Public Accounts Committee

Oral evidence: Debt owed to government, HC 1061-i

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Members present: Margaret Hodge (Chair), Stephen Barclay, Jackie Doyle-Price, Chris Heaton-Harris, Mr Stewart Jackson, Mrs Anne McGuire, Austin Mitchell, Nick Smith, Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, Gabrielle Cohen, Assistant Auditor General, and Keith Davis, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: Mike Driver, Director General, Finance, Department for Work and Pensions, Lin Homer, Permanent Secretary, HM Revenue and Customs, Stephen Kelly, Chief Operating Officer for Government, Cabinet Office, and Sharon White, Second Permanent Secretary, HM Treasury, gave evidence.

Chair: Welcome. Sharon, we think this is the first time you have been before us as a second Perm Sec. We congratulate you.

Sharon White: Thank you.

Q1 Chair: Glad to see another woman join the ranks. We wish you well.

We are going to start with you, with the tough questioning. Reading this report, what comes over to me is the failure of the centre to get a grip on this and to get co-operation in the Departments in pursuing debt. I have been in correspondence with three of the Perm Secs on this issue, where I disagree with them, so I am giving you the opportunity now.

I think this is just so basic; pursuing debt is something that we ought to be doing efficiently across the piece, but we are not. I cannot for the life of me understand why you, from Treasury, do not use the levers you have to get much tougher on the Departments acting in this regard.

Sharon White: I do not think we are starting from ground zero. Actually, I think lots of good work has been done between the Treasury and individual Departments. Where you are right, and where the NAO report has been valuable, is in saying, "Have we taken that to a position where we are taking a strategic view across Government?" I think that has been a fair criticism. One of the things we are doing in response to the NAO report is producing some specific focused guidance for all Departments, even though it is principally, HMRC, Ministry of Justice and DWP where there is the biggest issue. But certainly, we will want to take a much more systematic approach.

We have spoken a bit at previous hearings about the financial management review in Government that was published before Christmas, which also acknowledged that there is more to do in this area. Once we have appointed my replacement—the new DG for spending and finance—one of his/her principal jobs over the next—

Chair: Hers? Or have you appointed?

Sharon White: His or hers, I said. The process is still under way. One of their jobs will be to pick up this cross-Government view with a bit more of a strategic intent.

Q2 Chair: Okay. I do not know where to start on this one, but if I start right at the end of the report, "Future risks and opportunities", perhaps Stephen would like to comment on this as well.

I am going to read from 3.14. You started to focus on debt in 2011, three years ago. "However, the centre has not yet published a clear government-wide debt strategy. The Cabinet Office and HM Treasury do not have common objectives for debt, or a shared understanding of the total financial risk to government. This in turn makes it difficult to for them to formulate a coherent approach to departments." Figure 20 states that "Cabinet Office and HM Treasury…need to establish how they can work together coherently as a strategic centre" and that "Cabinet Office and HM Treasury do not engage consistently with departments on debt. Cabinet Office has sought to build a cross-government approach. HM Treasury's approach has developed largely through its spending teams". It also states: "Cabinet Office has had some difficulty building a cross-government consensus on its debt management reforms". Those are pretty damning things to say. It feels like although you decided in 2011 that you would do something about it and focus on it, three years on, not a lot has happened. In fact, the difficulty in the two of you sitting comfortably next to each other today is pretty inhibiting to action.

Sharon White: Can I say a couple of things, and then I am sure that Stephen will want to say a bit more in detail? Although you will not find a piece of paper in the Treasury that has got "debt strategy" written on it, it is not fully fair to say that there has not been any action. Certainly in all the time that I have been working on public spending, there has probably been more action by the Treasury in specific fiscal events and the last spending round. We have given incentives. We have not quite got a DEL-AME trade-off, but we are saying to the DWP, "The more debt you collect above a threshold, you can keep some of that money." We are trying to do some innovative things with HMRC and trying to incentivise that through more resourcing.

So the action has not been bad. The governance has not been bad, although it is now being strengthened. The Minister for the Cabinet Office and the Cabinet Secretary chair a taskforce that was initially focused on fraud and error, but it is now also focused on debt. There was not a strategy document as such—Stephen can correct me—but we had a paper of intent in 2012 which set out clear priorities.

Where I think there is definitely more to do—certainly within the Treasury, but supported by Cabinet Office experts—is that if you are in a spending team, you are not always focused on debt as a principal issue. That is now increasingly true with HMRC, where we now have a specific quarterly meeting with Lin and her team. We are certainly thinking about doing a very similar process with DWP and the MoJ. The routine monthly discussion that we have on spending risks in the MoJ has, partly by serendipity and partly by the expertise around the table, focused quite a lot on debt from confiscation orders, but I do not think that it has been as systematic as it needs to be and the NAO Report has, in a sense, held a mirror up to us as to where some of the gaps are.

Stephen Kelly: I genuinely welcome the NAO Report: it puts a spotlight on the issue. It is fair to characterise that back to 2008, starting with poor data, poor process and not designing fraud out, and we probably had lower levels of capability than we have got now. So lots of challenges and issues were highlighted in the 2012 Report. Good work has been going on with the Departments, particularly HMRC and the DWP—they can talk to that. So we have made some progress[1].

In reality, is there a strategy that is written down? I think there are some guiding principles around the obvious stuff, because a lot of this is common sense. You are right that our role is to bring this into the business as usual for DG to finance across government and ensure that debt is taken seriously and managed effectively. The four guiding principles are effectiveness, efficiency in terms of collection of debt, fairness and sensitivity in the vulnerability of the people we are dealing with, which may be slightly different in some respects from the private sector. The final thing is prevention. Wouldn't it be good if we managed some of the debt out through better design? Mike can talk about some of the systems that we are looking to do. The report card is probably fair and accurate. Now we have seen through both the Report, and the good collaborative work with the Treasury and the Departments, accelerating momentum. As Sharon says, this shines a light on us. But in specific terms of governance going forward, we are raising the level and putting the whole debt management issue at the ministerial level and Cabinet Secretary level with the core Departments to ensure that the plans develop. Finally, loads of great stuff has gone on over the last three or four years around pilots, testing analytics and testing for the first time things like DCAs—

Q3 Nick Smith: Testing what?

Stephen Kelly: Debt collection agencies. We have 13,000 people, to give you a scale, across Government. We have had at the peak in the Cabinet Office about 24 people in the fraud, error and debt taskforce and the team led by Lesley Hume. Effectively what has happened now for the first time is an acceleration and acceptance that there will be better governance. But in fairness, could we say this is a cookie cutter, scientific model? If we do x, y and z, will it come out with a debt balance from £22 billion? We don't know enough. We have to do a lot of test driving around debt collection agencies. Last year we put £1.2 billion through debt collection agencies. That represents only about 1.5% of the UK total managed debt portfolio put through debt collection agencies. So the market capacity is there. Effectively we will do a lot more innovation around analytics, process, debt collection agencies and all these areas as well as building up the capability led from the financial management review by the Treasury to ensure that we get a lot more scientific about this. Generally we welcome the Report and the spotlight put on this. We acknowledge there is a lot to do.

Q4 Mrs McGuire: Could you say a bit more about the figures for debt collection agencies?

[1] Note from witness: Debt was added to the Fraud and Error agenda in 2011.

Stephen Kelly: Just to give you a feel, on the efficiency measure, broadly on the debt collection agencies the average—I think there was a question in Parliament on this—is about 7% so it costs about 7p for every £1 we collect.

Q5 Mrs McGuire: Do you have a figure for how much was collected?

Stephen Kelly: Yes, £1.2 billion.

Q6 Mrs McGuire: £1.2 billion was collected?

Stephen Kelly: I believe it is about 15%. I can write to you.

Mrs McGuire: I am sorry. I misunderstood you. I thought you said that you put out £1.2 billion.

Q7 Nick Smith: Let us go a bit more slowly over all of that. How much money are you chasing down?

Stephen Kelly: The macro numbers are in the Report. Last year £41 billion of overdue debt was collected. This is a complicated area.

Q8 Chair: Across Government?

Stephen Kelly: Yes, right across Government.

Q9 Chair: And how much was spent on your debt collection agencies?

Stephen Kelly: About £1.2 billion was put out to debt collection agencies.

Mrs McGuire: That is what I thought you said.

Q10 Chair: But how much was spent? What fees did they get?

Stephen Kelly: Oh, sorry. The other thing we are moving towards is a payment-by-results structure, having the sensitivities around treating vulnerable people correctly and ensuring that if they owe money to different Government Departments, we are much smarter about how we deal with that. It costs on average about 7%. So the efficiency of debt collection is this: if we put out £1, it costs us effectively 7p.

Q11 Mrs McGuire: I get that bit. You put out £1.2 billion. How much of that was then collected?

Stephen Kelly: I believe it was 15%[2]. And it varies a lot—we may get into this—around the age, the quality, the vulnerability of the individuals. It is highlighted in the Report. We could do a lot more work on this around single debt view.

Justin Tomlinson: Previously, would that £1.2 billion have gone to the write-offs? We have got 15%[3] back off what we would otherwise have written off. Or is this something where we would have done something else? How does it compare with that?

Stephen Kelly: It is something we had to do to test the market. There are different opinions. What we should do effectively is innovate more and pilot more. The experience of debt collection agencies, with my two colleagues on the left and what we have done at the centre, suggests that this is an area where we can get better quality collections based on the pilots and the data that we have assessed so far. If we had applied the same approach back in 2010, the probability is that the Government would have collected more debt.

Q12 Justin Tomlinson: So we gained £180 million minus 7% in effect by doing this.

Stephen Kelly: Yes.

Amyas Morse: If I might add something from past life and looking at some debt collection activities. You remit a tranche of debt to a debt collection agency. I think I am right in saying that if they don't succeed in collecting that money they just pass the balance back to you. They hold it for a period of time, they try to collect it. If that does not succeed, you get it back and you get back the older debt. You get a remission and you get the cash for the amount they have managed to collect, minus their commission. That is it.

Although it is a good thing, it does insert another tranche of time into the ageing. If you have taken 15%[4] out of that debt balance, how long on average would the debt collection agency be holding a debt as they try to collect it? Is it about four or five months?

Lin Homer: The issue is that we hand them the debt after we have done the early stages ourselves. If you take tax debt, which is obviously the majority of this, being £35 billion of that £40 billion referred to, something like 90-plus per cent is collected by us within the first 90 days anyway. We then move in to tranches of collection. We have been testing what responses we get if we use debt collection agencies at different points.

We are in a very exploratory period, but what we are trying to do is utilise the ability sometimes to pursue contact with many more debtors than we could ourselves, to get a level of return. Then they are returned to us and we put them back into our system and continue doing it. We do that in parallel, so we are not just sitting waiting. Those are debts we would have de-prioritised because they were lower rates of return; we hand them off to the DCAs; they would get some money in; they hand them back to us; we then put them into our system to continue if we need further steps.

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[2] Note from witness: The witness would like to make the following amendment: "£262 million was collected from the £1.2 billion of debt put out to the market by HMRC and DWP in 2012/13. This represents a return of 22%, on which £15.9 million commission was paid". The percentage revises the answers related to this calculation in subsequent questions.

[3] Refer to footnote no. 2.

[4] Refer to footnote no. 2.

Amyas Morse: I was trying to get a feel for it, not to criticise it.

Lin Homer: Just weeks.

Amyas Morse: Just weeks. So they have a mailing-type pop at it and if that does not work you get it back.

Q13 Chair: I may be misunderstanding so could you explain to me? You have got £40 million—

Stephen Kelly: Billion.

Lin Homer: Think of the tax system with £476 billion—

Q14 Chair: You got £40 billion back through the DCAs.

Stephen Kelly: No, no.

Q15 Chair: So what have you got back—15%[5] of the £1.2 billion?

Stephen Kelly: Yes. My point is that we are doing some good stuff. However, we need to do a lot more. The strategy around the innovation—building the capability, more analytics, better data, more joined-up systems like RTI, designing out fraud, because then you do not get the debt, the DMI, which we may come on to talk to you about—are key elements in terms of improving.

Q16 Chair: I think all this stuff is pretty common sense. I want to come back to the debt collection agencies, but Stephen, I want you to say a little about this. You said you accept the Report. The Report tells us that you are having difficulty in building a cross-Government consensus. It is not rocket science to tell you what you have got to do, but you are having difficulty in building that. You and Treasury are not engaging consistently. There is a different attitude.

Sharon, the reason I refer to this letter is that the Treasury tends to take the view that you dole out the money and then it is down to the Departments to manage it. Whereas, on this debt collection, what is being suggested by the NAO is a much tougher central prescriptive approach. You might get some of this, way in excess of £22 billion—it is just £22 billion as they can see it—so you might get more of that in. I want you to tell us, if you can in an honest way, what it is you are not able to do, Stephen, in building the cross-Government consensus. Where is the difficulty in building the cross-Government consensus?

Amyas Morse: I am sorry to interrupt, Chair, but we are not quite saying that you should have a very centralised approach. What we are saying is that you should have central standards and strategies, but it is pointless taking all Lin's debt into the centre. She is able to manage it perfectly well herself, but it is reasonable, looking at overall Government requirements, that there should be some clear expectations of what she is supposed to be achieving when she is doing that—some

[5] Refer to footnote no. 2.

expectation of central management. We are not suggesting in the Report just to put it all in the centre and manage it.

Q17 Chair: I want to get back to answering the question. Where are the inhibitions to more collective action?

Sharon White: Would you mind if I start, then maybe Stephen will have much more detail than me? One issue we have had in the past is that this has been part of the discussion between the Treasury and the Department, but it has not had the primacy that I think both the Report and previous focuses by the Minister, the Cabinet Office and others have given it.

One thing we are doing in response is not called "a strategy", but it is certainly going to be guidance that will be part of the new consolidated budget guidance. It is as close as the Treasury gets to theology in terms of budget guidance to Departments. It will set out a high-level ambition and vision for tackling debt across Government. We will be accepting most of your recommendations on performance measures, so we are trying to get to a position where we have got a better definition of debt. Even in the conversation we just had, it is very easy to be talking about apples and pears and comparing numbers that are not always consistent with each other. We will be setting out a consistent definition of debt across Government, and we will be looking at collecting key performance data such as the age of the debt and then having, we hope, more systematic monitoring.

As I say, my own sense, although Stephen may have a different view, is not that the Departments are necessarily pushing back hard on this—in fact, the public finances remain tight and are remaining tighter for longer than anybody certainly thought four years ago—but some of the conversations are rather easy. If you are in the Ministry of Justice, what would you rather do: take another hit on your admin budget, or do rather better in terms of collecting money from confiscation orders, which does mean a conversation with Lin and with Mike, because a lot of this involves the same group of people?

Q18Chris Heaton-Harris: So why has it taken so long to get to this point? Why the need for the Report, in fact?

Sharon White: It is a good question. Some of these conversations have been happening, but if you have been in the Ministry of Justice spending team in the last three or four years, you have been focusing on supporting the Department on legal aid reform, some of the sentencing changes and on some of the things we are doing on courts reform. So it is not that that has not been at all part of the conversation, but it has not had the primacy. If you have been working on DWP issues in the last few years, there has been a welfare cap and a whole series of reforms and changes.

Q19 Chris Heaton-Harris: They are not exactly small numbers, are they? And in each Department, they are not small numbers, so you would have thought that somewhere along the line, with the wish to find extra money for the taxpayer—with all the answers we have received, we could probably close the hearing down now, and everybody could go away really happy with the conclusion that you two have come to, but I just cannot understand why it has taken so long and why there was not the urgency that there seems to be now.

Sharon White: Stephen will have a view. From my perspective, it is because the Departments have been very much focused on the big spending reform issues. This has been part of the conversation, but it has not been as high up.

Q20 Chair: If you look at figure 4, the record shows that there is no ruddy movement since 2007-08 through to ’12-13—except for Lin, and we will come to HMRC, which I accept is a larger part of it. There is no movement elsewhere; not in DWP or any of them.

Stephen Kelly: A comment from, I guess, 30 years in the private sector: debt management is probably not the most exciting thing, and here, it is probably the case that policy is more exciting. So how do you get the attention to something that is really important?

Q21 Chris Heaton-Harris: So cash flows are not interesting.

Stephen Kelly: No, I would call it the Cinderella—it is down beneath the bows, but it is really important and needs hard work. It has to happen in both business-to-consumer companies and business-to-business companies. It is a key performance indicator that the audit committee and the board take care of and look at, and there is a level of scrutiny. Where we have got to here, I am really pleased to say, is that the DGs of finance across Whitehall are taking this seriously. There is much better co-ordination, which has only kicked off in the last few months with the Treasury and the Cabinet Office, and embracing the Departments as well, both on the revised and restructured Fraud, Error and Debt Taskforce—co-chaired, as you have heard—but also operationally by officials, Beth Russell and Lesley, to make sure that on a monthly and a quarterly basis, we are on top of this agenda. So the governance, I think, has caught up. With the Departments now and the DGs of finance—for example, in the DWP, they have a debt management board that reports to them. I think that with the NEDs here as well, there will be increasing scrutiny.

Chair: So ’13-14—what are we in now? We’ve ended ’13-14.

Mrs McGuire: 1314 was the battle of Bannockburn.

Q22 Chair: Would ’13-14 show any difference, if the chart went on to ’13-14?

Mike Driver: Shall I say something from a DWP perspective? Yes, it will show an adjustment. Just building on what both Stephen and Sharon have said, I think we are taking debt recoveries more seriously as an organisation. To meet your point, I think it is seen much more as core business now, so whereas the debt operation had been lodged previously in a shared service organisation within the Department, it is now a core business within the finance group within the DWP. Debt recoveries have increased year by year; our costs have reduced year by year. Last year, in our accounts, we reported that we had a debt balance of £3.577 billion. This year—pre-audited, I hasten to add—we think it will be £3.512 billion. That is the first reduction that we have seen in our overall debt balance, certainly within the past 10 or 15—

Q23 Chair: How much have you written off and remitted there?

Mike Driver: We have not remitted any debt. Our write-offs are relatively low. The write-offs are primarily around official error, and as you know from the discussions that we have had with you on fraud and error—because I think fraud, error and debt need to be seen together—we are putting a significant amount of effort into reducing official error. I would like to hope that the amount that we write off in the future to official error will continue to reduce as well.

Lin Homer: Our position won't be the same. You can see from the figure that we have had a number of good years, but we are trying to do some quite complex things, so debt balance is important, but it's a snapshot at the beginning and the end of the year. The other thing we have been trying to do, and will continue trying to do in the next year, is to crystallise debt sooner. As you know, we have introduced RTI this year. It has brought, we think, upwards of £13 billion forward into this year that would otherwise have fallen into next year. In this first year of RTI, that has allowed us to collect £5 billion of extra cash, which we've obviously handed to Sharon. We have cleared £6 billion of that—in this first, transitional year, it looked like debt; when we checked, it wasn't—but £2 billion of that has crystallised in end-year balance, so this year our balance will go up. We don't think that is a problem, because we think this is us getting hold of our debt when it is younger and doing something with it. It is all in active management and, as I say, this year we increased the cash collected from £35 billion to £40 billion. All that is good, but it just shows that you need, I think, to look at more than one measure to get a sense of what you are doing. Stop it happening ever, crystallise it early and collect it quickly. The important thing for us is that all our debt now is fresher, but is also being actively managed.

Q24 Chair: But let me just ask you this, Lin, on yours, because you are the only one that has reduced. You have gone down by over £6 billion, but when you start digging into what you have actually done, £3.5 billion—over half of it—is just remitting tax credits and you are still making as many errors. Your overpayment rate is still double what you are getting in.

Lin Homer: I suspect we'll talk tax credits in detail with you on 16 July. That normally forms part of the annual report. You know I have shared with you before that I think that the tax credits system is very challenging for us. We've—

Q25 Chair: But you are not actually getting the money in; you're simply remitting.

Lin Homer: We get a lot of money in, but it is very hard to get it all in.

Q26 Chair: You are getting in half the mistakes.

Lin Homer: It is very hard to get it all in. We talked through with you previously a range of innovations we had done. You mentioned the relationship with the Treasury. I think last year you said to us, "Are you going to ask the Treasury for any more money in this area?" We did: we have got some and we are putting in place a private sector arrangement to tackle error and fraud, because as you know, with the tax credits system, we pay on assertion and then we check retrospectively, so it's a case of getting back overpayments. We are going to make every effort to check all those changes of circumstance much earlier in the process, and we think that will reduce error and fraud. In the short term, it will increase debt, because we will identify many due debts earlier, but we also have an agreement to pursue more tax credit debt through debt collection agencies. We will obviously do that with care because this often affects vulnerable families, and our target is to increase the amount we get back that way by another £350 million. We believe that we are still trending downwards on tax credit debt, but we will not know until June, which is the year end for tax credit. You will remember that it dropped from 8.1% to 7.3%, and we have agreed that we should be aspiring to get that down to 5.5%. On 16 July, we will update you on whether that has come down for another year.

Q27 Mrs McGuire: I notice that you highlighted that some of the families you are dealing with are often vulnerable. You indicated earlier that it was almost like a paper exercise for the debt collection agencies, which would send a letter. How are you framing the approach of the debt collection agencies towards some of those people whom you have clearly identified as vulnerable? That is a tricky issue, and with the greatest respect to debt collection agencies, in some instances they perhaps do not have the best reputation. I appreciate that you might be tough on to whom you are giving these contracts, but could you talk us through what you are doing?

Lin Homer: We apply the same criteria to our debt collection agencies as we do to ourselves on how debt is managed. They have to comply with the same standards. I want to be honest, and both internally and externally there is a degree of tough love in these arrangements because our experience is that we have to help people to get a grip on these things, which multiply if we do not do that. We push people to get their affairs in order as early as they can, and we will enter into time-to-pay arrangements—again, we have talked to you about that. We have between 600,000 and 700,000 time-to-pay arrangements. Some of those will be individuals, often in relation to tax credits, and some will be small businesses with tax. We will take a time-to-pay arrangement whenever we think that is feasible for them and for us, but we expect those arrangements to be entered into carefully. We will never try to take more than we think people can properly manage. We will accept much longer periods than the private sector would accept for a return period because we are dealing with circumstances in which care is needed. The hardship element is built in. The bottom line is that the DCAs work to our standards, not anyone else's.

Mike Driver: Including from a DWP perspective. Our hardship standards apply as well with the exact same principles as we would use.

Q28 Nick Smith: I want to come back to the power to appoint debt collection agencies. You tried to get in £1.2 billion, and you got a 15%[6] return on that, so you collected about £170 million or £180 million. You paid 7% to the debt collection agencies, so your net is some £160 million or £165 million. Is that roughly the on-flow?

Stephen Kelly: Yes, roughly. That is across a number of initiatives and Departments over about three years. So it's not one strike, and it is not apples and apples, as Sharon said.

Q29 Nick Smith: Okay, so tell me a bit more about the groups of people from whom you are trying to collect this debt. Tell me about whether you are going to extend this work. If so, where?

Stephen Kelly: There are a couple of areas where innovation is going on. One is with the debt collection agencies, but there is also something called behavioural insights, through which we are targeting people more sensitively and getting much higher returns. An example is that, instead of

[6] Refer to footnote no. 2.

writing letters, you get probably five times the return by sending a text message to the individual. That is a great opportunity, but you then find that you do not have the data on people's mobile phones, which raises other issues. It is complicated.

What we are suggesting—the process is in flight now—is that we do more pilots in Departments on debt collection agencies—you have heard from Mike and Lin on that—and have a potential model in which we create a debt market integrator that will be a consolidator for cross-departmental debt. We are effectively going to create a vehicle to allow us to pursue best-in-class debt collection in terms of analytics, data, strategies and, potentially, enforcement. Essentially, we are trying to be as good as the private sector in this area, but with sensitivity because we are dealing with vulnerable people.

Q30 Nick Smith: Do you know what? I have been listening for the last two minutes and I am none the wiser.

Stephen Kelly: Actually, let me go back. We created a series of joint ventures, one for shared services with Steria, one for My Civil Service Pension with Xafinity and one with Capita. If you step back, what does Government do really well? We want to do exceptionally well at that, but in areas like this, where we can leverage some private sector experience, historically we will either do it with our 13,000 people and potentially send letters out, but there are some learnings we can take forward with the private sector. So our concept is that we will create something—you could call it outsourced or a potential joint venture—with the best-in-class private sector debt collection consolidator that manages the debt across a wider range of debt collection agencies that allows you to do multiple placements, to be very intelligent about selecting different debt collection agencies according to the task and the sensitivity of the individuals you are targeting, and to be way smarter around data, analytics and the behavioural insights that I have alluded to.

Q31 Nick Smith: It sounds like you are going to set up a new agency and you are going to come up with some ideas about how we collect the money, but it is very theoretical. You are going to have to do a bit better about tangibles.

Mike Driver: Can I say something from a DWP perspective, because it might help to give an example? It builds on the point that Amyas was saying about the age of debt. What we need to do is to move through the process much quicker than we have historically. So if a person is on benefit—a lot of our debt still resides with people who are on benefits—we can recover that through the benefit system. If a person is not on benefit, though, we have new powers that we took through the Welfare Reform Act that allow us to make direct earnings attachments.

Our process now is to speed up, so that we make early contact with the person by telephone, e-mail or letter—however we can, in the most effective way in the case. First of all, we agree with them how much debt they owe us and look for them to repay us through direct debit, for example. If they are unwilling to repay us and we have links with HMRC for employment information, we will pursue them through their employer and get a direct earnings attachment so that we can move quickly. We have been piloting those cases, and we now have 9,000 cases where people are off benefit and we are getting money back already. We now intend to ramp up to volumes where we will have 130,000 to 170,000 people on direct earnings attachment.

We are trying to do those things within the Department, but if we cannot get the money flowing through that mechanism as quickly as possible, we will use the private sector. We will try to get the debt as early as possible to them. What Stephen refers to as the debt market integrator for us, as the Department, gives us two things. First, it gives us access to better analytics, so a better understanding of the people we are dealing with. That is the first key point. Secondly, it gives us a single route to a range of debt collecting organisations so that we can use that almost like a funnel to get our debt to the right type of debt collecting organisation. I think this is about understanding who is best placed to collect the debt: the Department—it could be DWP or HMRC—an employer on our behalf, or a debt collecting agency. The fundamental thing is one of pace, I would argue.

Q32 Nick Smith: I sort of get that, but give us some—

Lin Homer: Let me give you a bit of a sense of the scale. I think figure 3 in this Report is really useful. It sort of shows you the scale of what we are dealing with. You have the snapshot at the beginning and end of the year, which for last year was £22-ish billion, but within that you have activity throughout the year. So £50 billion is, in effect, processed as debt during the year. Just to put that in context, £44 billion of that is tax, and 96% of it is settled within 90 days of it being due. The reason why we are talking about relatively small sums is that, in this country, most people pay their debt relatively quickly when reminded. The plan is not that we alter or change that at all. We say to people, "At the end of the SA process or through PAYE reconciliation, you owe us blank." People say, "Oh, golly gosh!" and they give us the money.

Of the 4% that is not paid, we then go through a series of approaches. I think we have always been pretty good at collecting that, but what we are really working out now is that the sooner you get into that dialogue, and the easier you make it for people to concede that the figure is right and agree a way of paying off the debt, the more of it comes in. We use behavioural insight. We say to people, "You owe us the money, and most people in your circumstances pay us." We use regular reminders. We attach to earnings or to existing benefits. We agree time-to-pay arrangements. At the end of all of that, in the case of tax, 1% of our debt is not collected, so we are talking about a small amount of the tax due. We believe that, if we have a wider range of ways of collecting that, including expanded data analytics and DCAs, we can reach more of that. It is sort of the end of the waterfall. It is really important, because the sums are big, but it is also important to understand how many people in this country do cough up the debt that they owe when we ask them to, and that money flows into the Treasury within 90 days of it being due, for the vast majority.

Q33 Nick Smith: Tell us more about the debt collection agencies' work with the 1% of people who have not paid their tax.

Lin Homer: Both internally and externally, we go through a process of identifying that the debt is owed and discussing it with people, sometimes by letter and sometimes by phone and, in our case, sometimes by the field force officer turning up and saying, "You owe me some money and I am going to distrain your goods if you don't pay your debt." We will go all the way through to insolvency proceedings or auctions if that is what we need to do. In the Budget, we are just consulting on a proposition that would allow us to lift cash out of people's bank accounts, which is somewhat controversial, but we think not that different than lifting the telly out of their front room, if I am honest.

We will pursue all those stages. We use debt collection agencies for what you might regard as the administrative part of that, not the going into people's homes. We use it to get to people earlier and more informatively and, in a sense, to catch the debt while it is fresh.

Q34 Nick Smith: Okay, so you have done these pilots with the debt collection agencies so far and you have got £160 million that may not all be in HMRC. How much more debt collection are you going to do and how much more money do you think you will get through that particular way of raising money?

Lin Homer: I think we hope for two things. We hope to increase the overall amount we collect and we hope to collect it quicker. Again, if I go back to the year for which we are not audited yet but we have just closed, we believe that we have collected £5 billion more cash than the year before. Actually, the vast majority of that is because of the introduction of RTI, because we are checking PAYE as we go on.

Q35 Nick Smith: Sure. Can I just bring you back to debt collection agencies? You have had these pilots. How much more are you going to collect, who are you going to take it off and what is your target for the coming year?

Lin Homer: We are targeting across a range of initiatives to increase the amount that we get in, in both tax credits and normal debt, by another £500 million on top of what we had anticipated, through the use of debt collection and earlier intervention in error/fraud areas, and with better use of arrangements to pay. We are lifting it by half a billion.

Stephen Kelly: Finally, I think it would be misleading for us to say it is a like a sausage machine—we basically put the uncollected debt in and it comes out—because we just have not done enough of these. We have basically piloted a number of these in Departments and we have done some cross-Government work, but I think, over time, we will get more and more scientific and will have a model where we can have greater predictability in the collection. But it is not one size fits all, because there are different types of debt and different qualities of debt. It works on the premise that fresher debt is better in most instances, although that is not always the case.

Q36 Jackie Doyle-Price: That follows on neatly, actually, because the more I listen to you, the more it is becoming clear to me that we have to be a lot more granular in terms of the different problems that different debts generate.

Lin Homer: Absolutely.

Stephen Kelly: Yes, very true.

Q37 Jackie Doyle-Price: I want to go through some illustrations in figure 2. I am reflecting in particular on what you just said, Ms Homer, about the fact that we are talking about a given point in time at which you will then chase it, and about the levels of longer-term debt being different. However, if you look at overdue debt balances, self-assessment and pay-as-you-earn, would you expect to attack that mostly through the tax code?

Lin Homer: Yes, and just to say that we have reduced the debt that is over 2 years old by another 31% this year, so our stock debt is really much lower than it used to be and the vast majority of our debt now is in-year debt. In SA and in pay-as-you-earn, when errors have arisen, we will seek to offer a coding-out arrangement in as many circumstances as we can: not willy-nilly; we will, for instance, challenge people who regularly try to run a little bit behind, in just the same way as we would challenge a small business that sees its VAT bill as a banker of last resort, as one might say. It will depend on the arrangement, but at any one time we will have a system to allow people to code out. As we move to digital, we are going to seek to allow people to identify small amounts to be coded out much more automatically.

The other big issue for us is time to pay. For a number of years, we have been running time-to-pay arrangements with several hundred thousand users—it is between 600,000 and 700,000 at the moment. On average, it is an eight-month period to pay, and about 93% of those arrangements are honoured. Our view is that if, by being given a bit of flexibility, an individual or a small business can keep their head above water, we think we are good enough at making the judgment to exercise our discretion in those areas. All those would be arrangements that we would use on a daily basis.

Q38 Mrs McGuire: I want to deal with the vulnerable people side of this. Lin Homer, you clearly identified that. I suppose it is more an issue for DWP rather than tax collection. My experience—not just as an MP, but over many years—is that people with debt sometimes have a whole range of debts. How do you finesse a system such as the one you are putting in place to take account of the fact that there might be a debt to DWP, but there might also be one to the local council, to credit card providers or whatever? That would be my experience—that for that vulnerable person, it is not just about collecting the one debt, but about how they manage their situation and get out of debt. I am interested in whether there is any relationship with organisations such as Citizens Advice or the money advice agencies. If there is, could you elaborate on that? We all recognise the need to collect due debt, but as Lin has already said, there are individual circumstances that can make that really difficult.

Mike Driver: Within the DWP it is really important for us to have a single-customer view of the amounts that are owed. A lot of the people to whom you will be referring would already be on benefits. In actual fact, we have statutory rights in terms of how much money we can recover from people on benefit, depending on whether it is an overpayment case or a fraud case—we can recover more in cases when fraud has occurred. In those circumstances, we still have hardship arrangements that we take into account. We do an assessment of how much the person is able to afford to pay us back.

I will give you one or two examples. If a person is already repaying a social fund budgeting loan or a crisis loan, we don't try to add the social security recovery element to that—we take it into account. If a person has arrears for their utilities, we treat the repayment of the utilities bill as a priority over us taking the money because clearly they could be disconnected from the utilities. We have quite a detailed process that we go through to make sure that the person is paying us back an amount that is acceptable to the state, but that that is happening in a way that takes into account their financial circumstances, their family circumstances, if they have children, and other debts that they have.

Q39 Mrs McGuire: Do you work with other agencies, such as the Government's own Money Advice Service?

Mike Driver: Yes.

Q40 Jackie Doyle-Price: I have a few more questions about figure 2. What taxes does the "Other Tax Debt" column include?

Lin Homer: Everything else.

Q41 Jackie Doyle-Price: Are there any particular outliers that are difficult to collect?

Lin Homer: No. Obviously you know from the tax gap work we do with you that income tax, pay-as-you-earn, tax credits and value added tax are the big elements. That column will pick up pretty much everything else, so you will have some excise duties, inheritance tax and stamp duty tax. Although it looks fairly big, it is the rest, if you like.

Q42 Jackie Doyle-Price: And are they typically things that are just more difficult to collect by their very nature?

Lin Homer: No, they are just all lumped together because otherwise we would take the whole page up. That does not show you the rate, or the proportion, if you like. I can probably give you a little bit of detail. For instance, if you take self-assessment, we bank £28 billion of receipts; £6 billion is not paid, which becomes debt; we collect £4.7 billion of that and clear about £2.1 billion—that is where there is a dispute that is agreed in some way—and, as you can see from that column, self-assessment formed about £4 billion of our debt. So it is a variable position on each of them.

It obviously tends to be the case that, if it is a withholding tax, you have got your hands on it—you hold on to it while you have a dispute; if it is a tax that people have to pay you at the end of the dispute, you may not get it until later. So the length of time that something can be debt depends on the arrangement. VAT, again, is a massive tax for us: we collect £100 billion. Only £8.5 billion of VAT is not paid on time, and we collect another £5.5 billion of that, but £2.5 billion sits on the debt balance.

Q43 Jackie Doyle-Price: So at any one time, if you take a snapshot, you will always have a big balance that is outstanding?

Lin Homer: Exactly. When you are dealing with £475 billion, any snapshot will still be quite a big number.

Q44 Jackie Doyle-Price: So that is a very different set of challenges from those on the part of DWP and MOJ, where we are talking about debt collection as opposed to paying your dues.

Mike Driver: I think that is why our debt is often older than HMRC debt. Lin was talking about the pace at which people can repay the tax that they owe. If you are on benefits, and bearing in mind that we can only recover benefit debt at certain rates or even from a direct earnings attachment at certain rates, our debt gets older. But, importantly, we are not bound by the statute of limitations in recovering that debt.

Q45 Jackie Doyle-Price: This is where there is a particular challenge. Unless you collect debt promptly, you encourage more of that behaviour. Unless people think that they will have to pay back promptly, they will chance their arm, effectively, or hold you off as far as possible. The more that happens, the more you are sending out a signal. That is the real challenge here.

Mike Driver: I agree with you, but let me just give you one example to show that it is worth pursuing debt. We had a pensioner who died. It was a fraud case: we recovered £227,000 of debt from their estate. The way we manage debt goes right through to death as well, because we can use the pension system and we can use recoveries from estates as well.

Q46 Jackie Doyle-Price: On the categories of debt, if we are talking about social fund and benefit overpayments, we are talking about vulnerable people, but how much of the child maintenance figure is wilful non-payment and how much is inability to pay?

Mike Driver: That figure refers to money that is owed to the Secretary of State in terms of child maintenance debt. You will probably recall that up to October 2008, the way in which the legislation worked was that the parent with care was entitled to keep £10 of any maintenance that was paid or was due and then the rest became the responsibility of the Secretary of State as a debt. So that figure relates to pre-October 2008 debts, where the person has failed to pay maintenance. I think this is where discussions around child maintenance reform are important because these are old scheme debts. As we move on to the new scheme, we will look at each of these cases to determine how recoverable that money is or whether we need to write some of it off.

Q47 Jackie Doyle-Price: So some people are getting large bills, thinking they had got away with not paying for a number of years. That becomes very unjust.

Mike Driver: I think that is why we will be dealing with these cases on a case-by-case basis. We will not have a mass mail-out to everybody saying, “You owe us this money.”

Q48 Jackie Doyle-Price: This is where poor collection undermines the policy to a point where it becomes unworkable. Do you have any observations on the MOJ’s figures, as they are not here?

Sharon White: I just want to say a couple of things. On the courts side—this comes back to Anne McGuire’s point—you have quite a big overlap, particularly between DWP and MOJ. So part of the issue in terms of the difficulties of collection around some of the confiscation orders is that quite a lot of people are coming out of the criminal justice system and they are not in work and are on benefits. Against that, we are trying to do more in terms of asset collection, which gets us very much into the same territory as DWP, but also attaching earnings orders, which is new and which ought to have an impact.

On the Legal Aid Agency side, it is interesting that this is not just individuals who were given up-front legal aid payments; this is also legal aid firms, some of which have gone bust, so we have some of the same issues in terms of insolvency that Lin has with 95% of her write-offs due to insolvency. But whereas in the past we had this conversation saying, “This is all terribly difficult,” I think where we are now is, "How do we make sure, even if it is picking up estates, that this debt gets pursued more aggressively than it has been in the past?"

Q49 Chair: Can I come in on something, then I will bring in Nick and then Chris. I want to go back to before you left the debt collection agencies and talk about how you choose them. Lin, you are the one who has this framework agreement at the moment, and you are about to renegotiate it; presumably, that will form the basis for the work that the Cabinet Office is doing. I went through your list, as I am wont to do. Advantis Credit is run by a guy called Steve Jackson, who used to run a mobile phone operation called Singlepoint before he set this up. He has a pretty shocking reputation, going back to his previous business: aggressive customer service; forgetting to send telephone bills; setting call bars on customers' phones; cutting people's phones off far too regularly, when often the fault lay with the company, not the customer. There are examples of money being taken from customers' accounts by direct debit for phones that are not theirs and they had not signed contracts for.

Chris Heaton-Harris: Is this from the internet?

Chair: I don't know.

Chris Heaton-Harris: Is that factual?

Chair: Yes. Well, it—

Chris Heaton-Harris: It is very difficult to discredit someone without, first, their being there and, secondly, if you don't know if it is true.

Chair: On reviewcentre.com, which I will use, the average rating for Singlepoint is 0.8 out of five stars, which is extremely low.

Lin Homer: As I said earlier, we pick DCAs with care. We monitor and evaluate them. I am afraid I am not sighted on all the companies we use. I am happy to be given information and to take that away. Obviously, if we did discover a firm that we had contracted with that was not meeting our standards, we would take action against them. I think our contracting is robust and I think the performance we have seen so far is robust, so I would not want to respond without a little bit more notice on something you have read out, but I would always want feedback—

Q50 Chair: Maybe you can respond to me in writing.

Lin Homer: I am very happy to do that.

Q51 Chair: Another company, Apex Credit, is a Guernsey-based company, apparently for tax planning reasons. You are using them to collect tax when they have established their business in such a way that they avoid paying tax.

Lin Homer: I have not come briefed on all my DCAs, Chair. I am happy to write to you on them.

Q52 Chair: What would you do in those circumstances?

Lin Homer: You know that in the last year or so we have strengthened across Government the consideration we would give to contracting in circumstances where the companies concerned were not meeting their obligations, but you also know that historically we have had some contractual arrangements with companies with overseas bases, so that has changed over time. We use a number of firms and I'm afraid I do not have chapter and verse on all of them.

Q53 Chair: You do not have it now. I would be grateful if you could write to us on that, because it seems inappropriate that a company that is not paying UK tax should be then employed by us to collect other people's debt on tax.

May I raise a third general issue? Capita appears to have bought a couple of the companies that are being used as debt collection agencies, which is the pattern we have seen in the way that Capita operate in expanding their public sector market. I have two here. One is Equita Ltd, which is one that is used by HMRC, and which has been owned by Capita since 2005, according to the information I have got. The other one is iQor Recovery Services, which was acquired by Capita and rebranded as akinika from 1 June 2013. Given that that is how Capita enters the market, what steps will we take, either in HMRC or you through the Cabinet Office, to ensure that, as well as getting the contract, they deliver a good service?

Stephen Kelly: Genuinely, I am not going to say that it is all going to be a land of milk and honey in the future, but if we do appoint and establish a debt management integrator, they will have a lot more intelligence on the marketplace. There are tens and tens of these companies out there. Effectively, we appoint them through public procurement contracting. Obviously we are fully compliant with that and confident of that—there are robust processes for challenge and all those sorts of things. However, with more intelligence within a debt market integrator, it will allow us not only to appoint organisations by our guiding principles, particularly around vulnerability and responsibility, but to select agencies that can move quickly and maximise the collections.

Regarding Capita, it is slightly related. You are conscious that we are encouraging all our strategic suppliers regarding corporate citizenship, paying their taxes and things like apprenticeships. Some good news—a bit of a digression—the top 33 companies that deal with Government as suppliers offer 9,000 apprenticeships in the UK. So these sorts of measures around paying their taxes, apprenticeships and good corporate citizenship are things that we are keeping an eye on, but again, we must be careful that we do not mix that with public procurement law. We are encouraging, as a Government, to ensure that the suppliers we deal with have the highest level of integrity, corporate governance and responsibility.

Mike Driver: On your point about performance, these are payment-by-results contracts.

Q54 Chair: These ones? These are Lin's contracts—HMRC contracts.

Mike Driver: The Capita company, akinika, works with DWP as well.

Chair: Right. But actually you want the results. It is the way in which—

Mike Driver: If they do not collect debts, they earn no money.

Q55 Chair: Yes, but as we watch across Government, the point is not—

Lin Homer: It is their integrity you are interested in.

Q56 Chair: Yeah. You can see among the big four a different way of operation, and Capita's way of operating is to take over companies that are active in the public sector market. Obviously they are beginning to do it here. Payment by results may mean that you get no results. We want results, not just a mechanism that gives you no results. So I am just interested in the way you are overseeing this and ensuring that they deliver the service as well as win the contract.

Lin Homer: Part of the judgment is experience. Obviously, one has to take into account whether that experience sits in the current name or the previous name. We will seek to evaluate and test the experience and the back record that organisations bring to the work we give them.

Q57 Chair: That takes me back to my first example, which is that, if the experience is not so good, how on earth did they get on to your list? That is why I would like you to write to me about that.

Just one other thing I want to get clear from you, Lin. According to the Report, £6.6 billion has been written off in debt. Of that £3.5 billion is tax credits, which is a remittance—not written off; sorry. Your debt is reduced by £6.6 billion, and of that £3.5 billion is tax credit remittance. How much of the rest is extra money that you got in, rather than money you have either written off or remitted?

Lin Homer: Sorry, I just want to be sure whether you are talking about the particular remittance we did in 2011—

Chair: That is part of the £3.5 billion, as I read the Report.

Lin Homer: Which paragraph are you taking that figure from?

Chair: Where is the £6.6 billion figure? It appears all over the Report. The £6.6 billion is the reduction in debt from HMRC. Then £3.5 billion comes from remitting, rather than collecting, tax credit overpayment.

Keith Davis: The figure comes from paragraph 1.6, which describes HMRC reduced debt over the past six years by £6.4 billion through improvements in recoveries.

Chair: And somewhere else as well—paragraph 2.10, page 31, regarding overpayments in tax.

Lin Homer: Absolutely. Some of the reduction in debt balance is by write-off.

Q58 Chair: How much? That is what I am asking. Of £6.6 billion, £3.5 billion was remitted—that is, written off—on tax credits.

Lin Homer: This is an each-year thing, so this is not one £6.4 billion. At the end of each year, we are lower or higher in this year than we were the year before. If you look at the run for the last five or six years, in the tax space, not the tax credit space, we are writing off or remitting about £5 billion a year, which is about 1% of the tax take, and 95% of that—

Q59 Chair: Does that include the tax credit write-off?

Lin Homer: No, I am about to come on to tax credits. Ninety-five per cent. of that is about circumstances in which the individual or the organisation has become insolvent. We are remitting about £1 billion, and that is where we are taking the view that it is not value for money. It is about £1 billion a year on which we are taking the view that it is too expensive to chase, rather than, as with the rest, we just cannot chase it; there is nothing to chase any more.

We had a bit of a clear-out remission about three years ago, when a bigger amount of tax credits was remitted. That was also at about the £6 billion figure, and much of it was historical. Our view would be that we would not want to repeat that large-scale remission. It was due to aged debt that had not been worked on when it was fresh. So I think that going forward on tax debt, we would expect to see write-offs remain broadly stable, and there may be a little bit of clearing out of old debt.

On tax credits, you know, from our annual discussion with you, that we are seeing overpayments of something like £1.2 billion a year, and about half of that is crystallising as debt that we are not collecting. We do keep trying other things, but there is a degree to which the system makes some of those claims very hard to pursue, so I do not think the issue of tax credit debt will be completely sorted until universal credit takes over—I think that system is better designed. What we are trying to do in the transition is to reduce that debt as much as we can and get tax credit claimants into much better behaviours, so that universal credit has a much better start as a result. But my personal view is that the design of tax credits bakes in a degree of error and fraud that is really difficult for the claimant and really difficult for us. I would not want to hold out hope that I am going to change that in the last few years of its existence.

Q60 Austin Mitchell: You can see why there is quite a bit of discussion about tax credits. It's because that debt is one of the most difficult to collect and it causes the most misery as well—for the people who have spent the money. I see from the Report—paragraph 2.10—that "Tax credits overpayments are still being created twice as fast as they are being recovered" and that you are "trying to ring-fence and manage tax credits debt as a separate debt portfolio". So what are you going to do—bring in the private sector or what?

Lin Homer: A whole range of things. As I said, we did get some extra money out of the autumn statement in this space, so we are looking to have significantly more interventions with families during the year. Tax credits are retrospectively assessed, so families tell us what they think they are going to earn and what they think their outgoings on things such as child care are. We are bound to assess their tax credit on that. They are required, but do not always remember, to update us during the year. Using the private sector, we are going to check more regularly with some of the claimants who have had most problems with error and just ask them very simple, not aggressive but pertinent questions: "Is your child care cost still the same? Are you still a single mum? Are you still earning what you told us you were earning before?" We believe that those interventions will stop up to £800 million-worth of error occurring, but it will also crystallise some debt. We are also trialling this year with a number of families the use of a digital checklist whereby we do the same online and regularly say to them, "This is what you told us last time. Tick each box to confirm that it is still the case." We know that most people are making errors, not deliberately defrauding us, so when you ask them the direct question, most people tell you the truth. But we are also putting more tax credit debt into the debt collection agencies early and pursuing it early and we have also now got agreement from Ministers that once someone owes us money in tax credit we will stop a payment in-year; because the original design of tax credits actually required us to keep paying someone even when they owed us money.

Q61 Austin Mitchell: That is going to exacerbate the hardship, isn't it?

Lin Homer: No, because what we basically say is, okay, we will stop making your payments, so that your debt does not get worse, and once the debt is paid we will start making them again; whereas what we have traditionally done is sort of given them money with one hand while wagging a finger at them with the other and saying, "You owe us money." We can override that in case of hardship, but what we will say to a family in-year is "You have already had all the money you are entitled to, because your circumstances have changed. We will now stop paying you."

We have also now got the ability, which I think DWP have had for longer, that if we are owed money from a previous claim but there is a new claim, we can attach the old debt to the new claim. So all of those things, we hope, will move us towards a smaller range; but it is not going to make this a perfect system.

Q62 Austin Mitchell: I see from paragraph 2.11 that "In the Autumn Statement 2013, the government announced that, in future, tax credits payments to an individual would be stopped once they had reached the annual entitlement". I cannot see how that is going to be done with so many zero-hours contracts and so much part-time working where earnings are going to fluctuate enormously, so is that not going to penalise people who are on those kinds of exploitative contracts, working zero hours, and do not know how much they are going to get?

Lin Homer: Part of the reason for trying a digital interaction in this space is to see whether with families where the circumstances are changing very rapidly we can provide a really easy, simple, regular way to update changes in circumstance; so that would work both ways. That would tell us if we are overpaying, but it would allow us to pick up very early and reinstate if the circumstances have changed and people become due again. My personal view is this is a really ripe area for finding a very regular, easy interaction—conversation—with a family. "Are your earnings up or down? Are you still a single parent? Are your child care payments still the same? Is your child still in education?" We all get 10-question surveys from mobile phone providers every time we use one of their services, and we go bang, bang, bang. It is that kind of quick interaction that I think could allow us to give a much better service to tax credit families; so the interactions are designed to make it more accurate, not just for our benefit but for theirs.

Q63 Austin Mitchell: This is going to be a problem, too, with the universal credit. Again at paragraph 2.11 the "government has said it intends that the design of Universal Credit will specifically avoid creating unnecessary debt." How will it do that?

Mike Driver: The way it will do that is the link between the universal credit system and the real-time information system that HMRC owns. So if a person is in receipt of universal credit and their earnings fluctuate, as you identified, we will get a direct feed from the real-time earnings information system into universal credit, and we will adjust the payment in-month. The other advantage—and Stephen mentioned this—of real-time information, as well, is that it allows us to stop fraud and error getting into the system in the first place in some circumstances, so that we avoid a debt actually being formed. I know that the numbers of people on universal credit are still relatively low, but, to give you an example, there are 12 people who should have self-declared that they had an occupational pension who claimed universal credit. Of those who should have self-declared, only one did, so the other 11 were all found by the real-time information link.

Lin Homer: It will work for zero hours.

Mike Driver: It will work for zero hours.

Q64 Nick Smith: I want to take this back a few steps. I think it is a question for Stephen, and maybe Sharon. On the summary of the report, page 5, para 3, it says there has been a "Fraud, Error and Debt Taskforce, an expert panel", which "has been developing a cross-government view of debt management." The Cabinet Office says it is going to "save £10 billion by 2014-15 from initiatives on fraud, error and debt combined." I want to unpick that a bit more. Of that £10 billion, Stephen, how much are you going to save on fraud, how much on error and how much on debt?

Stephen Kelly: Broadly, debt was about £700 million at the time that it was placed there—that is a projection put back and validated in the Report. Most of the savings are around tax compliance, which is probably £8 billion. That is the majority. In terms—

Q65 Nick Smith: Sorry, just to go back—you said £8 billion on tax.

Stephen Kelly: Tax compliance.

Q66 Nick Smith: Just to be clear, is that the error or the fraud?

Lin Homer: The majority is error.

Stephen Kelly: Yes, the majority is error.

Q67 Nick Smith: So £8 billion is error. Is fraud what is left over—so £1.3 billion?

Stephen Kelly: Correct. That was an aspiration put together at the time of the taskforce being set up. The taskforce was actually initiated by a conversation with Minister Gauke and Minister Maude back in 2011[7]. It has served a good purpose. It was chaired by the Minister for the Cabinet Office. It had us as representatives on it, and also a number of Ministers and some key private sector people—we had John Spence, who is a non-executive director with a lot of experience around this

[7] Note from witness: The taskforce was established in 2010.

area with Lloyds, and we had the chief of credit with Santander. We had a number of private sector individuals with a lot of experience, to make sure that we had our plan to improve significantly.

I think you have heard about this in some of the areas such as data and some areas of tax credits, but if you are ever in the north-west, go to a place called Netherton—you will see the valiant job that Lin's team from HMRC are doing to manage a lot of manual hand-offs and manual processing. It is what I'd call—perhaps this is technobabble—almost swivel-chair integration from one screen to another. Effectively, there is a DWP system and an HMRC system. Those guys do a brilliant job to overcome a lot of the data and systems inefficiencies. That was effectively an outlier for our aspiration.

Last year, I am pleased to say, the fraud, error and debt achievement was around £6.5 billion—that is for the last fiscal year.

Q68 Nick Smith: Go a bit more slowly. I am trying to find out about the £10 billion for 2014-15. It was about £6 billion for last year, so what was last year's target?

Stephen Kelly: Last year, the target wasn't broken down by year. The target was put out for 2014-15—the next fiscal year—of £10 billion from this area. It is the case that we're—

Q69 Nick Smith: Do you know what, you are just going a bit too quickly for me here. It was £6 billion last year. Is that part of the £10 billion? No?

Stephen Kelly: No. The wording may be slightly confusing. The word is quite subtle—it says "£10 billion by 2014-15". I haven't actually talked to Amyas or Keith about this, but you could argue that that then is a cumulative £10 billion made up of multiple financial years. We are taking it as reading that for the next fiscal year the target is to reduce it from the baseline of 2010 by £10 billion—that combination of fraud, error and debt.

Q70 Nick Smith: It is from between 2010 and 2015, so it does include the £6 billion.

Amyas Morse: Since you set the target, which one did you mean?

Stephen Kelly: We always meant that the target for the next fiscal year is that we will achieve collectively across Government a reduction of fraud, error and debt of £10 billion.

Q71 Nick Smith: So that is for the next financial year?

Stephen Kelly: Yes. Where we are, though, is that the Department is going through a process of audit that is in-flight as we speak. In the summer we will be announcing the achievement for the last fiscal year relative to the fraud, error and debt task.

Q72 Nick Smith: This all feels a bit ambiguous, so let us be clear. You hope to save £10 billion across those three areas, split as £1.3 billion, £8 billion and £700 million, for this financial year?

Stephen Kelly: It was originally outlined as—to be very specific, Nick—

Nick Smith: For 2014-15?

Stephen Kelly: I will do a write-round for all the four years to date. Obviously the number will be cumulatively much greater than £10 billion, because next year we will achieve £10 billion. We are in the process of this for the last fiscal year, and if you look at the trajectory—I'm not helping, am I?

Nick Smith: No. And it is not just me, I don't think.

Stephen Kelly: Can I ask my colleagues? Did you mean "by" as accumulative, or did you mean it as in-year for the next fiscal year of 2014-15?

Keith Davis: It is back to Amyas's point on that: it is the Government's target, so it is for the Government to define what it means and we will audit against that.

Stephen Kelly: So you might want to change the wording—for the fiscal year 2014-15, the target was £10 billion.

Q73 Stephen Barclay: Why have they set a target that no one seems to understand?

Stephen Kelly: We are pretty clear about our targets, and if you want to come in and see the objectives on the wall, they are outside my office.

Q74 Stephen Barclay: If you are clear, one would hope that you could explain. Is it against the baseline or is it in-year?

Stephen Kelly: No—sorry, it is against the original baseline of 2010.

Q75 Stephen Barclay: 2010?

Stephen Kelly: Yes.

Q76 Stephen Barclay: In other words, for fraud, you are going to recover £1.3 billion against the 2010 baseline.

Stephen Kelly: Correct.

Q77 Stephen Barclay: So you are not going to stop £1.3 billion of fraud.

Stephen Kelly: No.

Q78 Stephen Barclay: You are just going to stop against the 2010 benchmark.

Stephen Kelly: It is benchmarked against the 2010 baseline, but obviously you can correlate that between fiscal years as well to get the analysis for that.

Q79 Stephen Barclay: Sorry—which one is it?

Stephen Kelly: The target—as it is written here—should be written as a £10 billion target for the next fiscal year against a baseline of 2010.

Keith Davis: So is a way to describe it to say that in 2014-15 we will get an additional £10 billion of revenue compared with what we would have got in 2009-10 were it not for the initiatives around fraud error and debt?

Stephen Kelly: Correct.

Q80 Nick Smith: And are you going to do that?

Stephen Kelly: We would be extremely disappointed if we did not. My colleague on my left in particular has done a lot of good work.

Lin Homer: Bearing in mind the improvement in the compliance revenues, we are confident that we will get it—we have had another record year.

Q81 Nick Smith: You talked about £700 million being saved on debt—we are here to discuss debt today—how much of that will you get in? What is the target?

Lin Homer: That is between us two—me and Mr Driver. I am not going to kid you, I think that that is quite a tough target—probably tougher than the combined—but we are currently quietly confident. My tax credit annual report—my June figure—will probably be the time when I will be able to be more up-to-date with you on that. Next time I see you, I will have our tax credit figure, and a large proportion of that will come out of it.

Q82 Chris Heaton-Harris: I want to ask about point made quite a long time ago by Mr Driver. We were discussing how quickly you need to get to people and talk to them, and the fact that the quicker you get to them, the more chance you have of getting the money back. You also talked about a cohort of 9,000 that you have been monitoring for a period of time. What have you learned are the best time periods? You are just about to scale that up and then, I assume, send what remains of that 9,000 out to various collection agencies. How long had you been working with that 9,000 before you reached that point?

Mike Driver: No, that is not quite what I meant, so perhaps I could explain. We found that, as an organisation, we were very effective at collecting debt that was on benefits—where the recipient was still in receipt of benefits and we could attach a deduction from their benefit. We were not as good at collecting off-benefit debt, so we sought some new powers through the Welfare Reform Bill so that we could use different mechanisms, such as direct earnings attachments. We have run a pilot that now has 9,000 people on direct earnings attachments, and we are comparing that with a group using our old system without those attachments. The pilot has shown very significant improvements in the recoveries. Having proven that the pilot works for direct earnings attachments, we will be ramping up the volumes of off-benefit debtors through that system.

If we cannot get money from either a direct earnings attachment or a direct debit plan from the individual, we will pass those cases to debt collection organisations. But the point is that the process allows us to move much faster through that system so that if we cannot recover the debt, it will be much newer so that the debt collection organisation—

Q83 Chris Heaton-Harris: So it is probably a cohort for which you do not need to go to an agency.

Mike Driver: For those 9,000 people, we do not need to go to an agency because we are collecting through direct earnings attachments from employers.

Q84 Stephen Barclay: Have you committed to report debt specifically in Department accounts, as the NAO recommended?

Sharon White: One of the points we made earlier is that, although we are not specifically picking up the idea of a new strategy, we are going to be issuing guidance to Departments. One of the things we are keen to see is a bit more transparency. At the moment, the guidelines on the accounts say "If there is going to be a material issue on fraud, error or debt".

Q85 Stephen Barclay: To be clear, is that a no? You have had the taskforce since 2011.

Sharon White: It will be strongly encouraged.

Q86 Stephen Barclay: Indeed, you have had the taskforce since 2011 and you have been encouraging it. There has been resistance from the Departments, which is clear from the Report. Are you saying that you will not mandate that?

Sharon White: I guess what I am saying is that we are certainly stepping up our breadth of reporting.

Q87 Stephen Barclay: The Report does say "some Departments." What I am saying is that it is not all Departments, so I would have thought it will be for managing public money, or it will be for the relevant Government document to say that debt needs to be specifically itemised both in quantum and in terms of age. That is really simple, and the NAO have recommended it in their Report. The taskforce has been working on this since 2011 and you are not going to mandate that.

Sharon White: Two things. We are not saying that it will be mandatory. What we are saying in the guidance is that we want every Department to have systematic information on debt, precisely as the NAO sets out, including on stock flows and the age of debt.

Q88 Stephen Barclay: Okay. How much debt is owed to non-governmental Departments and quangos?

Sharon White: I do not have the data. As you know, we report only on central Government debt. We can certainly provide a note setting out the degree to which it breaks down. As you will know, the principal part of central Government in which debt is an issue are the two Departments represented here and the MOJ.

Q89 Stephen Barclay: Sure, but do you accept that debts will be owed to quangos, too?

Sharon White: Yes. If you look at MOJ, for example, Her Majesty's Courts and Tribunals Service is an arm's length body of the Department, so arguably it is part of this.

Amyas Morse: I was just going to say that you asked me for something by note that I don't have.

Q90 Stephen Barclay: So the centre gets those data at the moment, and they are data that you collate at the centre in terms of debt carried by quangos?

Sharon White: I am saying something different, which is that, at the moment, we have not had a systematic measure of debt at the centre, which is one of the useful recommendations that came out of the Report. In future we are planning to make sure that we keep those data more systematically across central Government. Interestingly, we have not had a conversation about breaking this down between quangos and the headquarters, although we will certainly pick that up as the guidance is still in draft.

Q91 Stephen Barclay: What I have no visibility on is how much debt was written off last year by quangos.

Sharon White: I do not know the answer to that question, and I am not sure whether we know the answer in Government, but we will certainly look into it and provide you with a note.

Q92 Stephen Barclay: Will there be any mandating for quangos, which tend to have less scrutiny, including from Parliament? Will anyone mandate for them to put in a standardised format the debts that they have and how old those debts are?

Sharon White: As I said, as we conceived the guidance we conceived of Departments in their entirety providing the data on a more systematic basis. If there is parliamentary interest in having the data broken down between quangos and the rest of the Department, we will certainly look at that.

Q93 Stephen Barclay: To what extent do you feel that the criticisms in the Report apply equally to fraud as they do to debt?

Sharon White: The main message I take from the Report is that the centre has been insufficiently systematic and consistent in its treatment of fraud, error and debt. I take that as a fair criticism, but I do not think it is the same as there having not been action on those three fronts. As we have heard in some of the previous discussion, legislatively we have sometimes had more power and more leverage on fraud than we have had on error, particularly where an error has arisen from official mistakes. For example, the DWP decided before the legislation in 2012 that it was very difficult, indeed impossible, for us to collect debt that had arisen from official error. We have now fixed that, and it is certainly something that we will be doing more of in the future.

Q94 Stephen Barclay: Many of the findings on the lack of transparency on fraud, how it is broken down and the central oversight are also highlighted in this Report and the Committee has raised them in the past.

Sharon White: Yes. We certainly recognise that. We have come here today to say that we will want to have more than a bilateral conversation with the key Departments of Justice, Work and Pensions and HMRC. We want to signal through the guidance and the fact that this will be part of our consolidated budget guidance. It will be part of our regular conversation between the Treasury and Departments, which involves the Cabinet Office. We are not taking that as lip service, but as part of our spending control and scrutiny.

Q95 Stephen Barclay: May I pick up on Nick Smith's question, because I did not follow from Mr Kelly what the precise figures were? If I understand it correctly, Mr Kelly was saying that we will recover £700 million more in debt than we would have done in 2010. How much is that? How much did we recover in 2010?

Stephen Kelly: I do not have that data on debt collections in 2010. It is probably in the Report.

Q96 Stephen Barclay: How do you know you are going to recover £700 million more than a figure you do not know?

Stephen Kelly: If we step back, the Minister for the Cabinet Office, having discussed it with the coalition Government, put an aspiration out for savings overall from the efficiency programme, which included digitisation, commercial reform, the work of the Major Projects Authority and the fraud, error and debt taskforce and transformation—moving to different business models, joint ventures and those things. He set out an aspiration for this Government that by 2014-15 the positive impact, either through reduction of fraud, error and debt or through efficiency savings, would be a total of £20 billion of savings, against the baseline of 2010. At that point, there was £700 billion of public spending, of which £140 billion was from central Government, when you take out debt interest, devolved matters, local government, education and the health service.

Q97 Stephen Barclay: So in 2010, it was an aspiration. Given that the Minister made it to Parliament, I am sure you have been tracking it closely. We are now in 2014, and we are getting close to delivery, but you cannot recall what the actual starting point was.

Stephen Kelly: I know the starting point at a gross level. It was not broken down to individual levels.

Q98 Stephen Barclay: Yes, but that is lumped in with fraud. What is the total loss to central Government from fraud? What is the Government's own figure for losses to fraud?

Stephen Kelly: On your question to Sharon on fraud, Stephen, a lot of work is done.

Q99 Stephen Barclay: It moves on a regular basis, but the last figure, if I recall correctly, is something like £26 billion.

Stephen Kelly: I have heard estimates between £20 billion and £35 billion.

Q100 Stephen Barclay: Yes. It is kind of finger in the air stuff. We are saying that there is £700 million of additional debt. I am trying to get a sense of how close you are to delivering the target. At the moment, I do not get a sense of how much debt you expect to recover for 2014-15.

Stephen Kelly: On the top line, I am very confident, as I sit here today, that the programme initiated by the Government will deliver the £20 billion of savings and reductions in fraud, error and debt by next fiscal year. If you want me to do a write-around specifically by fiscal year and the categories of how we measure it, which is typically through the programmes of digitisation, I will. We published a digital strategy with savings of £1.2 billion for the next fiscal year[8]. Commercial reform last year effectively delivered £3.8 billion. I can break it down at that level, and I can break it down at Department level.

Q101 Stephen Barclay: First, I would hope that you would not need to do a write-around, because I hope you are tracking it. Secondly, what you are saying in your evidence, if I understand you correctly, is that you are confident that you will hit the £20 billion aspiration set in 2010, but that is because 80% of the £10 billion extra is coming from tax compliance. That does not exactly suggest that you are doing a huge amount on the debt, which is today's subject matter, or on the fraud, which, as you have just said, is a £26 billion to £35 billion bill to central Government. The Committee have made a number of previous recommendations on fraud. In essence, what you are saying is that you will deliver the £10 billion, but not through debt and fraud.

Stephen Kelly: What I am saying is that there is some good work done, but effectively, in the Cabinet Office, we are talking about 18 people working with Treasury and departmental colleagues to drive this within a lot of departmental priorities. Yes, it is important, and yes, it is now at the top table.

Q102 Stephen Barclay: In a way, you have just answered my question. You said "alongside a lot of other Government departmental priorities". What I find staggering is the sums of money at

[8] Note from witness: The witness would like to make the following amendment: "By going digital by default, the government could save between £1.7 billion and £1.8 billion each year, as set out in the Digital Strategy in December 2013."

issue, particularly through fraud but also through debt. We as Members of Parliament get inundated with letters and e-mails if the Government propose cutting something costing £1 million or £2 million. You have got massive leakage through fraud and significant leakage through debt, yet Ms White is not in a position to know what the situation is with non-departmental bodies; it is totally in the ether. There is no mandating to Departments, because we are more concerned with their priorities. You have had a taskforce since 2011 making the right soundings but not, it seems, being taken as seriously as it should. It is very difficult for the Committee to know.

Let us take another one. The report talks about your October 2014 deadline in terms of the market integrator, and then says that "the time frame for procuring its services remains optimistic". We are only talking about a small number of months away, and it looks like we are going to miss that. The suggestion one takes from the report is that your taskforce does not have sufficient clout with the Departments, and the Treasury are not mandating as much as they should.

Lin Homer: I do not think that is right, actually. A large chunk of it is with us, and I am not going to sit here and accept that we would have done sweet FA if we had been left to our own devices—

Q103 Stephen Barclay: No one is saying you've done sweet FA.

Lin Homer: But we have upped our performance as part of this more collaborative work. Although it is, again, unaudited, on 16 July I will be back—

Q104 Stephen Barclay: But again, no one has said you haven't.

Lin Homer: Last year, we believe we reported and audited a debt recovery of £780 million, which is—

Q105 Stephen Barclay: But that is not my charge. I think the taskforce is identifying the right issues; I think the taskforce is doing very good work. My concern is whether we are going to hit that October deadline.

Lin Homer: Yes. I think we have hit this year's deadline. I think we have exceeded it by £32 million.

Sharon White: You mean on the debt market integrator.

Q106 Stephen Barclay: The market integrator, in the report. Are we definitely going to hit that?

Stephen Kelly: We are going through a full business case with our colleagues in the Treasury. That is scheduled for July. We are down to a shortlist of three credible suppliers in the marketplace, and we are on track to hit the October deadline[9]. There are three risks. One is that suppliers drop

[9] Note by witness: The witness would like to add the following clarification: "Subject to successful negotiations and internal Government approvals, the contract for the debt market integrator is expected to be signed in

out, two is that we don’t get Treasury approval and the third is that something else happens to militate against it, but I think we are absolutely on track.

Q107 Stephen Barclay: I appreciate that in the real world, these things are difficult, but again, the taskforce was saying this publicly in February 2012, so it will not have been the first time it was raised internally. The NAO is highlighting the concern and saying that the time frames are optimistic, and I think that plays into a wider narrative, which is that the taskforce is doing very good work on the debt side and on fraud in identifying that there needs to be a cross-Government view. This Committee has repeatedly raised that issue, and we want to support the Treasury and the Cabinet Office in what you are trying to do, but there does seem to be a concern—which is illustrated by the risk you are highlighting, even at this late stage, to the October 2014 deadline—as to whether the taskforce has sufficient clout.

Lin Homer: But again, on the performance, we talked earlier—I am sorry; I cannot remember if it was before you joined us, Mr Barclay—about the fact that we already have in place a debt collection arrangement that will be picked up by the DMI, but the targets for next year are already set. The DMI would help us, but without that, we anticipate an uplift in performance from last year into this year. It will be easier with the DMI, but we are confident we will hit that target through the current arrangements in any event.

Amyas Morse: You make a good point, Lin, and if I may, it is similar to the point that Sharon has been making about a lot of action. I do not disagree with those points about lots of action—I am not trying to take that away from you—but that is not the same as securing something so that when the attention of the crowd moves somewhere else, it does not slide back. At the moment, we are in uniquely hard times, and there is a lot of pressure on cash, which is traditionally of great interest to the Treasury, so it comes fairly naturally to be pushing to get cash flow in or to save money. You are never going to have a time more suitable than now to push such issues.

All I am saying is that if you do not get to a point at which this is locked in and becomes the normal way of operating—and is not sliding back when we move off and get excited about something else—we will have missed a big opportunity. That is what we are trying to point out. We are not trying to have a go at anybody for their actions; we are simply saying that if, for dint of modesty about committing to something, we do not push it over the point of no return, we will have missed an opportunity to embed what is after all just basic management practice. It needs clear central guidance—I was pleased to hear that word—to provide the topping that says, “I don’t mind if, in future, there are other things that you didn’t do, but why didn’t they do this before?” We have heard why not, which is because there were other important things and they were not being tapped on the shoulder and told that this is important, too, and that time must be made for it. That is what needs to be built in, supported by increasing information systems that will make it easier and more expert to do in future. That is really all that we are trying to get. We are just trying to drive that home in this Report. Please do not miss the chance to get this locked in.

Mike Driver: I do not think that we are missing the chance, because we have made fraud, error and debt important aspects of our core business as an organisation. Taking something Sharon said earlier about incentives, in the last spending review we made an agreement with the Treasury that our debt collection function would effectively come out of our departmental expenditure limit, so it would become a continuous spend-to-save mechanism and we would fund debt collection from

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October 2014, with live services from February or March 2015.

the collections that we make. As part of that deal, we agreed that we would raise our debt collection targets by £100 million in a year[10]. We therefore have absolute focus on doing this and doing it as effectively as possible.

Q108 Stephen Barclay: I have just one very quick point. There is clear progress, which we are pleased to see, but there are two issues. First, DWP still does not share data with bodies such as CIFAS, unlike the Home Office and the Student Loans Company, so there is clear potential for doing things and you have not acted there. Secondly, the incentives are still often not aligned, so if you look at housing benefit fraud, it is paid by you and administered by local authorities, but the recovery assumes that the fraudster has kept the money in the bank, so when you take your top-slice off, there are still funds there for the local authority to go after. In practice, there is not. Local authorities have raised that and I have raised it privately and have got nowhere with it. The incentives often do not align with tackling fraud.

Mike Driver: One of the things that we are working on with our Treasury spending team in particular is how to tackle housing benefit fraud much more effectively.

Stephen Barclay: It has been going on for so long.

Q109 Chair: I think that draws us into the centre. What the Committee wants is a more coherent and strategic approach, delivered locally. I would like to you take away Steve's point about making it mandatory for Departments to publish data and forecasts on debt, which would help. That is really important.

Sharon White: I agree on forecasts.

Q110 Chair: I want you to take away this final point about financial incentives, because you may have a little bit, but do they exist across all Departments? Can you look at that? With a yes or no answer, do you agree with the NAO's definition of debt in this Report?

Sharon White: What the NAO has asked us to do is to have a more consistent measure of debt, because, as we have heard, we are not talking about the same thing across Departments, so we certainly take that principle.

Q111 Chair: And have a consistent definition. The NAO has put in some suggested minimum performance measures. Do you agree with those?

Sharon White: We agree.

Q112 Chair: So you will have those across the board?

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[10] Note by witness: Mr Driver would like to rephrase this sentence to say: "As part of that deal, we have agreed a gain share arrangement with Treasury which will enable DWP to retain up to a further £100 million to invest across DWP from 20015/16".

Sharon White: Yes. We agree with the KPIs in figure 9.

Chair: That seems like progress.

There are two other little things that hit me, one of which is health. On page 20, this is where you need financial incentives. It looks like a little sum, but it really bugs my constituents. If we are paying £780 million for the medical treatment of UK citizens in other EU countries but recovering only £50 million from other EU states for their citizens' treatment in the UK, that is so bugging to my constituents. I cannot understand why on earth we cannot perform better on that.

Sharon White: We should talk to the development of that. I would be interested to know the situation of UK citizens receiving medical treatment in the EU as to whether there is reciprocity in an unintended way. We will certainly take that away.

Q113 Chair: It also bugs my constituents when employers are fined for employing people who have not got the right to work here—

Sharon White: Illegal immigrants, yes.

Q114 Chair: And, again, our ability to collect those fines. I know that these are small amounts in the whole, but those issues have a disproportionate political impact. It is one of these simple things: when you provide a financial incentive or penalty to the Department, they ought to get on and do it.

Sharon White: I would not put all the eggs in the debt market integrator basket, but one of its advantages is that, for the Departments who have been giving this less priority than before, it provides an avenue for the Home Office and the Department of Health to make faster progress than they would do simply by going into the market bilaterally.

Stephen Kelly: And potentially wider public sector bodies as well.

Q115 Chair: Those are two small issues. The final one is that this Committee looked at student loan debt. Again, this is not from the two big Departments, but when we examined the measurement that the Department for Business, Innovation and Skills has for assessing whether students are paying back—students have to be in a repayment channel—we saw that it was absurd. If you pay once, you are classified as being in the repayment channel. You may never pay again, but nobody will ever chase you.

Sharon White: I know that you have had a discussion. Certainly the question about the forecasting abilities is big. With student loans, the earnings threshold that triggers the payment of student debt has not been adjusted for the fact that wages more generally and the economy have not picked up quite as quickly as one might have otherwise liked. The nature of forecasting for student loan repayments is—

Q116 Chair: Poor.

Sharon White: It is poor, but it is also very challenging.

Q117 Chair: Poor. And there is a huge debt there that someone has got to pick up over time.

Q118 Mrs McGuire: The only question left to be asked is: when will we see this strategic cross-Government approach? We have heard lots of nice words and I think we have got some commitment on the integrator which will consolidate. There are a series of new words flying around here this afternoon, but I want to pin you down.

Sharon White: We drafted the guidance in good time. We were hoping that we could have published it before today's hearing, but it is with our Ministers for ministerial sign off. In a way, there is an advantage in us having had this discussion. Certainly, I hope that Mr Barclay's really helpful suggestion that we should pick up arm's length bodies can be reflected before we circulate to the Committee.

Mike Driver: There is also something to pick up on what Mr Barclay said about transparency in the accounts. We show our debt within our accounts—it is on page 125, under trade receivables, financial and other assets—but you have got to look quite hard to find it. That is something that we might take away from today: to look at our accounts for this year and see if we can have a more transparent view of debt within them, so that the average reader of a set of accounts—if there is one—can find this slightly easier.

Sharon White: We will give some examples of best practice so that there is a bit of guidance for Departments about how best to set this out in a way so that the numbers can be understood.

Q119 Mrs McGuire: We just need to hope that your Ministers look in their red boxes tonight and sign it off. Then it could be with us—

Sharon White: We hope soon. I have a long career in which I have ensured that I never commit to a particular date when it is in a process.

Mrs McGuire: That is probably what makes you a good civil servant.

Chair: Thank you very much indeed.