the state pension.

Steve McCabe: You include the state pension on that one. I see your point.

Peter Schofield: That is the point. I think the ESA is a case in point here. Through our analysis of the data, we picked up that there were a large number of people who were being underpaid on ESA.

Steve McCabe: The courts picked it up.

Peter Schofield: That was a trigger for us to go back and look at what had gone on. I now have 400 people whose job is trawling through something like, in the first instance, 325,000 cases of people who have moved across from the incapacity benefit to ESA, where we moved them. We might have moved them incorrectly into the contribution-based ESA, not the income-related ESA. We are going through that methodologically. I have sat with colleagues as they have taken details with claimants, some of them very vulnerable claimants, on the phone, trying to get through to pay these people what they are owed.

I take this incredibly seriously, as do my team. That is why I am putting the resource on to this. If the Committee wants assurance that we take this seriously, you can take it from the Permanent Secretary that we do.

Q106 **Steve McCabe:** Can I ask one last thing? I don't doubt that you treat it seriously, I am just wondering if we can get a full picture. Can you tell me about underpayments, particularly with Universal Credit? I am interested in the self-employed in particular. Do you know what rate that is running at and what particular action teams you have working on that?

Peter Schofield: I go back to my point—I cannot remember who asked me the question—around Universal Credit fraud and error and underpayments data. At the moment, it is still early days because we have been measuring the live service rather than the digital service. We will have more information on this in May when we publish the next set of statistics. If I take delivery of your question, Mr McCabe, in terms of understanding the self-employed, let me see what we can do in the light



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of the numbers in May, whether we are able to give you an answer on that. I take the point the Committee is interested in that particular figure.

Q107 Neil Coyle: The OBR described the monitoring and forecasting architecture for Universal Credit as “less than ideal”, which is diplomatic speak for not good enough, at best. How have those concerns been addressed and what information has been given to the Treasury to show it has been addressed and what changes have been made?

Peter Schofield: We do a huge amount of work, and we are right in the middle of it right now, in terms of the process of supporting the OBR in terms of its fiscal forecast. This has become tighter every fiscal event. We have a set of forecasting rounds where we go through and look at what we can see in terms of caseload mix, what we can see in terms of any policy changes that have impacted, and any impact of the economy and economic growth. We do that in an open-book way with the Treasury and we present jointly to the OBR, so that the figures that are published by the OBR are based on the best possible data. We have tightened and improved all of that.

In addition to that, we have introduced new governance over the way that we monitor and pick up our AME forecasting—sorry, our benefit spending, which we do jointly, chaired by Director Generals from DWP with senior folk from the Treasury there as well. We have a stronger process for working with the OBR and we have very tight and open governance. It is all done in a very open way with the Treasury. Hopefully that is reassuring.

Q108 Neil Coyle: What is the specific change, be it AME or whatever? Give an example of what you have done to address that specific criticism that it is just not good enough. You say you are working better with the OBR. That does not give me an answer to the question.

Peter Schofield: In terms of Universal Credit, it is not about changing the way we forecast, it is about the way that we share data and are working closely together through every step of the process. An example, which I think would be a different example, would be the way that we are forecasting personal independence payments.

Q109 Neil Coyle: Specifically about Universal Credit you say you are sharing information differently with OBR, but it is saying that the monitoring and the structure of Universal Credit in your predictions are not good enough. How does just giving it a bit more information prove that you are getting better at monitoring and forecasting within Universal Credit?

Peter Schofield: The two go very closely together, and let’s see what the OBR says after the change in process that we currently have. I would be keen to see what it thinks in light of the process that is now underway. I have heard no complaints so far from the OBR in terms of the current way that we are working.

Q110 Chair: Did you have complaints before last year?



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Peter Schofield: I do not remember any complaints. That is a very good question. We will review with them at the end of the process.

Q111 **Chair:** It makes the whole of its analysis for Parliament and the country less valid. As Mrs T once said, if you put rubbish into a computer you get rubbish out. Here are these people trying to build up really important predictions on how the economy is working, and they are saying, "We find this really difficult because DWP in this respect gives us rubbish. We feed it into the computer and get rubbish out".

Peter Schofield: I don't think it is quite putting it that way.

Chair: I am just helping it express more clearly the difficulties it faces.

Peter Schofield: We take this seriously and we are working closely. There are some changes—

Q112 **Chair:** If we wrote to Robert Chote, would he say, "They have improved"?

Peter Schofield: I do hope so.

Chair: We might do that.

Peter Schofield: Can I ask him first?

Chair: I know you are a good old trade union. You lobby like billy-oh.

Q113 **Neil Coyle:** There is £8 billion estimated net annual benefit of Universal Credit that the National Audit Office has said remains unproven. The case for that remains unproven. You are saying it will get more people into work, when there is absolutely not a shred of evidence or any way of measuring whether Universal Credit makes that difference now. The costs of administering the new process are still massively problematic and out of sync from where they should be. The number of people on it is 10% of what it should be, and you have already confirmed today that still fewer than half the people who are meant to be verifying on line cannot do it. Where is that £8 billion coming from?

Peter Schofield: The £8 billion I think is set out very clearly in the NAO report.

Neil Coyle: It says "unproven".

Peter Schofield: There are a number of component parts to your question. The 200,000 extra people in work—we could play a debate I had at the Public Accounts Committee at the beginning of July on this very number—it is not saying that it does not think that number is going to come through. What it is saying is it is very, very difficult to measure it because you do not have a counterfactual. That is the point it is making but it has not challenged the 200,000 as a number in the business case. It is based on the evidence.

Neil Coyle: You stick a finger in the air.



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Peter Schofield: No. I do have the NAO report here and I could take you to the relevant bits. It does look at some of the evidence that is coming through about the way in which Universal Credit is encouraging more people to look for work; it is enabling more people to increase their hours. Compared to Jobseeker's Allowance, the proportion of people who are finding work on Universal Credit is higher.

Q114 **Neil Coyle:** This Committee has asked for extra evidence to be provided, a further survey to be undertaken from the start of this year—is what I think we asked for—on how Universal Credit will support people to work. Why has the Department failed to bother to do any of that if you are so confident that that is still part of the picture for the £8 billion?

Peter Schofield: Mr Coyle, I think that is unfair. We published a proposal in June for how we are going to do this, called for evidence, an approach for how we are going to work to develop the evidence base. It is difficult to measure against a counterfactual when we have rolled out Universal Credit everywhere. That is the challenge. As you will see from the document that we published in June, we have a strategy for how we are going to approach this and we are doing it in a very open way.

No one has challenged the basis of the 200,000. The challenge from the NAO is around whether you can measure it or not. I understand the challenge. It was a debate I had with the Public Accounts Committee at the beginning of July.

Q115 **Chair:** If you cannot measure it, you could make up any old figure, could you not? Perhaps £0.5 million.

Peter Schofield: No, that is not the point, is it? When you have a business case, the business case assumptions have to be based on evidence. The evidence is set out in the NAO report and more fully in the business case itself, which the Treasury has been through and it has approved it as well.

Q116 **Neil Coyle:** Can we come back to the Department that is the focus? Tell us about the IT costs; tell us about the real-time information collection and the problems there. What is that group called: the late, missing and something else initiative with HMRC? We know there are problems there. The land reports will never cover 20% or something of private landlords. Tell us about the cost of administering, the unit costs, where that is at now. These are the bits that you are directly responsible for, whether people are going to work or not. Let's leave that to one side for now.

Peter Schofield: Yes. On unit costs I think I gave the Committee an answer a bit earlier in the session. £699 is the number in the NAO report. We are on about £545 now. We would like it to be around £505 at this point but we made a decision to recruit work coaches ahead of plan so they are in post, so it does include the over-recruitment. It is going down steadily—I think more than steadily—in the period we have been talking about.



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Fundamentally, Universal Credit is a benefit that we are rolling out and testing and learning as we go. It is what they call agile, but what it means is that as we go along we are learning all the time and we are improving the system as we go along. One of the things the NAO brought out very clearly was the feedback loop in the system. I sit with work coaches who tell me about suggestions that they have fed up through the system that have then been incorporated into a release in terms of the change of the system, going forward. The feedback loop works and that is the basis on which we are rolling it out.

Q117 Neil Coyle: How much has been spent to date on Universal Credit implementation?

Peter Schofield: The numbers are in the NAO report.

Neil Coyle: Yes, but you have given us the updated figures where you are proud. Let's have the figure for the overall spend.

Peter Schofield: For the overall spend there is no change in the assessment. We will end up spending just under £2 billion in total, which is where we were in the 2015 business plan. But £8 billion of net savings or economic benefits year by year in steady state.

Chair: We might come back and probe that. "In a steady state"—that is a very interesting comment.

Q118 Ruth George: Largely due to cuts. On your previous point about test and learn, Neil Couling told this Committee there are about 200 fixes to the computer system for Universal Credit that still need to be made but that are backing up, and that fixes that many people in the House consider quite urgent, such as the ability to split payments within Universal Credit, are not being prioritised within the next two or three years. Why are you not coming to your Secretary of State and asking for additional money within the computer system to enable those fixes to be made, so that Universal Credit can work properly before rollout proceeds any further?

Peter Schofield: There are a variety of fixes within that. As I said earlier, some are suggestions coming from frontline colleagues who have proposals.

Ruth George: They are not being done. We have been told that the computer fixes are not happening.

Peter Schofield: They are. Every two weeks we release new changes to the system to improve things.

Q119 Chair: I am conscious of your time. Will you give us a note about those rollouts?

Peter Schofield: I can do. I was going to answer the specific question there about whether it would help to have more resources. By and large—

Chair: You have told us the Secretary of State has to go and argue for



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more resources.

Peter Schofield: Sorry, on the particular point of—

Chair: Very good.

Q120 **Ruth George:** On another issue—not your responsibility, I know—we have Tax Credit debts and overpayments that are racking up hugely since the reduction in the excess earnings limit from £5,000 a year down to £1,000 a year. That obviously means that the previous year estimates of Tax Credits are largely incorrect and that is building up. I think we are on about £5.9 billion of overpayments on Tax Credits now that will be transferred over to the Department as rollout continues. Have you developed a forecast for your debt recovery for those Tax Credit overpayments?

Peter Schofield: Tara or Nick might want to come in on that. This point was covered in some detail in the NAO report. The challenge for us is developing systems that enable us to manage an increase in debt as it comes across and to do that in a very sensitive way. One of the reasons for the increase in debt stop from last year to this year is, indeed, some of the early amounts of Tax Credit debt coming over with some of the first people to move across on a natural migration from Tax Credits.

Q121 **Ruth George:** That has probably adequately addressed the point, thank you. We have heard from the Resolution Foundation that 3.2 million families who have been on Tax Credits will be £2,500 a year worse off under Universal Credit, which will obviously impact on their ability to repay historic debts. You are assuming in your Universal Credit business case that the Department will be able to recover debt at the same rate as through Tax Credits. Have you had a look at that in light of the Resolution Foundation and other figures, in the absence of a proper impact assessment for the new rates of Universal Credit?

Peter Schofield: The thing about a lot of the analysis that is done is that it is a static analysis that does not take account of the behavioural change. As you improve a system, make a system incentivise work, make it easier for people to seek work and get more hours in work, getting rid of things like the 16-hour rule, the way that that changes people's ability find work and what that does to incomes—

Q122 **Ruth George:** If you are working fewer than 16 hours a week you do not have the ability to pay back very large amounts of debt.

Peter Schofield: You will not be on a working Tax Credit then, will you, in that situation?

Ruth George: If you are on Universal Credit and able to claim, that is when you said people will be better off.

Peter Schofield: Sorry, I thought you were talking about people who came over with Tax Credits.

Q123 **Ruth George:** You are saying people will be better off because they can



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get mini-jobs. They have obviously had a change of circumstances if they have come from Tax Credits.

Peter Schofield: Sorry, there are a range of things that are happening. This is part of the business case and the merits of Universal Credit. It is partly about what it does in terms of enabling people, wherever they are, if they are not in work to look for work. I met a claimant last week who told me her story. Because Universal Credit did not have the 16-hour rules and all the various ups and downs, she could focus on moving into finding hours, working—

Ruth George: Sorry, we have had this from Ministers and your colleague.

Peter Schofield: I was just giving an example of where it has helped people into work. The other thing that I think really matters is that by removing the complexity you make it easier for people to get access to the benefits to which they are really entitled. They only have to make one claim and then we can make sure that they get the Housing Benefit. Maybe they were not claiming the childcare support that maybe they were not getting before. That is an important part of the overall story.

Q124 **Chair:** Did Resolution take into account all the extra money people will get when it stated how many millions will be worse off gross when they go over to Universal Credit?

Peter Schofield: That is a question you have to ask them. In my reading of it, I do think it was a static analysis rather than a dynamic one that takes account of the way people behave differently and might be more likely to get a job and progress in work under Universal Credit.

Q125 **Ruth George:** In order to analyse that, when will the Department be publishing the full impact assessment and an equalities impact assessment on Universal Credit?

Chair: Probably tomorrow, will you not, after today's questions? Is it ready for us, Ruth is asking.

Peter Schofield: We will see what happens this afternoon. Obviously, when we publish the regulations there will be the normal impact assessment alongside it.

Q126 **Ruth George:** Will that impact assessment be of the regulations or will it be of Universal Credit as a whole?

Peter Schofield: Of the regulations and the changes.

Chair: That is separate. Ruth is asking when the big one is. That is what the debate today is about.

Ruth George: You have not had one since 2011.

Peter Schofield: Maybe we should see that—

Q127 **Chair:** That will be two lots you have to publish. That is good.



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Can I ask a couple of quick questions? Let's take each 100 people going over to Universal Credit. How many of those 100 get exactly the right benefit, to which you do not have to make any other changes and there is no challenge to it at all—it has all gone hunky-dory and we can say, "Well done"?

Peter Schofield: The latest statistic is that 83% of people who are making new claims, or who have a change of circumstances that has caused a new claim, get paid the full amount—the right amount—in the first assessment period.

Q128 **Chair:** And on time?

Peter Schofield: Yes, within the first assessment period.

Chair: Five weeks?

Peter Schofield: Yes.

Chair: 82%?

Peter Schofield: 83% is the very latest.

Q129 **Chair:** The Conservative MP on Channel 4 last night was wrong with the figure he gave?

Peter Schofield: What number did he or she give?

Chair: He had 90%-odd.

Peter Schofield: It depends on what you are measuring.

Chair: It is measuring that.

Peter Schofield: The statistic I have given you is the latest statistic on that particular measure.

Chair: That is very good. Almost 20% do not.

Peter Schofield: 17% do not, but many of them—this could be where the 90% number is; I have not seen the latest—get most of the money. Maybe there is an element that they are missing because they have not verified housing costs or childcare costs. We are trying to make that as straightforward for people as possible.

Q130 **Chair:** When your salary cheque comes through, it is accurate, isn't it?

Peter Schofield: Yes.

Chair: You cannot keep saying, "They got most of it." Most of us would think it appalling if the House of Commons did not pay us properly or the Government did not pay you your salary properly. It is not good enough, is it?

Peter Schofield: I want to get that number up as far as possible, but of course some of this relies on the claimant—you know the system—



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producing the verification of particular costs or signing up to their claimant commitment.

Q131 **Chair:** They would not be included in the figures because they would not be being completed, would they?

Peter Schofield: The way we calculate this is we look back. The 83% is with hindsight, looking back on what claims came through.

Q132 **Chair:** All right. Almost 20% do not.

You have been very kind to people who do not pay their child maintenance, by writing off £2 billion. Some of those will be women but most of those will be men getting away with non-payment. They cannot now have any redress at all. They cannot go into the courts. You kindly said to them, "You are £2 billion worse off now." How could you possibly justify that decision to people, generally women with children, trying to get their maintenance, when there is no recourse at all to the decision you have made?

Peter Schofield: It is not fair to say there is no recourse to where we are.

Q133 **Chair:** Can they go to the courts? Are you going to give them compensation?

Peter Schofield: No. Sorry, that was not a "no" to that answer.

Q134 **Chair:** Let me put it this way: are you going to pay them compensation? Are you just telling them walk down the street and get on with it?

Peter Schofield: No. What we are saying to them is we are writing—remember these are very old debts, by and large—

Chair: I know. They have been suffering a very long time. That is the way of presenting that information.

Peter Schofield: Yes, but a lot of this goes back to the early days of the Child Support Agency, where we know that a lot of calculations were wrong. This is why those accounts have been qualified not just in terms of regularity but in terms of accuracy for many years by the NAO.

Q135 **Chair:** In how many of these cases have you used your powers to look at what the living standard of the debtor is before you decided that they cannot pay?

Peter Schofield: The key point is that we write to the parents with care before we take any action. If it is a very small debt that would cost more to chase up, so then it is a different story.

Q136 **Chair:** You could give them the money for that if it is so small.

Peter Schofield: That is not what we are going to do.

Chair: You are not going to, no.



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Peter Schofield: That is not what we are going to do.

Q137 **Chair:** Supposing you write to me—and I have transferred myself to being a mother with children—and I write back and say you should not write off that debt. What are you going to do about it?

Peter Schofield: What we do then is we put it on to the new system and we chase it down and we investigate it.

Chair: So there is recourse. They can go on to the new system?

Peter Schofield: Yes.

Chair: I think there will be a lot of mums out there with children who have received these letters and would be interested to hear from you.

Peter Schofield: The letter should make it clear. The letter does make it clear.

Chair: Do not worry; people watching will give us letters. They are very good.

Q138 **Neil Coyle:** On 27 June Neil Couling told this Committee that he did not receive a bonus or incremental performance-related payment last year, but the Department's accounts suggest that he did. Can you tell us why the difference and what that extra payment related to?

Peter Schofield: That was a particular question that he was asked, if I remember rightly, about—I shall double-check the *Hansard*.

Neil Coyle: Did he get his bonus?

Peter Schofield: I think it was a particular question about whether there were bonus payments related to particular performance in Universal Credit. I shall check it.

Q139 **Chair:** When you said the question was relating to Universal Credit, he only has responsibility for Universal Credit, doesn't he?

Peter Schofield: No, sorry, I think the question was asked in a particular way—that is all.

Q140 **Neil Coyle:** I have a copy of the question. "On top of your regular salary, are you paid any increments or bonuses linked to Universal Credit delivery? Is there any performance-related element of the salary linked to Universal Credit delivery?" He said, "There is nothing on top of my salary in that respect. There is no performance-related element". What was the bonus for?

Peter Schofield: You are talking about the figure zero to £5,000 on page 126?

Neil Coyle: Yes. What was it for?

Peter Schofield: It was for his overall performance during the year.



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Q141 **Neil Coyle:** He is only responsible for Universal Credit, which has been a resounding difficulty for you; a challenge, in diplomatic speak.

Peter Schofield: Not at all. If you look at what the National Audit Office says about Universal Credit—

Q142 **Neil Coyle:** We have heard about underpayments, overpayments, IT system problems and the impact it is having on my constituents. Here is someone, directly responsible, asked if there was a bonus or increment or anything related to Universal Credit delivery, who told us no—told Parliament no—and it turns out there was an extra payment.

Peter Schofield: Let me tell you what the National Audit Office says about Universal Credit.

Neil Coyle: Let's not, no, because that is not linked to the question at all.

Peter Schofield: It is because the National Audit Office makes a lot of—

Chair: You know what your Secretary of State had to try to defend after being briefed about that report.

Q143 **Neil Coyle:** Yes, he was very specific. You have answered it. He received a bonus; he told us he did not. There is clearly an inaccuracy there and I wonder if the Committee has any powers to look back into that.

There is also the case of 11 members of DWP staff given exit packages in excess of £100,000. The Government have told us they want to have maximum exit payments of £95,000. What has happened there and where is the value for money in this?

Peter Schofield: Any payment over that amount has to be scrutinised by the Cabinet Office.

Neil Coyle: At your recommendation, I am assuming, as Permanent Secretary. What was it for?

Peter Schofield: This probably happened before I was Permanent Secretary, which is why I am slightly struggling.

Neil Coyle: Are you saying you don't know?

Peter Schofield: If you want to know, let me write you a letter.

Q144 **Chair:** All right. Before you talk to Neil Couling you are going to write to Robert Chote before he receives our letter. Then you will talk to Neil and come back to him to explain why there is this inconsistency of quite a considerable sum of money. Is that all right?

Peter Schofield: Yes, I am happy to do that.

Chair: Very good. Thank you very much for your time today. We are very grateful to you.