HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: DWP's Annual Report and Accounts 2022-23, HC 417

Wednesday 10 January 2024

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Watch the meeting

Work and Pensions Committee members present: Sir Stephen Timms (Chair); Debbie Abrahams; Siobhan Baillie; David Linden; Nigel Mills; Selaine Saxby; Sir Desmond Swayne.

Public Accounts Committee member present: Peter Grant.

Questions 1-70

Witnesses

I: Peter Schofield, Permanent Secretary, Department for Work and Pensions, Neil Couling, Director General, Change and Resilience and Senior Responsible Owner Universal Credit, DWP, and Katie Farrington, Director General for Disability, Health and Pensions, DWP.

Examination of witnesses

Witnesses: Peter Schofield, Neil Couling and Katie Farrington.

Q1 **Chair:** Welcome all, and thank you for coming to the earlier timetabled session, rather than what was indicated first thing this morning. Thank you for your flexibility in doing that. Peter, will you and your colleagues briefly introduce yourselves?

Peter Schofield: I am Peter Schofield, the permanent secretary of the Department for Work and Pensions. I am joined by Neil and Katie, whom the Committee will know well. I will let them introduce themselves.

Neil Couling: I am Neil Couling, director general for change and resilience. I am also senior responsible owner for universal credit, and I lead in the Department on fraud and error.

Katie Farrington: Good morning. I am Katie Farrington, director general for disability, health and pensions.

Q2 **Chair:** Thank you, and welcome back to all of you. My first question relates to the fact that the accounts we are considering this morning show big underspends on the workplace transformation and health transformation programmes. How will those underspends affect delivery of those programmes, particularly given the warning from the National Audit Office that the scale and complexity of the health transformation programme put it "at high risk of time and cost overruns and not achieving all the intended benefits"?

Peter Schofield: Thank you, Chair. I think you are referring to the reference in the report—I think it is about £136 million of underspends against major projects. There are a number of things going on there. We set the original budget for the health transformation programme coming out of the end of 2021. We are turning back the clock here—this is April 2022 to March 2023. We were coming out of the period of the pandemic, when the programme had been paused because we were focusing on the payment of universal credit claims. So, we were really getting back up and running, and replanning that programme as we described when we came to the Public Accounts Committee—Mr Grant is here, as well—in July and described that. We were putting that programme in place and developing that.

In the original budget, we thought we could deliver £100 million of spend; we ended up spending about £60 million for that programme in the year. But that was not at the expense of delivering key milestones—Katie can tell you a little bit about some of the key milestones. The key thing we were delivering was progress on the functional assessment service contracts, which were finally signed in September last year. Progress has been made and has been under way, and that was all fully reviewed by the National Audit Office in the report that we discussed at the Public Accounts Committee in July.

On the workplace transformation programme, there are a number of things going on there. There are some major impacts from the effect of IFRS 16 accounting rules in terms of how you account for property leases in particular, but that is an important programme for us in terms of taking advantage of lease breaks that come up every five years, ever since we exited the prime contract in March 2018—we reached a major milestone in March last year, which we took full advantage of. There is a lot of detail about that in the annual report and accounts. We are on track for delivering on that. My main point in saying this is that notwithstanding some underspends as reported in the accounts, milestones were being delivered, and particularly the one you talked about—the health transformation programme—which we talked about in quite some detail back in July.

Q3 **Chair:** Can I ask you the same question, Katie? The NAO comment about being "at high risk of time and cost overruns and not achieving all the intended benefits." Is the NAO wrong about that or are you confident that that high risk can be dealt with?

Katie Farrington: Shall I say a bit more about health transformation? As Peter says, we have hit a really important milestone, which is signing the contracts that will come into effect from this September. We also have our departmental transformation areas up and running in London Marylebone and Birmingham Handsworth. I know that one or two members of the Committee have been to visit those. In terms of mitigating risk, we work really carefully to monitor risk, look at change and manage it as carefully as we can. We have also taken advantage of external scrutiny and support. We had a recent review by the Infrastructure and Projects Authority, which has rated the programme amber. We think that is fair. It is a large, complex programme, but, as Peter says, we have delivered some significant milestones and we are looking to keep delivering.

Peter Schofield: It is worth saying that the National Audit Office report, which we discussed in July, had eight challenges set out. We are working through each of those. They are not new challenges. Indeed, the NAO report talks about how we were addressing each one and we went into that in some detail with the Public Accounts Committee in July. But it is a big programme, and it is one that we continue to scrutinise and keep under review all the time. It is really important for us in terms of delivering outcomes for people with health conditions and disabilities and in terms of progress and transforming the Department, so it's a key priority for us.

Q4 **Chair:** Having had those substantial capital and resource underspends in the period we are looking back at, will there be higher spending than anticipated in future years so as to catch up, or were the estimates inflated in the first place?

Peter Schofield: No. They were early estimates, dare I say it? There was a replanning exercise that was done at pace between the end of the pandemic and the beginning of the financial year, which we then continued to review as the financial year went through as part of overall planning for the programme as a whole. As we discussed back in July, as a result of some contractual challenges, there was some delay in putting in place the functional assessment service contracts. They were finally put in place in September, which was an important milestone for us. That has meant that things have slipped a little bit to the right, because those are five-year contracts. I think you might have been at the Public Accounts Committee session in July.

Chair: I was.

Peter Schofield: If you remember, we talked about some of the key milestones of the programme going forward. An important one is the end of that five-year functional assessment service contract, which is when we put the new health assessment service contracts in place. That continues to be 2029, but slightly later than planned in 2029. So, things have slightly moved to the right, but we are still forecasting to stay within the overall budget.

Q5 **Chair:** You referred to the underspend of £138.7 million, which has been reported. Is most of that an actual net saving and is that money not going to be spent in the future, or is some of it pushing spending to the right?

Peter Schofield: I think some of it will push to the right, but the HTP element of that was about £40 million and the total spend on the HTP is around £800 million or £900 million for the contract as a whole. It is all set out in the NAO report.

Neil Couling: If it helps, Peter: you are right, Chair, the workplace transformation costs effectively moved into 2023-24. We made provision for that. That project is now basically spending to forecast and any catching up has been done on that. With the forecast for this project in particular, the variable there is something called dilapidation. When we hand a building back, there is a negotiation with the landlord about restoring the building to the state it was in when we took the lease on. That is not always completely knowable, so we make provision rather than an exact budget and we negotiate hard in those situations. Some of that money is provision rather than what we actually expect to spend, to allow us some space in the negotiations. As of today, we are back on track on workplace transformation.

Q6 **Chair:** Thank you. But in terms of health transformation, it will cost some tens of millions less than was originally expected. Is that right?

Katie Farrington: I think the NAO report describes this in quite a lot of detail. As Peter said, we have done a lot of re-planning around that programme, and some of the costs from this year will move to the right. The significant change that Peter described is that we had originally planned for those contracts to come into place in March 2024 and they will now come into place in September 2024. There is a six-month movement of the contract start.

Q7 **Chair:** So of the £40 million, how much has gone to the right and how much will be a saving?

Peter Schofield: Some of it was early budgeting that we realised we did not need. The business case for the health transformation programme is due to be published later this year, so we will be able to set out in more detail where we are in the light of that.

Chair: We are delighted to be joined this morning by Peter Grant from the Public Accounts Committee. Peter was obviously at that meeting in July, and he has some questions to raise today. Thank you for being with us, Peter.

Q8 **Peter Grant:** Thank you, Chair, and thank you for giving me the chance to attend this morning. Good morning to all our witnesses.

Mr Schofield, over the last 10 years, your running costs budget—the DEL budget—has been underspent every year. In the last three years or so, that underspend has averaged £250 million per year. Why is your budget always underspent? It might seem a strange question, coming from an auditor.

Peter Schofield: If you are talking about the departmental expenditure limit, the way it works is that you have to come in underneath it. You cannot overspend it in any way; otherwise, there are very severe consequences—including, I think, oversight from the Public Accounts Committee. We always need to come in underneath that number.

In the last few years, if you remember—we have talked a bit about this and some of the specific programmes—RDEL has been increased for a number of factors, including programmes such as kickstart, some of the labour market initiatives that we have introduced, and restart. When we started on the plan for jobs in 2020 and were given additional RDEL provision, in some cases the DEL provision was based on expectations about what would happen in the labour market, which, happily, turned out to be not where we ended up in practice. For example, we underspent on kickstart, not because the programme did not get up and running—it got up and running brilliantly quickly—but because we did not need so much provision in the end. That is only one of a number of labour market programmes for which we were given additional funding.

There was a bit more volatility in more recent years because of managing through the pandemic and the fact that the labour market picture turned out to be more benign than we had feared when some of those programmes were originally funded.

Q9 **Peter Grant:** If we look particularly at the underspend in 2022-23, at what point during that financial year did you become aware that you were looking at an underspend of that magnitude?

Peter Schofield: We have a very robust process of reviewing our financial position every month. It is a working day programme in which we look at exactly where we stand at that point. Reviewing the year as we went through, it is particularly period 6, which is halfway through the year, when we are required to make a submission to the Treasury on where we think we will be at the end of the year. We then make a final position, in terms of the supplementary estimate process, which is at the beginning of the calendar year. That would have been January 2023.

The Treasury tests our forecasting of where you are between period 6 and period 12. We always come out very highly in its rating of our financial management in that context, bearing in mind where we end up.

Q10 **Peter Grant:** Is it reasonable to assume that the Treasury rates you very highly because you save money, not because you have spent more?

Peter Schofield: The Treasury has a big job to do in balancing cash in and cash out, and I think they appreciate it when we get the cash forecasts correct.

Q11 **Peter Grant:** I know that other members of the Committee will ask about some of the problems that the Department has faced recently, such as the huge underpayment of state pension. You will be aware that the Public Accounts Committee and, I think, this Committee have expressed concern about how long it has taken to rectify that. Why could you not take some of your underspend and use it to bring in additional resources to address those problems quicker?

Peter Schofield: We are doing a huge job in building our resource on each of those programmes. In September, the Chair of the Public Accounts Committee described the work on the state pension LEAP exercise as "impressive", and I would agree with her on that. We built up that resource to about 1,500 people at its peak, and I am glad to say that the first two stages of that exercise—the category BL and category D exercises—were largely completed at the end of December. That is absolutely on track.

We are also building resource. A huge number of people are being brought in to do the targeted case review and to support our work on fraud and error, which I guess we may discuss in this Committee as well. We are also building the number of work coaches. We are absolutely out there and recruiting hard to bring in the additional resource. We have been doing that for the period covered by the annual report and accounts, as well as for the current financial year.

Q12 **Peter Grant:** I appreciate all of that, Mr Schofield, but my question was: why, when you have indicated that you knew in around September 2022 that you were likely to have an underspend in the region of £200 million to £250 million—and while it is good that you have 1,500 people to pay back pensions to people who have been denied them for, in some cases, decades—you couldn't, without endangering compliance with the limited expenditure, have used £50 million or £60 million of that for additional people to get things done quicker? I know you are talking about progressing on track and on target, but that is partly because the timescale that you set yourself was based on the resources that you thought you had available. Had you known that you would have more money available, why could you not have done something—indeed, why were you not able to do something in the second half of the financial year—to get this money paid to people who, let us not forget, were legally entitled to it, 10 years ago in some cases?

Peter Schofield: I could not agree more. Absolutely. That has always been a priority for us. I think the Committee knows that. It is about when you get to the middle of the year. The thing is, you often start the year with an overspend position where the challenge is how you manage within the budget—as I said, we have to stay within the budget. You then get towards the end of the year and think, "Well, I might have a bit of an underspend". But you have two problems there. One is: what can you bring in and mobilise quickly that can spend that money at pace? Even recruiting people takes quite some time. The next problem is that you are not managing one year in isolation; you are also managing a multi-year position. Inevitably you then find that you are looking ahead and thinking, "Well, I have some money in the current financial year, but I don't know how I am going to manage in the financial year to come." If you take on more costs, that has an ongoing impact. When it comes to recruiting people, as much as we are absolutely trying to build our resource to deliver everything that the Government wants us to do, you have to do it in the context of managing not just this year's budget but next year's budget.

Neil Couling: If I might add to that, Mr Grant, there is a mobilisation challenge here, as well. You do not just have to find the money to recruit people; you then have to recruit them, which takes a period of time. You then have to train them, equip them and put them into buildings and so forth. All of that means that all of these activities have to be carefully planned, particularly when the Department is being asked to do things on a number of fronts simultaneously: fraud, the state pension, LEAP activity and expanding the work that we are doing to support people into work.

Q13 **Peter Grant:** Would it be easier for you if you were allowed to carry part of your underspend forward into the next financial year?

Peter Schofield: What a good question. I should have you on my side when I go to talk to the Treasury, Mr Grant; that would be very good.

Sometimes the Treasury arrange for carry-forwards to be allowed. In some cases, we have been able to carry forward spend. It can be done, but the Treasury tend to manage the fiscal position on an annual basis, as much as looking at it on a multi-year basis.

Chair: Can I bring in Mr Linden, who I think wanted to raise a point?

Q14 **David Linden:** You seem to be focusing on recruiting staff. Why do you not pay your existing staff overtime to do more of this, if you have underspend. That would get around that, wouldn't it?

Peter Schofield: We do. We pay overtime. Yes.

Q15 **David Linden:** How much?

Peter Schofield: It is all contained within the core tables towards the back of the annual report and accounts.

Q16 **David Linden:** Do you want to put it on the record for the Committee?

Peter Schofield: Well, the annual report and accounts are on the record for the Committee.

We pay overtime. We want a favourable work-life balance, but we encourage our people to take overtime opportunities and we give our experienced people the opportunity to do more work, to help to drive things like the state pension LEAP exercise, for example.

We do all of that, but obviously our pay is within the constraints of the civil service pay remit that we operate within, as well.

Q17 **Peter Grant:** Looking at this year's spend, what is your current forecast for your financial position at the end of the financial year? You have indicated that you are not allowed to overspend. How big an underspend do you think you will be reporting at the end of the year?

Peter Schofield: I don't want to go into details of that because we are currently talking to the Treasury about the supplementary estimates position, but we will lay the supplementary estimates before too long and that will set out where we anticipate being, and then, beyond that, the main estimates for the year ahead.

Q18 **Peter Grant:** Thanks. Your expenditure limit for the current financial year—£9.82 billion—is quite a bit higher than it was last year. Indeed, I think it is higher than it was even at the height of the pandemic. Why is it that you have needed more money essentially in your administrative running costs budget this year than at any previous time?

Peter Schofield: I will turn to the core tables at the bottom of page 240; that is probably the best way to look at that. You will see that our resource departmental expenditure limit position here is £9.024 billion.

Staff costs remain fairly constant, but they look as if they will rise next year as we recruit more work coaches and more people on the targeted case review.

However, one of the biggest single changes that you will have seen is the impact of the household support fund, which is also included in our resource DEL and that is section H in the top half. You will see that that comes in and that has an impact of £1 billion. There are various things that move around there.

The other big thing is the purchase of goods and services, and the main thing there will be new employment programmes, for example, which are contract managed out of this budget as well.

Q19 **Peter Grant:** But the figures you are quoting from table 1 are comparing the plans for the current year with the actual outturn in the previous year. We already know that the previous year was £250 million or so under budget, so that table does not actually give us a breakdown of the reasons for the increase in budgeting expenditure, does it?

Peter Schofield: It gives you an indication of what the drivers are. It depends on what the thing is. You described this as administrative cost, which implies that it is the cost of employing colleagues. My main point is to say that the DEL also includes other things, like the household support fund and third-party spend on things like employment programmes as well. Those come in in quite lumpy amounts, so it is quite difficult to give you a one-line or two-line answer to that, but the details are all set out here.

Q20 **Sir Desmond Swayne:** Fraud and error are still very high, particularly on universal credit. Actually, there has been a £400 million increase in underpayments, largely on PIP. You have forecast that you will return to pre-pandemic levels in—is it 2027-28 or 2025-26? I cannot remember off the top of my head. Is that forecast a target?

Peter Schofield: No, and it is not really our forecast. I think you are referring, Sir Desmond, to the OBR forecast that is published by the NAO in their report on accounts, which we discussed at the Public Accounts Committee in September.

Q21 **Sir Desmond Swayne:** I thought that it had been extracted from you. I am after what the difference between a forecast and a target is.

Peter Schofield: Okay. I should say that is—

Sir Desmond Swayne: Reluctantly extracted from you, I understand.

Peter Schofield: Yes, and the forecast gets reviewed every six months, so that is a forecast that was from the spring Budget; it has since been reviewed again in the context of the autumn statement.

The challenge that we have—we discussed this at the Public Accounts Committee in September—is that we know in a lot of detail what the position is with fraud and error in the here and now. We do our sampling exercise with official statistics, which gets a good review by the National Audit Office as a robust process. We know the effectiveness of the initiatives that we have under way, but the challenge is the impact of underlying fraud and error—the propensity for fraud and error—in the wider economy, which seems to be growing relentlessly and is very difficult to predict. So we have made an assumption in those forecasts that that grows by about 5% per year. I think I discussed with you in September, Chair, where that 5% came from and how we had arrived at that, but it is difficult to predict.

Obviously, when you look at a multi-year period—the current scorecard period for forecasting now goes up to 2028-29—it is very difficult to know where we will end up. Rather than setting targets that I did not know I would have a good chance of achieving, what I thought we would do in the first instance in terms of setting a target—I agree that we need to have a target—was set it up based on the effectiveness of the initiatives that we have under way, so at least I would know that the things that we set out to do in DWP were able to deliver. That is where we have set ourselves a £1.3 billion savings target for the year that we are in. That looks at all of our counter-fraud efforts and includes new initiatives like the targeted case review. It asks whether we are delivering those savings for the taxpayer that can then be reinvested in other public services. What I am not doing right now is setting myself a target that makes a robust assumption about what will happen in online fraud and error in the economy going forward. That is the challenge we face.

To give you another example, in the forecast that was done in March we anticipated that universal credit overpayments would be 12.1%. When we actually did the final reckoning in May, two months later, it turned out to be 12.8%. We think that 0.7% difference is accounted for by the underlying growth of fraud in the economy. If you take that difference in the outturn and compare it going forward with where we thought we would be when the March forecast was done, that means we then have to look again at the picture in those out-years.

Neil Couling: If I might add, when I was before the Committee during covid times, I think I overestimated the impact of covid on fraud, and that masked an underlying rise in fraud. You can see that in the British social attitudes survey where the public show an increased tolerance of fraud when questioned about it. One example is: is it always wrong to not declare earnings? That went from 80% in 2016 to 66% in 2022, so we are losing the battle a bit with public opinion. There is greater acceptance of fraud and I think that is driving the numbers up. We, like many institutions, are having to try to combat that.

Q22 **Sir Desmond Swayne:** So you are going to combat it partly by spending £70 million on machine learning. What is it and exactly how will it help?

Peter Schofield: There is a really good chart in the NAO report—figure 13; I don't know whether you have seen it—that takes you through the process of how machine learning works. I could probably get the chart out and talk you through it line by line. It is quite a clear chart. It uses our best data and analysis to try and identify the types of transactions that are most likely to be at risk of fraud. It helps us to target our resource and our people to investigate more effectively the cases where there is most likely to be fraud.

The key challenge that people raise is: can you trust machine learning? The answer is that, at the end of the day, it is always a person in DWP who makes the decision about whether someone should be pursued for fraud. Also, as part of that, it enables us to identify people who might be vulnerable customers for whom there is not a fraud issue, but someone who needs additional support to help them manage their claim with DWP.

Q23 **Sir Desmond Swayne:** So no shades of Horizon, then?

Peter Schofield: I really hope not.

Q24 **Chair:** On the point about the forecast, which I think was that you will get back to pre-pandemic levels of fraud in 2027-28, you said that those forecasts are reviewed every six months. Does that mean you are now not expecting to get back to that level by 2027-28?

Peter Schofield: I don't think we will. We want to see where we end up and we will look again with the May statistics, because we are seeing a lot of fluctuation. That forecast was based on a 12.1% outcome on universal credit, and it was 12.8%. That is then part of the base and plays through. We don't publish that forecast, although the NAO publish the March forecast. It will push that position in the outer years up, unless we can demonstrate—this is where the key challenge is for us, and where Sir Desmond's point is really important—that the initiatives we are taking forward can make a difference.

One of the additional things that we put in the annual report and accounts this year was a focus on the best we could do to measure our preventive activity. It is one thing rooting out and detecting the fraud that is already in the system, but a key part is combating all the trends that Neil was describing, which I often describe in this Committee as a bit of an arms race. Can we make more progress on the prevention side? For the first time, we have actually started to set out our best analysis of what we think the impact of our preventive activities are. I am sure the Committee will hold us to account in future years as we try to make those more effective.

Sir Desmond Swayne: I now have the chart on page 47, and it is indeed very illuminating.

Q25 **Peter Grant:** Mr Schofield, can I come back to the question of machine learning? If someone's claim is identified as needing a bit more checking, does that delay processing of the claim? What happens to that person's benefit during the time that the check is being carried out?

Peter Schofield: That is a good point. Neil might have a bit to say on how that works. Basically, the idea is that where a claim is sent for an enhanced check, we try and do that so quickly that it would not make—

Q26 **Peter Grant:** You do that quickly?

Peter Schofield: We try and make that happen as effectively as we can.

Neil Couling: We actually changed our approach in the light of feedback from claimants and elected representatives. We used to suspend all the cases, and now we don't suspend. We go in and do the checking as quickly as we can, and we can do that now because we have caught up with the backlogs that built up in the covid time. As Peter says, we try to clear the inquiry before, but that depends on the claimant coming back to us. If the claimant does not come back to us, we do then suspend. If claimants co-operate with the process, there is not an interruption in payments to them, unless they have been engaged in some activities that they should not have been.

Q27 **Peter Grant:** If the machine or algorithm were to have any unintended inclination towards bias—for example, gender or ethnic origin—that would put you in breach of the law, wouldn't it?

Neil Couling: We have three levels where we try to act against that. The systems do have biases in; the issue is whether they are biases that are not allowed in the law, because you have to bias to catch fraudsters. We check for unintended bias. We do that in the design phase, so the teams who put the rules—the machine learning—together do that at that stage. We then do two things at the second stage, when we are actually deploying the rule. First, we send false negatives into the checking, so that the agents working with customers do not know that all the cases they are getting are potentially fraud—they are blind to that. Then we always make sure that the machine does not make the decision; a human being makes the decision. At the end of all that, when we look at the outcomes—we are just in the process of doing this, and we will report in this year's annual accounts, as we promised the Public Accounts Committee we will—at a global level we ask whether there are particular groups with different protected characteristics impacted unintentionally by this kind of activity.

We have three levels of checking: on the way in; during, when we are applying the rules; and checking at the end that we have not done that unintentionally. If you look at the experience of some other countries when they have tried to use this technique, they have got themselves into quite a pickle. I am determined that we do not do that in the UK. As I said to the Public Accounts Committee back in September, we are taking this very carefully. The way in which we rolled out universal credit or we roll out big changes in the Department is to do them at a small scale first, to try to identify bugs and problems which we can correct quickly before going to the big-scale activity. That is what we are doing here as well.

Q28 **Selaine Saxby:** I am looking into the migration to universal credit and wondering what progress the Department has made in moving all the legacy cases of tax credits, income support and jobseeker's allowance, and of housing benefit-only cases to universal credit. Are you on track to complete that by the end of '24-'25?

Peter Schofield: We are very much on track, but I will hand over straight to Neil, as the SRO of the programme.

Neil Couling: I wasn't going to say more than yes but, pleasingly, we are on track. It is going very well. We have done about 15% of the total number of cases that we need to do to complete by March '25. We are well on track to do that. Again, it has this slow start, which I can talk about and have talked about in Committee before, learning from the smaller numbers and only in the last phase going to big numbers. For example, when we rolled out universal credit to all the jobcentres across 2015 to 2018, I did 75% of the roll-out in the last nine months. We have a similar profile here, but we are on track and it is going well.

Q29 **Selaine Saxby:** Is there anything else you have learned from the discovery phase that will inform the migration?

Neil Couling: Lots. That is why we are running another discovery at the moment. We have been doing tax credit cases in the first phase, and from April we start doing the other, DWP benefits—housing benefit and the like—so we are running another discovery to learn even more. The learning in and around the tax credit phase has been about the number of reminders; the best way to remind people; the best wording to use on migration notices so that claimants can recognise the call to action, but do so at the right time for them; and the kind of support that we will need to put in place.

An example of the discovery that we are doing at the moment for the DWP benefits is that hardly any tax credit claimants want to claim on the telephone. That is not a surprising finding; they are mostly working online with HMRC now. However, about 14% of income support claimants, for example, want to claim on the telephone. That is much higher than in the normal UC service, so we need to adapt our processes to cope with that, because we cannot go back to people to say, "Well, I'm sorry, you will have to claim online." We will have to support those people on the telephone.

It is a very rich piece of learning that is going on for us. Importantly, we are sharing all that with the various stakeholder and lobby groups, so they know what we know at the same time, and they can input their views into the process as well. I think that is why it is going quite well. I never want to presume that it will be without blemish or bump along the way from now to 2025, but I think that the active involvement of the stakeholders, of claimants, in the design means that this is going as smoothly as any big change I have ever put in.

Q30 **Selaine Saxby:** Is it still the Department for Work and Pensions that commences managed migration for ESA claimants in '28-'29?

Neil Couling: Yes.

Q31 **Selaine Saxby:** Have those plans been affected at all by the health and disability White Paper and the planned changes to the work capability assessment?

Neil Couling: We have synchronised those plans with the move to UC plans, but Katie can probably talk to you more about those changes than I know. They are not in my area of responsibility.

Katie Farrington: Shall I say a few things about that? Our plan with the changes to the work capability assessment is to introduce them from 2025, and then we have said that we will roll out the White Paper reforms. Really importantly, the WCA change is for new claims only. The White Paper changes, beginning with new claims, will happen on a staged geographical basis from 2026, and then will move across the stock of existing claims from 2029. As Neil says, we are working hard to synchronise with the plans to get the move to UC in place.

Peter Schofield: Crucially, by March 2029 all the ESA cases will have moved to universal credit in time for the White Paper impact that Katie was describing for existing claims.

Q32 **Selaine Saxby:** How many people are expected to be in receipt of ESA and migrated to UC?

Neil Couling: About 600,000 by then. It is about 1 million today, but you have a maturation effect into state pension going on between now and 2028, which is why the numbers come down. Essentially, people are leaving ESA and claiming their state retirement pensions.

Q33 **Chair:** How frustrating is it for the Department to be completing the transition by the end of 2024-25, and then waiting two or three years before doing the rest?

Peter Schofield: Yes, I have talked about that before.

Neil Couling: It is Government policy.

Peter Schofield: It was a fiscal decision. It is not the way I would manage a major project.

Chair: Understood.

Q34 **David Linden:** Research from Age Scotland recently found that 70% of over-50s are now cutting back on heating and energy bills as a result of the Westminster-made cost of living crisis. That suggests to me that people don’t have enough money to live on, so let’s talk about state pension underpayments, developing further the point made by my colleague from Glenrothes. The Government has underpaid £1.2 billion in state pensions. This has impacted primarily, but not exclusively, married women, widows and people over the age of 80. Your most recent update suggests that 40% of that £1.2 billion has been paid out. When will the payments be completed?

Peter Schofield: On that exercise, by the end of 2024.

Q35 **David Linden:** Okay. A second set of underpayments due to the failure to award home responsibilities protection has affected 375,000 people, who have been underpaid a total of £2.5 billion over 30 years. What is the Government doing to remedy that?

Peter Schofield: We talked about that at the Public Accounts Committee back in September, when I was joined by a colleague from HMRC. This is basically joint work with HMRC. The reason for these underpayments relates to issues going back to, we think, the period between 1978 and 2000, when people on child benefit who should have been awarded an HRP were not. That has therefore meant that their national insurance record is not what it should be. We need HMRC to correct the national insurance record—which is a business-as-usual activity for us, although the scale of this will be disproportionate—and then we need the opportunity to correct the state pension off the back of the national insurance record, so it is HMRC’s action in the first place. What are they doing? They have started to write to customers who they think are likely to be affected. They have also set up an online portal that customers who think they could be affected can use. That helps to guide them through whether their circumstances are likely to mean that they are affected, and that enables HMRC to correct the record.

The happy news is that we have finished the first stage of the other exercise you were talking about, Mr Linden, for married women, or category BL, and category D—the over 80s. I have been able to free up about 100 colleagues who are real experts—putting right these records, which go back such a long way, is real detective work, to be honest—and make them available to be ready for getting news through from HMRC of cases where the national insurance record has been corrected, so that they can speedily put the new state pension in place.

Q36 **David Linden:** You mentioned that HMRC have started to write to those affected. Have they given you an estimate of how many people they have managed to contact so far?

Peter Schofield: Katie, do you know the numbers?

Katie Farrington: The first group of letters was issued before Christmas to 30,000 people. As Peter says, there is also the online eligibility—

Q37 **David Linden:** Just for context, 375,000 people have been affected; 30,000 letters have gone out.

Katie Farrington: There is a degree of uncertainty about how many people have been affected. The figure we have used in the ARA as our central estimate is 210,000. But you're right, Mr Linden: there is a range of people. The first set of letters has gone out to 30,000 people. Those are for the older group of state pension age. Then they will phase through for further groups. My understanding is that the intention is to issue all the letters across the next 18 months. Then, as Peter says, the role for HMRC is to correct the national insurance record, and we will take any action that is then needed with the state pension.

Q38 **David Linden:** A third set of underpayments concerns missing NI credits for UC claimants between 2017 and 2020. How many people were underpaid and by what amount?

Neil Couling: We sent 22 million records across 2023, so we have finished sending all our records over to HMRC. The cases are currently coming back to us. It's not a large number. So far, we have had about 8,000 cases that have required some form of adjustment to entitlement, amounting to about £2.5 million. We always said we didn't think the numbers here were large, even though when I say "22 million" you will take a deep breath and think, "Crikey, that's a large number." But this is only people who have been on universal credit and who have a gap—who didn't have 35 credited years and would need a credit to bring them up to 35 years—so we would expect the numbers here to be quite small.

Peter Schofield: There was an underpayment only if they had reached state pension age and had been receiving—

Neil Couling: Yes, most people affected by the data issue haven't reached state pension age yet.

Q39 **David Linden:** The Public Accounts Committee has suggested that the Department implement an early warning system for underpayments to identify these kinds of issues. Will the Government implement that?

Peter Schofield: There are a number of elements to that. The first thing to say is that we have, since 2021, changed the way we carry out our annual sampling of the state pension as part of our overpayment and underpayment statistics analysis. That was the thing that identified the HRP issue that you described. So the first thing is that we have changed some methodology and do more of a deep dive. That has already shown to be paying dividends in terms of identifying errors.

The second thing is that as we refine the way we do our quality work and develop our feedback analysis, and using what we learn from complaints and other issues, we are helping that feedback loop, which we're developing further as part of our service excellence plan, to help us to make sure that we are learning very quickly from anything that happens on the frontline and can make a change as a result of that. We are talking to the NAO about how we implement that over time to address that recommendation from the NAO.

The main reassurance I get is the fact that we are—as I say, I have gone into this. I want to find where there are historical errors, so that I can put them right, and I have deliberately put more resource and more effort into that annual sampling exercise to find them. I am very sorry for customers who have been underpaid; I just want customers to know, through this Committee, that I am determined to put it right. That is why I have been looking for any errors that we have found. These errors were made between 1978 and 2000. They are really, then, very difficult to put right, because a lot of the records don't exist—this describes some of the uncertainty that Katie was talking about before. But we are determined to put that right, and that is why we are putting all this resource into it.

Q40 **David Linden:** How many pensioners have died and not received their full entitlement to state pension in these islands?

Peter Schofield: We have made assessments in the annual report and accounts about the number of people where we are going to end up paying next of kin. That is set out; for each of the different elements, we make assumptions for that. Obviously, no one would ever want this to be the situation; but where that is the situation, we really want to get money to next of kin as quickly as possible, so we have set up a next of kin portal for anyone who thinks that a loved one who has sadly passed away would have been entitled. We can connect that next of kin with what the loved one would have been entitled to and get those payments out. This is why we are prioritising the older group first. That is why, in the first exercise, we prioritised the category D customers—those who are over 80. That is why HMRC, as Katie says, has been writing to the older pensioners first to put that right. We want to put this right as quickly as we can.

Katie Farrington: I have spent time with the team in Swansea who are processing these claims. As Peter says, it is a lot of detective work: checking that we have the accurate data, checking that we have the right person, checking that all the details tally, calculating the amount that they would be entitled to, and then calculating the amount of arrears that we owe. This is detailed detective work. It is also really rewarding work—putting right errors from the past and making sure that people get the money they are entitled to.

Peter Schofield: That is an important point to get across—that the Committee should know that our people are absolutely delighted to make payments to customers that they are due and overdue—and it is not just that. I was visiting the targeted case review team in Basildon a few months ago. That is a team that is put in place to work through universal credit claims and find overpayments, but in something like one in 10 of the claims they look at, they say, "Actually, there's an underpayment." When I was there, they were celebrating an underpayment that they had found of quite considerable amounts of money, and it is very rewarding for our people to know that they are making a difference to people's lives.

Q41 **David Linden:** Just to be clear, in the course of this morning's hearing, you have acknowledged that the Government has underpaid the state pension, yes?

Peter Schofield Well, not in the course of this hearing. I set it out in great detail in the annual report and accounts.

Q42 **David Linden:** Just to be clear for the record, the Government has underpaid the state pension.

Peter Schofield: There are historic errors that we are putting right—historic errors that go back many years.

Q43 **David Linden:** The Government has underpaid home responsibilities protection, yes?

Peter Schofield: Home responsibilities protection is not a payment. Home responsibilities protection is—

Q44 **David Linden:** As a result of the cock-up with the state pension, there has been an underpayment in home responsibilities protection as well. Is that correct?

Peter Schofield: Like I say, between 1978 and 2000, a number of people who had child benefit were not being given a home responsibilities payment, and their national insurance record is not complete.

Q45 **David Linden:** And you have confirmed this morning that, as a result of underpayment of missing NI credits for UC claimants, there is an underpayment on state pensions as well, yes?

Peter Schofield: We are putting right some underpayments because of that, yes.

Q46 **David Linden:** I guess what I am getting to is that the British Government is now forking out billions of pounds to remedy state pension underpayments because of its own cock-up. It cannot run a state pension system, essentially. My question to you, permanent secretary, is: how on earth can a British Government that people in Scotland did not vote for turn round with a serious face and tell them that their pensions are safe as part of being in the United Kingdom?

Peter Schofield: I feel like you are making a different sort of statement from the one that I would normally answer. Let me say this—

Siobhan Baillie: It's an election year.

Peter Schofield: Okay, shall I stop? Do you want me to answer the question, Chair?

Neil Couling: It is worth understanding that the pension system became incredibly complex. If those proposing independence for Scotland propose to pull that system into an independent Scotland, you would have all of that complexity to manage as well.

Peter Schofield: I would say a number of things. The first thing to say is that we assess underpayments and overpayments as part of our annual statistics. Underpayments in the state pension, as you will have seen in the analysis, are something like 0.6% of £110 billion to £115 billion, so that means that over 99% of payments are accurate. The second thing I would say is that, as Neil says, the state pension became more and more complex over the years. One of things that the Government did in 2016 was introduce a simplified, new state pension, where the entitlement is related to your own national insurance record and contributions, not to contributions that relate to your spouse, anyone you have been living with or anything like that.

The third thing I would say is that we are doing a huge amount of work to improve the underlying systems that support this. We have Get Your State Pension, which is the underlying system that supports the delivery of the new state pension. By and large, most people who can claim the new state pension now do so through an online system where they do not need to engage with human hands through the whole process. We run that process through effectively, accurately and robustly for millions of people each and every year, and that is people across the United Kingdom.

Q47 **Nigel Mills:** I used to have a vision, Mr Schofield, of sitting on an HS2 train and playing with my pensions dashboard. I am still not quite sure which one of those will exist first.

Peter Schofield: I am not sure that the internet will be good enough.

Nigel Mills: I think maybe a year ago we were still thinking we were about to have a chance to play with some first versions of the pensions dashboard and then our hopes were tragically dashed. Now it is kind of like, "It's ready! It's fine!"—"Oh, now it's three years away." Where are we now?

Peter Schofield: Look, it is a really important programme, for the reasons that you have described, Mr Mills. I know that the Committee took evidence back in the summer from the Money and Pensions Service, my own team and the then pensions Minister. The programme continues in reset, but it is progressing through the reset stages. My view was, when we agreed with the chair of the Money and Pensions Service to put the programme into reset, that we needed to take stock. The technology was right but the sheer scale of the connections that needed to be made was more than people really understood the impact of. We needed to go through a proper process of looking again at the programme, going through the assessed plan and the mobilised phases. We are now in the third phase, the mobilised phase, and we have a new chief executive of the Money and Pensions Service, who will join us in the next few weeks, at the beginning of February. With him, with the chair of MaPS, and with Katie—we together formed the reset programme executive—we will make a decision about moving the programme forward out of reset.

The programme is moving forward. We have set that date, 21 October 2026, but we will work with the industry and with MaPS to determine when the dashboard available point can be. Whether that can be in time for you to be on a Pendolino or on one of those modern high-speed trains, I don't know.

Katie Farrington: We are actually making quite good progress with the reset. We have put one of our own programme directors in and the team there have increasing confidence about delivery. As Peter says, the final connection date is October 2026, but there is then an earlier decision—something we call the dashboard available point. That is when you might bring the dashboard live to the public, and that would be at the point when there is enough information on it for it to be useful to an individual looking at it and seeing if their pensions are there. That could well be quite a lot sooner than October 2026, and we will give six months' notice before that—so perhaps not so very far away.

Q48 **Nigel Mills:** How are you doing on the RAG rating? There was some suggestion that we could get this from red down to amber, but I do not think you have been hitting that yet.

Katie Farrington: Again, the team have taken some good support and advice from the Infrastructure and Projects Authority. It is very much supporting the progress that has been made. I do not think we would reassess the RAG rating until the programme comes out of reset.

Neil Couling: Formally, I am responsible for the change profession and how we manage projects. When you go into reset, you lose all your RAG ratings basically. As you come out of reset, you get reassessed for a RAG rating. If it was going to re-emerge as a red, I do not think it would re-emerge from reset. The signs are, and I am the one in the Department that has been doing the challenge on all this, that the programme is in a much better position than it was six months ago, which caused us to put it into reset.

Q49 **Nigel Mills:** I can think of no one better to reset a programme, Neil.

Neil Couling: That's not a compliment, is it?

Q50 **Nigel Mills:** I think it probably is a compliment. It is better to get it done right than it is to press on and mess it up, isn't it? So you are confident that the design in the Bill is not unachievable, and it is just a matter of time and of making sure that we have not bitten off more than we could chew and that we actually can swallow this?

Peter Schofield: Yes. Katie will be able to say more on this, but I encouraged my director general for digital from DWP, who was coming to retirement, to move into MaPS to help to lead this forward, and he gives me a huge amount of assurance that, technologically, this is absolutely doable, but it is the scale of the connections that need to be done, with 3,000 pension providers, that is the thing. That is a question of time. It is a question of engagement with the industry, of course, but it is a question of time rather than a question of doability.

Katie Farrington: I will just add that there are two important interdependencies for this programme. One is with the industry, as Peter described, which needs to be able to come and connect with the dashboard. The other is with the provider, Capgemini, which is providing the IT platform. The programme will continue to monitor those interdependencies and manage the risk, but the assessment that we have had is that it is deliverable.

Neil Couling: And my candid advice has been not to hurry this, because, ultimately, you want people to use it, and if their first experience of it—on the Pendolino or whatever—is a bad one, it does not work. They have busy lives; they will do other things. So give yourself the time, test, go small, then go bigger later; that is the way to run major programmes, in my view.

Q51 **Nigel Mills:** Just finally, when are we expecting the guidance on the interim connection deadlines? I think that was due—

Katie Farrington: Yes, in the spring.

Q52 **Debbie Abrahams:** Good morning everyone. I am going to ask some questions around the internal process reviews, mainly directed at Peter.

We know that, for the first time, this annual report included details of the internal process reviews, and you very helpfully provided us with time-series data from 2015 to 2023. There was a big jump in the reviews that were undertaken in 2018-19 to 2019-20. In the 2018-19 period, 23 IPRs were undertaken, with 19 deaths and four serious harms, and in the 2019-20 period, it was 59 IPRs, with 54 deaths and five serious harms.

The Secretary of State, when he came to the Committee, suggested that that was primarily following the NAO investigation, but that only reported in February 2020. Therefore, was that the only cause of that nearly three-times increase in IPRs, or was there something else, and could you expand on that?

Peter Schofield: Yes, sure. I became permanent secretary at the beginning of 2018, and one of the things I was keen for us to look at was, "How do we learn from things that go wrong or things that nearly go wrong?" We introduced a service excellence plan—I am now going to get my dates wrong—I think around 2019. As part of that, we saw the opportunity of internal process reviews as a learning mechanism for us, and made sure that they were a learning mechanism that was sort of proper. They were in place, but they were often managed at a working level and did not go any further; we did not use them in a very structured way.

One of the things that we did as part of the service excellence plan in 2019 was think, "Well, actually, this is a tool that we can make much more effective use of". Around the same time, we created the serious case panel in its first form, and we also created an IPR group that sat between the serious case panel and the working level, which enabled us to identify trends and themes that were coming out of IPRs that we could learn from. It was very much an encouragement to use that IPR tool more effectively and to do more of them so that we could get more learning into the system. It is not that the learning was not there, but for me it was not going up to a senior level that enabled us to take action and do something about it.

Q53 **Debbie Abrahams:** It is very clear—I think it is stated on page 65 of your report—that IPRs are "a core part of the Department's overall approach to learning", so that is very much what you say there, Peter. However, is it not a little late to be learning from someone's death or serious harm?

Peter Schofield: Obviously in that case it completely is. However, of course, you go into this wanting to ensure that where something has gone wrong or where it has nearly gone wrong—near misses are just as important as something that has gone wrong—we learn lessons to avoid that problem happening again. This is a feedback loop. There are then other things that we are doing to try to address issues upstream, which we can talk about as well. There is the role of the ACSSLs, which I set out in quite some detail earlier, in that same section of the annual report and accounts— we can talk a bit about that—but where something has gone wrong or nearly gone wrong I want to learn lessons from that to change the systems and processes to avoid it happening in the future.

Q54 **Debbie Abrahams:** In terms of what you have been saying about upstream, I assume you are talking about the policy development stage, rather than necessarily just with the work coach or a case handler or something. Do you see that safeguarding is part of the business of the organisation?

Peter Schofield: I know that I must be careful with the word "safeguarding", as the Committee knows. On taking care, "We care" is one of our core values—it is one of our five values in DWP. It is about ensuring that we care for the vulnerable in particular, and identify vulnerability throughout everything that we do. I will just build on your point, which is a good one, around how we then ensure that that care imbues everything that we do—I have mentioned it already, so I will mention it again; this is a bit of repetition. It was really interesting, in reading the NAO's report and accounts, that when they were looking at the targeted case review, they pulled out the fact that they had sat with caseworkers in Basildon and identified how our own people deal with cases where a team that was set up ideally to identify overpayments had identified indicators of vulnerability, and how that then played into their response and what they did about it. I thought that was really interesting. It is only anecdotal, but it is an external view from our external auditors on what they have seen. It gave me great hope that the culture change that you are talking about, Ms Abrahams, is one that we are beginning to see more and more across DWP.

Q55 **Debbie Abrahams:** That's good—that is positive, and I am grateful for it. Can I turn briefly to the criteria that you are using—first of all, whether you should hold an IPR at all? Again, it is in the annual report. I was quite surprised by how much of it, as I understand from the bits that I am reading, tends to be a result of somebody else—an outside organisation—drawing your attention to that.

Peter Schofield: Our own people can suggest it as well. Katie, do you want to reply to that?

Katie Farrington: One of the things that we have really tried to do is upskill all our frontline staff to know when to escalate. Part of the increase in numbers that you are observing is a result of that upskilling of our frontline staff. The other thing that has happened is that we have refined our criteria for when we refer something for an internal process review. Previously it related to death or suicide where there was a suggestion that the Department's actions had been involved. We have now refined that to include where we believe there may have been an attempted suicide, so it is a slightly broader set of circumstances. Just to reinforce that, one of the things that we are doing is encouraging all our frontline staff, where they believe that it is the appropriate action, to escalate.

Q56 **Debbie Abrahams:** Can I return to the criteria that you are using to determine whether those requests for an IPR are actually approved? Last year, there were 89 referrals, but only 60 IPRs, so we are talking about a third from that original submitted group not meeting the threshold. What criteria were used and who made the decisions that that third of cases was not going to be subject to IPRs?

Katie Farrington: The criteria here are as set out on page 64 of the annual report and accounts. However, where something does not meet the criteria, that does not mean that we are not concerned or that we are taking action—just that it does not meet the threshold for an IPR.

Q57 **Debbie Abrahams:** What is that threshold then? You have got the criteria, but what is the threshold?

Katie Farrington: It is exactly as set out in the annual report and accounts. Where there is a suggestion that the Department's actions may have contributed to serious harm, death, suicide, attempted suicide or where we are asked to participate in a—

Q58 **Debbie Abrahams:** That is quite clear, is not it? What I am struggling to understand is why, if we are training everybody to be aware that it is important to escalate—I totally agree that it is—a third of those cases were so inaccurate that they have actually been referred. Do you do you see the point that I am getting at? It gives rise to a question about whether we are really looking at the full scale and issues of the potential harms that are happening.

Katie Farrington: I wonder whether it might be worth also talking about the advanced customer support senior leaders—we call them ACSSLs—which is covered in the same section of the ARA. Cases would be escalated—we have really encouraged our frontline staff to do this—to an ACSSL where there is a vulnerability or a customer has complex needs and where the frontline person has followed all the ordinary procedures and they are still concerned. They would escalate to the ACSSL, and typically the ACSSL would be pivotal in making the links with other services, whether that is social services, the NHS, the police and so on. There may well be cases where our teams have concerns about an individual and they are escalating up for wider support, but where the case does not meet the threshold for an IPR, if that makes sense.

Peter Schofield: There are a number of levels to this. You have the IPR team as a focal point. They engage with colleagues who are thinking that there is a case for an IPR. That then develops into an IPR referral. We need to have a threshold. I would rather have more referrals coming through; if anything, our people are erring on the side of caution. As you say, most of the ones that are referred then get through to a full IPR, but the point is that a full IPR is a full piece of analysis, but the ACSSLs will then be involved to say, "Okay. It doesn't meet that threshold, but what are we learning from it?" The culture goes on. It is relatively few that make it anywhere near to this, if you think about the fact that we work with 23 million customers every day, every week, every year. There is a whole culture of: how do we do the best for the people we serve and identify vulnerability that does not meet this threshold? This is a very much the tip of an iceberg.

Q59 **Debbie Abrahams:** We still do not know what the tip of the iceberg is. I appreciate that it is the tip of the iceberg, but we have no real understanding other than the actual number of claimants who are subject to harm. I am very interested to know, although I appreciate the issues around privacy and confidentiality and so on, how many of the third—the 29 that were not subject to an IPR—how many of those were deaths? How many of those were attempted suicide? That would give us an understanding of those that did not meet the threshold. On your point, Peter, you said it is important we have that threshold, but I am not clear what that threshold is. Can you write to the Committee about that?

My final question is about the section 23 agreement with the EHRC. We are approaching two years since the EHRC asked for that agreement. Because of the details of the Equality Act 2006, I understand the confidentiality around that, but some are a little bit sceptical that this might actually be the Department waiting to push through different regulations and policies and so on, which may have an impact on what the

Government want to do. Do you want to comment on that?

Peter Schofield: I do not know about commenting on your last point, but to reiterate, we have had this conversation. For exactly the reasons you described in the 2006 Act, Ms Abrahams, I cannot talk about the nature of the conversations. However, conversations have been happening and we are absolutely ready to engage. What I am also keen to do is develop this section in the annual report and accounts. I do not want to wait for an agreement with the EHRC to be able to talk to the Committee about the things we are trying to do.

Q60 **Debbie Abrahams:** That is the other thing. That is positive.

Peter Schofield: I am really keen to do more. If you have suggestions for what more we can put in this section; we are expanding it every year, but if there are things that we are missing—

Debbie Abrahams: We will have lots in the safeguarding inquiry report, I am sure. For the moment, thank you.

Chair: If there is any information you are able to give us about those 29 and what the circumstances were—I appreciate that there may not be, but if there is, we would certainly be interested in seeing that.

I have some final questions to raise, but I think Peter Grant wanted to raise a quick point first.

Q61 **Peter Grant:** Briefly, I will go back to the question of the state pension and the payments that my colleague Mr Linden spoke about earlier on. When the Public Accounts Committee looked specifically at that and reported in January 2022, its conclusion was: "For decades, the Department has been relying on a State Pension payment system that is not fit for purpose." The Committee also used a phrase that I do not remember seeing in any of its other reports: "a fundamental control failure in a critical part of the Department's responsibilities." I know that the Department has accepted the recommendation that came from that conclusion, but do you accept that the Committee's conclusion was correct?

Peter Schofield: Will you remind me of the conclusion?

Peter Grant: The conclusion was, first of all: "For decades, the Department has been relying on a State Pension payment system that is not fit for purpose." Secondly, the failures represented "a fundamental control failure in a critical part of the Department's responsibilities."

Peter Schofield: I do not agree with the tone of that, really, but there are two elements to that. The underlying infrastructure is the 1989 pension strategy computer system, which is a legacy. The 1989 bit of it gives you an indication that it is old, but it is a workhorse system that has been delivering. However, the challenge has been the complexity of the system and the manual intervention required has allowed human error to creep into the system over a period of years. It is a small proportion over a long period of time, which we are putting right.

The control regime—this is why I push back on your second conclusion—the controls are there and are being improved. That is why we are finding the errors and why we are putting them right. The changes, for example, made to the way we did the fraud and error survey in 2021 have helped to identify the HRP issues that I was talking about to Mr Linden.

The good news on the pension system is that we have a new pension system, the Get your State Pension system, and we have started the process of moving the old records across from the old system to the new one. We are taking our time about it because there are well over 11 million customer records. I do not want to get that wrong, but when we have the records on the new system, we will be able to run a wider range of scans to identify any other underpayments, historical or otherwise, which might be there.

Peter Grant: Can I pick you up on part of that answer?

Chair: Briefly, if you would, Peter.

Q62 **Peter Grant:** The controls did not pick up the problem. The problem was picked up by people like Steve Webb, and after they told you about it, it took over six months for your Department to recognise the scale of the problem. Just for the record, if you do not agree with the Committee's first conclusion, we are talking about a system—the computer system and the processes and the people around it—that, as things stand, has underpaid at least half a million people a total of at least £3.7 billion. Are you saying on the record that that is a system that is fit for purpose—or is it not?

Peter Schofield: To answer your earlier point, I was referring to the HRP underpayments, which were identified as a result of the work that we did. The NAO wrote a report on the cat BL, cat D and missed conversions cases and talked about the whole process, which did involve a number of people, such as Sir Steve Webb, getting involved as well. Is it fit for purpose? Look, it has been paying benefits at the accuracy levels that I described to Mr Linden.

Q63 **Peter Grant:** We are not talking about a benefit. A benefit pension is not a benefit. A pension is a pension. That is where the problem has been.

Peter Schofield: It has been paying pensions at an accuracy level of 99-point-something per cent over many, many years. There are historical errors of underpayments within that 0.4% or 0.5%, 0.6%, 0.7%. Those are historical errors that we are identifying and putting right. When you have that number—which is a small proportion, but it is 12 million customers—that is well over £100 billion a year. When you apply a small proportion to that large number, you get a very big number. I want to put it right. I want to address it. I hope that I am giving assurance to this Committee and the Public Accounts Committee, and from what we are saying in the annual report and accounts, that we are making great strides to put it right. The first stage—that first exercise—was by and large complete by the end of last month.

Q64 **Chair:** I have a few final points. You talked a minute ago about ACSSLs. How many of them are there now? Are they focused on the vulnerability issues that you were describing, or do they have a kind of wider role in the Department?

Peter Schofield: There are 37, aren't there?

Katie Farrington: Yes, 37. The focus really is vulnerability and customers with complex needs. They are supporting our frontline staff in upskilling or where cases get escalated to them. But the really crucial role—when I talk to ACSSLs, this is what they emphasise—is the join-up with other services: social services, NHS, the police and so on. They are there to support our frontline teams, but they are also there to help us make that join.

Chair: They are all over the country, aren't they?

Katie Farrington: They are in our districts right across the country.

Q65 **Chair:** One of the points the annual report makes is that staff turnover was historically high in this year. You make the point that that is because of people coming to the end of temporary contracts—people recruited during the pandemic. But there were also quite a lot of redundancy costs. You make the point that in 2021-22 the Department agreed 164 exit packages, which was £4.7 million, but the following year it was 867 exit packages, which was £27 million. What was the reason for such a large number of exits?

Peter Schofield: Ah, yes. If you remember, I was talking earlier about the workplace transformation programme. That has a number of lease break opportunities, and one of those was March 2023. By and large, they are every five years. We were taking the opportunity of moving out of some of our back-office sites—not of our job centres; that's another question—which were old, energy inefficient, and not great in terms of multidisciplinary and multi-team working. We took the opportunity to move—

Q66 **Chair:** There were people who didn't want to move, were there?

Peter Schofield: Some people have in their contracts a mobility clause, which means that there is a restriction on how far we can ask them to move. We can offer them jobs, but they do not necessarily have to take them. These were all voluntary exits as part of that. The hump in that year was because we were approaching that particular lease break in March 2023.

Q67 **Chair:** Although a fair number of people were made redundant there, you have quite big recruitment challenges around the Department, haven't you? You will know that PCS has warned of a staffing crisis in the Department and an "epidemic of mental ill health" among staff. What is your response to those concerns?

Peter Schofield: I am always concerned to hear that. We have ongoing dialogue with our trade unions. I pay tribute to our trade unions, because often they are a good way of helping us to know how our people are feeling. They are one way—I would like it if people always felt that they could go through their line manager and all the rest of it, but for some people that is a very good way of them expressing how they are feeling, and enabling us to put things right.

The overall picture is one where not only are we doing a lot of recruitment, but the overall perception of workload seems to be more positive this year than last. We do an annual people survey as part of the wider civil service people survey, and we had the results just before Christmas. There is a question—a theme—on workload: "Do I have an acceptable workload?" The proportion of people who said, "I do have an acceptable workload", went up a little compared with the year before and is, I think, as high if not higher than in any of the other big operational Departments. I am not complacent about that, because I think it is a good opportunity for us to learn and see what we need to do differently, but the overall picture is one of things seeming to be better this year than they were last year.

Q68 **Chair:** Is there a rising number of people who are absent as a result of poor mental ill health?

Peter Schofield: I will need to double check, but I don't think our average days lost have gone up. I will double check and let you know.

Katie Farrington: Just to add one observation, we do have a slightly higher proportion of colleagues with health conditions and disabilities than we see in the general population. About 20% of the working-age population have health conditions and disabilities; it is about 25% of our staff, so we employ slightly more people with those conditions than in the general population—

Neil Couling: As you would hope we would.

Katie Farrington: And we are proud to do so.

Q69 **Chair:** Indeed. A final point is about the autumn statement and the announcements on increased conditionality for some people and additional support for others looking for work. Given the recruitment challenges, the pressures on the workforce and the fact that you are planning this year to cut staff costs, numbers and the estate—you talked about leaving some jobcentres—is the Department ready to take on the additional obligations that the autumn statement set out?

Peter Schofield: Yes, we are. The financial environment is always difficult—you wouldn't expect me to say anything different—and there are always challenges in managing our resources, but we are recruiting work coaches to fulfil the requirements that the Government have set for us. To give you some numbers—

Chair: But you are finding you are able to find them.

Peter Schofield: We are. It is gradually going up. Just before Christmas, you had the Secretary of State with my colleague Katherine Green, who I think answered questions about the number of work coaches. We are talking about the fact that we are growing work coach numbers from 14,000, as it was when she was in front of the Committee, to 16,000 by March. We are currently at 14,700, so we are gradually building over time.

We are closing some jobcentres, but remember that that is in a context whereby we took on 194 additional jobcentres at the height of the pandemic, when we doubled the number of work coaches from 13,500 to 27,000. That 27,000 is where we were when we had not just the existing 639 jobcentres, but an additional 194. We are now at 14,700 work coaches going to 16,000, so we don’t need all the jobcentres that we had. Obviously, the funding that we got from the Treasury was on the basis that we took on short-term leases that we then exited when the lease breaks came up.

What we do in practice depends on what is going on locally and the local demand—how many work coaches you need in a district or in a jobcentre area, and what the actual position is of the estate. In some cases, we are exiting the new jobcentre and moving everyone back to the old jobcentre; in some cases, the new jobcentre suits our needs better than the old jobcentre, so we are exiting the old one and staying in the new; and in some cases, such as that of my local jobcentre, we are moving from the old jobcentre, which is in an older building with not great accessibility arrangements for customers, to a more modern building not far down the road. What we do in practice depends on local demand and the nature of the local estate, but that gives you a bit of a shape in terms of the size and scale going forward.

Chair: A final point from David Linden.

Q70 **David Linden:** I have one final question specifically on the DWP estate. We know that the RAAC concrete issue has impacted on a number of buildings in the public sector. Has that had an impact on the DWP, in particular some of the jobcentres? Basically, what is the situation with RAAC concrete on the DWP estate?

Peter Schofield: We don’t have the same problem at all. In fact, when we first realised that there might be an issue—about two years ago—we did a review and identified that we didn’t have a problem. I don’t actually have all the numbers in front of me.

Neil Couling: We have a handful, I think.

Peter Schofield: I think it was less than a handful.

David Linden: If you could write to the Committee about it, that would be helpful.

Chair: A cheerful note on which to end. Thank you all very much indeed for all the time you have given us this morning and for the helpful answers. That concludes our evidence and our meeting.

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