

# Public Accounts Committee

## Oral evidence: DWP Accounts – Fraud and error in the benefits system, HC 633

Thursday 9 September 2021

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Public Accounts Committee Members present: Dame Meg Hillier (Chair); Gareth Bacon; Peter Grant; Antony Higginbotham; Mr Richard Holden; Craig Mackinlay; James Wild.

Work and Pensions Committee Member present: Stephen Timms (Chair).

Gareth Davies, Comptroller and Auditor General, and Claire Rollo, Director, National Audit Office, were in attendance.

Questions 1 - 112

### Witnesses

I: Peter Schofield CB, Permanent Secretary, Department for Work and Pensions; Neil Couling, Director General and SRO for Universal Credit, Department for Work and Pensions; Bozena Hillyer, Director, Counter Fraud, Compliance and Debt, Department for Work and Pensions.



## Examination of witnesses

Witnesses: Peter Schofield, Neil Couling and Bozena Hillyer.

Q1 **Chair:** Welcome to the Public Accounts Committee on Thursday 9 September 2021. Today we are looking at the increases in fraud and error in the benefits system, largely as a result of the huge increase in claims that DWP had to manage at the beginning of the pandemic, through 2020 and ongoing, to some extent.

We are looking at the report and accounts overall of the Department for Work and Pensions. This is obviously one of the major factors in that, given that there is an estimated loss of £8.4 billion. We are going to be pressing officials today about how they are going to drive that down.

Of course, it is important to put on record that the National Audit Office has qualified its opinion of the DWP's accounts for 33 years running, due to material fraud and error, so we cannot completely put it all at the current Permanent Secretary's door, but I know that there are ongoing conversations between the Comptroller and Auditor General, who is very welcome physically in the room today, and the Permanent Secretary about how that can be managed over time. We look forward to some progress there, hopefully.

Covid-19 has had a huge impact on the Department. The complexities that were already in the benefits system have been exacerbated by that high number of new claims, so we want to delve into that.

I am really delighted to welcome Stephen Timms MP, the Chair of the Work and Pension Select Committee, to join us as a guest on this Committee today. I would like to welcome our witnesses. Sitting in the centre we have the Permanent Secretary, Peter Schofield, who has been Permanent Secretary for three years now, so there are two years of your first term to go; Neil Couling, who is the director general for change and resilience at the DWP and the lead on universal credit; and Bozena Hillyer—no relation—director of counter-fraud, compliance and debt at the DWP.

We are hoping to get into some of the detail of what has happened over the last year. Before we do that, Mr Schofield, you have until Monday to get in your bid for the spending review. You are here very calm, so can you give us any hint of what you might be bidding for from Government from the spending review on 27 October?

**Peter Schofield:** As you say, the dates have all been announced and we have the next few days to get our submission in, alongside every other Government Department. I obviously cannot talk about what is in the bid, but you can see from the annual report and accounts what has happened to our overall spending, both on the benefits side and in terms of the running costs of the Department. We were given additional money in the main estimates last year and in the supplementary estimates to cope with the effects of Covid. There was an increase in the number of people that we have taken on; we took on an additional 13,500 work coaches, and



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additional folk in service centre roles as well. That has been funded by the Treasury. We also started new schemes to support employment.

What I hope you will see going forward is the continuation of the Department's work in terms of the plan for jobs and the response to Covid playing through. It will be for the Government to choose how much to fund in all of that in the overall scale of resources we have going forward. This is not one year on its own. Last year was not one year; this year is not one year. There is an overall programme, as we responded to Covid and then as we lead the recovery.

**Q2 Chair:** Given the subject in front of us today, I assume you are having robust conversations with Treasury officials about how to drive down fraud and error in order to help fund some of these other expansions in programmes.

**Peter Schofield:** Yes. Obviously the Treasury is just as interested as I am in driving out fraud and error; we are both incredibly interested. We need to drive this out. We were funded an additional £44 million in the budget back in March for initiatives that we have been taking forward this financial year. Our argument is that they pay back. A small amount of increase in DEL, so the running costs of the Department, can really drive out a big increase in the reduction of fraud and error.

As you said at the beginning, Chair, the scale of fraud and error that we are talking about here—over £8 billion last year—gives us a lot to go at. Our basic story here is that there is a good business case. We can invest in all the things that we can talk about later in terms of capability and capacity to drive out fraud and error, and it makes a return.

**Q3 Chair:** I am sure the Chancellor and the Permanent Secretary at the Treasury are watching and hearing your ebullient confidence in your Department's ability to save money to spend money. That is fine.

I just wanted to pick up on a report we launched yesterday after our session with you in the summer about an early look at the effectiveness of some of these work programmes. Obviously we will come back to that; it is early days. The figure that was highlighted was the national statistic that showed that in the last quarter of last year, the unemployment rate among young black people aged 16 to 24 had hit nearly 42%, compared with 12% for young white people for the same quarter. This was a very big increase on the previous year. I wondered if you could give us an update on that. You will be responding to our full report in due course. Just on that particular point in the report, I wondered if you could give us an update on what the figures are now and what the Department is doing to try to resolve this matter.

**Peter Schofield:** Like you, I found that figure that was presented in the NAO report that we discussed back in June incredibly stark. We were looking into it. We have been talking to the ONS. It is stark, and nothing I am going to say is going to get away from the fact that we need to be driving it down and supporting people from every background and every



community, particularly young black people. Let me say a bit about that in a minute.

The figure was based on a very small sample size of ONS data. The latest data shows a much lower number, of about 22%. I think that was the data that was published last month. It is still a big number. It shows the difficulty of measuring the employment rate in particular communities. In our case, we have been driving further progress on what we talked about back in June, which is trying to increase the declaration rate on ethnicity of universal credit claimants, to enable us to pinpoint a bit better the impact of our programmes. The declaration rate is increasing. It is now above 70%, whereas before it was around 50%. That is then playing into the stock, so over a period of time we will get better data.

What we will be doing is making sure that our evaluation of all of the main plan for jobs programmes absolutely picks up on data around ethnicity, so we are able to understand, as we evaluate the programmes, what impact they are having. Of course, when we developed the plan for jobs programmes last year, we based that on the evaluation of previous employment interventions over the decade or so before. It is so important for us to make sure the evaluation is able to pick up these effects.

**Q4 Chair:** When will we or the National Audit Office be able to interrogate those early evaluations? Obviously these are schemes that move on. How quickly will we be able to get some results that you can share publicly, or indeed privately with the NAO?

**Peter Schofield:** We will obviously be talking to the NAO all the time about all of these things. I do not actually have with me the detailed timetable of the evaluations.

**Chair:** Could you write to us, because we want to keep a close eye on this? Obviously it matters in real time, but it matters over time and we are one of the places, along with the Committee chaired by Mr Timms, that will be looking at this very closely. Thank you very much for that for now. We will come back to that and we look forward to the Treasury response to our report in full.

**Q5 Antony Higginbotham:** I want to first turn to the increase in overpayments that occurred during the pandemic. Mr Schofield, presumably when you loosened the controls you expected an increase in fraud and error. Did you expect the increase to be as significant as it ended up being?

**Peter Schofield:** You are right that we did expect an increase in fraud and error. It was in the context, as the report sets out, of the massive increase in claims to universal credit and the fact we could no longer do any of the face-to-face interventions. One of the key controls on ID, for example, was the initial evidence interview, which we could no longer do, so we had to find other ways around that.



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Over a period of time we put in place mitigations around that—for example, better biographical questions so we can interrogate people over the phone, and an improvement in the ability to identify people online, through expansion of the Verify system run by the Cabinet Office but in particular our own Confirm Your Identity system.

What you have seen in the report is a combination of two things. The £1.3 billion that is in the NAO section of the report they have attributed to the elements around Covid. You will see in our report that we have set out the component parts in that, how we got to that and the impact of mitigations that we have put in place. It could have been a lot worse. It could have been over £4 billion from the impact. As we put all of the different mitigations in place and as we put the easements through, they were all costed. We talked them through with the Treasury. We knew the risks but we were also dealing with a pandemic and a massive increase in claims. This was the right balance, but it was something that we talked through carefully internally and with the Treasury before we put the easements in place, and then we worked hard to get the mitigations in place to get the impact down to what is still a very large figure of £1.3 billion, but it is a lot less than it could have been.

**Q6** **Antony Higginbotham:** Had you quantified the risk? With each control you removed, had you quantified the risk and gone, “We think the cost of removing this control is X”? Presumably you would then know how much you can save when you reintroduce controls.

**Peter Schofield:** Yes, it is set out in the report, in the way that we went through that process. On page 113, you will see that we started with an assessment of the impact of the easements, which could have been £4.2 billion in the year that we are talking about. That was based on assessments that we did at the time and assessments that we have done looking back. This graph also shows the fact that when you put easements in place it is not just going to have a one-year effect; it can have a continuing effect. We knew this was happening. For example, we could not bring claimants in for initial evidence interviews face to face. That is one example of that. We knew this was happening, so this was something we had to do, but on the other hand we put the mitigations in place, which brought this back down from what could have been £4.2 billion to £1.3 billion in the end.

**Q7** **Antony Higginbotham:** The increase we actually saw, the real-world impact, did not surprise you at all. It was broadly in line with expectations.

**Peter Schofield:** I will bring Bozena in in a second. Did it surprise me? I would say two things. We knew the scale of the risk, but there are issues here about how much it was going to be exploited by individuals.

**Neil Couling:** We had a good eye and a good sense of what the impact would be where we changed a control. As you can see from page 113, we then worked very hard to try to reduce that even further.



What is surprising me is that the underlying nature of fraud here is bigger than we thought. If I take something like capital—Mr Timms may recall this, or not—when we introduced capital rules inside universal credit, they were expected to save £300 million. Now, according to the stats, I am losing £963 million for capital rules. That tells us that the Family Resources Survey estimates of how much capital people have vastly underestimates the extent of capital. That is then playing through in this space.

If you take the self-employed, in particular, there has been an explosion in self-employed fraud associated with the migration of self-employed people on to universal credit. It was a little higher than we thought it was going to be going into the pandemic. During the pandemic it is something like £1 in £10 of the extra money being lost is directly on self-employment and not declaring incomes accurately. That was not part of our control easing going on here, but it is associated with Covid because the cases came on to universal credit then.

**Q8** **Antony Higginbotham:** Even pre-pandemic, though, the rate of overpayment was increasing—the percentage was increasing. Although as UC is rolled out you would expect to see the hard number increase, pound for pound, you should not expect the percentage to increase. Why do you think that is? If we are confident in the controls, that percentage should not increase.

**Neil Couling:** There is more fraud than we thought. We did the original estimates of universal credit. I gave the capital example just now; there is a lot more capital out there. People are not telling the Family Resources Survey and they are not telling Government about their savings. They are making claims when they are not entitled or they are only partially entitled. We need to develop responses to that.

Similarly, around self-employment, a lot of the self-employment fraud, or what appears as fraud in universal credit and is fraud—it is theft—will not appear in the tax credit data, because if HMRC spots it, the claimant will be able to say, “Yes, my income changed that year. Adjust my tax credits for the year after”.

We have those twin factors going on here. There is a lot more fraud than we thought, but, as you will see from the departmental report, we have committed to getting the fraud and error losses back to where we thought they would be, so we have set ourselves a bigger challenge there. Across time, I am confident we can get to that position.

**Q9** **Antony Higginbotham:** Just so I understand it properly, are you saying that if we look through historical rates of overpayment, it is not necessarily that you think there is increased fraud; you are now just better at understanding what it is?

**Neil Couling:** It is masked from us. It is in the system. Remember that at the moment, in the legacy benefits system, we do not have self-employed people at all. We made an estimate about the level of fraud and error for



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self-employment, and the estimate we made was 1.1%. It is actually running at 3.8% now. If you look at the Covid cohort, it is up around 9%. It is vastly above what we thought there.

We did have a plan for how we would track self-employment inside of universal credit. I am changing that plan because I have a problem nine times the size I thought I had going into this. We were not fools here. We used the data that we had from HMRC about the nature of self-employment fraud. We used the data we have in the Family Resources Survey, but the quality of that data was not strong. That is what we are picking up now. I can cry about that spilt milk, or I can try to do something about it. I have decided to try to do something about it, because going forward we clearly need to tackle the kind of abuse a minority of self-employed people are making of the system here. They are stealing from us.

**Q10** **Antony Higginbotham:** That is totally fair. You are looking at new controls that you are going to have to put in to manage the additional problems you have found. What target are you working towards to get that number down to?

**Peter Schofield:** I will come in on the target. We have said in the annual report and accounts that we are focused on bringing the fraud and error rate for universal credit down to the business-case level, as Neil said earlier, of 6.5% by the end of the business-case period. We are looking at how we do that. We are looking at all of the different causes of loss. Self-employed earnings is one big aspect of that. Capital is another. We can talk about housing, living together, costs and abroad fraud as being some of the other areas of loss. In each one of those areas we have plans in place already and there are more things that we want to do.

The progress towards that will depend on having the right enablers in place, and that is a question of resourcing but also a question of legislation, for example, as well. We are not going to set out at this stage exactly how we are going to get there, or at what rate, but we have said we will do more after the spending review, later on in the year.

**Q11** **Antony Higginbotham:** If you have a target to reduce this down to 6.5%, that is higher than the overpayments in the past. Looking at figure 1 from the report and accounts published in July, if I look at all overpayments—because we are transitioning from legacy benefits to UC—we are saying that the UC overpayment should be 6.5%, but if we look at 2015-16, there was a rate of 1.8% for all overpayments. We are now saying that we want to get to the business case for UC at 6.5%. That is a marked increase in an accepted level of overpayments.

**Neil Couling:** It is about £1.3 billion below the level of legacy benefit overpayments, and that is what is in the UC business case. This is quite a hard concept to get, but as you bring housing benefit, tax credits and the DWP legacy benefits together, it is not just a question of applying a bunch of percentages to that and then saying the amount of fraud is higher or lower. You have to look at the nature of what is going on inside of those



benefits. The National Audit Office accepts this. If you read paragraph 2.23 of their 2020 report, it accepts there that the overall level of DWP loss is going to go up, by bringing former tax credits into the responsibilities of my accounting officer, but net-net—and again, paragraph 2.24 goes on to explain this—even back then we were saving money compared to the legacy system.

That is a hard thing to get across when you see the headline numbers going up, but it is what the underlying level of fraud and error is across the entire landscape of benefits and tax credits. There is not a simple figure in the legacy systems that allows you to do that compare-and-contrast. I wish there was, but that is why we published the summary of the UC business case, to try to set some of that out for people.

**Peter Schofield:** Just to be clear, the definitions in the wording of fraud and error are different in different parts of the organisation. We tend to focus on the overall welfare loss. Neil is referring to what the NAO say about the overall AME position, if I can put it that way—the overall position for the taxpayer. The stats that we have show that before the pandemic there was an overall reduction already. As you bring more and more people over from tax credits into universal credit, the mix changes within the DWP benefits, so my number goes up, but, as Neil says, the thing that we need to focus on is what is happening to the overall welfare position as a whole. Universal credit will drive down fraud and error. The challenge is about how much was in there in the first place. That is the thing that we are learning more about in terms of the self-employed.

Q12 **Antony Higginbotham:** I have one very quick final question. We are going to get to 6.5%. Presumably this is part of the conversations, Mr Schofield, you are having with Treasury. Do you have a very clear plan of how we get to that point?

**Peter Schofield:** The plan is clearer in the nearer term than it is further off, as you can imagine, as you do this. The first stage in this is around tackling the stock of fraud and error already in the system. We are well under way with that. We have already been spending quite a lot of money and resource on that right now, in something called retro action. That has been going through all of the claims that got through with easements through the period of the main part of the pandemic. It has been going through about 900,000 claims as part of that process. There is a bit in the annual report and accounts about the progress we have made on that. We would like to do more of that. We would like to build on that example and do more sophisticated case cleansing and work our way through. Bozena can say more about that, but that is our way of driving out the stock.

The second thing is about what we can do around the prevent agenda. This is about building more data feeds and better analytics and building our analytical capability. We have done some of that as part of the £44 million that we got from the Treasury in the Budget.

Q13 **Antony Higginbotham:** You are confident that if you do both of those



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things you will hit your 6.5%.

**Peter Schofield:** No. You then come on to the question around whether we have all the data that we need. This takes us into some of the issues that I think we talked about in the hearing last September, around data on capital and the fact that we would need more legislation to enable us to have bulk data transfer from the banks, to enable us to interrogate data from the banks on people's capital balances.

The idea would be, ultimately, that we get to a point where we can, in real time, interrogate a range of data sources—not just as we currently do for RTI on PAYE earnings, but to be able to do that as part of the whole process before people get into payment in the first place. That will require not just resource but also new powers. I am giving myself until 2027-28 to get there.

Q14 **Chair:** Will you be there, Mr Schofield?

**Peter Schofield:** Not if I fail to achieve any of the other things, I expect. Sorry, that was a joke. This is a long-term challenge, but we have set ourselves an objective of where we want to get to, and at what rate. I want to be able to say more about that later in the year.

**Chair:** I am aware of time, so could we keep answers a bit shorter? We know what is in the document, so although it is helpful to refer to it, we do not need to go into it in detail.

Q15 **Peter Grant:** Good morning to our witnesses. Mr Couling, can I come back to you first? I just want to be clear that I have correctly understood the figure that you quoted to Mr Higginbotham. I think you said about £1 in £10 that is identified as fraud is self-employed UC fraud. Have I picked that up correctly?

**Neil Couling:** I might have described it as £1 in £10, but 10% of the loss here appears to be for new self-employed people since March 2020.

Q16 **Peter Grant:** What is that in terms of pounds, roughly?

**Neil Couling:** I am not sure I have the figure in terms of pounds. I am sorry; I just have the percentage.

Q17 **Peter Grant:** I can find it myself in the report later on. This may be one for Mr Schofield instead. When the Government were designing the various support schemes and the decision was taken on where to draw the line as to who qualified for either furlough or self-employment support and who would be directed towards universal credit, what consideration was given to the likely impact on fraudulent claims under different schemes?

**Peter Schofield:** Sorry; just explain the question a bit more.

Q18 **Peter Grant:** The Government took a decision about who would qualify for other Covid support schemes and who would not. The ones who did not were directed towards universal credit. We have heard that that has been a factor in causing a significant increase in fraudulent claims for universal



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credit. I am trying to get to the bottom of whether you were asked for your views as to what the impact on fraudulent claims would be if you had a sudden increase of 3 million people claiming from what may have been a higher-risk group than your previous clients.

**Peter Schofield:** Neil was quite involved in some of those discussions.

**Neil Couling:** We are basically the safety net, so we do not get to escape this. However other people deliver their schemes, we are the place that captures people who fall out of them. HMRC did a brilliant job—everybody has said that—in putting these schemes in place so fast. Ideally, in an ideal world, given a year, one would have created feeds from the self-employment income support scheme, for example, to tell us. We detailed some of this in one of the annexes of our departmental report, in terms of the extent to which people who were on universal credit abused the self-employment income support scheme.

Ideally you would have built a feed into us, but that would have taken them a year, and the need was to put support in place as fast as the Government's legs could carry us at that point. I suspect that inside HMRC, although they were focused on the level of abuse they might see inside of their own schemes, they were not thinking about the consequences for us, because the role we were playing was to try to catch people.

Some people, unfortunately, decided to abuse that at the country's time of greatest need. I despise them, frankly, for doing that. I would not want all self-employed people on universal credit tarred with this brush, but there is an awful lot of abuse that has gone on—more than we anticipated.

**Bozena Hillyer:** Practically on this, we are working very closely with HMRC. This is an issue that has been identified, and we are working together to look at where the overlaps are. We will be working through those cases. That is not the end of what has happened here.

Q19 **Peter Grant:** Mr Schofield, if we go back to the days before the pandemic struck, if we can remember them, at that point did you have contingency plans in place to deal with a sudden and very substantial increase in the number of claims you were having to process?

**Peter Schofield:** Yes, we did. We had two different business continuity plans that we pulled on together. One was around an economic downturn and the other was around a pandemic flu. I remember the meeting of the executive team. It was on 18 March 2020. The Government had announced on the Monday the first set of lockdown restrictions, and we were looking at the data for claims for universal credit on the Tuesday. This was the meeting on the Wednesday that we had. We could see this incredible surge of claims coming forward.

Our business continuity plan enabled us to step back, step by step, towards the things that ultimately the country would most depend on DWP for: paying income-related benefits and processing the new claims. We made the decision to pivot the whole organisation straight to that endpoint and



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to be able to make the change so that we could make those payments, so we were ready for that.

In terms of the scale of what we had to deal with, just to remind you, Mr Grant, there were some days where we were getting 100,000 claims in a single day. We were getting huge amounts of telephony volumes coming through. We had to move to that endpoint, and it was a really good thing that we did. The result of that was we did redeploy many thousands of colleagues. We did redeploy our work.

**Chair:** I am not at all trying to diminish the hard work that went on, but that is old ground. What we are really concerned about is now how you are baking in the challenges of that and tackling them.

Q20 **Peter Grant:** Just to be clear, you described how quickly you moved once it was clear what decisions the Government were going to take. What I am trying to get at is this. Before we knew that Covid was coming in 2020, did you have something that said, "If we are faced with a likelihood of a huge increase in claims, this is how we are going to cope with it"? Did you have that level of contingency planning before we knew that Covid was coming in 2020?

**Peter Schofield:** It was our business continuity plan to deal with a big increase in payments. The thing that I do not think anyone could have predicted is the fact that the economy was effectively switched off within a few days, and the sudden surge. The business continuity plan had never envisaged us moving straight to the endpoint in one day, but we did. The result of that is that we managed the flow coming in and we kept our payment timing up above 90% throughout most of that period.

**Neil Couling:** In the 2008 recession, claims trebled, so imagine a line going up at 45°. Our plans for a recession were based on that kind of growth, or a bit higher than that. What we saw was a vertical curve. We saw the fastest ever.

Twinned with that, we lost half our staff because we had to send them home from offices, so we had to bring them back online, which is why we were mobilising the whole Department. Everybody who had a piece of kit that you could work remotely with did some processing of benefit claims. Every John Paul Marks did some, did he not? That was our primary aim, and that is how we mobilised, but we did not envisage losing half the network in a second, basically, which is what happened.

**Peter Grant:** I do not know the individual you referred to, but we will need to check to see if they are senior enough to be named in public session. I know that directors and perm secs get their names banded about in public all the time.

**Neil Couling:** Yes, he is a director general.

Q21 **Peter Grant:** Are there any lessons that you have learned that would change your approach if, heaven forbid, something happened—not a



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pandemic, but the next time we are faced with a sudden increase in claims, particularly in relation to the prevention and detection of fraud at an early stage? Are there things you would do differently next time from what you did last time?

**Neil Couling:** Yes; I will give you a couple of examples. One thing where we are better placed, but I wish we had got ourselves better placed beforehand, was in having kit that enabled people to work from home in the way that Neil has described. So many of our folk were required to socially distance early on, and many of our folk did not have the kit to take home to work from home. My digital colleagues did a heroic job in getting thousands of pieces of kit out to resolve that over a period of weeks, but if it happened again we would not be in that position. With hindsight, I wish that we had invested in that technology ahead of time, but there we go.

In terms of the fraud and error, the other thing I would say is around the ability to replicate checks that we currently do face to face, or we had been doing face to face—to do that online using different types of technology. For example, we talked before about the initial evidence interview being something that we could no longer do face to face. That is a key way of checking people's ID from documentation, and also things like seeing their tenancy agreement if they are in the private rented sector.

We initially replaced that in June last year with new biographical questions. We were asking sophisticated questions over the phone that we thought only the right individual could answer. Over a period of time we expanded the online ID verification system, Verify, and then our own one, Confirm Your Identity. We then added the ability to upload private rented sector tenancy agreements online, so we did not actually need to see people face to face. Our need for initial evidence interviews to check people's identity and some of that key documentation is now much lower than it was before. That frees up people in jobcentres to do other things that are helping people into work and finding jobs and filling those vacancies, as opposed to just checking people's ID for benefit claims.

**Q22 Peter Grant:** I have one final question, which is another hindsight one, I am afraid. The Committee has appreciated, as has the NAO, that the circumstances that we all find ourselves in meant that, for the benefits service, for example, we had to accept a shift towards a higher risk of fraud in order to make sure that people did not lose out. The priority moved more towards getting the payments out, rather than making sure that the payments were legitimate. You said earlier that you set that balance for what you thought was right at the time. Do you feel with hindsight that you got the right balance between making sure that people did not go without while still minimising the level of fraud? We are seeing nods from two of the three witnesses.

**Neil Couling:** I am proud of the extent to which we paid people and helped them stay at home.

**Q23 Chair:** Is there anything you would do differently now that you look back—



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a particular risk control you would have left on that you took off?

**Neil Couling:** Yes, there is one around child benefit checking that I would not have taken off, if I had the time. I was trying to basically remove what we call payment blockers. They are things that a human has to do to intervene on a case. You would check the child things. With hindsight, we could have coped with that and still got over 90% of the claims paid and all the advances out. We did not know at the time. Remember that when we were making these decisions, the claims were still going up in front of us, so hindsight is a beautiful 20/20 look.

Q24 **Chair:** It is important for planning for the next time.

**Neil Couling:** Yes. I do not think we will see a spike like that again, but if we did, I know now which controls I would not have and which I would. I am not going to share those with you in open court, because that would just be a gift to the fraudsters. The child benefit one is one I would not switch off again.

**Peter Schofield:** To be fair, we did switch that one back on quite quickly in May.

Q25 **Mr Holden:** I know that Mr Timms will be looking in a little more detail at the early days of the pandemic. I just wanted to ask you a couple of quick questions around paragraph 40 in the NAO Report, talking about the redeployment of compliance staff. I can quite understand that, as Mr Grant said. You are asking for an extra 3,000 staff now to help the additional management of fraud and error, from paragraph 10 in the report. You are looking at £8.3 billion of fraud and error. That is around £3 million a person. Is that anywhere near realistic to tackle these massive numbers you are looking at? The percentages are pretty staggering compared to what the banks expect to get in fraud, which is fractions of a percent. The retail sector gets 1.5% from internal employee theft as well as shoplifting. You are running at multiples of that. Are you asking for enough to try to deal with these issues?

**Peter Schofield:** There are two parts to your question. Did you want to ask about the redeployment of compliance staff?

Q26 **Mr Holden:** Yes. Are they coming back now, those who were redeployed to the front line?

**Peter Schofield:** Yes, they are all back. They are in Bozena's team. In terms of the background to this, when we talk about compliance staff, we are talking about people across Bozena's division. That includes debt as well. Between April and June last year, we switched off debt collection and debt recovery. We were not processing new debt referrals. That freed up a lot of folk to move from the debt teams into processing claims. That is at the heart of that. The people who were doing the hard work in terms of chasing down fraudsters stayed in place, but we moved people off the debt management.



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Q27 **Mr Holden:** I understand. They are now back doing that debt.

**Peter Schofield:** Yes. We are recruiting an additional 300 folk into debt.

Q28 **Mr Holden:** What are the additional 3,000 staff you are looking for there to tackle?

**Bozena Hillyer:** I will have an additional 3,015 by the end of this year. We are currently recruiting those kind of extra people.

Q29 **Mr Holden:** Are they there on the debt management side? How many of those 3,000 are there to tackle fraud?

**Bozena Hillyer:** It is going right across the piece. There will be about 300 that are going on to debt. The rest will be doing different types of work that we do in counter-fraud and compliance. We have a whole range of interventions, from very simple paper-based stuff and compliance interviews by phone, through to full-blown investigations and then on to the criminal activity around serious organised crime. They are going right across the piece.

On serious organised crime, for example, we are actually doubling the number of people working in what is now called the economic and serious organised crime team, because we pulled together the economic crime guys with the serious organised crime team. They were working together virtually through the pandemic, and that has worked so well that we have built the new team. That is doubling, and also we have doubled the number of people in the integrated risk and intelligence service.

To come back to answer your question, which I think is really around whether it is enough, in one sense, of course, you could carry on adding people, could you not? Our strategy in terms of reducing fraud, error and debt is about prevention. It is prevent first, then it is detect and then it is correct and collect. But, as I always say, it is done with compassion, because, however they ended up there, it is a difficult place to be. When we are concentrating on what we are doing, it is about looking at doing things in smarter ways. It is not just about the number of people. It is about using data-matching and technology. It is about building transaction-risking, which I know I was talking about when I was here last year. It is about using the people we have in smarter ways in order to be able to tackle the fraud and error that we have.

Q30 **Mr Holden:** I get that this is not all about people. A lot of this is about technology as well, and I know that you are doing a lot of work in that area. I just wanted to ask, on the overall fraud figure, what percentage is overpayments and what is underpayments?

**Peter Schofield:** The overpayments number is 3.9%, and underpayments is 1.2%.

Q31 **Mr Holden:** If you assume that the underpayments is an error and that would be perhaps reflected on the flipside of that as an error as well, then you know that there is another 2.5% of that that is fraud. Is that a fair



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estimation?

**Bozena Hillyer:** Yes, 3.9% fraud and error. Yes, that is how it is split up.

**Neil Couling:** It is the total departmental expenditure.

Q32 **Mr Holden:** That means you know that there is a significant quantity of that on the upside. If you are underpaying someone, that is not fraud, but if you are overpaying them then it is potentially either fraud or an error. You are assuming that there is probably the same amount of error on the upside overpaying as there would be on the downside in error.

**Peter Schofield:** We have the official error numbers for both underpayments and overpayments.

Q33 **Mr Holden:** They are similar on both sides.

**Bozena Hillyer:** It is 0.9% and 0.4%, or something like that.

**Neil Couling:** 1.2% of benefit expenditure was underpaid last year, and 3.9% was overpaid. That is all DWP benefits.

**Peter Schofield:** We want the official error numbers for underpayments and overpayments.

**Bozena Hillyer:** The official error went down, from memory. I think it was about 0.9%. We will check the numbers and come back to you. Payment error went up slightly last year.

Q34 **Mr Holden:** I understand that, but what I am trying to say is that there is at least twice as much error on the upside that is not error but fraud. You have 3,000 people coming in, and 300 of them are for your debt case backlog. You are looking at over £3 million a person. Is this enough? If this was a public limited company, this sort of level of error would be unacceptable. The level of fraud would be totally unacceptable. How is it the case that we are at such a high level? Even to look at 6.5% as an acceptable error with such a massive budget seems pretty incredible. It is not like someone is walking into a shop and trying to pick something up. They have to go through a serious process. Equally, it is not like HMRC. HMRC is collecting money from somebody; it is not giving it out to people.

The numbers you are looking at just seem incredibly high. I get the difficulties of the pandemic—I think we all do—but I am just worried, the more I look at the numbers that you are looking at in terms of your compliance staff and the amount of money going out of the door. Do you need more resources in this area? What cross-Government working would be more helpful?

**Peter Schofield:** It goes back to what we were saying earlier about the enablers we need to enable us to tackle fraud and error. It is a combination of different things. It is a combination of resource, so it is about having enough people. As I say, we have recruited an additional 3,000 this year. We talked earlier about what the spending review bid might be. Mr Holden, you might be making my spending review bid for me.



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There is a good case for investing in fraud and error, given the scale of what we are talking about.

It is also about having the other types of data to enable us to prevent fraud. That is about investment in systems and then accessing some of the data that we do not currently have access to. That is about the legislation. It all comes together into a plan, which is a good plan, because there is a lot to go after here. I agree with you. We are not complacent here about the scale of the challenge that we have to tackle and our commitment to tackling it. This is becoming more and more sophisticated in many different ways, and we need to raise our game to address that.

**Q35 Mr Holden:** I remain slightly unconvinced by your burning desire to really drive down. Looking at the UC numbers, Mr Couling, of 14.5% overpayments, 12.8% is claimant fraud, 0.9% is claimant error and 0.9% is official error. You would expect those official and claimant errors to be not dissimilar. That is a massive amount of money. I just do not understand how in anything else at this level, billions of pounds would ever be acceptable.

I hear some good noises from you, but my constituents see benefit fraud as not only stealing from the general taxpayer who is paying in, but stealing from people in really difficult circumstances who actually need that money.

You are looking at £6.3 billion of fraud here, plus the error money. It just seems that with 3,000 extra people, of whom 2,700 maximum are going to be in this, you are looking at millions of pounds per individual, per year of fraud. If this level of theft was happening on the high street, you would be asking for tens of thousands of extra police officers. It seems to be acceptable that the level of millions of pounds per individual is going out the door.

**Neil Couling:** It is not acceptable. I am as appalled as you are at this theft that is going on. The perpetrators here are stealing from their fellow citizens. I absolutely agree with you. If the answer was just to draft in tens of thousands of people, then Peter's predecessors would have done that. The answer lies, ultimately, in getting the data and information that allows you to stop this, and then having enough of the people who work for Bozena in terms of making interventions with the claimants and with the caseload.

You will see that one of the things we have done following the pandemic is to tag every case where we released the controls—the things I was talking to Mr Grant about—and we have gone back and looked at that. That gives you a bit of a flavour of what we need to do in digging out the fraud that we have in the system now. Unfortunately, it does not appear. A case does not flick up and say, "I am fraudulent". We have to do work.

**Q36 Mr Holden:** I understand that, which is why I am asking you about resources. There is one final question from me. You are going to have roughly an extra 2,700 people in, looking at the fraud element of it, across the different areas. How much per head do you expect to see cut from



fraud this year, for those extra people?

**Peter Schofield:** What we have talked about in the annual report and accounts is the money that has been raised by the 1,500 folk that we have had working through the retro action. That comes to around £400 million in total from the retro action. That is 1,500 people working over a six-month period. That is one example.

How much difference does it make in this year? I do not expect the overall level of overpayments to go down this year from 3.9% last year to 3.9% this year. There are two reasons for that. One is to do with the fact that many of the easements have still been in place. For example, the minimum income floor is only being reintroduced as of now. The second thing is the timing of the survey that we do to produce the statistics for next May. For the statistics that we will be publishing next May, which will be attributed to the financial year 2021-22, the survey was being carried out between January and November this year. It is just the timing you need to do in order for it to then go through the—

Q37 **Mr Holden:** I understand, so 1,500 people and £400 million in six months. You are getting 3,000 people. Is that going to be £800 million in six months, so £1.6 billion in a year?

**Bozena Hillyer:** When you are talking about the statistics, you are looking at a snapshot across the claims at one particular point in time. When you are looking at what we are doing in my directorate, and indeed working with others across the piece, we are either trying to prevent it or we are trying to detect and then do something about it. In terms of my business plan, I am looking to save about £1 billion this year, in terms of AME, with the people that I have.

Peter is right, though; we then need to understand how that translates into what we are going to see in the overall numbers. The sampling for next year's numbers has already happened and is being done now, so we are unlikely to see an impact from the things that we are doing this year in those numbers.

**Peter Schofield:** I think Mr Holden is asking a question about the business case, which is the point. When we make these investments in people and in systems, are we delivering a return?

**Mr Holden:** The Treasury normally says two for one. In six months, £266,000 each from these 1,500 people is very good; that is more than two to one.

**Chair:** Mr Holden is tempting you to offer something up for the spending review here. It is an open goal.

**Peter Schofield:** I am trying to hold myself back from telling you about my spending review bid. I would love to be able to tell you all about the spending review bid.

Q38 **Chair:** Some of the calculation is in the spending review bid, we would



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hope.

**Peter Schofield:** You can imagine that we can look back on the success of Bozena's interventions and build a business case. We can make a business case that is as compelling, if not more so, than the one you have just described, Mr Holden.

**Chair:** The Treasury Officer of Accounts is listening eagerly.

**Mr Holden:** We look forward to it.

Q39 **Stephen Timms:** On what you are doing about the problems that have arisen during the pandemic, you have started checking retrospectively the suspect universal credit claims made early in the pandemic. I think nearly a million of them were carrying on after January this year. How far have you got with that retrospective checking exercise?

**Peter Schofield:** It is pretty much done.

**Bozena Hillyer:** It is pretty much finished. We obviously looked at what were the riskiest cohorts, which is this million that you are talking about. That is pretty much finished, in terms of going through those claims.

Q40 **Stephen Timms:** What was the conclusion of that? What proportion of them turned out to be fraudulent?

**Bozena Hillyer:** Around 11%. In 11% of claims, there was something wrong, and we put it right.

**Neil Couling:** That is on the aspects that we were checking. We took off, as I mentioned, child benefit matching. That was one of the checks we went back and applied, and when we applied those three checks we found 11% had something wrong with the case. They were not accurate; that is probably the simplest way of putting it.

Q41 **Stephen Timms:** There were another 433,000 that had been discontinued by the time you started this retrospective exercise. Are you planning to review those as well?

**Peter Schofield:** This is a question about understanding the likely return and where to deploy resource. To be honest, it is something that we are looking at right now, comparing it with other pressures and other needs of people, as well as the likely returns. On the back of the work that Bozena described and that 11% hit rate, we are assessing whether it is then going to be worth deploying the people on that, or whether there are other backlogs that we need to be addressing across the Department.

Q42 **Stephen Timms:** Presumably you would expect a similar proportion to the 11%, I guess, for the ones that were discontinued as for the ones that carried on.

**Peter Schofield:** Yes. The difference, of course, is that when you have a claim that is already in payment, when you get into it and find a problem,



you not only solve a problem that you have had in the past but you are also avoiding payments in the future. It is a better investment case.

Q43 **Stephen Timms:** How much universal credit advance fraud do you think there has been since the beginning of the pandemic?

**Peter Schofield:** We have a number in the annual report and accounts, where we say we currently believe the percentage of high-risk universal credit advance payments is less than 1%, which is lower than the levels seen pre-Covid-19, and down from a peak of 9% at the start of the pandemic.

Q44 **Stephen Timms:** In terms of money lost, what does that come to?

**Peter Schofield:** We have included in the accounts impairment for benefit advances, which is towards the end of the annual report and accounts. We are impairing around £60 million over the course of the year. That is on page 284.

Q45 **Stephen Timms:** That is not included in the overall fraud figure, is it? It has always seemed slightly puzzling to me that that element of fraud is not in the overall figure. Should it not be included?

**Peter Schofield:** It is a good question, and it is one I know we have talked about before. The main point here is that when we develop our measurement of fraud and error in the system, we take claims in progress. We take a sample of those, and we look into those. In those cases, you are looking at the payment of the benefit that is being made, and any advance is not really included in that at all. The way we measure universal credit fraud and error does not enable us to look into advance fraud. We are looking at other ways of seeing whether we can find a different measure.

**Neil Couling:** You cannot pick it up in the sample, basically. It is not there to find. If your concern is the hit-and-run kind of fraud, where people claim and then they do not pursue a universal credit claim later, you will never pick that up in the sampling exercise here.

Q46 **Stephen Timms:** It seems to me that it ought to be in the overall figure. There is an estimate there. Reducing the level of fraud and error was quite an important strand in the business case for universal credit, when in fact fraud and error has become much worse, rising to this record high level we are talking about this morning. How realistic is the ambition to get it down to 6.5% by 2027-28?

**Peter Schofield:** We set ourselves that as an ambition because we want to be driving the organisation and we want to be driving the universal credit teams to eliminate fraud and error. Over the roll-out of universal credit, we have demonstrated that where we have a control and a way of implementing it, we can see a big difference. I mentioned earlier RTI fraud and error. Fraud and error from the PAYE population as a result of incorrect earnings information was a significant portion of the legacy benefit situation; I do not have the number. It is now 0.1% of the numbers—of



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that 14.5%, only 0.1% is earnings incorrectness from the PAYE population. That is huge. That demonstrates that where you have a control, it can make a big difference. It is also around designing fraud out of the system. For example, childcare fraud—fraudulently recording your childcare costs—has been a significant part of the legacy system. In our measurement of fraud and error in universal credit last year, it was zero. We did not find any of it in our sampling.

**Neil Couling:** That is actually technically wrong, Peter. It was 0.003%. It is 200 times lower than it is in tax credits. As you will know, Mr Timms, from your Committee's work, you are lobbying me and Ministers there to pay childcare in advance. That is why the fraud is going on there. We verify there. That identifies back to Mr Holden's question about whether the level of fraud and error is acceptable, and it is not, but the policy choices here will affect the nature of this. If Ministers were persuaded by the Work and Pensions Committee that childcare should be paid in advance, they will also have to accept that you would see a 200 times increase in the amount of childcare fraud.

Q47 **Stephen Timms:** I well understand the different pressures here, but 14.5% is way over anything that has ever been recorded in the system. I think the previous record was tax credits in their first year, which was less than 10%; at the time, rightly, we thought that was terrible, but we are half as much again on top on that now. I am just wondering whether it is realistic that you will get it down to the 6.5% level.

**Peter Schofield:** I would say two things to that, Mr Timms. One is going back to Neil's earlier point around the fact that there would appear to have been more fraud that was going undetected in the system than we had realised, whether that is in self-employed or in capital. Those statistics on capital that Neil gave earlier were quite stark. The saving from introducing capital controls is dwarfed by the amount of money we are losing by people apparently fraudulently not declaring their capital.

There is more to go at, which means that the benefit case for investing in those mitigations is even better. That is part of what I would say, and it goes back to the conversation this Committee is tempting me to have around the spending review bid.

The second thing is that I would just go back to the fact that we have shown that, where we have the ability to put a control in place, then we can address it very effectively, particularly on the prevent agenda.

Q48 **Stephen Timms:** How many people were wrongly asked to make repayments after somebody else fraudulently claimed a universal credit advance in their name? That was one of the issues that has arisen.

**Peter Schofield:** There is a number in the report, is there not? I think it was about 5,000.

**Bozena Hillyer:** No. I think it is a few hundred.



**Q49 Stephen Timms:** You mentioned the £68 million of fraudulent advance payments. The NAO tells us those were across 40,000 cases, most of which were advances. I think your estimate is that 4,000 people were wrongly asked to make repayments. You managed to reduce the number significantly from the potentially much larger number. What did you do to ensure that most victims were not wrongly asked to make repayments?

**Peter Schofield:** We have put in place a stolen ID team that has been up and running particularly since December last year. What we do now is that if there is any hint of someone getting in touch with us with any hint that they have been subject to a stolen ID, their case is automatically routed through to this team of experts who sit in Bozena's area. They have a service level agreement to resolve cases within 48 hours.

**Bozena Hillyer:** Yes. We will contact the customer within 48 hours. It is all completely linked to debt now. It is fair to say we have learned as we have gone along, because the big ID hijack attack was such an exceptional thing. We are now in a place where colleagues in debt know who has rung saying that they might have had their ID stolen, so we put a pause on it and do not take any action.

I am not saying that there is not one case that could get through, because we have an awful lot of people who are answering calls right across DWP in lots of different places, but we have the guidance, training and processes in place. We have the specialist team in place, and we have the processes in place in debt as well. Just to reassure you, if somebody has had their ID stolen, they do not have to repay that money, and we will sort it out and make sure that it—

**Q50 Stephen Timms:** I think you accept that, in the pandemic, quite a lot of people—a few thousand people—were in that position. For one of my constituents, the first he knew about this was when his monthly paycheque was £250 less than normal. It took about a year for it all to be sorted out. It was quite a desperate plight for that year.

**Bozena Hillyer:** It is very difficult, and I can absolutely empathise with how difficult that must feel for the individuals. That is one of the sad consequences of the really bad people who actually set out to defraud us in this way. To be honest, they do not care that there is all this consequential damage.

Peter is right. We are now in a place where we have put in all the processes. Every time we get a case, we look at it and see what we can learn from it and what else we need to do to make sure that nobody else gets put in this really invidious and very difficult position.

**Q51 Peter Grant:** Just to follow up on that, you have described what happens if the claimant tells you something is wrong here. How confident are you that there is not a significant number of claimants who are possibly just so distraught at the whole thing that it never occurs to them that somebody else has stolen their ID? Are there any proactive checks that you can take



to at least broach the subject?

**Neil Couling:** I am expecting that Mr Timms's constituent was not a claimant. We do not know that the ID has been hijacked until the person contacts us. I suspect that what happened in that case is that, very late on in that process, the fraudster had nicked an address and we were writing to what we thought was the claimant's address and saying, "You need to pay us this money back", but he was never getting these letters. We would then have done an attachment of earnings order, because we knew we had employment data on him, and at that point, Mr Timms' constituent contacts us and says, "What is going on here? You are taking money off me. I have never been in contact with you".

As Peter was saying, this is why we have had to put in place processes that try to cope with different entry points to us in the story of this theft, and make sure that we quickly then do something about that. We do not know at the start that this is an identity hijack. In fact, some of the fraudsters will contact the helplines pretending that they are one of the people who have been there having their identities hacked.

Q52 **Peter Grant:** Do you make sure that everybody who is involved in this area of work understands how traumatic it can be for an innocent person to get a letter that contains even the slightest whiff of suspicion that they are a fraudster?

**Neil Couling:** Yes.

**Bozena Hillyer:** Yes, we absolutely do. We have put an awful lot of work into what we should say in the letters and how we should go about it, for precisely that reason. Neil is absolutely right: the vast majority of the ID hijacks are not or were not customers of DWP. That is why it is so difficult to say—because then we only have one bit of information about them, and most of the time you cannot identify definitively, although we have looked—who this person actually is.

It is the stark reality of where we are in terms of this kind of criminality and the way that it affects people. We think very carefully about how we deal with the people, and that is why we have this specialist team that can talk to the customers and make sure that we put things right.

Q53 **Stephen Timms:** We would all accept that something went badly wrong for 4,000 people during the pandemic. As Neil Couling rightly said, my constituent never got a letter. The first he knew about it was that his payslip for the month said that the money had gone to the DWP. He had never claimed benefit. It was a pretty shocking experience.

Finally, are we seeing any sign of increased universal credit demand as the various Covid schemes unwind? The furlough scheme is about to end. Are you seeing any sign of increased universal credit applications?



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**Peter Schofield:** No. We look at declaration data on a weekly basis, and we compare it with this time last year and this time the year before. At the moment, we are seeing no increase in declaration rates.

Q54 **Stephen Timms:** When the furlough scheme ends in three weeks, or whatever it is, do you think there will then be an uptick?

**Peter Schofield:** This is a conversation we had a little bit in June, did we not, in the Public Accounts Committee? At the time, we were looking at the latest OBR data that suggested a peak in quarter 3 of 6.5% or so. We have seen unemployment come down again in the latest data, to 4.7%. We are seeing vacancy levels well above where they were pre-pandemic.

The labour market is dynamic at the moment. I am sure there will be people who need to make a claim to universal credit at the end of the furlough scheme, but we are absolutely focused on helping those people get into jobs quickly. I am imagining there are many people who are currently on furlough who will go back into employment really quite quickly, whether with their existing employer or with a new employer.

That said, it goes back to the questions from Mr Grant earlier around our own business continuity plans. We are ready, were there to be an increase in claims, but at the moment all of our focus is on getting people into work, as well as dealing with the backlogs and fraud and error. There is great work with the additional 13,500 work coaches in jobcentres all across the country.

**Neil Couling:** The redundancies data is one of the things I am watching, because you would think the tapering off of furlough would show in the redundancies data. For August, the redundancies data was almost at a record low, so it does not appear to be manifesting at the moment.

Q55 **Chair:** Was there a lag on that redundancy data, because people have to have notice? Is that when they are given notice?

**Neil Couling:** The limitation to it is that firms that employ under 20 people do not feature. Never put all your eggs in one basket.

**Chair:** That is most of the businesses in my constituency then.

**Peter Schofield:** There were a million people on furlough in firms employing fewer than 20. Neil is right. You have to look at that data with care, but it shows a trend.

**Chair:** We are keen to keep watching this data, as I am sure the DWP is.

**Neil Couling:** It looks like employers are hoarding labour still, supported by the state, in the way in which they did in the 2008-09 recession. Perhaps—I am hypothesising now—that is because of the skills shortages that are perceived across bits of the labour market, which is good news for employment.

Q56 **Craig Mackinlay:** I will sweep up a few areas, if I may. I have had to rejig



some of the figures within various of the reports. Out of £111 billion of benefits, about £17 billion goes through local authority and housing, and £38 billion is universal credit. Your error rate is £5.5 billion out of £38 billion. The rest of the balance that is left—£73 billion, or whatever it is—looks like it is bearing an error or fraud rate of 3.8%. That shows up how truly bad the universal credit situation is.

Mr Schofield, you said you had very good confidence in the RTI system and that 0.1% are wrong for whatever reason. Do you think you are kidding yourself on that? I will give you a common example. With RTI, the employer populates the interface with HMRC every month with the payroll data, and that comes over to you. As long as that data is correct, you can do no more. Do you do anything to check, for that person in receipt of payroll, whether that is actually right?

I will give you an example. I am afraid you will have many situations where you might have a cash business—a restaurant, or one of those types of businesses—where you have a multitude of frauds going on. There is VAT fraud, where the sale is not rung up in the till. Because it is not rung up in the till, there is either corporation tax or sole trader income tax fraud. There are employees who receive a certain amount of proper payroll, PAYE, RTI, which you get, and they will possibly—probably more than likely—be getting cash payments to make up their salary to what they would expect to be paid. All of those employees who are on fraudulently low PAYE will be in receipt of universal credit. That is very common in this country. Who is responsible for finding those? It is you or HMRC? I can guess what you are going to say.

**Peter Schofield:** It is a combination of the two, is it not?

Q57 **Craig Mackinlay:** Would you have anybody looking at that, or would you be relying on HMRC to look into those examples, because of the multitude of other taxes that are probably being defrauded at the same time?

**Peter Schofield:** It is a classic case of the Government needing to work better together locally as well as nationally.

**Craig Mackinlay:** When you said 0.1%, that is of what you know, because you are assuming RTI is correct.

**Peter Schofield:** It is based on our surveys, and it is set out in the report. We take a sample of benefit claimants, universal credit claimants, and we look at their circumstances. We go through it with them. It is an in-depth process. Part of that is about correcting any—

Q58 **Craig Mackinlay:** They are not going to volunteer to you, “Oh, yes. Sorry, by the way, I only get £150 a week through PAYE”.

**Peter Schofield:** Yes, but we are quite sophisticated in how we do this, what we investigate and the data that we look at. We look at their bank account details and other things as well. We would go into this quite thoroughly.



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Q59 **Craig Mackinlay:** They are not going to bank the cash, are they? I do not think we are looking in the right places, if I am honest.

**Neil Couling:** There are two things. First of all, HMRC estimates that 98% of earnings are properly declared to RTI. We are working with them to try to increase that percentage, because that helps the accuracy of universal credit. In our statistics we also record, effectively, cash in hand, which is what you are talking about here. We reckon that around 1% of the UC fraud and error loss is through cash in hand, so one percentage point of the 14% is what we think we are seeing here.

**Craig Mackinlay:** To go back to Mr Schofield, your very bold statement of 0.1% is probably more like 1%.

**Neil Couling:** Yes, but it is 0.1% on what is effectively 98% of all the payments that we would receive. That is a marked difference to, for example, jobseeker's allowance, which was around 3%. Tax credits themselves benefit from the RTI data too. It is a big improvement, and we were giving it as an example of where data can do a lot of the heavy lifting here for you. Mr Holden is rightly asking: how many more people do you need? Having more people is very helpful, but we also need the data here to help us drive some of the fraud out.

There will always be some cash in hand whilst we have cash in the economy, but we work with our colleagues in HMRC to try to reduce that to the absolute minimum possible.

Q60 **Craig Mackinlay:** While you are in the chair, Mr Couling, you used a very bold word, and I am glad you used it. You said there is abuse in the self-employment application system. What is going wrong? What are people doing? Is it error, or is it out-and-out fraud? What are they doing wrong?

**Neil Couling:** They are not declaring to us what they are earning from self-employment.

Q61 **Craig Mackinlay:** That is a "cash business not declaring it all" type of dishonesty.

**Neil Couling:** It is fraud. It is understating their income.

**Craig Mackinlay:** The removal of the floor during this period has been very unhelpful to that.

**Neil Couling:** Yes. We have also not been applying the gainful self-employment test. We would engage with the self-employed in a way in which they do not in tax credits now, and that control went. That is what we are reintroducing.

Q62 **Chair:** When you say "engage", do you mean face to face?

**Neil Couling:** Yes, engage with them, because we require people to produce earnings information to us monthly, because universal credit is monthly.



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I just want to get this across to the Committee, because I fear we will be here next year with a similar set of figures. That is what we have said in our departmental report.

**Chair:** Get your excuses in early.

**Neil Couling:** Book me early if you have enjoyed it today. The data is so time-lagged. Our data is effectively telling us, if you are a football fan, Mr Mackinlay, that Liverpool have just won the Premier League. We know that subsequent to that, Manchester City won it, and my fabulous team, Tottenham Hotspur, is currently top. I am sure it will not last long, but we are currently top. We are dealing back in the past. When we decided to reapply the minimum income floor, that will not be fully applied in the data until the data that we produce in May 2024.

Q63 **Craig Mackinlay:** I get that the data lags with self-employment and the self-assessment, hence the Government are pushing towards Making Tax Digital and all that stuff, but the chap who is the plumber, the builder, the painter or whatever else has been down the pub and his mate has said, "Go and get universal credit. It is easy. Put your profits in low, tell them low so you will get more, and never mind; they will find out about it in due course and ask for the money back". Would you call that fraud error, because you are likely to get overpayment back?

**Neil Couling:** It is fraud.

**Bozena Hillyer:** It is fraud.

**Neil Couling:** It is theft.

Q64 **Craig Mackinlay:** He does not quite know what his earnings are going to be because he is midway through his year.

**Neil Couling:** He has to declare it every month with us.

Q65 **Craig Mackinlay:** Yes. That is on a cash basis usually, is it not?

**Neil Couling:** Yes. He can reduce that—

Q66 **Craig Mackinlay:** Hence, in the month when you got the SEISS payment, most people fell out completely of receiving a UC claim, did they not?

**Neil Couling:** They should have done if they declared it.

Q67 **Chair:** It does rather throw up the interaction between UC and self-employment, with the challenge of erratic employment, although UC is partly designed to try to deal with that.

**Neil Couling:** It is less the erratic employment. It is more the failure to report to us accurately what you have earned, which is then picked up in the sampling for the fraud and error statistics, because they spend their time going deep into just what that person's circumstances are. If that person does not comply and they just disappear, they just score that as fraud.



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My point on the data lags here is that we are putting the minimum income floor back in now, but it will not be fully back in until July 2022. That means that it will not appear in the data until 2023 and we will be reporting on it in 2024. The recovery from Covid in terms of fraud and error for universal credit, putting back those controls, takes a number of years to play through.

I am sure you will not remember this when I am back before you next year, if I am still employed.

Q68 **Chair:** The benefit of this Committee, Mr Couling, is that, as you know, we are here a long time. We do not go anywhere, so we can see these over time. Mr Schofield may have a five-year term, but we can remember before he was even in the Department.

**Neil Couling:** I know. I make this point because I just want to manage expectations a bit here. I am deeply committed to solving these problems inside universal credit. As Mr Timms knows, I have solved a number of problems across the years with universal credit. I am deeply committed to doing that, but we do not expect to see any difference in next year's statistics. We will have done well, in fact, to just hold it there.

Q69 **Craig Mackinlay:** You do realise that the scale of the fraud and error here is of an amount that Parliament tore itself over yesterday to try to fund a different social solution. We are now requiring the whole population to pay more in national insurance. I know you cannot hypothecate one to the other, but it is in a very similar scale of the money that the country is looking for. You do realise how important what you are doing is.

**Neil Couling:** Yes, absolutely.

Q70 **Craig Mackinlay:** I am very concerned, from what I have heard this afternoon. I have never heard such eye-watering figures. I am concerned with what has been going on for the last year, and even before that. I know last year was an unusual year, and I am hoping it will be better in the future, but I am extremely worried.

**Neil Couling:** The perpetrators of this crime have abused the country when, in particular, we were at one of our weakest points, trying to deal with a pandemic. I condemn them for that. I would not want all claimants tarred with this brush. This is a minority. It is a significant minority and a bigger minority than we thought. I will put my hands up for that. I was using the data that we had to inform the estimates we were making there. That data has shown up to be flawed. As I said around capital rules, there is much more capital that is held by the British public.

**Chair:** We have had that point. I am going to come to what you need to do about that at the end, but I am anxious to move on.

Q71 **Antony Higginbotham:** I want to stick on recovery and what that looks like. Mr Couling, you spoke about the time lag, but is that time lag not in the data? The impact of reintroducing controls, such as the minimum floor,



should have an immediate impact, but we might not see it in the data.

**Neil Couling:** We are phasing the reintroduction of the minimum income floor. We have a very big population of people on self-employed at the moment. We have finite capacity in our jobcentres to apply the minimum income floor. We will do it as fast as we can.

We think it will be completely restored into the system by July 2022. The way the sampling works means that we will get our first full year from October 2022 to September 2023, because we sample from October to September. That will appear in the data in May 2024.

I am not using that as an excuse, but if you want to understand the effect of coming out of Covid and restoring things, it takes a while to restore services and then a while for that to pull through in the statistics that you will rightly want to explore, and our colleagues in the NAO will want to as well. We need to do other things while that is going on, but they are just not going to appear in the statistics for a while.

I just want to reassure the Committee: if we had not taken all the steps we did last year, the level of fraud in universal credit would not have been 14%; it would have been 22%. It would not have been £5.5 billion; it would have been £8.5 billion. We did stop a lot of this but not nearly enough, as Mr Mackinlay is intimating and Mr Holden did before. It is not acceptable, but we are committed to rooting this out. It is going to take us a bit of time, just because the whole country is recovering from this pandemic. It is not a question of flicking switches back on and things being restored.

Q72 **Antony Higginbotham:** I am not doubting that it will take time to feed through, and I accept that the minimum floor is phased back in, but are there controls that you took away during the height of the pandemic that you have since brought back, so they are now back in place, and are there controls that we abandoned for the right reasons that are now back? That should play out in the data. We might not see it immediately, but the controls are there.

**Neil Couling:** Yes, definitely.

Q73 **Antony Higginbotham:** That will not take until July 2024.

**Neil Couling:** As soon as we can get a control back in, we put it back in.

**Peter Schofield:** What you are seeing in the report, on page 113, is the impact of putting things back in-year, mitigating the effect even in the year that we were talking about. That got this down to £1.3 billion. There are other things that we can do to turn this around, but it will take time.

As you will have seen in the NAO's section of the report, the minimum income floor was a very significant part of the cause of the £1.3 billion. It made up many hundreds of millions of that. That is a key thing that we need to put back in place and see the impact of that coming through, but it is not the only thing that made a difference.



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One of the other big impacts that will remain in the system now is the composition of the case mix, with a tripling of the number of people who are self-employed as a proportion of people on universal credit and a doubling of the number of people who report capital. Both of those change the case mix. They just mean that we have more people in the system who are more likely to have fraud and error associated with their cases.

The things that we did in-year, set out here at page 113, made a difference. There are things that we will gradually put back in place, like the minimum income floor, as soon as we can. As I say that, I am also balancing so many other service pressures across post Covid, which we can come on to, which are not to do with fraud and error but are around delivering a good service to our customers. There are then things that are baked into the caseload mix that require all of the interventions that we have talked about this morning.

**Q74** **Antony Higginbotham:** I am conscious of the time. I just want to touch on debt briefly. In the NAO report, there is a target of 2,800 staff in the debt recovery team. Have you now hit that target? Is everyone that you moved out of the debt recovery operations into areas—

**Peter Schofield:** This is the thing we were talking about before.

**Bozena Hillyer:** Yes, everybody is now back. In fact, debt has now completely recovered. All of the stockpiled referrals have now been dealt with, we have put in the extra people, and it is very much back on an even keel. Debt is working very well.

As it says in the report and accounts, we managed to collect £2.2 billion last year, which was actually slightly over target. Given we had the three-month pause, that is actually tremendous. This year, we are looking towards a forecast of around £3 billion.

**Q75** **Chair:** When you say you have collected it, you have the attachment of earnings order, so it is in process but it is not all in yet.

**Peter Schofield:** There are a variety of different tools, but no, this is the cash recovery.

**Bozena Hillyer:** This is the cash recovery.

**Q76** **Chair:** This is actually in the bank.

**Bozena Hillyer:** Yes, exactly.

**Q77** **Chair:** That is not a lag from the previous year.

**Bozena Hillyer:** No. We are forecasting, all things being equal, for about £3 billion this year. As I say, it is going to be the largest ever that we collect in DWP. Debt is all now back and fully functional.

**Q78** **Antony Higginbotham:** On the stockpiled number you referred to, is that the £200 million referred to in the NAO report and accounts that was not



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yet transferred over into debt?

**Bozena Hillyer:** No. It is lower than that now because obviously that was at the end of March, but there is an amount that is transferred across, over to debt, and there will be some that is still left in the business that is not quite transferred. That £200 million refers to the amounts that were still in the businesses at that time and had not yet been transferred across into debt.

Q79 **Antony Higginbotham:** Do you know how much is still sitting in the business now?

**Bozena Hillyer:** I do not know exactly how much that would be at the moment in the businesses.

Q80 **Chair:** Could you write to us?

**Bozena Hillyer:** Yes.

**Antony Higginbotham:** I am interested in how many people are out there who do not know that they owe money to the DWP.

**Bozena Hillyer:** The one thing I would say, particularly with UC, is that a lot of the collection is automatic and comes out of the system. They will get letters and they will know.

**Peter Schofield:** Mr Higginbotham, you are asking the question about how many people from whom we know we need to collect debt have actually been referred to Bozena's team for debt repayment. I think in terms of those referrals we are pretty much through that backlog now.

**Bozena Hillyer:** Yes. All of the referrals that we had, both pre-Covid and during Covid, have now been dealt with.

Q81 **Antony Higginbotham:** With overpayment debt increasing astronomically—I think the NAO say 15%—do you have the resources you need now, having got your team up to 2,800, to try to get a handle on that number?

**Bozena Hillyer:** I am going to answer it first by referring back to what Peter said earlier, which is that we cannot talk about SR and what we will be asking for in the future. With debt, as with other parts of the organisation, we are modernising and transforming. Again, it is not just about the number of people.

**Chair:** We can be sure that there is a bid in for some good IT.

**Bozena Hillyer:** Yes, absolutely. For example, in October last year we launched, for the first time ever, a way for customers to actually be able to repay their debts online without ringing us or speaking to us at all; it is called Repay my debt. It started really small but there are actually about 129,000 customers who are now using that; that is fantastic.



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All of these things help our productivity. They reduce the number of calls coming in. We have invested in robotics to take out some of the manual parts of the labour. I am saying to you that it will be a mixture of looking at the number of people we need but also our productivity is getting better. We are becoming much more efficient and effective because we are modernising as well.

**Q82** **Antony Higginbotham:** Do you have a level of confidence? I am worried that if we are accepting that the level of overpayments this year will be similar to last year, then the amount of debt built up in the system is also going to increase, and in 12 months' time we are going to end up having the same conversation about still not having what we need to be able to get a handle on the numbers.

**Bozena Hillyer:** No. One of the advantages of having it all in one place, with all of those colleagues linked together, is that our modelling and our forecasting goes all the way through to debt, to understand what we might need in terms of the numbers in debt, taking account as well, as I say, of the efficiencies we are going to get from the modernisation and the digitalisation of what we do.

The things are completely connected, and we are modelling what the impact will be on debt of what we do in terms of identifying claims that then need to be corrected or collected.

**Q83** **Chair:** On the point about digitalisation and so on, we have seen many failed IT projects. Is this another big IT project, Bozena Hillyer, or it something that you are building in as business as usual?

**Bozena Hillyer:** It is a combination of the two. With one of my other hats, I am the SRO for what was the fraud, error and debt programme; it is now the fraud, error and debt portfolio. It is a discrete project or programme in there to provide a new system for debt. This is for ourselves. It is not the customer-facing piece. At the same time, we are doing lots of little agile things that make it better. To reassure you, no, this is not about one great, huge, all-singing, all-dancing debt system we are bringing in. We are bringing in small bits of change, modernisation and transformation at a time, embedding them and then moving on to the next one.

**Chair:** We may call you back for our session on digital. We will have to have a look and see if you are doing it differently to other Departments. The big-bang approach can be very problematic.

**Bozena Hillyer:** I am happy to do that.

**Q84** **Peter Grant:** Sticking with the increased use of digital technology, that obviously then brings an increased risk of a cyber-attack. How confident are you that your systems are secure, first against a cyber-attack that is then directly used to process fraudulent claims through the system, and secondly against a cyber-attack that threatens the integrity of personal data belonging to the service users?



**Peter Schofield:** This is a really important area of risk that we focus on quite a lot. We have a cyber-resilience centre that Bozena mentioned earlier. They are a very sophisticated team that sit in my digital group, but they work very closely with fraud and error colleagues, and they work very closely with colleagues all across Government and with the Government national cyber-resilience centre. We work very closely together. We are making sure that we are adapting and adopting the technology that we need and that we are sharing threats and are aware of them. There is probably not a lot more that I can really say, but I want to give the Committee confidence that this is something that we are really focused on.

**Neil Couling:** We changed our approach. I can say this without compromising anything. With universal credit, the first time around, before I was the SRO, the system my colleagues tried to build failed, and one of the reasons it failed was because they tried to bolt on the security afterwards. What we did with the universal credit full service, as we call it—the system that now runs—was we built these kind of measures in. People who are experts from across Government, who see some of the threats Mr Grant is alluding to, were part of the design and build of that, which gave us assurance.

Although threats mature, and Peter has talked about there being an arms race, we keep a very close eye on this and make sure that we are as secure as it is possible to be, for the obvious reason that it is a critical piece of national infrastructure that we need to protect from threat actors across the place.

Q85 **Peter Grant:** We spoke for quite a while about identify theft fraud earlier. One of the potential consequences for the innocent victims is that their identity may then be used for other fraud. A lot of them do not know that they have been picked on, because if they are not already claimants and you stop the claim before it goes anywhere, they do not know about it. In those circumstances, bearing in mind we are in public session, what are you able to do to protect that innocent member of the public from becoming a victim of other frauds now that you know that somebody has stolen their ID?

**Bozena Hillyer:** This is really difficult. I know we spoke about it before in a bit more detail. What I can say in terms of the public space is that, because of the way that we reacted to this attack and the fact that we suspended very early, there are only a small number of cases where there was a data breach—in other words, where we put information in that someone could have seen that they were not entitled to.

The other real difficulty we have is about verifying the person, bearing in mind that it may be one bit of information, and some of the information in there is false because the person who has put it in is wanting to direct that money to a different place, to the place where it would otherwise go. The difficulty we have is about whether are we absolutely sure that that John Smith is the John Smith whose ID has been hijacked. We have done what we can within the parameters of not causing further data breaches.



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Where we are clear and sure that there has been a data breach and that we can identify the person, then we have told them what has happened, and we have set up a special line for them to ring to talk to us about that once they know. I have to say that this is the minority of cases, because for most we are just not in a position to be able to really identify who that person is.

**Q86 Peter Grant:** Are there any issues with data sharing between yourselves and other agencies, such as the police or HMRC? If you think an innocent person's identity has been stolen for universal credit fraud purposes, are you able to share that information freely with other agencies?

**Bozena Hillyer:** We have extensively shared information on our intelligence and data from this ID hijack.

**Q87 Chair:** I have a few quick questions. Mr Schofield, I want to go back to a point you made earlier: that you are focusing a lot now on getting people into jobs. You talked about the buoyant jobs market. What are the challenges that you can identify in matching people to those vacancies? Where are the skills gaps? For example, we all read about the lorry drivers, and we talked earlier about the high unemployment levels of young black people, but how do you get a 16 to 24-year-old who is out of work into being a lorry driver? How long does that take, for example? Perhaps you can give us some examples of where you have had successes and where there are still opportunities.

**Peter Schofield:** That is a really good point. I probably said back in June that there is a lot more that we need to do working across Government with other Government Departments, and locally as well. I can talk about a few areas of absolute progress. For example, we have been looking at where the sectors are that are most likely to have vacancies, where the vacancies are coming through and how we can develop strategies, working with colleagues in the Department for Education, on skills, but also with the lead Department on the sector.

**Q88 Chair:** This is theoretical. Have you got any practical examples?

**Peter Schofield:** Yes. Sorry; I will go straight to it.

**Chair:** We like people to go straight to it, Mr Schofield. You get an easier ride.

**Peter Schofield:** Yes, I know. Logistics and transport, working with DfT—you have seen some of the announcements that have been made. Alongside that, we are doing work to make sure that we are supporting people going through the training journey.

**Q89 Chair:** I walk into a jobcentre and say, "I have just lost my job. My furlough has ended". You then say, "There are vacancies for lorry drivers. Do you fancy it?" or whatever. Theoretically, you can go and get the skills, and theoretically you get the job coach, but what is the pathway like for somebody?



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**Peter Schofield:** One of the best ways for people who are transferring from one sector to another would be something like a sector work academy, which is something where we team up with a local business and a local college. It will be a combination of work experience and training in the college. At the end of that period that you are in the sector-based work academy, you have a guaranteed job interview.

We created one with the hospitality sector, and we have done that with various other sectors as well. We are working closely with the construction industry. Manufacturing, logistics and transport are other areas where we can do more. That is one thing that we can do, and that has been very successful.

We talked a lot about Kickstart, the scheme for 16-to-24-year-olds. I cannot give you the latest data, but I think the latest published data is 50,000 young people into jobs on Kickstart.

Q90 **Chair:** They are not long-term jobs, are they?

**Peter Schofield:** It is a six-month placement, yes.

Q91 **Chair:** Are you also evaluating how long they will stay and whether they will get long-term employment as a result?

**Peter Schofield:** Yes. We have something like 3,000 people who have now finished their Kickstart placement. We are monitoring what happens with them. It is all about a combination of, on the one hand, the relationship between the work coach and the individual, and, on the other hand, access to the tools and support. The brokering really happens in the jobcentre, and we need to make sure, through the national schemes, that there is access to the right schemes and opportunities for individuals as they are referred on from the work coach.

Q92 **Chair:** You sound very buoyant about it, but we will obviously be challenging you, along with our sister Committee, about how effective that is. The evaluation is now baked in, is it?

**Peter Schofield:** Yes, the evaluation is something that we will be doing and is under way. It is not something you generally finish until after the scheme is over and you can look back at it.

Q93 **Chair:** It also challenging to follow someone. Someone goes through Kickstart, and they then get a job as a result. You get them at the point where they leave Kickstart, because you still have them in the system at that point, but six months or a year later, are you able to track them?

**Peter Schofield:** Yes. Access to data is a crucial thing here, but with anyone who is on universal credit, we monitor their progress out of benefit and into the workplace.

Q94 **Chair:** Can you use their NI number to trace that?

**Peter Schofield:** They will often be staying on universal credit but with earnings coming in as well.



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Q95 **Chair:** My point is this. If someone is right out of the system and has a job that means they are not claiming universal credit, would you be able to keep track of them?

**Peter Schofield:** We are doing a lot of work with HMRC to give us RTI data that will enable us to track people through.

Q96 **Chair:** The law allows you to do that.

**Peter Schofield:** It is less about the law. It is more around different systems. We do not have it yet but it is work under way.

**Chair:** We will be coming back to this. We will be picking up on the report we published yesterday, but while you are here, I just wanted to ask that.

**Neil Couling:** We cannot take the entire RTI data, but for an individual evaluation purpose, my understanding is we can pursue data in that respect. I make that point because I know Mr Timms has asked us in another forum whether we could access all the RTI data in this way, and we do not think we can.

Q97 **Chair:** It is interesting how both our Committees home in on that, because we like data.

**Neil Couling:** So do we. We would not have the Kickstart scheme without the evaluation of the future jobs fund. We would not have Restart without the evaluation of the work programme. They were used in the creation of those schemes.

**Chair:** Today, we have obviously been focusing on this incredible level of fraud and error, and it is unprecedented, as others have said several times, but your job is to get people into work. I would have thought—for the benefit of your spending review bid, if nothing else—for the taxpayer and the people you are trying to help, evaluating the long-term impact of an intervention from the jobcentre is pretty critical. It still seems a little bit challenging once they have dropped out of the benefit system.

**Neil Couling:** Things are easier now with RTI, but what we cannot do is manipulate the RTI data to answer. There are lots of questions people ask us. They say, "You have this thing. Can you tell us what everybody's destinations are on employment?" No, but I think for a specific scheme we are allowed to access the information there.

Q98 **Chair:** That is helpful. We will see how that pans out because I think that is going to be very useful. We talked about legislation the last time you came and this time. Can I just be clear? You have talked about the access to bank data for capital. Having reflected on the last year, are there any other bits of legislation that you think would be helpful, particularly in terms of cutting down on fraud and error?

**Peter Schofield:** It is the main gap. This is all led by thinking about what data we need in order to do the prevent agenda that Bozema has described already this morning. It is fair to say that that is the main area where we know that there is more that we can do.



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The big areas of focus for us on data are self-employed as well as capital. I do not think on self-employed it is a question of law; it is around how we work closely with HMRC and the periodicity of reporting in the way that Neil has described already.

Q99 **Chair:** That period of reporting does not need legislation.

**Peter Schofield:** Yes, exactly. It does not need legislation. On legislation, it is really around capital.

Q100 **Chair:** That is still quite challenging, because people have more than one bank account. People who are trying to hide it may well find other ways.

**Peter Schofield:** Open banking is a way into this, of course. We have been doing a lot of work in the past with banks to understand how we would do this and what the process would be.

Q101 **Chair:** But you still need a change in the law to do that.

**Peter Schofield:** For bulk data transfers.

Q102 **Chair:** Are there any hints that that might be being discussed by business managers in Parliament?

**Peter Schofield:** There is a lot of discussion going on.

Q103 **Chair:** There are colleagues around this table who have closer ranks than I do as to the inner workings of Government. You have talked about lessons learned. Of the lessons learned here, Mr Couling, you were talking about how you were learning things, or about things you would do differently. I mean nothing rude about your age, but one would hope that when the next pandemic comes, you will not be here, because I hope it is not that soon.

**Neil Couling:** That was an ageist attack, Chair. I take it in the spirit it was offered.

Q104 **Chair:** I dish it out as I could receive it; I hope I am not here during the next pandemic either. How are you going to make sure that those lessons are in the Department so that the Neil Coulings of the future are aware of what you learned and it is not some dusty document that they have to dig out of a bottom drawer somewhere?

**Neil Couling:** The stories that you tell inside the Department are actually important. For example, I am probably the most senior person who was around during the last recession, the one following the financial crash. For the last eight years, in the good times as well as the bad times that we had around the pandemic, I have tried to tell those stories and share that experience. We also contacted some of the people who were in the Department at the time to ask them for their opinion, just on what you might do.

Q105 **Chair:** Was that haphazard, or was it part of your resilience planning that you had the names and the details of people who were there?



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**Neil Couling:** It is a mix between haphazard and resilience planning, because I obviously know all of the key players who were there at that point in time. We record that. Do not underestimate dusty documents. Documents are really helpful.

Q106 **Chair:** It is about finding them. Another Permanent Secretary said that when they did a search request for all the information on a particular hot topic that we and other Committees had looked at, I think 40% of it was out-of-office replies, because it had all been filed. That is not a great help.

**Neil Couling:** No, it is not a great help. We touched on the importance of evaluation, and I absolutely agree. We pulled off the shelf the evaluation of the future jobs fund and the work programme, both the early stuff, where this Committee was actually quite critical, and later, where this Committee was more appreciative of what the work programme had achieved.

**Chair:** You had to get that in there.

**Neil Couling:** I hope to get to an appreciative point at some point in my career with this Committee. These things are incredibly important as well. You need a human record and a written record.

Q107 **Chair:** It seems like a small point, but you were working with some of these people who were here in 2008, because you were here then. If you had retired the year before the pandemic, would you, Mr Schofield, have known who to go to?

**Peter Schofield:** Yes—Neil.

**Chair:** Apart from Neil. I do not wish to ill upon Mr Couling, but let us say he was on a desert island.

**Neil Couling:** I have 10 years to go yet, Chair.

Q108 **Chair:** But for argument's sake, that experience is relying on this chain of human contact, which sounds great and easy, but there is actually an issue there. In your resilience planning, do you think it is wise to have people on speed-dial who have done it before?

**Neil Couling:** Yes.

**Peter Schofield:** This is a really good point. Neil is right. There is a combination in here. We have our resilience plan, our business continuity plan and our evaluations from the past, but, inevitably, you benefit from talking to the people who were there at the time; you get the colour that you do not get in the documents themselves.

You are right. Good recommendations are coming out of this process, which are the quality of the business planning and of the evaluations, and the ability to pull on that network and to do that in a systematic way. I think that is right. Were we systematic in the way we did it? Probably not as much as we could have been and could be in the future.



## HOUSE OF COMMONS

Q109 **Chair:** These are the last couple of things from me, which you will hopefully write on; you may give us a first answer now. On the tagged cases—the ones that you tagged as they came through because you thought they needed investigating—have they all now been checked through? Where are you at? What percentage of those have been checked?

**Peter Schofield:** That is the retro action that Bozena was talking about before. There are about 1.5 million, of which about four-hundred-and-something-thousand were out of payment. We chose to focus on the nine-hundred-and-something-thousand where we were still in payment. It was all done partly through tagging and partly through risk analysis.

Q110 **Chair:** Are you going to go back to those 400,000?

**Peter Schofield:** This is the question that Stephen was asking earlier. It is about balancing resource, to be honest.

Q111 **Chair:** When will you make that decision?

**Peter Schofield:** It will probably be post spending review—he says quickly—but also in the light of the challenges over the autumn. We will see what happens in terms of work pressures.

Q112 **Chair:** It is helpful that you are candid that you are making it about that balance of risk, but it is worth pushing it a bit harder. We had that little exchange on statistics about young black unemployed people. It would be helpful if we could have correspondence to ensure that we agree we are talking about the same statistics on things. We get different types of information sometimes, and we just want to make sure we are talking on the same page.

**Peter Schofield:** Shall we follow up with the NAO?

**Chair:** You can follow that up with the National Audit Office. That would be very helpful.

**Peter Schofield:** Yes, exactly, just to double-check it is the same number. That is a good idea.

**Chair:** That is just to make sure that we get that sorted so that we can pursue those data through the system.

Thank you all very much indeed for your time. It is so nice to have everyone here in person. Thanks to Neil Couling, Peter Schofield and Bozena Hillyer, all from the Department for Work and Pensions. A report will be published in the next few weeks. Thank you.