HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: DWP's Annual Report and Accounts, HC 971

Wednesday 11 January 2023

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Watch the meeting

Members present: Sir Stephen Timms (Chair); Debbie Abrahams; Siobhan Baillie; Neil Coyle; David Linden; Steve McCabe; Nigel Mills; Selaine Saxby; Sir Desmond Swayne.

Questions 1-103

Witnesses

I: Peter Schofield CB, Permanent Secretary and Principal Accounting Officer, Department for Work and Pensions, Catherine Vaughan, Director General, Finance, Department for Work and Pensions, and Neil Couling CBE, Change Director General and Senior Responsible Owner for Universal Credit, Department for Work and Pensions.

Examination of witnesses

Witnesses: Peter Schofield, Catherine Vaughan and Neil Couling.

Q1 **Chair:** Welcome, everybody, to the first meeting of the Work and Pensions Committee in the new year. A very warm welcome to the team from the Department—Peter Schofield and his colleagues. Peter, can I ask you to introduce the team you have brought with you?

Peter Schofield: Thank you, Chair. It is great to be with you, and happy new year to the Committee. I am joined by Neil Couling, who is the director general for change and resilience and the SRO for universal credit, and Catherine Vaughan, who is the director general for finance.

Q2 **Chair:** Welcome to all of you; thank you for coming. Can I start by asking a question about employment support? Kickstart and restart both had quite big underspends. Are you allowed to use those funds elsewhere, or does they just go back to the Treasury?

Peter Schofield: The short answer is that they are ringfenced, which is a technical term that basically means the Treasury give us money for that alone. If there is an underspend—they keep close tabs on whether there is an underspend or not—that money goes back to the Treasury. There is sometimes the opportunity for us to make a case to have some of that money transferred to something else. It sits on our DEL but, by and large, the money goes back to the Treasury.

Of course, what we have seen—we discussed this at the restart hearing at the Public Accounts Committee—is that the better-than-expected outcomes in the labour market have meant that the take-up on those schemes has been rather less. When the Treasury provided the funding for these schemes, particularly going back to the plan for jobs in June 2020, they wanted to make sure there was sufficient funding for whatever the requirement was, by and large. If anything, we were given as much money as people thought we might potentially need, as opposed to being in a situation in which we would have to come back for more if it was needed.

Q3 **Chair:** On the point about what happened with restart, the National Audit Office said that the Department "should learn from the experience of Restart to ensure it is better prepared and able to scale up and down capacity as required." Practically, how would you do that, looking back on that experience?

Peter Schofield: That is a good question. Of course, we debated some of that with the Public Accounts Committee—you were there, Chair—in the meeting that we had just before Christmas. As we discussed with the Committee then, the contracts we put in place had a huge amount of flexibility in them, which enabled them to scale up and scale down. In practice, we were in a situation where we wanted to build the scheme up quickly.

If you remember, the context here was that we wanted to have contracted provision ready for the point where we had people who might have been made out of work at the beginning of the pandemic and who were reaching the 12-month period. It was a scheme primarily intended for the long-term unemployed, but at the start it was intended for people who were unemployed for more than 12 months. That meant that by, effectively, the summer of 2021, we wanted the scheme up and running, and we were building from a situation in which, because the labour market had been very positive in the run-up to the pandemic, the contracted provision market had contracted.

We had done a lot of work to maintain the capacity in the market, but clearly the Work programme had come to an end. The success of the Work and Health programme was much smaller, so we had to be in a position in which we could build supply up very quickly. We did that by having contracts that were based on open-book discussions and which enabled the contractors to have the confidence to build the fixed costs needed to get to the scale we anticipated.

When you think about the challenge of scaling up and scaling down for labour market provision in what is obviously going to be a cyclical demand situation, while also making sure that you can build capacity quickly and give confidence to contractors, you have to invest to build things, to take on staff and to have buildings and facilities. That is where some of the challenge comes in. Obviously, we did debate with the NAO what those mechanisms could be to have more flexibility. We did not feel there was a lot more we could do, but these are conversations we will have, I am sure, as part of the evaluation of restart.

Q4 **Chair:** So at the moment there is nothing specific that you are planning in order to be better prepared, as the NAO called for.

Peter Schofield: This was part of the debate I had with the NAO running up to this. One of the things you look at as a purchaser of this type of provision is, how do you make sure that that provision is there when you need it? Through the period after the Work programme, we simply did not need the scale of contracted provision that we had been buying earlier on in that decade. But you do want the contractors to be there, so how do you maintain that market? I think we did a good job doing that, and the fact that we could scale so quickly—within 12 months—and hit the ground running with a scheme of the scale of restart pays tribute to the work that was done, particularly by my commercial colleagues in the Department, to maintain that capacity during the period that we weren't buying so much. But there are always lessons that we can learn on that front.

Neil Couling: I would add that the quality of the evaluations of both the future jobs fund and the Work programme meant that the designers of schemes had a place to go to learn what to do and what not to do. We have certainly put in place the same arrangements for quality evaluations of those schemes, so that successor programmes can draw on what we have learned.

Q5 **Chair:** One perspective might be that spending on employment support was too low before the pandemic, and then, as you say, rapidly had to be accelerated once the pandemic hit.

Looking forward, kickstart has finished, restart is going to finish in 2025, and the OBR says that unemployment is going to be up to 4.9% in 2024. Do you think that employment support spending will return to pre-pandemic levels after restart, or is the prospect of rather higher unemployment going to lead to higher spending beyond the immediate two or three years ahead?

Peter Schofield: There are so many dimensions to that. The short answer is, obviously, that budgets get set in the spending review, and those are conversations that we have at the time. The second element is to think about the role of contracted provision more broadly and the overall mix of support to people who are unemployed or looking for work, though increasingly our focus is on inactivity or issues of progression in moving from low to higher-wage roles. What is the role of contractor provision in that? That is part of a debate, and you can imagine that that is one of the things that we are thinking about in the context of the Secretary of State's current review. The third thing to mention in all of this is the need to be flexible and to take stock of what is happening in the labour market.

As you say, spending provision on restart comes to an end in 2025, but the way the programme is currently configured and the way the budgeting is put in place mean that the last referrals to restart will take place the year before, because you have 12 months of outcome payments that flow from that. That is still this side of the end of this spending review period, so one of the questions that I know we will be debating with the Treasury through fiscal events is, what is the view on restart beyond 2024? The current contracts give us the right to extend by a further two years. We don't have the funding for that, but that is something actively to take into account as we look at labour market forecasts in the way you have described.

Q6 **Sir Desmond Swayne:** The Comptroller and Auditor General has said that the Department has now recovered from the disruption to its operations occasioned by the pandemic, so why haven't the controls on fraud and error that were eased at the beginning of the pandemic been reinstituted?

Peter Schofield: There are two answers to that, Sir Desmond. The first is the pace at which we put them back in. We basically put back all the ones that we thought had an impact on fraud and error. Some of them we put back more quickly than others, just because of operational reasons.

One of the most significant impacts—I think we might have talked about this at the equivalent hearing last year—is when you look at the statistics in terms of fraud from self-employment. Part of that you can link to the fact that we suspended the minimum income floor, and we were no longer doing the gainful self-employment test during the pandemic. We reintroduced those in August 2021, but it then took us a year to run through the whole cohort. In a sense, although the control was put back in place, we then needed to run through the cohort, and it took time to go through all of that. Not all of the easements went back at the same time or had the same impact straightaway. We are now at a point where I am not sure there is anything left that has an impact on fraud and error.

To pick up on the second element, it is covered a little bit in the annual report and accounts. Sometimes when we make a change—an easement—we put in place something that we then look at and think, "Well, that's rather better than what we did before." One great example of that is the way we had been tackling advances fraud. There is a section in the annual report and accounts that covers that.

Q7 **Sir Desmond Swayne:** That may partially answer what I am about to ask. Do you have an analysis of the extent to which the high levels of fraud in 2021-22 are consequent upon the easements that you made at the beginning of the pandemic? How many of that cohort of claims that came in in that period are still live, in the sense that they are still receiving universal credit?

Peter Schofield: The annual report and accounts goes into the different cohorts in some detail. You may have seen that analysis. Indeed, in last year's annual report and accounts we quantified what we thought the impact of the easements was on fraud and error at the time. The number, I think, was about £1.6 billion. I would need to double-check—Neil may know more than I do.

You make a really good point, Sir Desmond. In terms of our strategy for tackling fraud and error right now, there are two dimensions. One is closing the door and stopping new fraud and error coming in. That is putting back the easements, but also a huge amount of work on data and analytics, to stop and identify fraud before it comes into the system.

The second thing is exactly as you say. Once fraud gets in, those fraudsters do not willingly leave the system. That is why there is a huge amount of focus on trying to work through those cohorts of fraudulent claimants in the system at the moment. The targeted case review, for which we got additional further funding in the autumn statement, is part of that plan.

Q8 **Sir Desmond Swayne:** You published a policy paper in May last year called "Fighting Fraud in the Welfare System". Of the 2,000 staff that were announced to be put in place to conduct targeted reviews, how many are now in place and doing those targeted reviews?

Peter Schofield: The 2,000 funded in December 2021 were part of the £613 million package announced then. We were to build that by 2024. We then got a further £280 million funding in the autumn statement to go beyond that—to hit that further and faster and on a more sustained basis. I think, Neil, we are on about 600 so far, is that right?

Neil Couling: Yes.

Peter Schofield: About 600 have been recruited so far. This is challenging detective work, where we need to ensure that colleagues are able to review claims—we hit them once, and we do it right first time, as it were. It is complex recruitment and training that needs to be done to support that. That is the profile.

It is not just the 2,000 that were funded then; we want to do more and faster. Overall, the additional funding since the spending review was about £900 million. We think we are going to save about £2 billion over the course of the spending review. Actually, continuing that forward until 2028 would save £9 billion. It is a huge investment to try to drive out big savings in fraud and error.

Neil Couling: And we are on track on recruitment. We have to be at, on the plan, 930 by the end of March, and I have about 264 people starting between now and the end of January, so we will make the 930.

Q9 **Sir Desmond Swayne:** How is it going in terms of the number of reviews that have been conducted?

Neil Couling: We are ahead of our internal profile in terms of the money that we are recouping. Encouragingly, this often gets portrayed as being about reducing fraud, and it will, but we are also finding cases where there are underpayments. In about one in eight cases that we are examining, we are uncovering underpayments. It's about getting the right amount of money to people, so it's going very well.

I am trying to discourage people at the moment from saying to me, "Go faster," because, as the permanent secretary said, the key here is the quality of the work that is done. When we have done retroactive exercises before, they have not been a complete case review, which is what we are doing here. That takes time, and it will ensure that the claims are right.

Q10 **Sir Desmond Swayne:** That policy paper envisaged new powers being given to you that would require legislation. How important are those powers to this main effort of reducing fraud and error and—this is perhaps the impossible question to answer—when do you envisage getting them?

Peter Schofield: Well, that, as you say—*[Laughter.]* How important are they? They are an important part of the mix. We discussed that this time last year, didn't we? One of the aspects here is partly about enforcement, fines and being able to have additional deterrence. But there are also aspects about access to bulk data on things like bank account details to give us the ability to check, in the same way as we can check people's earnings through the real-time earnings feed from HMRC. It's about having something similar in terms of deposits and savings that people have in bank accounts, so that we can check against capital fraud, which, as the report says, is quite a big component of the overall fraud number.

Q11 **Sir Desmond Swayne:** When do you envisage setting what is called the external target on fraud and error? I know there are all sorts of problems in working out what the proper baseline is, but when do you envisage doing that and, in the meantime, how do you measure how effectively the money that has been granted is being spent, given that you haven't a target to measure it against?

Peter Schofield: I would distinguish between the target in terms of, "What will the level of fraud and error be at some point in the future?", which, as you say, is susceptible to, "What is the baseline position?"—the reason why we didn't set a target in the year just gone is that we didn't have clarity about the baseline position. There was a huge amount of uncertainty, particularly through covid. My hope and my confidence is that there will be more clarity in the wake of the statistics that we get for this year, which come out in May. So I am much more confident about being able to set a target this coming year than I was last year.

Q12 **Chair:** In 2023-24?

Peter Schofield: Yes, in the next financial year—this is not a target for '23-24 but, when we look at that, a view looking forward as to what the level should be at some point in the future.

That is different from the question, "Are our measures effective?" I set internal targets, for example, on the work of our compliance and counter-fraud teams. This year, I have set them the objective of AME savings of £1.1 billion. I track their achievement against that; they are on track.

In the case of something like the targeted case review, we are much more focused on the leading indicators. We have already talked about progress in recruiting the team, but also their success in identifying fraud and delivering the savings. We are looking at some leading indicators on that.

Those are things you can do to link to the business case that was made in the first place to the Treasury to get the funding. We can do that in real time. We are talking to the National Audit Office—in the wake of the Public Accounts Committee hearing that we had on the annual report and accounts back in July—about how we can improve our measurement of delivery against each of those objectives. But the target—my aim—would be to be able to say something more about that in the summer.

Q13 **Sir Desmond Swayne:** An incredulous constituent sent me an employment advertisement that the Department had issued for people who were going to scrutinise claims. It set out the terms and conditions, one of which was that they would be able to work from home from day one. My prejudice is that I would have had great difficulty with the concept of working from home, period, when I had employees. Nevertheless, it would not have crossed my mind to grant anyone that until they had at least been in the office long enough for me to establish my level of confidence in their productivity and what it might be from home. Discuss.

Peter Schofield: I do not know whether it is a question about your role as an employer, Sir Desmond. I have not seen that particular advert, but in terms of our approach to working in the office or working from remote locations, basically the situation is that if you are in a business-facing role that requires you to work in the office—that is particularly people in face-to-face roles, such as in jobcentres—we obviously expect you to be in the office most of the time. For other types of roles—corporate roles or back-of-house roles—we have set a minimum: you must be in the office for at least 40% of the time, but local leaders will determine what is the right balance for their part of the organisation.

As you quite rightly say, training types of situation, planning, team building and collaborative work are always inevitably best done in the office. There are some types of training that we can do remotely, but even for those processing types of activity, the local leader will monitor performance and the work that is done and take local action according to what is required in that situation.

Q14 **Neil Coyle:** It is probably a bit harder to work in a cave, Des.

I want to go back to the 600 targeted case review officers that you have taken on and the 2,000 target. Where are they going to work, given the closures of jobcentres, other than at home? Which offices are they assigned to? Happy new year, by the way.

Peter Schofield: Nice to see you, Mr Coyle. I think the targeted case review work is primarily going to be in the universal credit service centres, not jobcentres.

Q15 **Neil Coyle:** Where are the 600?

Neil Couling: We have 30 service centres that deliver universal credit. The additional team was working out of Newcastle. There are now teams at about eight different offices across the country, and we are expanding into the full estate here.

Q16 **Selaine Saxby:** Good morning. What levels of funding are going into the use of data analytics and machine learning to highlight fraud and error? Are there risks that these methods may affect some vulnerable groups disproportionately?

Peter Schofield: We got some additional funding as part of the £613 million that was announced in December 2021, so it is a portion of that. I think it is about £140 million.

Neil Couling: It is £168 million or something like that—it is a significant amount of money.

Peter Schofield: It is a significant part of that £613 million. The point I would really emphasise is the importance of the combination of data and analytics to help us to target our work, but actual decisions on investigating an individual, whether to stop someone's benefit or whether something is fraudulent and needs to be pursued are always made by a human.

The key thing for us is using our data and analytics to help us to target our work and be more effective at identifying where the areas of risk are. In some cases, we identify a claim as looking particularly risky, and that then gets sent to, for example, our enhanced checking service, which is people or a caseworker in a service centre—again, there is someone to look at it. It is a tool basically to leverage the work of our people to do what I have often described as tough detective work—it genuinely is—to get to the bottom of particular situations and identify whether something needs to be addressed.

Neil Couling: It was £145 million. You were right, Peter; I was wrong. Apologies.

Peter Schofield: There's always a first.

Q17 **Selaine Saxby:** Given the current rates of fraud and error in benefit expenditure, what value of underpayments and overpayments do you expect from the cost of living payments?

Peter Schofield: The underlying entitlement to those payments is related to the underlying entitlement to the benefit they were getting, so I suspect it will be the same level of fraud and error as we have with the underlying benefit. Those underlying levels are set out in the May publication.

The key thing is that we were looking to get the cost of living payments out as quickly as we could to people who needed them, so we took an approach whose design enabled us to deliver quickly. The then Chancellor announced the first cost of living payments—a new type of benefit for us—on 26 May, and we got the first ones out on 14 July. I am so proud of the team that delivered that because of the difference it has made to the 8 million people who benefited from it.

Q18 **Selaine Saxby:** I think we saw the same thing at the start of the pandemic. Although it is fantastic that the team did that, and most of us feel it is vital that you get the money into the pockets of people who need it, at the start of the pandemic we saw an increase in fraud with people claiming universal credit. Is there likely to be some hidden fraud or something that we perhaps were not expecting to see embedded in these payments, given the speed at which they have had to be processed?

Peter Schofield: Neil may want to add to this, but I do not think so because of the way that we linked it to the underlying benefit.

Neil Couling: There will be nothing new. It is a rather unsophisticated system. To do it quickly, essentially what my team do is take the fact that you have had a payment in a qualifying month, and then that triggers the payment on the system. If there was underlying fraud in the generating payment, then you would get notional fraud in the payment that was made. I do not think there will be any new fraud from the way in which we have set this up.

No doubt there were debates the last time the legislation was fast-tracked through Parliament about including groups X and Y. If I haven't got a payment to attach to that condition, then the system that we set up cannot pay. It is quite an unsophisticated system, but it did things fast and in bulk. As Peter said, 8 million people benefited in the space of seven weeks from start-up to completion.

For speed, you sacrifice a bit of sophistication. The example put to me when some groups talked to me was, "You have families getting the same payment as a single person." That is because the payment data does not tell me that somebody has a family. All I can do is say, "I can see a payment and I can pay you £300." In fact, £326 was the first payment we made.

Q19 **Selaine Saxby:** Thank you. Moving on to debt balances, how much of the £8.5 billion a year of overpayments made since the start of the pandemic do believe you can recover?

Peter Schofield: There are a number of different £8 billions around. To be clear about it, the fraud and error overpayments in the benefit system that we calculated through our sampling were £8.6 billion in the year in question. That followed £8.2 billion in the year before. So that is the level of overpayment that we think is in the benefit system, based on our sampling. There is a different question about how much of that we can attach to individuals. That is a challenge that this Committee and the Public Accounts Committee have, quite rightly, brought to bear, saying, "Okay, you know how much fraud and error is out there; how much of that can you collect?"

In the section on debt balances in the annual report and accounts, we show how much additional overpayment we have identified that we have then added to debt balances. We then look at how much we are likely to claim and recover going forward. If you want to talk about the numbers, the section on debt in the report is on page 45. You see that last year we recovered £2.7 billion-worth of debt. That was £0.4 billion more than the year before, which was £2.3 billion. You can see in here how much of the debt that we have added to the debt balances relates to overpayment—how much of that links to the £8.6 billion we talked about—and then how much we have been recovering each year and what is happening to debt balances. Then, on top of that, you get things like the transfer of debt from people who have had tax credits moving across to HMRC, so that is sort of set out there as well, and then we amortise the value of those debts using a tool around impairing, based on accounting standards, which tends to take a view that those debts have a 15-year life.

Basically, our view is that where there is an overpayment that we need to recover, we have tools that enable us to recover that from benefit, but where someone is not on benefit, we can recover that through some sort of voluntary arrangement or, if necessary, a detachment from earnings. If they are not in employment, we can then wait and recover from a state pension claim later along the line, so we will always seek to recover that debt going forward. But the key thing, quite rightly, is how much of the fraud that you know is out there you can actually identify and then add to the debt balances here. Sorry, does that answer the question?

Q20 **Selaine Saxby:** Yes. We talk about fraud and we talk about error, and obviously when we went into the pandemic a lot of people were involved in this system for the first time in their lives. Is there a sense of how much of it is human error as opposed to fraud? They are quite different words, in terms of the emotions attached to them at a time when emotions were obviously running high. Do you have any sense on that in respect of the debt we are looking at?

Peter Schofield: We set that out. Neil will have more detail, but the headline is that 4% of our benefit spending was overpayments, and of that, 3% of the 4% was fraud.

Neil Couling: Three quarters.

Peter Schofield: Three quarters, sorry. Of the remaining 1%, some of it was our error and some of it was claimant error.

Catherine Vaughan: It might be worth the Committee being aware that there is quite a lot of detail in note 13 to the annual report and accounts and the financial statements all about the debt profile and the judgments we make about its recoverability, because, of course, that is a significant accounting estimate. There is plenty more information if Committee members are interested in that.

Q21 **Selaine Saxby:** We understand that you have notified 5 million people that collectively they owe £7.6 billion to DWP as of 31 March 2022. Do you have a sense of how long it is going to take people to pay this back? I know you have already touched on this, but there are so many different people in that pool and this number seems to be growing every year, even before we get to the tax credit issues. Do you think this balance is ever going to be falling?

Peter Schofield: On how long it takes to repay, although we have a cap of 25% when we are deducting from benefits, for the actual repayment we often have specific conversations with individuals about what they can afford to pay. That is something that our debt management team do—and I listen to their calls—with empathy and care, because we want to get the balance right, particularly right now. That will then be determined by people's individual circumstances—what they can afford to pay.

In terms of what is happening to debt balances more broadly, you have talked about the debt that comes over from tax credits. As you say, that is one component and we can talk a bit more about that, but the profile of that is set out in the annual report and accounts. Of course, as we are successful at identifying fraud and going through the targeted case review, we will say to people, "Actually, you owe us money," and then that becomes a payment that is due to the Department and that gets added to the debt balance.

In a sense, I am afraid that the success of the targeted case review and our work on fraud, to the extent that it is getting into that fraud that is already in the system, will lead to a need to recover overpayments, and that will then add to debt balances. I suspect that because of tax credits coming in, but also because of the work of our anti-fraud activity, debt balances will go up before they start to come down.

Q22 **Selaine Saxby:** Seventy-eight per cent. of DWP's debt recovery is through benefit deductions. How successful is the Department in recovering debts from people who are no longer benefit claimants, compared with industry comparators?

Peter Schofield: That is a good question. We have more tools available to us. We can do direct earnings attachments, which enable us to take the money out of someone's salary if they are not willing to engage with us on a voluntary basis. We have the opportunity to recover from benefits into the future, so even if someone moves into the state pension we can recover from the state pension, and then we can be a creditor of estates at the end of all that. We follow this all the way through, and we have more tools than other organisations. There are some types of activity with which we have engaged in the past, such as using the Cabinet Office debt collection teams, but we have more tools than other organisations.

Debbie Abrahams: Good morning, everyone, and happy new year. Selaine is absolutely right about the emotive language. We were slipping into the language of "debt fraud", rather than "debt overpayment error". It is really important that we are very distinct about this. I think I am right in saying that the Government rejected our report last year, which looked at debt, and the recommendations we made last summer. We were looking at that particularly in the context of the cost of living crisis, which is being experienced up and down the country. So many of my constituents—

Chair: Debbie, this is about the suspension of deductions, which was done during the pandemic.

Q23 **Debbie Abrahams:** Yes. DWP and other Departments have a far more rigid system for debt recovery than even the private sector. I will just leave that there.

Given that we are looking at the financial accounts, how much is spent on debt recovery compared with investigating and eliminating fraud?

Peter Schofield: I do not want to leave your previous point unanswered, Ms Abrahams. This comes from meeting the team, listening to the team and looking at how we approach this. We do engage with our customers in an empathetic way. When customers phone up and say, "I cannot afford the debt repayment you have set for us," we say, "Okay, what can you afford? What is reasonable? What can you do?" I am not aware of a situation where, if we have a genuine enquiry like that, we deal with it in anything other than a compassionate way, and listen and adjust. It makes sense for us to have something that is sustainable, even if it is a relatively low repayment. I am concerned that you feel the way you do about the Department. Obviously, if there are incidents that you are concerned about—

Q24 **Debbie Abrahams:** There are, unfortunately, and there are bound to be. Mr Schofield, you will not know every single case. I do have cases. One sticks in my mind particularly, because it was about the same time that our report was coming out.

Peter Schofield: If you are happy to write to me offline, Ms Abrahams, please do.

Q25 **Debbie Abrahams:** Thank you for that. Could you address my point about what spending from the Department is focused on debt recovery and what spending is on eliminating and tackling fraud?

Peter Schofield: It is basically part of the same team. We have a counter-fraud and compliance directorate that has 9,500 colleagues in it, of whom—I do not know whether you know, Catherine—about 2,000 are working on the debt management side. The others are on addressing counter-fraud and compliance more broadly. Then, as we said earlier, we are building this team on the universal credit side to do the targeted case reviews. That is the sort of balance.

As Neil was saying, even on the targeted case review, and in all our work on compliance—I have said this to the Committee, and I certainly say it to our people—I am as concerned about underpayments as about overpayments, because I want to get the right amount of money to all the people who need it.

Debbie Abrahams: Thank you. I am sure there will be other opportunities to look at organised crime and the impact of fraud in that regard.

Chair: We welcome a new Member to the Committee this morning. David Linden wants to raise a quick issue.

Q26 **David Linden:** Thank you, Sir Stephen. In a previous life, before I was a politician, I worked at a credit union, where we considered debt ratios. I don't think that is something that your Department has to do. When you are calculating the recovery of overpayments or debt, do you look at people's income and expenditure, for example, and have a wider picture, or do you just go ahead and take these decisions without looking at that wider picture?

Peter Schofield: Welcome to the Committee, Mr Linden. It is great to meet you.

We collect debt in a number of different ways. If you are a benefit recipient, we collect debt from your benefit payment. We can collect debt from people who are employed from their earnings, and there are different ways of doing that. What tends to happen is that we have an approach that looks at the level of the debt and how long we think it should take to repay. There is a way of thinking this through—I am sure it takes into account income and other expenditure as well. If you are a benefit recipient, it is capped at 25% of the standard allowance of universal credit, so that is not taking into account any childcare or costs for children or rent or whatever.

The crucial point that I want to get across, building on my answer to Ms Abrahams a moment ago, is that that is the starting point—we will say, "This is what we've calculated that the repayment should look like"—but then it is absolutely open for the customer to get in touch and say, "Look, you need to take my circumstances into account. I've got this additional expenditure, or I'm struggling to pay this. Please, based on that, can we negotiate something different?" And absolutely, we do. In pretty much every case, we would say, "Okay, we will reduce that amount to something that you can afford," as long as there is a good reason for that.

Q27 **David Linden:** Just one final question: how do you make it clear to customers that they have the ability to do that? My experience as a constituency MP is that when claimants receive a letter from the DWP, they think it is gospel and they are worried to challenge it. How do you make it clear to them that you have that flexibility?

Peter Schofield: We do a number of things. We need to look again at the letters, if that is what you feel, and I am very happy to follow up with you separately about that. Obviously, conversations that people have with my colleagues in jobcentres or whatever would be a signpost for people for that; then the conversations that people have with the debt management team when they phone through are absolutely all part of that. I am very happy to look at the letters if that is a concern.

Q28 **Neil Coyle:** I have a question linked to David's question—welcome, David. In the middle of a cost of living crisis, as bills rise, you have written to people saying that they owe billions, but that is largely due to DWP error. How are you supporting people in debt to avoid hardship? Talk us through those steps.

Peter Schofield: That builds on my answers to Ms Abrahams and Mr Linden. The first point is—I know you know this—that three quarters of the overpayments were fraud. I think your focus is on the ones that are not fraudulent, where there could be a mistake by us or by the claimant that has caused the overpayment.

The starting point is to set out, "This is what we think the repayment should look like." The next stage is for us to have a conversation about what the impact of anything else in that person's situation might be, and then to negotiate something different.

Q29 **Neil Coyle:** In how many cases, or what proportion or percentage of cases per year—give me the figures whatever way you like—is hardship accepted as a reason for reducing the rate of recovery or waiving recovery?

Peter Schofield: If someone phones up and says, "Look, I cannot afford to make this payment—I could afford to pay this, but I can't afford what you are currently asking," I think in pretty much every case, we would say, "Okay."

Q30 **Neil Coyle:** You think. You have twice said that you think that in every case where someone has alerted the Department to the fact that their bills have gone up, the Department has reduced the rate of recovery or waived it. Where are the stats on this? Where is the data?

Peter Schofield: Well—I suppose I am pausing, Mr Coyle, because these are individual discussions. These are conversations that happen between the debt management team and the individual.

Q31 **Neil Coyle:** Is none of the data available?

Peter Schofield: I am not sure what data you want. I can tell you some pieces of data about it. We have 2.1 million people who are receiving deductions from universal credit. Of those, 13% are paying less because of a conversation with us. Each conversation will be on its merits—let me put it that way—but where someone makes a good case in the view of the agent, who has been trained and has a framework for thinking these through, that they cannot afford to pay, we encourage them to agree to something that is lower than that.

Q32 **Neil Coyle:** But not every benefit claimant may be eloquent enough, or aware enough of the process, to secure the deduction. You have said that in every single case where someone has made a case, there has been a deduction, so has the Department reviewed existing payments to ensure that none of the people who were paying before the inflation hike are now in hardship?

Peter Schofield: These questions about hardship are individual conversations that need to be had.

Q33 **Neil Coyle:** The Department does not take a view on the fact that bills have gone up and people are experiencing higher outgoings, even though you have just said the Department knows that every single person who has called up to ask for a deduction has received one.

Peter Schofield: You are not quite saying what I said, Mr Coyle, to be fair. I explained exactly how the system works, to be fair. Alongside everything that we are doing, the Department is delivering benefit payments and cost of living payments to support people through this really tough time. Alongside that, we are recovering money that is owed to us. Three quarters of the overpayments are because of fraud—let's get that out on to the record—but where someone phones up and says, "I am struggling to pay," and they have a good reason for that, we adjust the payment.

Q34 **Neil Coyle:** So there has been no departmental consideration of a reduction or waiver, despite every single person who has called up for a deduction receiving one. There has been no departmental decision on whether to contact all cases.

Neil Couling: We work under a statutory framework. In October '19, we reduced the maximum cap from 40% to 30%. In April '21, it went down to 25%. We reduced court fines in May '21 to 5% of the total. In April '22, we paused energy repayments for new claims so that the energy companies could not put the inflation hike in the cost of electricity and gas on to people, and we extended—

Q35 **Neil Coyle:** Much of this is in response to the work of this Committee, but my question was: did the Department consider taking a position on all of the cases before inflation rose so dramatically, or not? It's a simple question.

Neil Couling: My point is that we have changed the statutory framework under which the scheme operates, which was Mr Linden's question. We have changed that repeatedly. We also extended the repayment period for new claims advances from 12 months to 24 months.

Neil Coyle: Is the answer no?

Neil Couling: As Peter has been saying, in the individual interactions that people in the debt teams will have with claimants, there is a bias there to defer advances and so forth.

Q36 **Neil Coyle:** Is the answer that you want the statutory guidance changed to allow you to have that consideration, or do you need Ministers to take a political decision to allow that consideration?

Neil Couling: All of the deductions work under legislation. The legislation provides for two things: some discretion around the amount below the maximum, and then a maximum amount. That is how the scheme works.

Q37 **Neil Coyle:** Where is the data available on this? According to the Department's own guide, the deductions should be for hardship, for welfare and for the wider circumstances of the individual. Where is the log of how people qualify for those deductions or waivers?

Peter Schofield: As I say, these are individual situations and individual conservations, and those individual repayments will be logged in their own individual debt record.

Q38 **Neil Coyle:** But this links to the wider issues that this Committee has seen around welfare, safeguarding, hardship and the terrible circumstances of some individuals, which, in extreme cases, have been a contributing factor to deaths, so it is important to have some kind of log or information on this. Where is that information, and can it be better shared?

Peter Schofield: The assurance that this Committee needs is that my people deal compassionately and discretionarily with individuals according to their situation. I think that I am giving the Committee that assurance. I am not sure what else I can add, frankly, Mr Coyle.

Q39 **Neil Coyle:** Well, you, as permanent secretary, are saying one thing, but my constituents, who feel that they do not have a choice in what they are told to pay back, might have a different opinion. That is why the stats are really important. Perhaps I can ask again: where are the stats and will they be made available?

Peter Schofield: I gave you the stats, Mr Coyle.

Q40 **Neil Coyle:** On each of those issues: on hardship, on welfare and on the wider circumstances?

Peter Schofield: I gave you the stats: of the 2.1 million people with deductions, 13% have an adjustment.

Q41 **Neil Coyle:** Is that all for hardship?

Peter Schofield: It is for their individual circumstances, which will be a combination of different things.

Q42 **Neil Coyle:** So you don't know.

Peter Schofield: It is not that I don't know; it is just that this is a question about—

Q43 **Neil Coyle:** You have just told me you have answered my question, but when I ask in a slightly different way, you say you haven't.

Peter Schofield: No, I am saying that I have answered your question, but you then asked a question that gets into individual circumstances, which is difficult to answer, because each circumstance is different. I do not know, Chair, whether there is a way of answering the question.

Q44 **Chair:** You are telling us that 13% have been reduced, but that you do not have a breakdown of why, or a further breakdown of the 13%.

Neil Couling: It can only be reduced because the claimant has said, "I can't afford that level of repayment," so we are inferring from that.

Q45 **Neil Coyle:** So it is purely financial—not hardship, not welfare, not wider circumstances.

Peter Schofield: It is because they cannot afford the payment. If your question, Mr Coyle, is whether it is based on their ability to pay, then yes, it is all related to ability to pay.

Q46 **Neil Coyle:** Sorry, Chair, I hope that I am being clear. My question relates to your own guide on benefit overpayment recovery, which states that hardship, welfare and wider circumstances are legitimate reasons to qualify for a dispensation. You are telling us that 13% of people qualify for a dispensation, but you are not telling us under which criteria they qualify. Is that clearer?

Peter Schofield: Because each individual debt management agent makes a decision based on individual circumstances. I do not collect national data on exactly the criteria that they applied.

Neil Couling: The statute does not provide for the criteria to be broken out; it requires the DWP person to consider hardship—

Q47 **Neil Coyle:** I am sure that there are clever people in the DWP who could help to revise the statutory requirements, if only they were tasked to do so. That brings us to qualification of the DWP accounts—

Neil Couling: The danger of doing that, Mr Coyle, is that you lose the element of discretion, which is vital in the system.

Q48 **Neil Coyle:** No one is suggesting that. Just having some data on which criteria people qualify for does not change the adviser discretion. I think that is a completely false suggestion.

Neil Couling: No, you were asking us to specify in the regulations reasons for people to be granted—

Neil Coyle: The public need that information.

Neil Couling: I was trying to explain that the system works with a statutory set of rules and caps, and then discretion.

Q49 **Neil Coyle:** Perhaps you could try to explain in correspondence, because we are going to run out of time. Let us move on to—

Neil Couling: I think we have explained it.

Neil Coyle: I don't think you have, Neil.

Neil Couling: You might not understand it, but I think we have explained it.

Q50 **Neil Coyle:** Really, Chair? That's very helpful. Is it possible to take back a happy new year?

May I move on to the qualification of the DWP accounts, if that is okay, Neil? They have not gone through again, due to material fraud and error. The level of fraud and error is at a record high of over £8.5 billion a year. Is it your belief, Peter, that you can improve your management of fraud and error to the extent that you will receive an unqualified audit opinion on DWP accounts?

Peter Schofield: Thank you, Mr Coyle. As I have probably said to this Committee before, it has always been my ambition to be the accounting officer who, after 34 years, is the one to preside over a set of accounts that are not qualified on regularity grounds. The steps forward in this respect? The state pension element is not qualified on regularity grounds, for example. We have talked about this before, of course, but the reality is that during the pandemic we saw fraud and error rise because of the nature of some of the ways that we had to operate as an organisation. It is absolutely my plan and intention to be able to satisfy the Comptroller and Auditor General at some point, and that, maybe not this year but at some point after that, we are in a position where he can be confident about the controls related to fraud and error from a regularity point of view. The materiality threshold that the Comptroller and Auditor General tends to apply is 1%, and we are currently at 4% of overpayments, so we have a long way to go in that respect.

Q51 **Neil Coyle:** Have I got more chance of winning the lottery than you do of having your accounts not qualified?

Peter Schofield: I don't know how many lottery tickets you buy, Mr Coyle.

Q52 **Neil Coyle:** One of the issues that you just touched on was about the confidence in the control mechanisms. How are you measuring the cost-effectiveness of each of your controls so that you can demonstrate that the DWP is doing everything it can to reduce fraud and error?

Peter Schofield: During the pandemic, for example, we assessed the impact—going the other way—in terms of the easements that we put in place, so that we understood the nature of the risks that we were taking on. On what we will do going forward, it is a combination of different things.

First of all, for all the measures that we are funded for, all the work that we do around controlling fraud and error, we have targets and objectives internally for the impact that they are likely to have. We have set our counter-fraud and compliance teams an objective of saving £1.1 billion of fraud over the course of this year, and we are tracking that as we go through.

We are also, as the annual report and accounts says, seeking to measure the overall impact of our fraud and error work, which we costed over the course of the year for the annual report and accounts, and we felt that we prevented or saved £2 billion. We are also seeking to improve those measures. We are also working with the National Audit Office on how we can improve still further our measurement of the impact of our controls.

That part is work in progress, with ongoing conversations with the Comptroller and Auditor General's people.

Q53 **Neil Coyle:** Have you have agreed a timetable for demonstrating cost-effectiveness?

Peter Schofield: It is all part of our audit work, so we will aim to have made progress in time for the next annual report and accounts.

Q54 **Neil Coyle:** Why don't the auditors share your confidence? They say that the Department has more work to do, and it seems that the baseline levels of fraud and error are part of the problem. To what extent has universal credit added to your woes and affected your chances of getting unqualified accounts?

Peter Schofield: Well, there are a number of points to your question, I suppose, Mr Coyle. The baseline we have talked about already. Just to add to that, we saw huge uncertainty and fluctuation in the baseline propensity for fraud across the economy more broadly through the pandemic. That meant that I did not have the confidence to set a target in the year just gone, but I am seeing more stability now in the way that perceived fraud is linking to the models that we have, so I have more confidence. That links back to my answer to the Chair a bit earlier.

On how universal credit plays in, the report goes into that in some detail. Obviously, universal credit brings a different group in, across from tax credits, and there is more propensity for fraud and error in that working-age population. So the mix has changed, and that has had an impact, but universal credit itself gives us additional tools to clamp down on fraud and error. One of the charts in the report talks about how, for example, our understanding about controls on earnings is massively improved because of universal credit. The real-time earnings feed from HMRC gives us a much better understanding of fraud and error, and our fraud and error for earnings from employment over the last year was 0.1%. It would have been much higher were it not for universal credit.

Universal credit then has other types of challenge. For example, there is a capital rule in universal credit that is not in tax credits. Capital fraud came down a bit last year but is a high part of overall fraud and error in the system.

Q55 **Nigel Mills:** Are you really all that bothered about not having your accounts qualified? I can't imagine that it keeps you awake at night, does it?

Peter Schofield: Well, there are a number of points to that. There is obviously, as I said earlier, the professional pride of wanting to be the first accounting officer in 34 years to not have the accounts qualified. Remember, they are qualifications on regularity grounds. It is not like a private sector set of accounts, which is around, "Are they true and fair?" The NAO say that they are true and fair; it is just that they are saying that a material part of our spending is not being spent as Parliament would have intended. That is why there is a qualification on regularity grounds.

The underlying point is that I want the same thing that I think the National Audit Office want, which is the confidence to know that fraud is on the downward track and being controlled and that we are doing absolutely everything we can. My sense when talking to the NAO is that although they have a materiality threshold of 1%, they actually want to know that we are doing as much as would be value for money to clamp down on fraud and error while also making sure that we pay people and do not have so many checks and balances in the benefits system that everyone is waiting forever to get their benefit.

Q56 **Nigel Mills:** It is a slightly counter-intuitive test, isn't it? For 34 years Parliament has kept voting for you to get the money to pay benefits, knowing that you will waste some of it on fraud and error. You would think that at some point the auditors might just decide that Parliament accepts that you cannot get everything perfect and are going to lose some.

Peter Schofield: I should bring you with me to my next meeting with the Comptroller and Auditor General.

Q57 **Nigel Mills:** I am just saying that there is a real danger that what should be a nightmare scenario of, "Oh God, we've had our accounts qualified. That's the end of the world and everything must change," is lost because it happens every year. The same paragraph comes in and we all ignore it again—"Maybe next year." At some point it has to be a meaningful hurdle that you might clear; otherwise it is largely a pointless exercise.

Peter Schofield: Catherine might want to come in on this from a finance perspective. I think our conversations with the NAO are very sensible and balanced on this. Certainly, getting to 1% looks like a long way off; in terms of getting to a point where we are able to demonstrate that we are basically doing all we could reasonably do, consistent with our obligations and requirements to pay people on time and what they are entitled to, when we get to that point, clearly a position in which fraud and error has shot up to 4% is a bad time to try to have that conversation with the Comptroller and Auditor General. As we, hopefully, start to see fraud and error coming down, we can start to have that sort of conversation.

Catherine Vaughan: Certainly the question that I asked the NAO on my arrival at DWP was: "Is this an impossible task you're setting us?"—for exactly the reasons you mentioned. They are saying that this is something we ought to continue to work through, and the key thing, as the permanent secretary has said, is whether we can demonstrate value for money in the effort we are putting in relative to the amount of fraud we are stopping and the implications for the quality of the service we provide to our customers.

There is a challenging backdrop in general. I think the ONS reported that fraud is now the most commonly experienced crime nationally, so there is a challenge for public and private sector organisations in general in tackling a growing propensity for fraud. It is against that backdrop that we need to continue, as we said in "Fighting Fraud in the Welfare System", to innovate our approaches and make some really targeted investment, particularly in the targeted case review. As the permanent secretary and Neil have both said, we are seeing some encouraging signs of the effectiveness of those interventions over the last year.

Neil Couling: I have one bit of hope, from history. When I was running debt in 2009, we had a regularity qualification for our overpayments work and that was lifted off the back of the work we did with the National Audit Office to bring it under control. So there is some faint hope, but the 1% hurdle is a very high one.

Q58 **Nigel Mills:** We could have had a session on that for 34 years; it feels a bit the same in respect of universal credit migration, but that has been a little shorter than 34 years, hasn't it? It does feel a bit like a repeat every year.

Neil Couling: I did worry, with the qualification, that somebody might point out that I have been in the Department for 36 years. I was going to argue that it was correlation, not causation.

Nigel Mills: They might say it was fine before you arrived—

Neil Couling: Yes.

Nigel Mills: —and that it took you two years to wreck the place.

Neil Couling: Yes.

Q59 **Nigel Mills:** I love reading about the progress on UC, but we now know that 2024 has become 2028 for the final roll-out, we hope. Can you talk us through how that is going to work? Are you still moving everybody else by 2024 and then just mothballing the whole project and restarting it in 2028? Or is it going to be a more gradual transition for everybody now?

Peter Schofield: I will get Neil to lead on that, because this is something that he is working through. I was here with the Secretary of State six weeks ago, and we talked about the decision that had been made by the Government, for fiscal reasons, to pause the ESA element of the migration. We are absolutely pushing ahead to make sure that we do the tax credit element in the next year or so to get to where we need to get to at that point.

I think I probably said when I was here before that I would not necessarily have chosen this as a way to manage a major project, but I do understand the reason why the Government have decided, for fiscal reasons, to do what we are doing. Therefore, there is a lot of work now for Neil to be doing in terms of how to re-plan, how to plan to get through the next phase of the tax credit work. Hopefully, the Committee will have seen the publication we put out yesterday on the discovery phase of the move to UC element of the programme—some of that work is going well.

In terms of how we then plan for building this back up again for 2028, that is something that we need to think through, and we will be thinking about the funding for that in the next spending review.

Neil Couling: More formally, as SRO, I will give Peter and Ministers some advice on what I think would be the best programme structure, or not, for that period. For now, we are completely focused on the tax credit cases, income support cases and housing benefit-only cases that we need to move across by the end of ’24-25.

Q60 **Nigel Mills:** Does this change save some money, in that, presumably, the people who are now not going to be moved are the ones who were going to need the most support to move, and so you will need fewer people to do the transition and it might be slightly easier and quicker than you were planning?

Neil Couling: Yes. The Secretary of State said that when he was here at the end of November. We will need fewer people for the ’23, ’24, ’25 period here on the move to UC. That is one of the things I am trying to calculate now. There will be some on-costs into the next spending review for running income-related ESA for a longer period. That is why it is taking a little bit of time to work some of that through.

Q61 **Nigel Mills:** And that is achievable? Can that system be made to work for another four years?

Neil Couling: It will hold up as a system. It will give challenges on scale, because the numbers continue to come down. There are currently about a million people still on ESA. By the time we get to 2028, there will be about 600,000, because for the most part—there are some people who move into work—it is people who, effectively, move into the state pension. The unit costs on that number will go up, for example, in order to maintain smaller case loads.

Q62 **Nigel Mills:** I do not want to cast any aspersions, but are you planning on being around for the 2028 completion of this, or will you fall short of the complete run? It is a serious question. I remember being on the PAC and we said, “You need an SRO that sees a project through,” but there comes a point when you cannot see a 16-year project through, because we all occasionally like to have some variety in our jobs.

Neil Couling: Maybe we will not do my reappointment here in the Committee today, but I have been SRO for eight years now. I have committed myself to this project and its successful delivery.

Q63 **Neil Coyle:** When will we see success?

Neil Couling: I think we already are. We have exchanged comments over the years about whether it will ever be cheaper than the system it replaces, and it is now £500 million a year cheaper. Will it do this, will it do that, and is it even possible to scale? It is now delivering 5 million people, so I think history proves me right on some of those points. I have been doing this for eight years and I want to see it finished.

Q64 **Nigel Mills:** Okay. That gives us some hope that there will be somebody around in 2028 who remembers how to move people from one system to another; otherwise, it will be a bit messy.

Mr Schofield, you mentioned the analysis that you published yesterday. I have had a chance to have a quick look at it. It appears to be based on 499 migration notices. That is not a large sample, given the, as you say, 5 million people and the hundreds of thousands we still have to move. At some point, will this slow, iterative, test and learn process have to move somewhat faster than 500 people in a year?

Peter Schofield: The paper we put out yesterday focused on the first cohort—the 499. That is the one that we have seen through. Obviously, from the point of the migration notice going out, people had three months to apply. We then, exceptionally, gave an extra month, and we have been reviewing progress on that. It is the first of the cohorts under discovery where we have been able to look across the piece at someone going through that journey and how it has worked for an entire cohort. We have launched subsequent cohorts as part of discovery, so that is not the only element of discovery. Neil, do you want to say a bit about how that discovery work is going more broadly?

Neil Couling: I was very keen to publish the first bits of data. We had promised to do so and we wanted to show the initial effects of what we call our earliest testable service. It is not a pilot and it is not the finished service that we will use. This is all about learning and working with customers to learn what will help and support them on the move to universal credit. As the paper makes clear, we still have a lot of learning to do, but we wanted to be open about it. The Committee has asked us to be open about these things in the past, and I was very pleased to be so.

What we have been doing subsequently is launching other cohorts, as the paper makes clear, in places like Harrow, Northumberland and Cornwall, with further tests on further groups of claimants, testing things like whether a second or third reminder would increase the rate at which people claim universal credit, and asking about the particular needs of people on tax credits, which has become very pertinent following the decision in the autumn statement to defer the movement of ESA cases.

We are testing quite a lot. The way in which you do this is not to rush to volume. I have said this before in Committee. What you do is test to destruction. That is what I did with the roll-out. I remember being criticised about the pace by Margaret Hodge on the PAC in 2014. She said that we would not complete this programme in 43 years. At the time, I laughed in my head and thought, "43 years? Maybe it's getting closer to 16," as you were suggesting, Mr Mills. It is wrong to judge pace at the start of one of these things as a linear projection of where you will get to. You go slow, slow, slow and then very fast at the end, when you are certain that your systems work and can cope with it. For the roll-out to jobcentres, we did 75% of jobcentres in the last nine months of a four-year programme.

You should expect to see us staying in the foothills of numbers for quite some time, until we are certain that the processes we have will work at volume. That is why, when we rolled it out, we did not have the kind of implementation problems that they had with tax credits, for example, back in the early 2000s—because we tested everything very carefully. I now lecture at the Saïd Business School about how to do big projects and so forth, and I tell people to resist all the urges to go fast at the start, because you don't know what you are dealing with at the start. People will say that you do, and people will often come before Committees and say that they understand everything. But we don't understand everything about this group of customers, and we need to learn before we go to volume.

Q65 **Nigel Mills:** On the tax credit claimants, there is an annual renewal this year and an annual renewal next year. Are you planning that people will renew their tax credits in the spring and summer of '24 and that a large proportion of them will then have to get through on to UC in the latter part of 2024? That seems to be an efficient way of asking people to manage their own affairs. That is almost what you are telling us, isn't it?

Neil Couling: That is a really good question. We have explored the issue of whether you could use the renewals process to trigger people on to universal credit. The problem is that you have 1 million renewals going on, for example, next April. HMRC, in particular, would struggle to cope with the closedown. There is a bit of work to do in HMRC, as well as in DWP, to take cases on. Our collective view is that it would overwhelm both organisations to try and use that.

One of the things we are testing at the moment is a migration notice that has HMRC branding on it, as well as DWP branding, so that tax credit claimants are not going, "Hang on a minute. Last month, you asked me to renew my tax credits; now you want me to make a claim to universal credit." We are looking for solutions around that problem, having explored whether we could use renewal and concluded that that just is not feasible.

Q66 **Nigel Mills:** In a previous answer, you were saying, "It will be small, small, small, and then big in the very end." I think you are still aiming to hit the end of 2024 as your target, and you are saying that you cannot do all the tax credits around renewal time. Does that not suggest that you will have to start hitting some relatively sizeable volume of tax credit migration by the end of this year to make that work?

Neil Couling: Yes. How we describe the plan is that it is one of discovery, then moving to and working at scale. In the '23-24 year, we will move to scale; by the end of 2023, we will be doing significant volumes.

There is no reason why any of you should remember what we did for the rolling out of jobcentres, but I moved from one jobcentre a year to one jobcentre every three months, then to three jobcentres a month, then to five jobcentres a month, and then to 25. Finally, we were at 50 jobcentres a month. That is the kind of scaling up that we will do. We are learning from that successful experience in the plans.

Q67 **Nigel Mills:** That will leave you doing most of this in the last three or six months of next year. It does not sound like HMRC could cope or that it would work.

Neil Couling: We test every volume assumption, again, back with HMRC's ability to cope and do the closedown activity, as well as with our ability to onboard the claims too.

Q68 **Debbie Abrahams:** I just want to recap where we were on 30 November, Mr Schofield. You will recall that I asked specifically where we were around the section 23 agreement, which the Equality and Human Rights Commission required of you last April. At the time, I asked where it was, and you said, "It is making progress." That was eight months on; it is now nine months on. I had hoped that we would be in a position by the end of last year where it would be agreed, so where are we up to?

Peter Schofield: The conversation is going well. We are now talking about the specifics around what an agreement would look like and the activities around it. The discussions are well advanced, and there are further discussions this month.

Q69 **Debbie Abrahams:** I cannot tell you how disappointed I am and how disappointed the Committee will be with that response. It is exactly the response that we had at the end of November. At the time, I said, "What does it say about how seriously your Department"—and it is your Department, with the Secretary of State—"looks if the Government are ignoring our equality legislation?" This is a notice under the 2006 Equality Act. To come here and say the same thing is just totally unacceptable—it really is.

Peter Schofield: Can I just respond on that? I am sorry you feel like that. I would say two things; one is—

Q70 **Debbie Abrahams:** It is not just me; just think of the disabled people. This is about a notice to your Department—there is a belief that there are grounds around the discrimination of disabled people in terms of the action your Department is taking. What does that say to the millions of disabled people who rely on your Department?

Peter Schofield: We are working really collaboratively and constructively with the EHRC. You mentioned the Equality Act 2006. You will know from section 6 of that Act that I am not allowed to talk about the conversations we are having. You will have to forgive me, Ms Abrahams; I cannot go into detail about how those conversations are going. All I would say is that they are going well and constructively. Our conversations that we are having at a very senior level between us in the Department have confirmed that they are happy with the conversations we are having and the progress we are making. They are good conversations. I wish I could say more, but the legislation—and you know this—means I cannot say more.

Q71 **Debbie Abrahams:** Yes, I do, and that is unacceptable in terms of the content—

Peter Schofield: Sorry, what is unacceptable?

Q72 **Debbie Abrahams:** What is unacceptable is that you say you are working hard, and it is nine months on. When the EHRC issued the notice—this is on its website—it said that it hoped to have concluded this by the end of the summer. What is the delay? What is the reason for the delay? I do not need to know about the content. If you are working so hard, why is there a delay?

Peter Schofield: I do not know how much more I can say, because I am not allowed to talk about the specifics of what we are talking about. The conversations are going on. They are good conversations. We are meeting regularly. We are talking about specifics, but I cannot say any more. If I was hearing from the EHRC that it was concerned that we were not engaging seriously in this, I would understand your concern. It plays back to the wider point. You and I often debate this, Ms Abrahams, and I still want to reassure you on this point: as a Department, we absolutely are doing everything we can to make sure that we are supporting the most vulnerable people who we are responsible for in the organisation.

Q73 **Debbie Abrahams:** On that point, last year's complaints to the independent case examiner increased by nearly 70%, and that included complaints from disabled people. The independent case examiner upheld nearly 70% of those complaints.

I would like to take you through the case of P, a disabled person with severe mental health difficulties whose disability living allowance and employment and support allowance were both stopped after they failed to attend a personal independence payment assessment. The DWP stopped their ESA entirely for nine months, even though they had a severe mental health condition. It was reinstated, but when claimant P failed to attend a work capability assessment, their ESA was disallowed again, without telling them. Your Department was found to have acted inappropriately, and the complaint was upheld. Again, if your Department is doing so much to stop these issues happening, why was there no mental health marker on this claimant's file?

Peter Schofield: Remember that the cases that come to the independent case examiner have often been a while through the system because they have exhausted our own complaints process, so some of them go back some time.

Debbie Abrahams: We have been having these discussions for years.

Peter Schofield: Let me just answer the point you are making, which is about how we deal with two things: one is stopping payments, and the second is having markers on those cases of vulnerability. Both relate to the work of the serious case panel. The independent case examiner is a member of the serious case panel, so she brings these points to us. At a very senior level, the whole executive team is part of the serious case panel. It is chaired by a non-exec director of the Department. She brings these cases and these themes to us. We then talk about them.

One of the first meetings we had about this at the serious case panel was about the process we go through if there is someone who has some vulnerability and there is consideration of stopping payments. I put in place a whole new system involving case conferencing, with the recruitment of advanced customer support leads, which enables us to make sure that issues of vulnerability are thought about and escalated and that we are using the advanced customer support lead capability to liaise with other organisations who might know that individual—it might be the social landlord or the local council—to make sure we have understood the nature of vulnerability. Those checks and balances have been put in place.

Markers are one of the other things we have talked about in serious case panel meetings. For example, if people on the personal independence payment have a vulnerability, something like a watermark appears on the screen, so it is absolutely clear—you cannot miss the fact that they have a vulnerability, and we do something about it.

As you say, complaints to ICE have gone up. Complaints through the Department have come down. There is a balance here. We are a large organisation, Ms Abrahams, but we need to make sure that those feedback loops work, that we are understanding and learning where things go wrong—and things, sadly, have gone wrong. I want to put them right and we are doing everything we can to put them right.

The work of the independent case examiner is part of helping us put things right. This is where complaints and feedback come in. It is not just about resolving the individual case; it is about learning from that, doing something about it, escalating it through to the serious case panel and it making a difference to how we operate, going forward. That feedback loop is something that I am keen to talk about in this Committee. I am keen to try to reassure you in particular, Ms Abrahams, that this is the listening and learning organisation you want it to be.

Q74 **Debbie Abrahams:** I seriously do not think that I am the only one on the Committee who has concerns. I would like to think that I won't be asking questions on this in the future, but I fear I will be.

I will give you one example before I ask my final question: your Department's response, the Government's response, to our report in 2020 about the five-week wait and a recommendation that specifically would have protected vulnerable UC claimants. You completely disregarded it. I have spoken about this. If there is a willingness to accept feedback on how you can strengthen protections for vulnerable UC claimants, why was that not also adopted?

My final questions relate to the health transformation programme. I will ask for an update, if I may, about the re-contracting for a new disability assessment. What is the progress of the contract negotiations with providers?

Peter Schofield: Sure. The current contracts for the health assessments for PIP continue until March 2024. We are putting in place new contracts to apply from before then. We are going to try to leave ourselves a year for transition from the old contracts to the new. Our aim is to have the new contracts in place by this coming March so that we have a year to transition from the old contracts to the new.

Q75 **Debbie Abrahams:** What are the current financial risks? I think there has been a loss of £4.3 million due to contingency IT systems not working. What financial risks have you identified around that?

Peter Schofield: Probably the biggest risk related to this is the fact that we have had, as the Committee knows, quite a surge of claims to PIP over the last few months, which has meant that it has taken time for us to bring down the backlog that we have had. Probably the biggest risk, when you have a backlog of cases, is moving that across from the old contract to the new. We need to work that through.

You talked about IT. Part of the way we are running the new arrangement from 2024 onwards is that, rather than relying on the providers to bring their own IT, we want to have our IT. Remember, the crucial thing about what we will try to do with health transformation is to get to a point where we can manage the whole customer journey across the piece. At the moment, you get referred to a health assessor who is a contractor of DWP. We want to be able to trace the whole programme, the whole journey, all the way through.

One element of that is to have our own technology—technology that we own and that runs the whole process. This is difficult—I am not saying it is easy to do—but it is part of our effort to really transform the experience that customers have in accessing disability benefits from DWP.

Debbie Abrahams: Thank you.

Q76 **Siobhan Baillie:** The Department and Government have done really good work on pension credit—raising awareness and trying to get pensioners to claim. I think that the public have noticed that, so it is appreciated, but I think that the public would be concerned and quite shocked that 237,000 state pensioners have been underpaid, totalling about £1.46 billion, as far as I understand it. It is up 105,000 pensioners on 2020-21. We have been told that widowed pensioners will not receive their underpayments until about 2024. There are cost of living pressures and we know that this group are particularly vulnerable, so I want to know what the update is. What is your current understanding of the progress on the LEAP exercise? What is the average underpayment?

Peter Schofield: First, thank you for your comments about pension credit. This is not just about take-up; it is also about the ability of the Department to deliver that take-up. We have seen a big increase in people claiming, which is brilliant news, and we have changed some of our systems to enable us. In November, we had more than a doubling of the number of claims compared with the same month last year. We have changed our processes and brought in a bit of automation, so we have almost tripled the rate at which we are getting through the claims and processing them. I pay tribute to my teams for delivering that because, as you say, this is vital support for many people who need it.

On exactly that same topic, but with the state pension correction exercise, remember that we are looking at making good on errors that have been made over 30 years or more in some cases. What I said to the Committee last year, I say again this year: we have found more cases of underpayment. It is not that there are more cases out there, if you see what I mean—our sampling tells us the overall rate of underpayment on the state pension.

What you have asked us regularly, and the Public Accounts Committee has asked us increasingly, is: "You know that underpayments are out there. Can you find where they are and put them right?" You rightly say that we have identified potentially another 100,000 people we think could have been underpaid. That is because we have done more scanning work. We were not able to do a particular scan of our main state pension computer system in time for the previous annual report and accounts—the NAO knew that—but we have now done it, and we found more cases, which enables us to put them right. That means that the sample we are looking at is now about 700,000 instead of 400,000. We think that that will probably take us an extra year to do it, given the run rate that we will get to.

I am very sorry, on behalf of the Department, that we made those underpayments. However, I am pleased that I have now found more people—that I have been able to detect more of the underpayment that I already knew was out there.

Q77 **Siobhan Baillie:** Of the 700,000 cases, 54,000 were reviewed by 31 March. Do you have a sense of the underpayment cases among those reviews? What was the average underpayment? What are people getting back? What can they expect?

Peter Schofield: It varies. I think the average is about £6,500—have we got the exact number?

Siobhan Baillie: That is a lot for this group, isn't it?

Catherine Vaughan: There is quite a lot of detail in the annual report and accounts, in note 16c, explaining some of the detail. It depends on the category of the individual and whether they are GB residents or international. We provided some updated figures—at 31 October—in the most recent statistical release, explaining both progress and some of the average payments by category. We have committed to making sure that those updates are in the public domain. We will of course update that average payment figure for our annual report and accounts this year, because it is an important factor in thinking about the estimate of the total amount that will be owed to customers and that is still outstanding.

Peter Schofield: Let me give you the data that we put out on 31 October. You are right that in the first 15 months of the exercise, we did 54,000 cases. In the following seven months, through to the end of October, we did a further 58,000, which gives you the sense of how that overall run rate is increasing as we put more people on it. This is a run rate that will increase rapidly further.

Out of the 112,000 that we looked at, we identified 31,817 where there was an underpayment due, and we paid £209 million in total to that group. You can do the maths: it is something like £6,500 each on average, but there is a potentially wide variety there.

I might just say that the reason why there is a potentially wide variety is that some people were not getting what they were entitled to in terms of the state pension, but they were then topped up through pension credit. So you have some people who were underpaid, but they were paid on pension credit. When we calculate how much they are owed, we then obviously also calculate how much pension credit they received that they would not have received if they got the right state pension.

Q78 **Siobhan Baillie:** I want to ask you about prioritisation in how you are reviewing as well, but how do we speed this up? This is hugely vital money for this group of people, particularly if it is six grand. Are these people who know that they have been underpaid, or will some people just get a call from DWP?

Peter Schofield: Yes, some people will not know that they are underpaid.

Q79 **Siobhan Baillie:** So this is a good news story, if we can fix it. It is a good news story from an error, but are there more staff who you can allocate to this to speed it up? Another year and a half—to 2024—is too long; some of these people will be dying. Have you got a plan to speed this up or move this work forward?

Peter Schofield: Yes, absolutely. We have been building the resource on this over a period of time. By the middle of next year, we will have 1,500 people on this. Driving this through is a huge priority for us, but the reason I could not build it up to 1,500 straight away is partly about being able to recruit that group of people.

I have said this to the Committee before: I have sat with one of the teams going through this in Swansea and you are trying to piece together data from a whole variety of legacy systems, trying to learn what you can find out about something. You might find out that someone was married, but then you need to find out the details about the spouse to know whether that spouse had a national insurance record and had been paying national insurance in the UK, and that there was something that could be transferred across to the spouse, for example.

It is hugely difficult and it has taken time to build up the process—first of all, to look at the scope for automation to help us speed through this, and then to build up the capability. Obviously, you need some of the experienced people to do the training, but you need them to do the work as well, so there is a balance to be struck. At one level, I regret the fact that it is taking a long time, but we have to get this right and we have to do it. Hopefully, the fact that we will have 1,500 folk on this by the middle of the year gives some sort of confidence to the Committee.

Q80 **Siobhan Baillie:** Chair, if I may, I want to put on record my thanks to those people in Swansea. It is really skilled work and I do understand, but I want lots of pensioners to get calls saying that they have money coming that they were not expecting. I think that is really important at the moment.

On prioritisation, we understood that you were starting by reviewing cases where the individual was alive, initially focusing resources on older cases and those that you believe are most vulnerable, and then prioritising older individuals and those who had been widowed. But there has been a change to how the prioritisation has been set and the widowers are now the last group. Can you talk me through why there has been that change, and also—this may be a daft question—if somebody has died and they are due money, what happens to that money? Does it go to their estate? How does that work?

Peter Schofield: Shall I answer those in reverse order? Yes, the money goes to the next of kin. One of the things we have been working hard on is how we improve the way in which we can identify who the next of kin is. It is more difficult where you have someone whose spouse has already passed away, because then it is more difficult to track the next of kin.

There are two things we have been doing on that front. As the Committee knows, this is not the first LEAP exercise we have done. In the exercise we did on employment and support allowance when we transferred people across from incapacity benefit to ESA, one of the things we looked at was how we can talk to coroners, registrars and others to access other types of data, so there is work we have done on that front.

The second thing is that we have put in place this online system that you can access on gov.uk, which basically enables someone who has a relative who has passed away who they think might be owed money to register as a next of kin on that portal. That then means that when we get to that case and identify the person as deceased, we can then look at them on the portal and identify who the next of kin is, to streamline that. When we first put it in place, there was a big take-up of that, but obviously I am also keen to publicise the existence of that through this Committee as well, if that is helpful.

On your point about the prioritisation, the point was simply that the additional scan that we did between last year's annual report and accounts and this one was around the widowed population, and that was the one that found an additional 100,000 or so folk. It is that additional number that we need to work our way through.

That 100,000 actually translates into around 300,000 extra cases that we need to look at, so what I have basically said to the team is, "Plough on with the people you were already doing, but then work out a delivery plan for doing the additional 300,000 that need to be gone through to find the potentially 100,000 who are affected." We are going to look at all sorts of different ways of doing that. We have said that realistically it will probably take an extra year, but if there is a way of bringing that forward or doing something different, then—

Q81 **Siobhan Baillie:** Is it that the existing widows that you are aware of will still be higher in the prioritisation but the additional number you have found will be later? Or is it that all widows have been put into that basket? Sorry, I might be being daft, but I think it is important that we have clarity on how people are being prioritised, particularly as people become aware of what you are doing.

Peter Schofield: What we have said is, "Plough on with the existing plans." My caution is that we may well be thinking through exactly—of course, no one knows whether they were an existing widow. I mean, it is how it has come up in our scan, and we will be looking through whether there might be a way. When we find the solution for the additional 300,000, it might have implications for the first group as well. It may be that I should write to you, Mrs Baillie, just in case there is anything new on that that I can add.

Q82 **Chair:** That would be welcome and helpful.

Catherine Vaughan: It might be worth explaining that because the caseload for that particular group is larger than we originally expected, it will therefore take longer to work through that group, rather than there being a change in priority. For the original priority, which included a particular focus on those more elderly—particularly those in receipt of category D uplifts in state pensions because they are over 80—there is a really good trajectory on that, particularly for those who are GB residents. Regarding priorities, that priority is being kept.

Q83 **Siobhan Baillie:** Finally, and very briefly, as the Swansea team is going through these cases, presumably they are learning from things that have gone wrong that they can point to, even if it does not ultimately result in an underpayment correction. Is that learning going back to the pension team, with changes being made as you go along?

Peter Schofield: Yes. That operates at a number of levels. It is not just Swansea, which was the team I visited, but we have got—

Siobhan Baillie: Sorry.

Peter Schofield: No, no—your thanks apply to teams across the whole of the retirement services side; they work brilliantly. There are a number of things. Obviously, as you look at a case you may identify other things that are wrong with it, and you can deal with that, so there is learning within the individual case and situation.

There is also work that we are doing more broadly from the fact that we have now identified a risk of error in these particular cases, so we are now doing regular scans. For example, on category D pension cases—these are all pre-2016 cases, of course—just to double-check that no additional errors have come into the system we now do the same scan every six weeks, just to make sure that we pick up on any other error that might come along.

More broadly—we have talked about this, and certainly we have shared quite a lot with your sister Committee, the Public Accounts Committee—there is work that we are doing around quality, improving on quality, and some of the things that came out of that, and that has wider application across the whole of the DWP.

Neil Couling: And then the fraud and error work that we do acts as a backstop to all this work. I get my fraud and error teams to run the rule over the Department's work, too. That is how we found the problem with habitual responsibilities protection, which potentially puts a new burden on us to correct cases. Through that route, we found that the information coming from HMRC was incorrect. The fraud and error work is a useful backstop to some of this.

Catherine Vaughan: I also chair the Department's LEAP board, on which we track delivery of all our LEAP interventions, and try to learn not just how to address some of the root causes systemically, but how we get better administratively at resolving problems when they arise. That means sharing good practice across teams, and trying to fast-track learning across the people doing this work, so that we can accelerate, which was an important part of your opening question.

Q84 **David Linden:** Some of my questions helpfully follow on from Ms Baillie's on resources. I will focus on staffing and your DEL budget. My understanding is that the Department has a budget of £7.5 billion for total DEL expenditure in '24-25. Why is it envisaged that running the DWP will cost £1.7 billion more in real terms in '24-25—that is, after the immediate impact of the pandemic—than it did before the pandemic?

Peter Schofield: It is a good question. In the core tables at the back of the annual report and accounts—that may be where you are quoting from—we have a breakdown of where the spending is for '24-25, certainly coming out of the spending review, although we have an efficiency and savings review under way anyway, which is looking more broadly at costs and pressures across Government.

You are right: some of the immediate pressures from the pandemic have fallen away. Some things remain. We have talked about the fact that before the pandemic our employment programmes were on a relatively small scale. Although new referrals to the restart scheme will finish in the summer of 2024, there will be a continuation of outcome payments related to that in 2024-25. That is a considerable chunk of the additional money in that year. Around £400 million spent in that year is from the £900 million for tackling fraud and error that I talked about. In that year, the money will focus particularly on the targeted case review and work around that. Other major programmes will reach their culmination. The budget will have included the full funding for the move to UC. Obviously, we have since had the autumn statement, but there still would have been the assumption about—

Neil Couling: We will have brought in the HMRC work, basically.

Q85 **David Linden:** How much of the increased expenditure is offset by deductions in HMRC's running costs from winding down tax credits?

Neil Couling: Can I give you a figure combined with that for local authorities? Of course, they lose some work, too, through housing benefit. By '24-25, it is about £130 million.

Q86 **David Linden:** How much of the £7.5 billion forecast will be spent on staff costs?

Peter Schofield: Half—£3.6 billion. Let me find the core tables; they have quite a lot of the data that you might be looking for. On page 196, it says it will be £3.608 billion in that year.

Q87 **David Linden:** That is helpful. I will come back to staffing. Over the past 10 years, the Department has underspent its voted expenditure by £1.69 billion, and £670 million of that underspend occurred in the last two years. Can you explain why, permanent secretary?

Peter Schofield: Yes. Mainly that is because we get funded for the employment programmes that we have talked about—restart and kickstart. I think the numbers you are looking at are from the NAO overview table that compared the supplementary estimate number for each year with the actual out-turn for that year. The main thing is that the labour market has proved to be more benign than we had feared in those two years, so the take-up of those schemes has been less than expected. However, that is not the entire picture, because you would rightly push back and say, "Yeah, but don't you adjust for that in the supplementary estimate, which is carried in January at the end of the financial year?" But we obviously leave space in that supplementary in case we require additional funding, so there is a bit of a margin in those supplementary estimates.

Q88 **David Linden:** I would push back and say that Rishi Sunak can announce a big, bold, exciting press release on a plan for jobs, but it is a flop and the Department has to give the money back to the Treasury. That would be how I would push back on that.

Peter Schofield: I know the points that you might be making on that, but I would say that if I look at those particular programmes that I talked about, kickstart transformed the lives of 163,000 young people. Restart—

Q89 **David Linden:** What was the underspend for kickstart?

Peter Schofield: For kickstart, the original provision was for up to 250,000, and in the end the labour market did not require that, but still 163,000 young people's lives were transformed. I am really proud of the work of the teams that delivered that.

Likewise, on restart we have seen 340,000 people already referred. We do not think we are going to need the full 1.4 million places, or anything like that, and we talked about that at the Public Accounts Committee just before Christmas, but that is still 340,000 long-term unemployed people whose lives could be changed. Many thousands of them have already found work since being referred on to the scheme. I am pushing back on the “flop” word, if that is all right, Mr Linden—just in terms of the work of the Department and the amazing staff.

Q90 **David Linden:** I think where there would be a difference for us here would be the delivery of that programme and how effective it had been, but I think we will leave that there.

Peter Schofield: Although, to be fair, these are issues that have been examined by the National Audit Office and—

David Linden: And the Public Accounts Committee.

Peter Schofield: And the Public Accounts Committee. The Chair, Sir Stephen, was at our meeting with the PAC back in December. Rightly, there were some challenges on how we had gone about sizing the scheme, but I felt there were positive words about how it had been delivered, certainly from the NAO. We will wait and see what the PAC report says.

Q91 **David Linden:** To go back to staffing, the total number of staff pre pandemic would be about 72,000. In 2021-22, it was 85,893. What is the Department’s expectation of where staffing numbers will be over the next couple of years?

Peter Schofield: That is one of the things we are working through at the moment. My hesitation is because there are a number of dynamics in play. I will say two things just to give you a bit of a flavour of that. One is in terms of work coaches. The number of coaches we had before the pandemic was 13,500, and we doubled the number to 27,000 through the pandemic and reached that peak in 2021.

We took on many of those folk on fixed-term appointments that came to an end in June last year, because we did not know what was going to happen to the labour market. We knew we wanted to provide an excellent service to our customers, but we obviously did not have the funding to continue that if it was not required. Although we were able to offer many of those fixed-term appointees a role, not all of them were jobcentre or work coach roles. Actually, we have moved people around and now have just over 15,000 work coaches, but the Government increased the administrative earnings threshold back in September, and we are raising it again in January.

David Linden: The order for that has just been laid today.

Peter Schofield: Exactly. That is obviously increasing again the number of people in the intensive work search group, which requires additional work coaches. In addition to that, the Government have already announced that we are doing more around supporting the over-50s, and also doing work to support people who have health conditions and are waiting for a work capability assessment. So one element of this is fluctuating up and down, partly in terms of the state of the labour market and partly in terms of the ask of the Government as regards how we are intervening, and the prioritisation that we are giving to that.

The second element, underpinning all that, is the opportunity, funded in the spending review, for us to do more in terms of service transformation and reform using automation and data to reduce the cost base of processing work. I am increasingly saying to our people that I want fewer people to be doing processing work and more people to be doing customer service work supporting our most vulnerable people, doing things such as frontline work in jobcentres and helping people into work.

The story of our staffing is one of fluctuation in line with what is required in the labour market, alongside significant reductions in what we are asking of people in terms of processing work. For example, we have already talked about the savings on universal credit; we have taken people from back-office processing work into front-office jobcentre work, but the same is true in child maintenance or retirement services.

Q92 **David Linden:** I am glad you touched on face-to-face work in jobcentres. How much harder has that task been made, given the butchering of the DWP estate over the last few years?

Peter Schofield: I do not think I recognise the question.

David Linden: I will give you an example. In the east end of Glasgow, three out of four jobcentres were closed. How can you talk about doing all this great work face to face when you are reducing the size of the DWP estate?

Peter Schofield: The reason I am pushing back is that we opened 194 new jobcentres in the pandemic.

Neil Couling: There is a very big one in the centre of Glasgow.

Peter Schofield: There is a very big one in the centre of Glasgow—I am picturing it now.

David Linden: After closing eight in the city.

Neil Couling: I think the estate is better and the staff are happier with that building.

Peter Schofield: It is a wonderful office in the middle of Glasgow.

Neil Couling: It is fantastic.

Peter Schofield: And there are wonderful new offices all across the country. We have generally taken on that estate on a short-lease basis; normally it is three years. The first one, actually, is due to close in March, because we took it on to meet the pressures that we saw in the labour market going the wrong way. Happily, the labour market is now in a more positive state.

Q93 **David Linden:** The OBR forecast is for unemployment to reach 4.9% next year. Will we end up in a situation, again, where you start winding down some of these jobcentres only to have to reopen them?

Peter Schofield: With some of the jobcentres we decided to retain the new jobcentres—as opposed to the old ones—because they are higher quality, such as the ones that we were just talking about.

It is a brilliant question, because it relates as well to the questions that we were asked at the beginning about our people and the overall scale of DWP and contracted provision more broadly. We need to anticipate what happens in the labour market and be ready for that. I think we showed that we were ready for it in the pandemic, given the way that the Department responded—we doubled the number of work coaches very quickly and brought in new estate. We need to be able to flex down as well, because of the public spending pressures that we are under. If we do not need the resource, we need to be able to flex that away, but also to be ready to build it back up.

These are conversations that we have regularly with the Treasury, as you can imagine. If there were an uptick in unemployment, we need to be ready for it. The Treasury would want us to be ready for it, because we know that the work of DWP—helping people into work—helps to reduce the time that people are on benefits, increase the opportunity that people have to bring in earnings, and fill vacancies across the economy.

Q94 **David Linden:** I have two further questions, Sir Stephen. I appreciate that there are elements of commercial confidentiality when you sign these agreements to take on the temporary jobcentres, but would you be in a position to write to the Committee with a bit more of a breakdown of how much that actually costs and the average costs over the three-year period that you entered into those agreements?

Peter Schofield: Sorry, what do you want?

David Linden: More information—

Peter Schofield: Do you want the cost of the new jobcentres?

David Linden: Yes—investing in these temporary jobcentres. I rather suspect that taking on these three-year leases is costing the Department quite a lot of money but, when I have asked about it in written parliamentary questions, I have been told that it is commercially confidential. I am sure that it is not beyond the wit of your officials to produce some more information on that to better inform Parliament.

Neil Couling: I was running that project, and when the questions came in, we were in the middle of commercial conversations, so I did not want to disclose to future landlords the prices I had paid for the contracts I had signed.

Q95 **David Linden:** So it will not be an issue for you to release them to the Committee now.

Neil Couling: I should not think so.

Q96 **David Linden:** Excellent. Lastly, I want to ask a broader question: what kind of pressures is the Department experiencing as a result of inflation and the cost of living crisis?

Peter Schofield: I might ask Catherine to come in with a bit more detail. I suppose there are pressures up and pressures down. In terms of the pressures down, we talked about the latest OBR forecast, but when the spending review was conducted and our budgets were set in November 2021, the anticipation for unemployment in this year was over 5%, and it is just over 3.5%. That has been a reducing pressure, but you are right: on top of that, we also have pressures that move the other way, such as pressures in terms of our cost space.

There is also the pressure that comes from people quite rightly coming to DWP asking for help and looking for support. We are there for people, as we have been on pension credit, which we have talked about already. For a number of other benefits, there is an increase in claims to DWP. We have more people coming to us looking for support on child maintenance. We have more claims coming in on PIP. We have cost pressures in terms of our supply base and in terms of additional demand.

On the other hand, we have seen some things move the other way, and we have transformation programmes that deliver savings. This is all part of a conversation we are having with the Treasury on its efficiency and savings review. Catherine, do you want to add anything to that?

Catherine Vaughan: You have articulated the demand pressures and in addition—to some extent, correlated—the financial pressures on the Department. Something being faced by all Government Departments at the moment is the inflationary pressures on energy costs, for example. We are working, like all Government Departments, to put forward our proposals for driving additional efficiency savings and showing that we can live within our spending review settlement. That will be communicated further by Treasury through the upcoming spring statement.

We also work collaboratively, particularly through our commercial colleagues, to try to drive good costs through our suppliers, to make sure that Government purchasing power—for example, on energy—can keep some of our costs down, that we work with suppliers, as well as internally, to drive efficiency through automation, and that the use of data that the permanent secretary has talked about applies to the work we do through third-party contractors just as much as it does through our own in-house provision.

Q97 **Chair:** Can I put a final question to you about something we have not heard about for a while? In March 2020 you published "Delivering our plan for DWP excellence", which involved allocating £36 million to deliver reform and increased support for the most vulnerable in society, and £106 million was then allocated in the 2020-21 spending review for the DWP excellence plan, which I think was addressing some of the issues you were talking to Ms Abrahams about earlier. What has become of the DWP excellence plan?

Peter Schofield: We have really brought that into the heart of what we do as a Department. There are some specific new things that we did. It was not part of the funding, but we referenced in the original excellence plan the work we had already done to set up the serious case panel. We built from that, and we created the internal process review group, which enabled us to take learnings from the IPRs and feed them into the agenda. We have given more time for decision makers, particularly on the disability benefit side of things.

Q98 **Chair:** So the plan has been implemented, has it?

Peter Schofield: Yes. The other specific thing was the creation of the new advanced customer support lead roles. Those are all things that are under way. Rather than regarding it as an individual, one-off thing, we sought to mainstream it in terms of everything that we do across the Department.

Q99 **Chair:** At the time, you set out a diagram including things like increasing visiting officers and additional support for complex needs. All that has been done, has it?

Peter Schofield: Yes. I mean—the reason I am pausing slightly is that things like the pandemic changed the role of visiting officers dramatically. That obviously happened soon afterwards. In terms of additional time for decision makers, we have what we call holistic decision making. On things like disability benefits, if decision makers are unsure, we empower them to have a bit more time to phone the claimant and to ask for more evidence. That is just to build more time into that process.

In the original plan for the advanced customer support leads, I think we said we would have 26, but we have ended up with 37, so we have done a bit more of that. It is the sort of thing that I see the work of the serious case panel owning in part, but also the work that we have done to transform quality under Amanda Reynolds—we have talked about that. I think you might have been at the PAC when she was there, and we talked about that in the context of the state pension underpayment correction exercise. We can come back to the Committee to talk more about it, if you like.

Q100 **Chair:** Perhaps you could just drop us a line. The term "DWP excellence plan" has sort of disappeared, but it would be useful to know.

Peter Schofield: I would be happy to write to you.

Q101 **Chair:** But by the sound of it, the funding promised has all been delivered and you are using it for the things that were envisaged. Yes?

Peter Schofield: Yes. I am not sure that I can necessarily trace every pound, just because, so soon afterwards, we were in the pandemic. But the approach set out and some of the roles and processes that we have talked about have been mainstreamed into what we do as an organisation. Building on that, the approach to quality that Amanda talked about is certainly at the heart of what we do. But I will write to you, happily.

Chair: If you could write a line setting out what became of the plan, that would be helpful. I think that concludes all our questions—

Q102 **Neil Coyle:** I have a supplementary to the question David asked. Permanent secretary, you pushed back a little on kickstart. Will you remind the Committee how many young people were unemployed in this country, according to the most recent stats?

Peter Schofield: Well, kickstart has finished as a programme—

Neil Coyle: I didn't ask about kickstart. How many young people in this country were unemployed, according the most recent stats?

Peter Schofield: I don't know, Mr Coyle, but I will write to you.

Q103 **Neil Coyle:** I think it is about 400,000, and you are saying that for kickstart, which had a target to help 250,000 young people, getting to 163,000 was a success. I want to know why there are such low expectations for the Department in measuring success and why there is such a terrible relationship with British business, which is desperate to get employees through the door, and such a poverty of ambition for young people.

Peter Schofield: Well, we could rerun the PAC on kickstart if you like. We talked then about the whole approach to kickstart—everything we were doing to support people into those roles, the way we work with employers to bring people through, and the feedback from employers about the way it worked. Building on that, we have learned about how we can use jobcentres even more effectively, as places employers can come into, where we run job fairs, helping people to get into roles. So many people have barriers. Increasingly, the people we see in the intensive work search group who are left and who we are seeking roles for, are people who have significant barriers and who we need to help into work. It is complex, but we do a lot of work to help everyone to have that opportunity. Kickstart was one element, and restart another. Restart is still in place. But yes, read the NAO report on kickstart, if you have not already done so.

Neil Coyle: I think the definition of success needs to change for the Department, but I know we are out of time.

Chair: Thank you all for joining us this morning. Thank you for the answers that you gave. We look forward to the further information that you have promised us. That concludes our meeting this morning.