

Public Accounts Committee

Oral evidence: Managing Delivery of the Work Programme, HC 457-i

Monday 14 July 2014

Ordered by the House of Commons to be published on 14 July 2014

Watch the meeting: <http://www.parliamentlive.tv/Main/Player.aspx?meetingId=15802>

Members present: Margaret Hodge (Chair); Mr Richard Bacon; Guto Bebb; Mr David Burrowes; Jackie Doyle-Price; Chris Heaton-Harris; Mrs Anne McGuire; Austin Mitchell; Justin Tomlinson

Sir Amyas Morse, Comptroller and Auditor General; Gabrielle Cohen, Assistant Auditor General, National Audit Office; Max Tse, Director, NAO; and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: Robert Devereux, Permanent Secretary, Department for Work and Pensions; Matt Thurstan, Senior Responsible Officer for the Work Programme, DWP; and Mike Driver, Finance Director General, DWP, gave evidence.

Q1 Chair: Welcome. We are starting on time, and you are on time.

You will probably find, unsurprisingly, that there are different views around the table, which may in a way reflect the different situations we face in our constituencies, but let us see how we go—this is quite an interesting issue. I am going to start by asking you, Mr Devereux, whether you stand by the aims and objectives of the Work programme, as set out in figure 1 on page 12.

Robert Devereux: Yes.

Q2 Chair: So when you see that the thrust of the Report—I do understand that it is not an agreed report, and we might come to that later—is that the programme is not working in any way better than previous programmes, are you disappointed?

Robert Devereux: That is precisely the thing which I have chosen to disagree the Report on, so if I may just explain briefly—I have only got six or seven sentences to run

through. The Report deals with both what the NAO calls easier to help, and then harder to help, and then contractual. I am just going to deal with the bit to do with the JSA claimants, as the first piece that I want to dispute.

When I was here in 2012 the NAO had published a Report that basically doubted the Government's expectations for this programme, principally because, perfectly correctly, they observed that we had based it on the experience of the previous decade's economy and we were now in the teeth of a recession. They characterised those doubts by estimating that 26% of older jobseekers would get a job outcome over the course of a two-year programme. The Report in front of you today says that for the last cohort that actually completed two years, which is right back, now, in March 2012, the percentage of job outcomes achieved is 32%, not the 26% which they were quoting.

Q3 Chair: Sorry, say that again—are you disputing the figures for those completed?

Robert Devereux: No, those numbers are accurate and in the Report.

Chair: Just explain to me, Max.

Max Tse: The difference, I think, is between the average performance of completed cohorts being around 26%, and the last completed cohort within that average being around 32%.

Robert Devereux: I am sorry, that is not the point I am making. In the 2012 National Audit Office Report, the best estimate that the independent audit could produce of what performance older jobseekers would see in this programme, in this economy, was 26%. What I was going on to say is that the most recent completed cohort—that is the March 2012 cohort, as per the figure in this table—shows a 32% figure. It goes on to say—

Q4 Chair: Again, I think Max has explained that. So, Max, for the record, explain it again. The 32% is based on what?

Max Tse: The 32% is the monthly cohort starting in March 2012 and finishing in March 2014.

Q5 Chair: Quite. You agree with that, don't you?

Robert Devereux: I do.

Chair: Can I just tell you why I am—

Robert Devereux: May I finish the story, because otherwise you are going to interrupt me part way through. If you ask me what the difference is, let me explain. They estimated 26%. The most recent one that is completed—and that is only one of 10—

Chair: It is on one month.

Robert Devereux: I have not finished my story yet. The NAO goes on to say the performance is improving. Now, actually they have not done a lot of work on what the consequence of that is, but it has two effects, really. First of all, because of the performance we are already seeing, the Department is now projecting 38% for the cohorts that have not yet completed.

Q6 Chair: But we don't know. You are projecting.

Robert Devereux: I am sorry—throughout the Report the NAO makes the projections by the Department sound as if they are crystal ball-gazing, and they have not taken any account of the fact that actually, I have got 23 months of information for the cohort immediately after March '12; 22 months for the one two months after. If you use that information, then the central estimate we have got is 38% for the rest of the programme; and, what is more, every time we do this estimate, because we are basing it on a conservative methodology, our estimate increases.

Q7 Chair: Mr Devereux, can I just draw your attention to something, which is why we all too often end up with an argument over figures here. Since the general election the UK Statistics Authority has sent 47 letters criticising and recommending changes to the use of statistics by Government Departments or agencies. Sixteen of those letters have come to the DWP; so you are not using them properly. If you look, the next Department who upset the UKSA was Health, with five—

Robert Devereux: The last—

Chair: Let me go on; I let you finish your point. In February Sir Andrew Dilnot wrote to the Work and Pensions Committee saying specifically that officials should not quote unpublished data in public statements as this breached the guidelines set down by the national statistician.

Robert Devereux: Correct.

Chair: If you are right, we will welcome it, but what is so frustrating is to come to this Committee and see, I think, your using statistics in a way—

Robert Devereux: Nothing I have said, Chair, is not already published in the document which the National Audit Office produced. I have not invented any number this afternoon which the National Audit office has not reproduced themselves.

Q8 Chair: The National Audit Office concludes—Max, come back to us to just get this all absolutely clear—that the performance on this programme is no better, no worse, than the performance of previous programmes. We started this conversation by saying you

disagree with that, and you quoted another set of statistics at me. That is why I will not have you quoting statistics by, whatever he called himself—

Robert Devereux: The last time the chair of the UK Statistics Authority criticised the Work programme statistics, they were the ones used by the Committee. When we—

Q9 Chair: I repeat to you that of 47 letters he has sent to Government Departments, 16 have gone to you—far more than to anybody else. His latest thing was a February letter to the Work and Pensions Committee, where it says you should not quote—

Robert Devereux: If you are interested in the Work programme, then we must stick to the numbers in front of us. I am not yet departing from any of those numbers.

Max Tse: Can I clarify our view of the 26 and 32 in this Report, not the 26 from previous Reports? The 32 is the latest in that average. The 26 is an average of a few numbers ranging from some numbers up to 32.

Robert Devereux: From 25.

Max Tse: From 25 up to 32. The 26 on the flexible new deal is also an average of a trajectory, so we think the 26 and 27 in figure 8 are comparable. The 32 would be comparable to something else within the flexible new deal trajectory, and we haven't got that in the Report.

Q10 Chris Heaton-Harris: Were you able to dive into the figures? These are people who finished two years ago, so you would have been able to look at the figures for 23 months, 22 months and 21 months, going backwards.

Max Tse: Yes.

Q11 Chris Heaton-Harris: So in what direction is that heading?

Max Tse: That is encouraging, in the sense that that is the basis for the 38% that Matt and the team have estimated for the future cohort as they come through.

Matt Thurstan: I think it is worth looking at figure 9 in the Report.

Max Tse: Yes.

Q12 Chair: But figure 13 was the one you took us to. You were showing it to me across the room. Figure 13 talks about early performance: 11%, the orange thing there—

Robert Devereux: No, I'm sorry. I was talking about the JSA cohorts. I made that clear at the start. You're on the ESA cohorts. You want to be on page 23.

Q13 Chair: Okay. Well, let's look at that. Early Work programme: 27%. Early flexible new deal: 26%. Even on the statistics within this Report, it shows no massive improvement, which was an objective of this Report.

Robert Devereux: You must be really careful with the tense here. I am sorry to be a bit pedantic about this, but what it actually says is cohorts which have completed the Work programme. Those are 10 cohorts. This programme has now been running for over three years; that is 36 cohorts. The performance that I am reporting is already in the system. When they were asked by the National Audit Office—

Q14 Chair: They haven't completed. Let's be clear: they are not people who have completed the Work programme.

Robert Devereux: No, but you can see in the published official statistics that month after month after month, the same cohort—the June 2012 cohort—is tracking ahead of the June 2011 cohort, and getting further ahead every single month. That fact—

Q15 Chair: That is your assertion, Mr Devereux.

Robert Devereux: I'm sorry, it's a fact. It's in published data.

Chair: No, it's not. I'm not having this.

Robert Devereux: Shall I read them out from the published data?

Chair: No.

Max Tse: If you turn to figure 9, which is on page 25, the 32, which is the percentage just mentioned as the last cohort, is the one in March 2012. There will be 23-month and 22-month as we step down towards the end. Our question about the future is around the 2013 cohorts of January, February and March. There is a little bit of an up-tick on the 12-month performance, which is a positive sign, but that is also the one with the least amount of data to help us understand what might happen.

Robert Devereux: It seems to me that the National Audit Office have indeed looked at those last three cohorts, with a little up-tick, and concluded from them that that is what—

Q16 Chair: Which last three cohorts? April, May and June 2012?

Max Tse: Page 25, figure 9.

Chair: April, May and June 2012?

Robert Devereux: No, January, February and March.

Q17 Chair: I'm sorry about this. There may be a real disagreement about this. You may be right. On the other hand, when we come to look at this over time and judge whether or not the Work programme has improved in performance, there are all sorts of factors, not least of which is a stronger labour market, which may be the impact. What we have to judge now—and the whole purpose of this Committee—is previous performances. With the greatest respect, Mr Devereux, just because you have another set of statistics that suit you better, that is not the way in which we are going to do business here in this Committee.

Robert Devereux: You introduced the stronger labour market. In all the decade for which we were preparing this paper, the unemployment rate was under 6%. In every year in which this programme has been running, it has been over 7.5%. The labour market is more difficult; that is the point the National Audit Office made back in 2012. It thought 26% would be a good score in those circumstances. I am telling you that we have already got 32%, and we are projecting 38%.

Chair: I am not prepared to look at incomplete data—others in the room may be for other reasons. I will look at it as and when we get the complete data.

Chris Heaton-Harris: Clerk, I beg to move that we meet in private. *[Interruption.]*

Chair: Okay. We are clearing the room and meeting in private.

Robert Devereux: Us as well?

Chair: Yes.

The Committee sat in private.

The public sitting resumed.

Chair: Okay. Chris is going to have a go this time.

Q18 Chris Heaton-Harris: We as a Committee understand completely: you looked at a previous NAO Report and saw the figure 26; and we can see in figure 9 the 32%. I guess the question we would like answered is: how can you give us confidence that that figure will stretch up to the 38% that you have predicted? Obviously you have less and less information about the cohorts that are working through the system.

Robert Devereux: Probably the easiest way to try to explain this is to imagine that you have the June 2011 cohort—the one that we started with. Month after month, a certain

proportion of those get a job outcome, and we publish that in the statistics, which I have brought with me. If you write down after each month exactly the same curve for the June 2012 participants—in other words, one year later, so we have taken all the seasonality out and are just comparing it like for like—at every single point on that curve, the 2012 curve is better than the 2011 one for all the points I've got.

More importantly—and absent from this Report—the gap between the 2012 curve and the 2011 curve is growing, so month after month, for each successive cohort, paired absolutely identically to leave out seasonality, the underlying performance is getting larger. All that my statistical colleagues have done is to take that snapshot of evidence and roll it forward across the rest of the programme as best they can. Every time they have done that—they have done it very cautiously—and every time a new statistical release comes out, which is every six months or so, in practice, their estimate rises, because they are then able to capture that extra divergence in the performance between later cohorts and earlier ones. It is not guaranteed, but it is by some way a robust estimate of the future.

Q19 Chair: By when—the 38%?

Robert Devereux: The 38% is the estimate of the performance for all the cohorts that have not yet completed, so you have—

Q20 Chair: By when?

Robert Devereux: Right up to the end of the programme.

Q21 Chris Heaton-Harris: Does that mean that some of the cohorts' percentages will be in the 40s? The March 2013 cohort, for example, should be in the 40s if you are going to average out at 38%.

Robert Devereux: It does indeed.

Q22 Chris Heaton-Harris: So you are amazingly confident about that, even though you have very little information about the 2013 cohorts.

Robert Devereux: The information I have for the 2013 cohorts is 12 months. But, as I said, it is not simply a one-point estimate of 12 months to compare against the 12 months earlier. I have 12 individual months that have progressively told this story about month-on-month improvement on a like-for-like basis. All I am asking the Committee to say is that that information content is itself valuable. I am trying to distinguish between information that I already have and have already published and, literally, projections of what then happens. At the moment in this Report, both of those two factors are elided together under the heading of "the Department projects".

Q23 Chair: Okay, we will come back to this before the election, Mr Devereux, on the basis of your projections.

Robert Devereux: I would be very happy to come back, perhaps in September.

Q24 Chair: We will have a very short note from the NAO to demonstrate whether what you are asserting today happens in reality.

Robert Devereux: I am happy to do that, and that pretty much replaces what we did in 2012, when I had the same conversation at that point with—

Chair: Okay. Let me talk—

Robert Devereux: May I just add one more thing? I promised I had seven things to say, and you have let me say only six. The seventh is simply this: all the figures we have reported here are before any adjustment for the new information that is available through the real-time information system. That is recorded in the Report as being worth another 10% on performance relative to what providers have already claimed. If I apply those 10% to these figures, my 38% figure for the balance of the cohorts would become 40%.

Q25 Chair: Max, do you want to comment on that assertion?

Max Tse: Paragraph 2.12 onwards, on page 26, covers the under-reporting of outcomes. Correct me if I get this wrong, but there will be people who have achieved job outcomes and the providers will not have had the information, or will not have been able to validate it and therefore submit it as a formal job outcome in the measurement. My understanding is that the Department has used real-time information data that have become recently available to estimate how many of these hidden jobs actually exist, and that estimate is around 26,000 jobs so far, compared with around 290,000—

Q26 Chair: You will be able to trace the ones where there have been no claims. That is really what you are telling us.

Robert Devereux: In effect, yes. To be clear, the National Audit Office estimates of past programmes already assume the full take-up of all possible information like that.

Max Tse: We don't know how much under-reporting there would be in previous programmes, so we don't know how much previous programmes would also need adjusting.

Q27 Chair: But we also know there is 11% over-reporting don't we, Max?

Max Tse: Sorry, the 11 million invalid sustainment payments is a slightly separate issue.

Q28 Chair: There is an over-report of 7%.

Max Tse: But that is on sustainment payments, which are not measured as job outcomes.

Robert Devereux: The reason I raise it is simply because in order to compare previous schemes that are all based on job entries as opposed to job outcomes, the National Audit Office must itself make a calculation of how to turn a job entry into a job outcome. The assumption they have made to make that, which is footnoted in both the figures that you have here, is precisely the same figure that we used to set expectations for the programme. That is 100% of all possible jobs in the economy. It is not what providers may or may not choose to claim, so there is actual bias in favour of the Work programme. But let's come back to it when we have more data; I shall be delighted to come back.

Q29 Chair: Let me move on to the budget. The forecast expenditure to 2020, accepting all the ifs and buts of the expenditure, is £2.8 billion. The saving anticipated now is about 2% of the equivalent similar levels of performance on previous welfare of £41 million. Can we agree on those facts?

Robert Devereux: I'm sorry; which page are you on?

Q30 Chair: I was looking at the key facts, but it comes up in the Report as well. The forecast expenditure is £2.8 billion by 2020 and the saving on the amount the Department will have spent between June 2011 and 2020 for similar levels of performance on previous welfare to work programmes is £41 million—2%.

Robert Devereux: Yes, and that is the number in small print. The number in bigger print further up says £450 million, and that is the actual saving of this programme.

Q31 Chair: No, that's people coming off benefits. We are not looking at that; we are looking at the cost of the programme.

Robert Devereux: But that is quite an important concept, isn't it?

Q32 Chair: But at this point we are looking—I know you like to bring in other extraneous facts—at the cost of the programme, are we not? That is what I want to look at.

Mike Driver: The £41 million is the NAO estimate of the amount the Department would have spent between June 2011 and March 2020 for similar levels of performance. We

have asked the NAO for details of how it calculated that figure, and we haven't received that.

Max Tse: We have replied to that.

Sir Amyas Morse: So you asked and you got it. That's good.

Mike Driver: Well, we hadn't seen it, certainly.

Mr Bacon: It might be like in the Department for Transport where the lawyers were told that what they were about to do was illegal, but they just didn't tell anyone at the top of the Department. If you hunt around among your staff, you may find someone has got the e-mail.

Q33 Chair: When did you give it to the Department?

Max Tse: Why don't we clarify—

Q34 Chair: No. I'd like to know—I am fed up with these little arguments.

Robert Devereux: I specifically asked this question myself of a large number of people, not just the people—

Q35 Chair: I cannot believe the NAO did not give it.

Max Tse: We sent it sent on 16 May.

Matt Thurstan: I think the figure did change quite a lot through the different drafts, so it was quite hard to keep track of how it was calculated.

Q36 Chair: So there was a discussion over the figure.

Robert Devereux: Let's settle that it was £40 million and it's positive. I am happy to move on, if you wish.

Q37 Chair: No, because I was going to ask whether you were surprised that the figure was so low, given your original hopes and aspirations for the programme, as laid out in the aims that I read out.

Robert Devereux: Yes. Figure 1 on page 12—the aims.

Q38 Chair: Does the NAO want to come in?

Max Tse: On the £41 million point, we have a trail of—

Q39 Chair: I'd like to hear it before the end because I don't like having this disputed information at the Committee. It is very irritating.

Are you disappointed that savings on similar programmes over time are as little as this? It is a big forecast; my experience suggests that the £41 million is likely to be less over time than more.

Robert Devereux: You correctly drew attention to the aims we established. They were all about getting more people into work and saving benefits. That is the number that comes with £450 million attached, as approved by the Treasury, on which we are currently claiming extra cash. That is a measure of the programme's success: more people are in work than we had expected consequent upon this programme's design being better than that of previous programmes. If I have saved £40 million and also saved £450 million on the benefits, I would regard that as a good afternoon's work.

Q40 Chair: In your previous evidence to us, Mr Devereux, you have always said this is a better value for money programme—

Robert Devereux: The National Audit Office said as much last time.

Chair: I am just saying that the fact that you have managed to save—because it was based on payment by results—was the key issue: we always said you are not paying out unless you get a result. That is the argument always behind us. All I am asking is whether you are surprised that the figure is so low given those expectations you had for the programme.

Robert Devereux: I appear to be in a programme that is costing me £40 million less than I expected, yet saves £450 million more than all previous programmes. I regard that as value for money on any possible ground.

Q41 Chair: Is it more important to you to get the benefit bill down or to get people into work?

Robert Devereux: The larger number is far more important to the macro economy.

Q42 Chair: The benefit bill is more important to you.

Robert Devereux: Of course it is, and as it happens the £40 million is a saving, not a cost, so it has cost less than previous programmes, and there is £450 million.

Max Tse: There is probably another number that is worth considering. The £40 million is that if everything was exactly the same, the Work programme is slightly cheaper. Then there is the £450 million saved on benefit. Figure 17 on page 38 shows how much was spent compared with expectations, controlling for the fact that volumes were slightly different and performance has been slightly different. There is an additional factor here, which is that the Work programme de-risks some of the expenditure if performance is lower than expected—that is the £1.7 billion and the £1.4-ish billion in bold at the bottom. So from £1.702 billion to £1.375 billion is partly because of volume and partly because of performance.

Robert Devereux: Just in case there is any confusion on the Committee's part, the figure of something close to £400 million in that table has nothing at all to do with the £450 million in the key facts.

Q43 Chair: In what?

Robert Devereux: It has nothing to do with the £450 million I have been quoting. That is a gross reduction in the administrative costs of the programme of the order of, by arithmetic, £325 million or so. The £450 million that I have been quoting is a saving to the benefit bill. For the moment, volumes are down and total costs to the Department are down £325 million. The NAO has said that that is partly volume which, seasonally adjusted, is only a £40 million real reduction. I am very happy with that because, at the same time, I have managed to deliver far more people into work.

Q44 Chair: Far more people into work, or far more people off benefits? There is a difference.

Robert Devereux: Well, it is absolutely correct—

Q45 Chair: I can tell you that, in my constituency, there is a difference.

Robert Devereux: Okay, but I can also tell you, because we have gone through the arithmetic, that I am achieving the levels of expectation that I was being told were impossible last time I came.

Q46 Austin Mitchell: It is surprising that you do not have better results given that the labour market has improved so dramatically. I see in paragraph 2.16 that “the Department estimates the Work Programme will reduce benefit spending by £450 million against the baseline agreed with HM Treasury.” Is that because more people are coming off benefit without work?

Robert Devereux: The preceding paragraph seeks to make that implication, and I would like to try to refute it. The paragraph says that our estimate of job outcomes has been reduced by 25%, yet the estimate of benefit savings has been reduced by only 9%, so the reader is left to understand that, somehow or other, people are leaving benefit without finding work. Of course, benefit data are way more accurate than almost anything else because they are data that I actually have in my own systems.

Q47 Chair: More accurate about what?

Robert Devereux: I can measure it much more straightforwardly—

Q48 Chair: Yes, but you don't know whether it is people into jobs, do you?

Robert Devereux: No, I am talking about the benefit saving number.

Let me make the point I made earlier: because I have access to this very rich data source of real-time information from the Revenue, if they find that a further 10% of job outcomes have not previously been scored, that minus 15% turns back into minus 6%. At that point, I have a bigger reduction in benefit savings than I have in job outcomes. In other words, there is no evidence on that basis that, somehow or other, these people leaving benefit are not going into work at the same rate.

Q49 Austin Mitchell: I am suspicious because there is clearly an increase in the use of sanctions. I get a whole series of complaints in Grimsby that sanctions are being used more. Can we put it this way: what proportion of time off benefit is due to sanctions?

Robert Devereux: On the sanctions, we have enabled Work programme providers, if they believe that something would actually assist somebody's job outcomes, to mandate them to do it. In the event that the participant disagrees or thinks that is inappropriate, they can make a claim against it.

Q50 Justin Tomlinson: Does it make people take the help being offered more seriously—that if they don't take it seriously, there is a threat of sanctions?

Robert Devereux: The penalties in the sanctions regime for the Work programme are not intrinsically different than for jobseekers routinely, so it is the underlying regime. The Government have chosen over the past two years or so to increase the sanctions significantly for persistently not keeping the conditionality. That regime is applying right across the piece, and it is not a Work programme issue. As far as the Work programme is concerned, it is not the case that Work programme providers are doing the sanctioning themselves. They are observing that Mr X didn't do what they asked him to do. It is one of my decision makers who actually looks at the evidence and decides whether that sanction

should be upheld, and they do not uphold all the recommended sanctions, in which case there is no change to the benefit status of the individual.

Q51 Austin Mitchell: Let me put it another way. The complaints I get from people in Grimsby is that sanctions have increased and are increasing, and in my view they ought to be diminished. Now, are you giving out quotas to officers to impose a certain number of sanctions?

Robert Devereux: No.

Q52 Austin Mitchell: Not at all.

Robert Devereux: No.

Q53 Austin Mitchell: Why is that being argued and claimed?

Robert Devereux: I don't know, but it has been repeatedly argued and repeatedly denied.

Q54 Austin Mitchell: In that case, I will put it another way: can you give us an indication of the way in which sanctions are imposed, because it seems to me wrong that we should have so many sanctions in Grimsby, an area where it is difficult to get work, when we seem to have more sanctions than I hear of from southern towns?

Robert Devereux: Let us be very clear: you are not sanctioned for the failure to get work; you are sanctioned for the failure to take action to seek work. So the absence or presence of jobs in Grimsby, or anywhere else, is neither here nor there to the calculation on the part of an official—and it is my officials who do this—about whether the evidence substantiates that the conditions that Parliament has laid down for the safe receipt of this benefit are actually being met.

Q55 Austin Mitchell: But you must have sanctions office by office. Can these be published?

Robert Devereux: I can't remember whether they're published or not. We have had hearings in the Work and Pensions Committee around this; I know that my colleague who runs the jobcentres has given substantial amounts of evidence on it.

Q56 Austin Mitchell: But will you publish?

Robert Devereux: I will happily reproduce what he has given you.

Q57 Austin Mitchell: Will you publish them so that we can see how they relate to the unemployment in the area?

Robert Devereux: I am not aware there is any evidence that they relate to levels of unemployment. As I say, it is simply illegal to sanction somebody because they can't find work—

Q58 Chair: It would be helpful if you published these sanctions. There is a lot of controversy around them—you have to accept that. Is there a reason why you're not publishing sanctions?

Robert Devereux: I'm afraid I simply don't know whether we don't already do it, so—

Q59 Chair: Could you write to me about that?

Robert Devereux: We have given hours of evidence on this, both in this Parliament and in Scotland—

Chair: Can you write to me as to whether or not you publish? This is with a request that you publish on a “whatever makes sense” basis. Obviously, I can understand that doing it jobcentre by jobcentre might be a bit hard.

Q60 Chris Heaton-Harris: My constituency is Daventry. It's in Northamptonshire, so therefore east Midlands, and I have spent quite a bit of time talking to the two providers in my patch—A4e and Ingeus— and going to visit them. I am very interested in the harder-to-help group of people, and both providers have given me examples of where they have helped people back into work. Paragraph 3.8 of the Report says: “The spending prime contractors allocate to harder-to-help payment groups has reduced by on average 54 per cent per person from their original bids.” That is an estimate of 20 contracts. How comfortable are you with that figure, because it is lower than the largest jobseeker's allowance payment group. Are we doing enough to encourage contractors to work with that harder-to-help group?

Robert Devereux: At the risk of getting myself into yet more difficulty, this is a set of facts that, again, when I asked, “Can I see the evidence on which this has been based?”, I didn't see it. As you probably know, the industry strongly disputes that this is correct.

Q61 Chair: I don't believe the industry figures, but go on. I just don't believe them; the industry is bound to put its own view. You can't go on the industry figures—that is the sort of thing that gets the statisticians furious. You really can't do that.

Max Tse: The figures were estimates of spending sent by providers to DWP on what they thought they would spend in these groups.

Robert Devereux: All I can say is that if these are the industry's figures, the industry is then—

Q62 Chair: It is like asking a trade union to give its view. It is the trade union for the providers and to ask us to accept evidence on that basis, other people around the table would be furious—

Robert Devereux: Let me make you an offer: if it is clear that we know how this has been constructed, let me go away, find it and bring it back to you—

Q63 Chair: Can you just repeat, Max, the basis on which you put your stuff?

Max Tse: Providers are asked to submit what they expect to spend over the future periods. That data is collected by DWP and we have just averaged what they expect to spend for these groups.

Q64 Chris Heaton-Harris: If there is a question over the figures, maybe at some point you could help us out by sending us a note.

Robert Devereux: Let me write to you on those two—the £41 million and this number. Those were the two on which, despite my best endeavours in preparing for this—and I do a lot of preparation, as you know—I could not find the evidence. If this has been lost in the system somewhere, let me go away and look at it, and I will write to you—I am happy to do that.

Q65 Chris Heaton-Harris: But could you just answer the principal question behind it: how are you going to encourage contractors to target these harder-to-help groups?

Robert Devereux: The principal way we have done it, for which the National Audit Office did give us some credit, is that we have differentiated very strongly the payments available for success in this area. As the Report records in a table towards the front—in figure 3—up to £13,000 is the maximum payment for an ex-IB ESA person, which is significantly more than others. So we have made more money available. In terms of this part of the Work programme, like its predecessors, this is a difficult group to work with, and if it turns out that there are things to learn about how best to improve on it, let us go forward and learn them. You will see, again—this is in the Report, so I will be careful—that figure 14 shows very strong improvement most recently, even in this group. Some of that will be the economy but, even so, there is some learning going on.

Q66 Chris Heaton-Harris: You talk about learning about how to help different groups, and I have seen the evidence that has been given in the DWP Select Committee before, but I still have a bit of a concern about how you spread best practice between contractors that are competing. There are obvious examples where one contractor is doing a much better job—or seeming to get much better results; let's put it that way—compared with another contractor in similar areas.

Robert Devereux: Perhaps I can ask Matt to explain this a bit more. I think you are on the cusp of quite a difficult choice there, because on the one hand, you want to run a system that gives people incentives such that if they behave well, they can do well, but a sort of entirely plain vanilla one where everybody shares becomes one in which there is no incentive to do that, but I will let Matt explain what we have done.

Matt Thurstan: In terms of ESA, that is a key strand of our new performance management regime where we are focusing. We have a number of providers that are on an accelerated performance regime. We have asked for specific ESA-tailored plans that are very tangible: how are you going to get your flight paths up to increase your performance and get to where you need to be? Within those plans, the common theme that is coming out of them is ESA-focused teams, ESA specialist advisers and ESA targets with smaller case loads. It is not the case across all providers, but in some providers, the focus previously was that you had a case load mixed between JSA and ESA, with a set number of targets and a set case load size. What we are seeing now is very much a shift focused on what the good providers are doing, which is ESA-specific advisers, expert teams, and lower targets, and they are also looking to address the whole strategy with ESA claimants in terms of being faster—so more pace and more contact. We are seeing that across a lot of our performance review discussions.

In terms of how we get that knowledge and best practice shared, one of the big changes that I have looked to put in place since I started in this post is around the transparency of data. So we have much better, transparent data now rolling out to Work programme providers—

Chair: Not to us.

Matt Thurstan: —so that we can show them how they are performing, compared with others in their CPA or across the national picture. In terms of ESA claimants, you will see in this Report that we have now also started to refer 12-month prognosis claimants. We split those performance data out, so you can see the variance between the two, and that is another bit of good feedback on our performance management—you can speak to other providers to say, “Over here, they are doing these kinds of things. Have you thought about this?”, and so on and so forth.

There are another couple of big areas and ways that we get to share best practice. We have a national provider forum once a quarter and an operations provider forum once a month. That is where we talk about best practice and how we can focus on driving up performance with a particular focus on ESA. We have also commissioned the building best

practice group, and it has reported to the Department very recently on some options and ideas it believes we can have, both in terms of this programme and future programmes to increase that sharing of data and knowledge. We are considering which of those we can bring in for the Work programme and which we need to consider for future provision, but that is around things like transparency of subcontractor data, and the forum and networks across the different providers—to go back to the point about what works well. There is a whole lot going on in ESA. In terms of where my focus is on performance management, I am asking the teams now really to drill into ESA: show me the accelerated performance plans; show me something tangible; let's talk about case loads; and so on and so forth.

Q67 Chair: I want to come back to ESA, but I am going to bring the others in. One thing on the competition that Chris raised, you have the power to take 5% away from one contractor and give it to another. From the stats, I cannot see where you are exercising that. Somebody else may want to raise the one where you are trying to close the contract, but I cannot see in the stats that there is any use of that as a mechanism.

Robert Devereux: In August 2013 we used that to move case loads between providers in the same contract package area.

Q68 Chair: If you look at the actual provider stats, they all get very much the same. I have stats here for one of your published statistics. I don't know which one you want me to take. East of England: 54.51, 52.98, 53.13, 55.14. Those are the four; those are your stats.

Matt Thurstan: Yes, there was no shift in that CPA. In terms of the shift, there were shifts across 10 CPAs.

Chair: Say that again.

Matt Thurstan: Across 10 of the contract package areas there were shifts of market share.

Q69 Chair: Where? Show that to me. Why can't I see that?

Matt Thurstan: CPA 1, 2, 3, 6, 7.

Q70 Chair: I can't do 1, 2, 3, 6. I have got a table here that goes: east of England, west London, east London—

Matt Thurstan: If you take west London, there was a shift.

Robert Devereux: My guess is that if it is such a brief table, it has only cumulative data in. Is that correct?

Q71 Chair: West London, if I take that. You say you shifted it. There are three providers there. One got 31.51—I assume that is thousands, as it says attachments—that was Ingeus. Maximus got 30.91; Reed got 30.54. There is not a shift.

Matt Thurstan: It is only a 5% shift.

Robert Devereux: This looks like one of the published lists. Is that table 2.17 that you are looking at?

Q72 Chair: Supplementary table 2.15: Number of Referrals, Attachments. If you are going to use that competition, which was one of the purposes, you would have seen some movement.

Robert Devereux: I explained that we first did this in August 2013 for future referrals, and you are looking at a table.

Chair: June 2011 to March 2014.

Robert Devereux: Exactly. So the period over which we were making any changes was the best part of six months in a period of three years, so it may not be immediately apparent just by eye.

Chair: You do hide behind statistics. I want you to show me, rather than have me struggle with this. Your statistics should be open, Mr Devereux. I can't get it here. The one table I look at, I can't get it. Show me some stats that show competitions and send them to us. Send us those stats, with a table that demonstrates that.

Q73 Mr Burrowes: Could you follow through what you were referring to in terms of shifts, Mr Thurstan? The west London area is consistent with your CPA: could you just go through what demonstrates a 5% shift?

Matt Thurstan: Yes. The provider receiving the shift in CPA was Ingeus and the provider losing the shift was Reed, and it was on payment groups 1 and 2. As Robert has outlined, that has only played into a certain number of months of this table in the stats, which includes all referrals for the first three years. In that example there, we had three providers in the CPA, where the top provider received an extra 2.5% and the bottom provider lost 2.5%, so in total it was a 5% shift.

Robert Devereux: We can simply send you a table that shows the referrals since August 2013 when it occurred in the individual contract. That will show you, as night follows day, exactly how it is. It is a simple mathematical calculation. It will simply be in the rounding of this at the moment, but I can show you that. It has happened as we said in 10 of the CPA areas; we have moved shares on 17—

Chair: Okay. I am going to Anne first, then Guto.

Q74 Mrs McGuire: May I follow up on Chris's points on the harder-to-help groups? Given, Mr Devereux, that you said that you had not had an opportunity to look at some of the stats identified in the NAO Report, paragraph 3.8, which was about the reduced spending, I wonder whether Mr Thurstan can track that reduced spending. I find it astonishing, frankly, that, given that that section is a significant part of the Work programme's focus, we cannot get any definitive information about whether the actual financial support given to those who are harder to help has or has not been reduced. That is in spite of the fact that I understood from the nods from the NAO colleagues that that information was supplied to you. Did you have the information, Mr Thurstan?

Matt Thurstan: No.

Mrs McGuire: You haven't had it?

Matt Thurstan: In terms of whether I have had a chance to look at the evidence that backs up the figures and the reductions here, I haven't been able to see that. I have seen the trade press release, and I appreciate that that is a trade union release, as you put it.

Q75 Mrs McGuire: I seriously want to get to the bottom of this one—whether that information was actually given—because the focus of the Work programme was to narrow the gap between those who were the easier to help getting into the job market, and those who were the most difficult.

Max Tse: We will try to figure this out. It was sent to Mike Jones, who was looking at the providers, with DWP colleagues copied in.

Q76 Mrs McGuire: Could somebody tell me who Mike Jones is?

Robert Devereux: A member of our staff.

Sir Amyas Morse: We can produce copies of the e-mails and stuff as well, if that is helpful.

Q77 Mrs McGuire: My point is—I appreciate that you said earlier that you prepared thoroughly for this hearing, as you do for all hearings, and as did your predecessors. Having been in the Department, I remember the angst that some of the previous permanent secretaries used to go through before they appeared before the Public Accounts Committee.

Robert Devereux: I enjoy them.

Mrs McGuire: Maybe you do not have that sort of temperament. My point is that I find it astonishing that that information is not before us today, because it is a crucial part of the Work programme focus. If the aim of the Work programme is to reduce that gap, how can we justify the fact that spending on supporting those who are harder to help has been reduced significantly, as identified in the NAO Report? I just find it incredibly frustrating that at this meeting to discuss this Report—some of which is actually quite positive; it says that you are making progress—on this particular group, which has been a real issue for all Governments for about the past 20 years, you cannot provide us with the information on whether or not that spending has been reduced against expectations. Why not?

Robert Devereux: Let us just jog back over this. It is our—

Mrs McGuire: Just indulge me, Mr Devereux, and answer my question.

Robert Devereux: I am going to. The answer to the question is that we do look at what is being spent, and we do ask people. That is what Max has been saying about what comes in. What I am not able to explain to you is how that paragraph was substantiated in this Report. That is not the same as asking whether I have a view on what was being spent.

If I can just loop back again, the point of this contract—it was a very firm design principle—was to set the prices that we thought best reflected the strike price for the taxpayer to make sure that this worked, in order to let people have some space to make some choices. Some of the choices that they are going to make are their choices. I am agreeing with you that transparency is appropriate, and that is exactly why Matt has been spending so much time going through this. Let us drop you a line about what we know about the costs, having a discussion with the NAO to make sure that we are all saying the same thing.

Q78 Mrs McGuire: Right. Would you, Mr Thurstan, be disappointed if there was less of a spend on those who are harder to help, given that there is a significant investment needed, often, in those who are furthest from the labour market?

Matt Thurstan: Yes.

Mrs McGuire: What would you do to deal with that issue?

Robert Devereux: Can I just—

Mrs McGuire: Can I speak to Mr Thurstan first?

Robert Devereux: Just one moment. The way in which this contract is set up, if somebody spends less, can I just alert you to the fact that they just might be doing something different? The idea that more is always best is not self-evident. The entire Government is running on less at the moment and getting more out.

Q79 Mrs McGuire: Could I also say, Mr Devereux, that in a previous existence, when I was a real person, I used to work managing government employment programmes, so I know that to spend more is not always the best way? Mr Thurstan, how would you move forward in supporting those who are harder to help in terms of the labour market if initially, those prime contractors came in and said: this is what they thought they would spend, but they are now only spending half that, or whatever, and the figures are pretty disappointing for that group?

Matt Thurstan: Would I be disappointed if they were spending significantly less? Yes. In terms of Robert's point, if they have actually come up with an innovative way to do group sessions and so on, so they are spending less, I think that is fine as long as it is working and I can see that in the performance. In terms of how I would go about addressing that, it is exactly what we have already talked about, which is that we are looking to talk to providers around: have you got ESA-specific case loads? Have you got ESA-specific targets? Have you got ESA adviser teams and specialists in place?

Q80 Mrs McGuire: I heard all that. What exactly are they doing, though? At the coal face, at the front, what are they doing to engage with those people who are harder to help in terms of how you are monitoring their work load?

Matt Thurstan: In terms of how we monitor their service delivery?

Mrs McGuire: Yes. How are you doing it? The figures are really disappointing.

Matt Thurstan: We monitor their performance, and I appreciate that it is performance by results. We are monitoring their performance, and we have put the financial incentives in place for them to drive that performance. In terms of then how we monitor their service offering to the claimants, we are doing a huge amount of work in this area, which is around compliance monitoring officers. We go out and we have the minimum service offers that the providers put in within their bids; the NAO has highlighted here that there are 212 of those. We have also got generic service offers, which all providers need to comply with. I have a team that goes out to every single contract every single month and takes a sample of 25 and looks at those, goes through every single point in the generic measure and the minimum service offer from providers and checks whether it has been complied with. In terms of where we have gone with that approach, it is a huge improvement on where we were a year ago, which was a very qualitative approach.

Q81 Chair: Are these ESA clients you are talking about?

Matt Thurstan: It is ESA and JSA.

Chair: Yes, but we are focusing on ESA.

Matt Thurstan: But this includes ESA claimants.

Chair: No, but we are focusing on ESA.

Matt Thurstan: Okay, well—

Q82 Mrs McGuire: We are trying to concentrate on those people who are harder to help, given that the focus of the programme is to narrow the gap between those who are easier to get into the job market and those for whom it is more difficult. Just tell me what you are doing.

Matt Thurstan: In addition to what I have already pointed out—we have talked about the best practice group and sharing what works well and can be shared across the market—if you want me to talk about what I have seen individual providers doing—

Mrs McGuire: No, we can get that from the providers.

Matt Thurstan: Okay. Every provider has a different delivery model. If you are asking me what providers are doing to get claimants into work, it would depend on the provider model. In general, I have talked about moving to ESA-specific case loads and so on. If you want some more innovative approaches, without naming certain providers, one provider has done a kind of credit bank account, if you like, where each claimant gets £300 to spend on their own service delivery. Another provider is asking ESA claimants to help develop the courses and provisions they receive. Another provider has gone to Leeds university and asked for some analysis and information on the data on the different claimants that come to them and how they can best help remove those barriers. Another provider has got some psychologists in to work with front-line staff, to look at how they can change mindsets, and so on and so forth. I get a lot of these data from my different performance managers. There is lots of different innovation going on, but if you are asking me what will really drive ESA performance and ESA service levels and help claimants the most, it is the ESA-specific adviser case loads and so on, and our service offering checking through the compliance monitoring officer role.

Robert Devereux: Since there is no monopoly of wisdom, as you have observed, since several Governments have found this difficult, that is a long list of different things that people are trying. Part of why the earlier answer on sharing practice around the market, within a framework of transparency on actual outcomes, was important is that it is about trying to connect those people who are doing better than others—there is definitely performance variation in this—with some of the things they are doing. The Department is putting in place comparable metrics, so everybody can see who is doing well on an outcome basis, and then behind that saying, “What is the best practice that causes provider x to be doing better than provider y in region x?”

Q83 Chair: I want to raise something specific to my constituency. You will know that Lifeline, which was the organisation delivering for A4e, has terminated the contract. You will

know that Tomorrow's People, which was delivering, I think, for Seetec, has also terminated the contract.

Matt Thurstan: Okay.

Q84 Chair: You will know that they have done that because they felt that—Lifeline said that A4e asked them to focus on the low-hanging fruit. They were told not to focus on the ESA clients, the ones that Anne has been talking about, that are furthest from the labour market. That is true, is it not?

Robert Devereux: That—

Chair: I am asking Mr Thurstan, Mr Devereux.

Matt Thurstan: That is not entirely the story.

Chair: Well, I will read to you what Lifeline has said to me.

Matt Thurstan: I am not sure what I can and cannot share about Lifeline.

Robert Devereux: I think we may need to write to you privately, Chair, on Lifeline.

Mrs McGuire: Can I ask one further question on ESA?

Robert Devereux: There is information that is not appropriate for public disclosure, but I will happily write to you.

Chair: I am sure that A4e is trying to slag them off. I have worked with Lifeline for years and years. They came to see me. The reason they came out—

Chris Heaton-Harris: Just before you do, I have got the A4E thing here. If you read that one out, I will read the A4e thing out, and I do not think we will get very far. I just think that is not necessarily the appropriate way—

Chair: I am talking about my experience, Chris, in my constituency, where I have got unemployment levels that are probably three or four times the levels in your constituency. I have got people who are desperate to get a job and want to be helped by the Work programme.

Chris Heaton-Harris: I do not doubt that for one second.

Q85 Chair: One of the things that Lifeline told me is that the ratio of advisers to case load is 1:220. That was what they were working on, if you include in that, which they have to, those who are in work, whom they have to ensure have got the sustained payments. We are talking about 1:220. You drew breath, which will not be recorded in the transcript, as I

said that. It is impossible, in that sort of ratio, to do the sort of work that you are talking about.

Matt Thurstan: Is that from Lifeline?

Chair: Yes.

Robert Devereux: I have offered to write to you about this particular subcontractor and I suggest that I do that, and then you read what I have to say.

Q86 Chair: Well, I always prefer things to be in the open. Like all these stats that you claim to be transparent, I have the hugest difficulty in getting any of the providers—like Chris, I meet my local providers regularly in Barking and Dagenham. They are always telling me they cannot give me the statistics, because you do not allow them to be given. Every ruddy time I get to them, I get a blank.

Can I just quote you something? It is from a think-tank commenting on ESA, in a report called “Making the Work Programme work for ESA claimants”, published in March 2014. It suggests “a ‘vicious circle’ of lower...performance”, leading to fewer payments for job outcomes, leading to lower funding and then still “lower performance”. That was a report by the Centre for Economic and Social Inclusion, established by your Secretary of State. What is your view? The CESI goes on to say, “spending per participant is going to fall significantly as time goes on. This is a result of decreases in ‘attachment fees’ throughout the life of the programme—from £600 in the first year to zero for those joining now. For this latter group”—that is, ESA claimants—“we estimate that spending by Government will fall to on average £545 per participant.” Have you a got a comment on that?

Robert Devereux: Sorry, I missed the start of that: a long section of somebody’s projections of what might happen, by some providers at some future date.

Chair: You are always keen on projections, Mr Devereux. This is a report that the Centre for Economic and Social Inclusion published in 2014, basically asserting that the Work programme will not work for ESA claimants and confirming what Anne has been trying to question you on. They estimate that spending by Government on the ESA group will fall to an average of £545 per participant. I wondered what your comments on that were.

Robert Devereux: So—

Chair: I notice that you are not letting the expert answer.

Robert Devereux: Well, I am the accounting officer, so I think I am entitled to answer.

Chair: Well, I think that person is the one who is in touch with the providers, day to day.

Robert Devereux: But this is a general observation about the ESA performance. ESA performance is recorded in figure 13. Some things are happening with ESA—

Chair: Can you just answer the question? This is their view, which comes out in the report in the paragraph that Chris alluded to and that Anne has been trying to pursue.

Mrs McGuire: Paragraph 3.9, bullet point two.

Q87 Chair: It is so obvious that you get the low-hanging fruit first and then move to the harder to help. More of them are going to be harder to help and there is to be less money spent on that group.

Robert Devereux: I am delighted, in passing, that you regard people who have been out of work for over a year as low-hanging fruit—whom, by the way, the performance I was told I would get at 26%, I am not.

Q88 Chair: Can I just say to you, Mr Devereux, within the cohort of people with whom you are dealing, there are some who are going to be closer to the market? Probably 75% of those who have got a job under the programme would have got a job anyway. That is the usual dead-weight figure, which those of us who know about these programmes worked on. Can we get an answer—

Robert Devereux: They have not had work for a year.

Chair: Can we get an answer to the specific question? Can you stop diverting? The specific question is about a report by the CESI, which is your Secretary of State's own think-tank, which asserts that there is "a 'vicious circle' of lower...performance", leading to fewer payments for job outcomes, leading to lower funding and then still "lower performance", and, "we estimate that spending by Government will fall to on average £545 per participant." I am just asking you to comment.

Robert Devereux: I think my comment is going to be—let us come back and revisit this in another year's time, because that is exactly the same argument you would not let me make earlier about the rest of the programme. All right?

Q89 Chair: Well, we will come back in six months' time.

Can I ask, if you do not want to comment, whether there is any truth at all, and some of us think there is, in the fact that, as we get to ESA claimants, you are not spending enough money—all my evidence from my constituency suggests that—simply because the arithmetic does not allow you to? What are you doing to drive up performance, so that you break what Iain Duncan Smith's think-tank calls the "vicious circle"?

Robert Devereux: It would be a vicious circle if people simply reduced spending and got even less outcomes. I think I have already made the observation that figure 14 suggests that outcomes are currently going up. I do not know at what point CESI wrote the report; perhaps you could remind me, and of how it refers to—

Q90 Chair: Let's look at your own interim report, which you have yet to publish. It says: "Participants"—*[Interruption.]* Honestly, you can keep denying it, but do you want me to read this to you? Your interim report to your Department says that "participants with health conditions and disabilities are being seen less often and being offered less support than other groups." Furthermore, it says that there is "no clear relationship between an individual participant's Work programme payment group and the nature and intensity of support that participant received, which suggested...that the differential payment regime was unlikely to have effectively mitigated creaming and parking." That is your own interim report. I can quote it endlessly. Your own interim report shows that the providers have little confidence in the system. Of course, you have not published the interim report, but that is what it shows.

Robert Devereux: If providers have little confidence in the system, I am surprised that people are actually buying the contracts.

Q91 Chair: Everyone is saying that they are spending less time with them, Mr Devereux. You are just avoiding a key issue.

Robert Devereux: Right at the very start, I said that I wanted to make some remarks about what you call the "easier to help" group, but which I still call the "rather difficult to help because they have been out of work for a year" group. At no stage have I implied that dealing with the ESA cohort is not difficult, so please do not think that I am sitting here imagining that there is a fantastically rosy story about ESA. This is a hard group to work with. All I can observe is that we have made some steps, on which the NAO has congratulated us, by putting in further sums of money to be made available, and there would appear to be some performance improvement. I am sure that some of that is to do with the economy, but I am on a journey to try to make this better using the techniques that Matt has described in terms of transparency of comparable data together with the sharing of best practice. I am not sure what else I could usefully do.

Mr Bacon: May I ask a question that might have been asked while I was out? I had to go to a delegated legislation Committee, which I am happy to say was extremely quick.

Chair: I am sure your contribution was completely central.

Q92 Mr Bacon: It was invaluable and will doubtless be recorded as such in history.

Earlier, we were discussing the question of the amount of money spent on harder-to-help groups. You, Mr Thurstan, were discussing the amount of money being spent, as was

Mr Devereux, and you were unable to recognise the description in paragraph 3.8 of the way in which that amount had gone down. What is the view of the Department for Work and Pensions about the amount of money spent on harder-to-help groups—do you think it is going up or down?

Matt Thurstan: We don't collect that level of information about how much the providers spend on different payment groups.

Q93 Mr Bacon: Hang on; I didn't ask whether you collect it—I asked what the amount is. So the answer is “I don't know”, is that correct?

Matt Thurstan: Yes.

Mr Bacon: Okay, you don't know. Thank you.

Q94 Guto Bebb: I want to clarify the issue of low-hanging fruit and the easier to reach. Am I right in saying that the vast majority of people on the Work programme have been unemployed for a full year?

Robert Devereux: The majority of the people on the Work programme are in payment group 1 or 2. They get JSA and have typically been out of work for 12 months.

Q95 Guto Bebb: Just to clarify the concepts of easy to reach and easy to support, of the people who become unemployed, how many find a route back to the workplace before they would qualify for the Work programme?

Robert Devereux: Off-flow rates at 52 weeks are, from memory, of the order of 90%. About 90% of people who make a claim to benefit have gone within 12 months, so we are talking about the last 10% of people. I offered this thought to the NAO when it was writing the Report: “easier to help” conjures up the idea that they are easy to help. Strictly speaking, they are easier than the ESA group—I can buy that—but they are both difficult categories to help. I would go for difficult and very difficult, rather than easy and hard, but there you go.

Max Tse: We do apologise. It is, of course, a relative comparison.

Robert Devereux: Except not with the labels that everyone is using this afternoon.

Q96 Guto Bebb: I was making that point simply to ensure that that statistic is remembered, because examples from my constituency show that that is important.

Other Committee members have gone into issues relating to their constituencies, so I want to ask something very quickly. I have worked very closely with the two Work

programme providers in my constituency. Have there been any developments in terms of the inability of Welsh Work programme providers to have a full black box of options of support available to them? As you are aware, anyone who goes into the Work programme in England will be able to access ESF-funded training courses; is it still the case that that is not possible in Wales?

Matt Thurstan: Yes, it is still the case it is not possible at the moment.

Q97 Guto Bebb: So in terms of the performance in Wales, which tends to lag the performance in England, to what extent do you think that the hands of the providers in Wales are being tied by the decision of Welsh funding authorities not to allow Work programme clients to actually access the Work programme in a comparative manner to a similar individual in England?

Matt Thurstan: I would agree with you there in that there could potentially be some impact, but what I would say is in terms of when these contracts were let at the ITT stage, it was very clear that that funding would not be available in that CPA, and therefore I would expect providers to actually put in their bids at a price that would allow them to fund that kind of activity; so within the funding model, as you know, there was the option to discount the job outcome prices. I would expect in that CPA that if you had to fund that provision yourself you would have kept the job outcome price at the maximum.

Q98 Guto Bebb: Can you explain why the effort to try and access European-funded activity in a Welsh context has been unsuccessful?

Matt Thurstan: I am not sure; I am coming to this fairly new. I know there is lots of work between the Department and the Welsh Government going on. In fact a couple of my team are there for a meeting on Monday in Cardiff, in terms of what can we do; and there is lots of data we are providing in terms of what are the kind of things that other Work programme providers are using the skills funding for, and what is the kind of demand that will be out there for the Work programme providers if that funding was accessible. In terms of why we haven't got there yet as an agreement, I don't know.

Q99 Guto Bebb: So two and a half years since this issue was first raised, there is still stalemate, then, in terms of getting the two Governments to agree a way forward?

Robert Devereux: I think it is the case that since the Welsh Government has got the ability to set some things itself then people's views differ about the merits of that choice but it is the Welsh Government's choice.

Q100 Guto Bebb: The concern I have is when I look at the figures, the Welsh performance from the same organisation seems to be lower. I am very concerned that that

performance is lower because of a lack of support coming in from other aspects of the black box approach which was part and parcel of the Work programme.

Robert Devereux: I am doing this slightly from memory, but when these programmes were set up, the fact that there were some choices which the Welsh Government wanted to make was reflected in the way in which it was designed; so I am not sure I can say much more on why the Welsh Government chose what they chose.

Q101 Guto Bebb: There is just one other thing I just want to touch upon, which is not really in the Report, but it is of interest to myself from a constituency point of view. Is it the case that people can now get registered on to the Work programme while still being prepared for release from prison—youth institutions, for example?

Matt Thurstan: I think the answer is yes, but I can check and write that to you.

Guto Bebb: My understanding is that that is now a possibility—that somebody can actually be referred to a Work programme provider before being released, which obviously means that they are straight into a supportive environment; but is that the case throughout the UK?

Matt Thurstan: The team behind me are saying yes it is.

Q102 Chris Heaton-Harris: I just want to come back—forgive me—to the harder-to-help groups; because we have had a kind of interesting think-tank. I have got the trade union view on this—the Employment Related Services Association, who strongly disagree with the NAO Report comment that spending has gone down for ESA customers. In fact, the opposite is true and providers do not recognise the NAO’s claim that they are spending on average £630 on ESA customers. Spending on ESA customers is at least 60% higher than this. What has gone down is the amount of money in the scheme overall, particularly due to the lower than expected numbers of jobseekers being referred to the programme in recent times.

I have got a question around that. The predicted profile of clients going forward for these businesses—these are private companies that are helping these people through: fluctuating referral numbers have made it very difficult, actually, for providers to plan ahead. I have got an example here—actually it is the east London example, which I will sanitise a bit. There are far fewer jobseekers being referred to the Work programme than at the start of the programme. In east London referral numbers in year three were 40% of the number of year one referrals. While at the start of the programme there were far more JSA claimants and far fewer ESA claimants being referred to the programme than expected, the opposite is now true.

I think this is the point that the Chairman was making about how these providers and their subcontractors can deal with the changing nature of the client group and what they have built into their project; but I just wondered if you could help us with that.

Robert Devereux: Anybody taking on a contract for five years and allowing them to work for two years is consciously engaging in a world where it is not entirely clear how it is going to pan out. On the overall totals, for the first two payment groups—the classic JSA-types, if you like—we are now projecting something like a 29% reduction in total volumes over the lifetime of the contract. That is for the two main JSA types. For everybody else, including all the ESA, we are projecting a 9% reduction over the course of the entire contract. It is not a huge amount for the non-JSA claims. It is a bigger amount for the JSA one, because, as it happens, the economy is actually doing a lot better than we had anticipated, even when we wrote the programme. I still remember, coming back to my graph, levels of unemployment way higher than that on which we based our expectations, but none the less better than that.

So, the short answer is that a contractor taking out a five-year contract to do with unemployment, knowing the referrals are a function of the labour market, would have expected some swings and roundabouts in this, and that is what they found. So they need to adjust the size of their business—because it is basically, as the Chair keeps coming back to, a sort of ratio business—to make sure that they have the appropriate numbers of people to deal with the actual referrals. In much the same way, I have had to take 30% of the people out of my Department to accommodate the fact that I have less money than I had. That is what businesses do.

Q103 Chair: How are they going to fund that? Dare I say, on the provider side, how can you fund it? At the moment, if you are running a ratio of 1:220, you probably need a ratio of 1:40 for these sorts of claimant. It is a massive increase in funding, which does not work in the business model.

Robert Devereux: No, just a moment. If you believed for a moment that there was a ratio, let us imagine what the ratio might be. You have yours; I have a different one. Whatever that ratio is, if volumes change, that would mean you would not need so many people over the course of the contract.

Q104 Chair: That's a different thing.

Robert Devereux: But that is how the business accommodates changes in volumes. That is a different point from what you think and what I think the right ratio of staff to claimants is. That is a different subject, but the question I was asked is, how will they manage in manifest uncertainty? The answer is, like everybody else.

Chair: It will be even worse for my ESA claimants.

Q105 Mr Burrowes: Just on the harder-to-help group, as everyone describes them, what would be the Department's expectation in relation to contact between participants in the programme and the contractors?

Robert Devereux: As part of the design—this has come up in our previous hearings—the Department consciously did not set down its own determination of that answer, but it did ask providers to define for themselves the so-called minimum standard offers, and they vary between providers. So some people have specified, “I will see you each month,” or, “I will make contact each month.” Others have not. But the Department has not so specified that, because, consistent with the view that it was not immediately clear why Whitehall knew better than the providers, we decided simply to specify outcomes, pay for outcomes and encourage innovation.

Q106 Mr Burrowes: In the latest analysis, I know there are issues of data, but it seems 46% of participants did not have contact with a contractor in the last two months. Would that lead to any concern in the Department?

Robert Devereux: As Matt was describing earlier, notwithstanding the fact that we did not prescribe the minimum standards, we are none the less testing whether they are being met.

Chair: Can you answer the question? Ask the question again, David.

Q107 Mr Burrowes: Is it a cause for concern in the Department? The latest analysis is from data that are not necessarily wholly reliable. It may be worse; it may be better. It depends. Are you concerned whether it is worse or better? Is there a value judgment? Is the Department concerned about the level of contact between contractors and participants, which could be about two months? I am talking about this harder-to-help group, where there are concerns about the level of spend. I appreciate that that does not necessarily lead to outcomes, but if they are not having any contact for at least two months, is that a concern for the Department?

Matt Thurstan: If there was a lack of contact, it would be a concern to me in terms of how they are going to deliver the performance that they need to deliver. In terms of the 46% figure, we have already agreed with the NAO that that is the figure. That is the way we currently do our compliance testing, but that includes people who have left the Work programme. So it includes all participants who have been referred from day one. A number of those who would not have any contacts have now left. They have either got a job, gone off benefit, or gone back to the jobcentres. It will also include people in that group who have got a job and agreed with providers that they do not need any more contact. We will let you know if you need—

Q108 Chair: Mr Thurstan, would you agree that there are some in there, particularly people with mental health challenges, who leave the programme because they feel so unhelped and unsupported? Would you agree with that?

Matt Thurstan: People who leave the programme—

Q109 Chair: It is mental health issues. I have a lot of cases in my constituency of people with mental health challenges where the programme is so unsupportive. After two months of not being seen, they see no point in carrying on. They have come off benefits because they see no point in it.

Robert Devereux: If that was the case, that is not desirable.

Q110 Chair: Have you heard that?

Matt Thurstan: I haven't heard that, no.

Chair: I am astounded you haven't.

Q111 Mr Burrowes: Whether you've heard it or not, if there aren't the minimum performance standards there isn't necessarily the compliance monitoring and the reporting. The reality is that you don't know. Is that the reality?

Robert Devereux: No. I said we are measuring against the standard, which they have determined. You are implying a different question, which is, if I were to say, "I expect you to make contact every week," would that produce a beneficial outcome?

Q112 Mr Burrowes: That's different from there being— If there is a concern about a level of performance that leads to a lack of contact for at least two months with this specific group, would that lead to any action? At the moment, you don't have the information to be able to—

Robert Devereux: No, I'm sorry, I do. If the provider has specified that once every two months they will be seen, then Matt's team is checking whether that is the case, so I would know if they are not doing that. Right? So, we may disagree about whether once every two months is the right answer, but whatever they specified I am seeking to check—if I have understood your question.

Q113 Mr Burrowes: Okay. Are there any examples where, after this monitoring, this information has led to any action from the Department, given the parking issue?

Matt Thurstan: In terms of the way the compliance monitoring works—it is in the Report—it has changed since July '13 to a more quantitative basis, which is, "You said you were going to do all these different measures? Have you done them all for the sample we've taken?" For those where we find in the sample that there hasn't been, say, contact—if that is one as an example—then we would be expecting the provider to make contact before our next visit. So we would check a sample of 25; on the next visit, you hadn't contacted this

person here and so we want to see you have contacted them now. What is the plan in place for the next meeting? And so on. So you have that corrective regime.

In terms of more general issues—for example, “There seems to be a general problem with your in-work support”—that would get raised with my performance managers, who would have that discussion at a more senior level at the contract package reviews once a month.

The approach we have to compliance monitoring officers has changed since July ’13. I think the NAO has picked up already that there are a few things that we could do slightly better; I would agree with that, in terms of what I have looked at. So, in response to your point, we could have ESA-specific checking, rather than checking all claimants at the same time, and I think we can do some more around actually looking at the period we look at. So, rather than all claimants who have gone on since day one, I would rather look at spells of each year, so I can see the trend of improvement going through, but in terms of your question, we would check that and address that, in terms of our compliance checks.

Q114 Chair: Can I just say a general thing? I talked about Lifeline and— God, it’s gone out of my mind. The two that have left my own constituency. I am right in thinking that there are 24% fewer subcontractor specialists now working on the programme? That is right, isn’t it?

Matt Thurstan: Yes.

Q115 Chair: Why?

Matt Thurstan: That is also in this Report here, in terms of the fewer specialist subcontractors, and I agree with the NAO conclusion, which is part of that will be the lower number of ESA referrals we had at the start of the programme.

Q116 Mr Bacon: Can I ask a question about incentives, because it is also related to the number of referrals? Can you explain the purpose of an incentive payment to a prime contractor?

Matt Thurstan: Yes. In terms of the incentive payment, this is part of the payment-by-results model. So, as you know, the attachment fee is reduced from year one down to year three, then ceases from year four. In terms of year four onwards, that is when the incentive payment comes in. So, it is shifting more towards that payment-by-results basis. The incentive for the provider is to achieve high levels of performance; you will get the incentive payment on top of your job outcomes and—

Q117 Mr Bacon: That's what I thought. Indeed, paragraph 4.21 says, "Incentive payments are supposed to reward very high performance by prime contractors."

Now, paragraph 4.24 refers to Newcastle College Group and it says, "The Department assessed Newcastle College Group as under-performing." Indeed, you terminated the contract under the voluntary break clause. One of the reasons you did that was because you couldn't argue that they had breached their contract by failing to meet minimum standards. But you assessed that they were "under-performing", you didn't want them around anymore, so you terminated their contract and got rid of them. And yet, as is very clear in paragraph 4.21, there were lots of contractors that ended up getting incentive payments—

Matt Thurstan: No.

Q118 Mr Bacon: Well, that's what it says. Is that wrong?

Mike Driver: No one has received an incentive payment.

Chair: Bonus payments.

Robert Devereux: Be very careful. All they're observing is that no money has actually changed hands. What the Report is saying is that their levels of performance would, under the current contract, entitle them to that money. So you are right that—

Q119 Mr Bacon: The way I am reading this is that you have had to make payments to people—

Robert Devereux: No, we have not made any payments in regard to that paragraph to date. I have an obligation to do so under the contract at the current levels of performance, but cash has not changed hands because we are still in the year in question.

Chair: That's semantics.

Q120 Mr Bacon: All right, but let us be clear. In due course, your expectation is that you will have to make performance payments based on the current levels of performance—yes?

Robert Devereux: Were I not to change the contract in the meantime, but since my intention is to have discussions with the contractors about a variety of things, which part 4 goes on to talk about, part of what the Department is doing is saying, "These things that the NAO is recording are things that we need to have a better contract for."

Chair: You can't do it retrospectively.

Q121 Mr Bacon: It is under the heading, “Flawed basis for measuring contractual performance”. I think you have answered this question, but have you made any incentive payments to Newcastle College Group?

Robert Devereux: No.

Q122 Mr Bacon: Under the terms of the contract that you have terminated, are you going to have to make any payments of this kind—they are referred to as incentive payments in the Report—to Newcastle College Group?

Matt Thurstan: Not necessarily.

Q123 Mr Bacon: Not necessarily?

Matt Thurstan: No.

Q124 Mr Bacon: So it might be necessary that you make such payments—yes?

Matt Thurstan: In terms of all the payments to Newcastle College Group, or any payment that we make, that will be part of a negotiation—

Q125 Mr Bacon: I wasn’t asking about that. Mr Thurstan, if we could stick to this narrow point. You said, “Not necessarily.”

Matt Thurstan: Correct.

Q126 Mr Bacon: So it is also true that it might be necessary for you to make incentive payments to a contractor, Newcastle College Group, whose contract the Department assessed as underperforming and terminated—yes?

Matt Thurstan: In terms of what we are going to pay to Newcastle College Group—

Q127 Mr Bacon: It’s a yes or a no. You said, “Not necessarily.” We can go into why it might not necessarily be the case, but if it’s not necessarily the case it might also turn out that it is necessary for you to make incentive payments to a contractor whose contract you terminated—yes?

Mike Driver: I think the position on the Newcastle College Group is that—

Q128 Chair: It's either yes or no. Can we have a yes or a no from Mr Thurstan? Honestly, you guys have got to stop being clever and give a straight answer. Then you might have an easier—

Matt Thurstan: In that case, I'll say I don't know.

Chair: You should know. I can't believe you don't know.

Q129 Mr Bacon: You don't know? Thank you. That's what it looks like in this section of the Report. On pages 42 to 43, under the heading, "Flawed basis for measuring contractual performance", it basically seems to suggest that despite the fact that incentive payments were supposed to be there to reward very high performance, "in 2014-15 the Department expects that all 40 contracts will meet the level needed to trigger incentive payments". That therefore includes organisations such as Newcastle College Group, whose contract you terminated—yes?

Matt Thurstan: The 40 contracts do include Newcastle College Group.

Q130 Mr Bacon: Right. The Report expects that "all 40 contracts will meet the level needed to trigger incentive payments". That means that Newcastle College Group, which is within that universe, will be one of the contractors getting an incentive payment.

Chair: Let Mr Thurstan answer.

Robert Devereux: Subject only—

Chair: Let Mr Thurstan answer.

Robert Devereux: Subject only to the deal that we must have done for their exit. I understand entirely what you are saying. I am not sitting here knowing—

Q131 Mr Bacon: No, but if I were a contractor and you were about to terminate my contract, I would say—I am no trade unionist; we have talked about that a bit—"I've got my rights." You wouldn't be able to get rid of them for nothing, would you?

Robert Devereux: So let us write to you, because we are clearly—

Chair: No.

Q132 Mr Bacon: No, I don't actually want you to write to me. This is fairly clear and I would like to get to the bottom of it. Mr Tse, you may have something to say on this.

Max Tse: I can't talk about the contractual negotiations with the Newcastle College Group, because I don't know what is happening.

Q133 Mr Bacon: No, but on my interpretation of paragraphs 4.21 and 4.24, am I right in saying that this basically suggests that contractors whose performance was sufficiently poor for the Department to terminate their contracts are nevertheless in line for incentive payments?

Max Tse: Yes.

Q134 Mr Bacon: So that is correct?

Max Tse: If there was no other contractual issue going on, in terms of the negotiations for the exit, they would, on these estimates, be entitled to an incentive payment.

Q135 Chair: Mr Thurstan, do you agree with what Mr Tse just said?

Matt Thurstan: Sorry, I missed that because I was conferring with Robert.

Q136 Chair: I wish you guys were just a bit straightforward and open. It makes for such a bad-tempered hearing, Mr Devereux.

Robert Devereux: If we do not know, I cannot answer. I'm very sorry, Chair.

Chair: No, you don't answer.

Q137 Mr Bacon: Okay. Let's go back to this question of Newcastle College Group, because—we are talking in the past tense—their contract has been terminated. The Department issued its notice of termination under the voluntary break clause in the contract, so they know that they are not getting the contract any more. The final sentence does say that it is too early to say whether the termination of contract will lead to improved contractor performance—that's of other people, presumably; as it were, pour encourager les autres. But as far as NCG is concerned, they know that they are toast in relation to this contract, and that they are an ex-contractor. That's correct, isn't it?

Matt Thurstan: They are still currently a contractor, but their contract will run out. There is a 12-month notice period.

Q138 Mr Bacon: Right, okay. When was the notice issued?

Matt Thurstan: I think it was 5 or 6 March.

Q139 Mr Bacon: So quite recently; three months ago. They have nine months to run. Will whether they get an incentive payment depend on their meeting the terms so far, which apparently would entitle them to get an incentive payment, or will it depend entirely on what happens between now and the notice period expiring next March?

Matt Thurstan: Obviously, in terms of—

Mr Bacon: None of this is obvious.

Matt Thurstan: Sorry. In terms of the incentive payments as a whole—this is maybe a point that we will get to—they are due at the end of year 4 performance. It looks at the performance in year 4. In terms of, “Are they due yet? Are we liable yet?” no, we are not. These play in from the end of year 4, so it is a whole performance of year 4 we would look at. In terms of, “Are they due an incentive payment at the moment?” no, they are not. To some extent, it will depend on their performance against the rest of this year and the rest of their contract.

Q140 Mr Bacon: Year 4 is, as it were, in their case, their termination year?

Matt Thurstan: Their contract ends before the end of year 4.

Sir Amyas Morse: Their contracts are just based on projections.

Q141 Mr Bacon: I am just trying to understand upon what will the incentive payment, if it is to be made, be based. Will it be based on their performance during the notice of termination period and nothing else?

Matt Thurstan: Yes. It is based purely on year 4.

Robert Devereux: Yes. Just the performance in year 4.

Q142 Mr Bacon: Not on previous performance in previous years?

Matt Thurstan: No.

Q143 Chair: Is the Report correct, Mr Thurstan, in saying that the potential total exposure up to 2017-18 is almost £61 million on just the incentive payments? Is that correct in the Report, on the potential exposure?

Matt Thurstan: In terms of, if we don't agree these contract changes, how much we estimate, based on current performance, we would pay out an incentive payment, it would be £61 million. In terms of how much we would pay when we make the contract changes and changes in the metric we are looking to do, it would be £17 million. So the exposure is not the full £61 million, but the net difference between the two. That is what we are working on with providers now and having other discussions in terms of the contract changes we are putting in place.

Q144 Chair: That's if you had a more accurate measure that says that at the end of their thing. Are you able to introduce that retrospectively?

Matt Thurstan: It is not necessarily retrospective. There is nothing due at the moment. This goes from year 4 performance onwards.

Q145 Chair: Can I ask about other over-expenditure? Paragraph 22 on page 9 of the Report says that the Department overpaid by £11 million, which could rise to £25 million. Is that accurate?

Mike Driver: This is something that is in our accounts as well; in the annual reporting account. First, in terms of the £11 million, we declared that as a possible loss in our accounts. This is around sustainment payments. We are in the process of negotiating with providers to get that money back. We have already received one payment back from one provider for more than £500,000 towards that.

Q146 Chair: One provider. How much of the £11 million are you hoping to get back?

Mike Driver: Eleven.

Chair: Six providers do 60%—

Mike Driver: The loss that we have declared is £11 million. How much do we expect to get back of that £11 million? The answer is £11 million.

Q147 Chair: So when you come back before the election, you will be able to tell us whether you have that back, will you?

Mike Driver: We most certainly will, because it is an accounting issue anyway. We would declare it as expenditure in our accounts.

Q148 Chair: Do you accept that the 30 contract variations cost you £40 million?

Robert Devereux: Saved us £40 million.

Mike Driver: On the second part of your question, which was on the £25 million, that is a prospective cost if we make no changes to the way in which we deal with sustainment payments going forward. As Matt was explaining, as part of the contract renegotiation we are doing, we will change the way in which sustainment payments are dealt with, so we will avoid that cost.

Matt Thurstan: It is worth adding that, in terms of how we know there is an estimated loss of £11 million, it is due to the improved validation systems we have in place. In previous employment programmes, we would test off-benefit data. Now, we are doing the off-benefit check automatically and all those £11 million have passed that check—so these are all off-benefit since joining the Work programme that were not previously off-benefit. We now also ask providers for in-employment data, which we then independently check with the employers and, if need be, claimants, to test the data providers are supplying to us are correct. The £11 million is those who have passed the off-benefit check and passed other checks related to HMRC, but, based on the sample left we have looked at, we were unable to independently verify the employment data provided by the providers.

This is an £11 million that would not even have been visible under the old validation regimes. The same validation regime we now have in place has already recovered £21 million in terms of job outcome payments. Although the Report says the £11 million could go to £25 million, it does not comment on what the £21 million will grow to, in terms of the extrapolation we already have in place for job outcomes.

Yes, it is an issue we are looking to address. It is a contract change we want to put in place. But validation as a bigger context is very good under the Work programme; it is a huge improvement on previous welfare to work programmes.

Q149 Mrs McGuire: A great deal of the conversation around the table today has been related to the fact that, quite unusually, the Department could not agree with the NAO about the Report. When was the last time the DWP did not agree with an NAO Report? I know that there is normally, with all Departments, a real attempt to get an understanding of the basic facts, even if there might be disagreements round the edges. When was the last one?

Robert Devereux: I have been a permanent secretary for seven years in two Departments and have never disagreed with a Report before.

Q150 Mrs McGuire: You have never disagreed with a Report. Can you tell me why, in this case, it was unrealistic to reach an agreement on the NAO Report, given your own experience that in seven years you had never come across a similar situation?

Robert Devereux: Yes. I am hoping that the implication of that is that over seven years I have tried very hard. But on this one I could not get it over the line. On the point we began the hearing on, which was to do with the treatment of the so-called easier-to-help, I

just do not believe the story as represented is a fair reflection of what is actually going on. It is not the Report I would have expected an auditor to be making.

Q151 Mrs McGuire: And there was not a point where there could have been a discussion with the NAO?

Robert Devereux: Believe me, Amyas and I have spent hours discussing the Report. At the end of the day, though, it is his pen.

Q152 Mrs McGuire: Do you regret the fact that there has not been an agreement on this Report?

Robert Devereux: Yes, I do. I have struggled hard over the previous seven years—I have not struggled, it has been a pleasure to get the Reports agreed. With this particular one, I just decided we were not making enough progress, and it is quite important stuff.

Q153 Austin Mitchell: A couple of people felt that they had been neglected by the providers. I see that in the Report, in paragraph 3.14, the NAO was likely to be able to identify “parking”. It says that “46 per cent of participants had not had contact with their contractor in the last two months”, which sounds to me pretty appalling and that nobody knows, from that sample of 1,000, how many had actually left the Work programme anyway. Why cannot you identify parking? How many are being parked by each provider?

Matt Thurstan: We can tell from the 1,000 how many have left the Work programme. When we do our tests of the 25 in each contract—when we pull up the data and look at the activity that that claimant has had—we can tell they have actually left the Work programme. We have highlighted that the problem is that, if we are trying to understand what percentage has not had contact for two months, including people who have left the programme kind of muddies the waters. We can tell, from the samples we look at, who has left the Work programme.

One of the changes that I am looking to put in place—we talked about making some of the compliance-monitoring checks specifically for ESA, rather than looking at ESA and JSA claimants as a whole—is also to look at the years, so we know we are looking at cases who are still on the Work programme. Not only does that tell me more information that is of use in terms of the current service levels, it tells me how the provider’s service levels are improving over time.

Q154 Austin Mitchell: So you are saying you are satisfied you can identify parking. Can you therefore tell us whether there is a tendency for individual contractors to park harder-to-help clients, and can it be dealt with?

Matt Thurstan: In terms of our system, we can identify those who have left the Work programme. Can I identify those who are being parked? Under the generic terms of—

Q155 Austin Mitchell: And can you tell that they are harder to get jobs for?

Matt Thurstan: Yes. When we draw the sample, we can tell how many of those are JSA claimants and how many are ESA claimants, but by chance, a sample might have 25 JSA claimants. What we want to do going forward is have ESA claimant samples. I can hear in the room the concern that those claimants are being parked, or risk being parked. We should be focusing on those claimants in terms of our compliance monitoring. We can identify the claimants we are looking at, but we then check how the providers have delivered the minimum service offer they have put in their contracts, as well as our generic service standards.

Q156 Austin Mitchell: So you did check it. How do you deal with it?

Matt Thurstan: It links back to the discussion that we had slightly earlier. If we find that there is an issue whereby someone has not had a contact, has not been given the right induction pack or has not had the complaints process explained, we ask the provider to rectify that ahead of our next visit, so those individual samples and items we pick up get rectified. In terms of more generic problems such as in-work support, which was the example you used, that would be raised with our performance managers, who would have a discussion at more senior level at the monthly contract package review.

Austin Mitchell: Okay, Chair. You can park me now.

Q157Chair: Can I ask four questions? Then we are done. One is that I don't understand, from the exchange with Richard Bacon, how you can retrospectively change a contract. If I enter into a contract, I expect an incentive payment if I meet the terms of the contract. How on earth can you change that retrospectively?

Robert Devereux: You can only retrospectively change a contract by negotiation. This is not a fiat.

Q158Chair: Okay. We will monitor that and come back to it. My second question is why you did not publish the interim evaluation findings based on claimant and contractor surveys.

Robert Devereux: We have made it clear that we are going to publish this as part of a suite of things later on.

Q159Chair: Why haven't you published it to date?

Robert Devereux: We didn't think it was appropriate to publish at that stage.

Q160Chair: Was it because your Ministers weren't keen on the information getting out?

Robert Devereux: No, it was not. Since you have read it, you can make your own judgment.

Q161Chair: I can make my own judgment. I was going to quote you one important statistic. It is a claimant and contractor survey. It is the views of contractors as well. Only 5.3% thought that the programme was very effective.

Robert Devereux: If only 5.3%—

Q162Chair: That's true, isn't it?

Robert Devereux: No, it is not true, Chair. This is ridiculous. If 5.3% think it's effective—

Q163Chair: That's your internal report.

Robert Devereux: Even the National Audit Office credits us with getting performance higher than they are saying, so that must be effective, surely.

Q164Chair: Are you saying that the copy I saw of the internal evaluation is incorrect?

Robert Devereux: Yes, I am, thank you very much.

Q165Chair: Well, then, send me the proper one. We can easily solve it that way. All I can tell you is that the copy I have showed—

Robert Devereux: Sorry. You quoted the figure that 5% of people thought the programme was effective.

Q166Chair: That 5.3% of those surveyed thought that the Work programme was very effective, 22.8% thought it was somewhat ineffective and 25.4% thought it was very ineffective.

Robert Devereux: How would you connect those up with the actual scores on the—

Q167Chair: No, I am asking you whether that is accurate. I accept that this is an interim evaluation based on claimant and contractor surveys.

Robert Devereux: It is an interim evaluation, and we will publish the full evaluation in due course. In the meantime—

Q168Chair: Okay, so it is true.

Robert Devereux: No, Chair. I am sorry, but that is the wrong conclusion to draw. You are asking about the effectiveness of the programme. As you observed from the start, this was a payment-by-results contract that achieved outcomes that are being recorded in the report.

Q169Chair: No, I am asking about an interim evaluation.

Robert Devereux: They are interim evaluations of what people think are interesting. What actually happens in the real world is rather more important.

Q170Chair: No. If you were completely honest and open about it, this would be one of the pieces of evidence and data that any of us would have regard to in thinking about whether the programmes work. You don't have to be selective about what you do.

Robert Devereux: It would indeed be one of the pieces of evidence, but I would not base my entire case, as you have just summed up, on it.

Q171Chair: Can I ask you about Seetec? In my constituency, Seetec—if I can find the bit of paper—sanctions many, many more than the other providers. One doesn't sanction at all. The others sanction, but Seetec has sanctioned a third. Obviously, you can sanction somebody twice, so it's a bit of a difficult figure, but a third of the number of people referred to Seetec have been sanctioned by them.

Robert Devereux: Sorry, but do you know for a fact that it is a third of the people, or is it that the total number of sanctions is mathematically a third of the people?

Q172 Chair: You can't tell that. You're right to draw my attention to it, but they have a certain number of people referred to them, and the number of sanctions represents a third of the number of people referred to them.

Robert Devereux: I don't have any information on Seetec. All I can do is repeat what I said earlier: Work programme providers cannot themselves sanction. They can recommend for sanction, and public officials will make a decision based on evidence.

Q173 Chair: Okay. Let me rephrase it; I accept that. Seetec have a certain number of people referred to them—I can't find the bit of paper that says this—but out of those, a third are referred for sanction. On the whole—I can tell you, because I have taken up cases in my constituency—they claim it's people who haven't shown up for appointments and interviews. On the whole, what is then found—I have had these things overturned in the cases I have taken up—is that in fact it's actually that they haven't sent a registered letter; they've sent an e-mail or done a phone call, and the person wasn't in when the phone call was done. So that is the basis. Over half are being overturned on appeal anyway. I just have some concerns that people are sanctioning at different levels. On my patch—I looked at the national figures and they verify this—Seetec sanction more. When you are look at it nationally, with a third of people who are referred, a third of the figure are sanctioned, so there'll be some correlation between numbers and—

Robert Devereux: I understand the arithmetic. I told you earlier that of the gross number of recommendations for sanctions made by Work programme providers, a proportion—I can't remember exactly; something of the order of, I think, 40%—actually get upheld by my staff—

Chair: Over 50%—

Robert Devereux: I don't know whether that proportion varies by provider and that therefore Seetec is unusual, but I can check that for you. I do know about cases in which the individual then takes the case on to our independent case examiner, which is the final court of appeal for people who think that their complaint has not been properly handled. Of all the ones in your CPA area, 13 out of 17 cases were not upheld by the independent case examiner, so it is a self-evident truth that there is an awful lot of—

Q174 Chair: I have to tell you, Mr Devereux, that just doesn't hold with my experience. I'd like you to send me those stats. I've had more than that. Thirteen out of 17 suggests that four have been overturned. I can tell you from my casework that I've had more than four overturned; I've had many more than four overturned since last September.

Robert Devereux: Be careful. I was talking about the ones that went to the independent case examiner, because those are the figures I've got in front of me. I've said to you already that if it turns out that the proportion that is overturned on the Seetec

position by my staff is different from the rest, that would give you some indication that Seetec was itself overusing it.

Q175 Chair: I would like you to look at the issue of Seetec and sanctions—

Robert Devereux: Let me write to you—

Chair: And I would like you to write to me about it.

Robert Devereux: It's a perfectly reasonable thing—

Chair: I would like you to write to me about it—

Robert Devereux: I just don't have the figures with me—

Q176 Chair: Because my view is that it is sanctioning more.

Can I ask you a second question about Seetec? As you know, I had somebody write to me who was a whistleblower—they were whistleblowing about Seetec—on whether it was claiming for attachment fees and job outcome payments legitimately, whether it was persuading clients to declare themselves as self-employed to move on to working tax credit, whether it manipulated data showing the level of contact it had with a client—

Robert Devereux: I replied—

Chair: You'll know this; you'll know the case. They wrote to me, and you very kindly went away and had a look at it; and you did find, in your analysis of what the whistleblower had said, that overall Seetec's reviews of action plans were not in line with the minimum service standards that it had agreed with you, and that Seetec had agreed to have face-to-face or telephone contact with the participants every fortnight as a minimum, but this was not always the case. You go on to say that "The mandatory appointment letters"—this is the point I made earlier—"were in fact not recorded and were either e-mailed or they tried to phone them. Seetec seemed to be providing little direct support to the majority of participants in the sample"—

Robert Devereux: Are you reading from my letter or their letter?

Chair: I am reading from a Report to me from the NAO arising out of my inquiry. "The Department identified what it described as inappropriately large gaps in contact between Seetec and participants." It looks to me like quite a lot of failing performance. Thank you for having a look at it after I wrote to you; I am grateful for that. What concerns me—we are about to publish a report on it—is that these were two whistleblowers; I wrote to the NAO and the NAO then contacted you, but you did not actually talk to the whistleblowers. I'm not even sure whether you have talked to them, Mr Thurstan.

Robert Devereux: We have talked to the whistleblowers.

Q177 Chair: Have you since?

Robert Devereux: Yes.

Q178 Chair: But you didn't until my complaint. I am just worried about this.

Robert Devereux: I understand. The process I described in my letter was that we have a number of people making allegations about all kinds of things. Actually, the first thing our experienced investigators do is try to work out whether there is even a case to answer. In many cases, it is self-evident that the thing being said is perfectly proper under the rules, in which case they declare it "no case to answer". The thing we decided would be worth going the extra mile on would be making sure that, if a whistleblower takes the trouble to call us—regardless of whether we think there is a case to answer—we will call them. In this particular case, we did not think there was a case to answer. We called the whistleblower. We haven't changed our mind.

Max Tse: In this particular case, actually, I think it was a meeting between someone in DWP, the NAO and the whistleblower in question. There were different aspects that were—

Robert Devereux: We may be talking about two different cases.

Q179 Chair: You have said there are things to answer, because that's what I read to you. There are definite issues with Seetec.

Robert Devereux: Can I go and check which letter you are reading from? I'm not doing this in free form.

Q180 Chair: Seetec is new to me. I didn't know there were problems there. They've come up because of the issue around overusing sanctions; that's the most polite way of putting it. They've come up with this whistleblowing, and I then discovered that Seetec basically do not do much more than public sector work. They do Government-funded welfare-to-work programmes and skills programmes; that's their business.

Robert Devereux: So?

Chair: I was going to ask what you think, in those circumstances, if they're not carrying out the terms of their contract—

Robert Devereux: So we've managed to go from the stories you know to the definite proof that they're not carrying out their contract. Can I just pause on that button for a moment?

Chair: I think there are certainly areas of concern with them.

Robert Devereux: If you want to let me know what concerns you have about this contract, I would make sure we have actually checked that.

Chair: No, I have concerns about individuals I have raised with you. I'll say it again: I have concerns about the fact that a third of people—

Robert Devereux: I heard it the first time. We haven't corresponded about that; we have corresponded about one whistleblower, and I am very happy to stand by that—

Chair: We've corresponded about two actually, but never mind.

Robert Devereux: One letter about two, then.

Q181 Chair: Peter Cooper, who owns this company, paid himself £1.7 million in bonus and salary last year. That's mainly money he's earned from the taxpayer's pound. He owns 80% of Seetec. If there are concerns about the company, do you think that is an appropriate settlement for him? Is that the sort of profit you would expect the boss of Seetec to get?

Robert Devereux: This is a familiar line of argument. I have some sympathy with the argument that, where an entire sector of the economy operates only because the Government warrants it to exist—employment programmes is one such sector—it is entirely appropriate to want to chase after the pounds in the way your Committee has done many times and is doing now. All I ask is that that is conceived within the framework of the outcomes Ministers sought in the first place. When you generally allude to the fact that they are clearly failing on their contract, I'd like to have a chance to see whether that is the case, relative to the performance they are actually banking. We spent a large part of the first part of this hearing talking about whether people were actually doing what we ask them to do.

Q182 Mr Bacon: Mr Devereux, I have one question about performance measurement, which plays into what we were just talking about. At the end of the day, when you let these contracts, and whether you pay the amounts and how much you pay depends on how you measure performance. It is clear in paragraphs 4.19 and 4.20 of the Report that the basis on which the contracts were let, while providing an overall measure over the whole course of the Work programme, as it says in paragraph 4.20, caused a problem during the programme. That is to say that "the minimum performance level measure is not a good measure to use *during the programme*. By comparing current outcomes with current referrals the measure is highly sensitive to changes in referral volumes over time. As referral volumes have declined this has led to an increase in the

measure across all contractors that is unrelated to underlying performance.” Paragraph 4.27 says, “The Department, after realising that the formal performance management measures were ineffective, set up a bespoke process to assess whether to terminate poorly performing contracts.” That is all well and good. A process turned out to be inadequate and you then adjusted it as a result, which is what we would expect.

That also raises a broader question. After all, the whole idea of letting these contracts and the whole idea of the black box is that you go away and use your innovation, and we won’t be too concerned about every jot and tittle of the detail because we want the outcome so we will pay you on outcomes. It turns out that there is a design flaw in the way in which performance is measured during the contract, and that causes you to have to make these changes. That raises a question. Given that there is quite a lot of payment by results around the place, not just in your Department but elsewhere, what is being learned by you, and how is it being communicated to other Departments—that this type of design flaw in payment by results can cause measures to occur that result in payments that are unrelated to underlying performance? What are you doing systemically to prevent this happening again, not just in your Department, but elsewhere?

Robert Devereux: The short answer is that the Cabinet Secretary and I and many other Permanent Secretaries are investing time in this group specifically looking at the letting and operation of Government contracts and particularly using celebrated examples to make sure we learn. The Work programme has more positive features to contribute to that discussion than the particular point you picked up here, because it is pretty much the only one that has multiple regions rather than national, and the only one that has market share in it—all those sorts of features, which are being widely copied.

In respect of the point you have made, it is correct to your line of argument up to and including what rests on it, and what rests on it are the incentive payments that we were talking about earlier that we have not yet made but are in the process of negotiating. It is not correct in respect of the actual outcome payments for jobs because that is the thing that has gone through the validation process.

Q183 Mr Bacon: That is the thing over the whole course of the programme.

Robert Devereux: Yes. The two paragraphs you have read out are there to lead into the subsequent paragraphs about over-rewarding contractors, and no one is disputing that when someone says there is a job outcome, we have a job outcome because actually we have been credited with doing that right. The individual payments we are making, subject to what has been written in here, we are getting correct. The business about what overall level of expectation I should have is a thing where the original metric, which is performance in the year divided by referrals in the year, we have indeed concluded is flawed. That is why we have already developed a different metric, which is based on historic referrals correctly relating to the outcomes. We are already using that in practice with providers. That is the thing on which we made the decision on customer knowledge and that is the thing on which we have advanced performance measurement.

Q184 Mr Bacon: Having concluded that something was flawed, how are you going to help others who are thinking about doing things in this space—like the Ministry of Justice or Health, or the Department for Transport or whatever—to avoid making the same mistake?

Robert Devereux: Just this morning I have been in discussion with the group of people I have just talked about.

Q185 Mr Bacon: Actually, you didn't name them. Which Department?

Robert Devereux: It is a Cabinet Office-led group chaired by the Cabinet Secretary.

Mr Bacon: Which Departments participate in it?

Robert Devereux: Myself, the Ministry of Defence, the Ministry of Justice—major Departments—and it is supported by Bill Crothers and the procurement crew. It is a conscious effort to say—given what we have learned in difficult circumstances through G4S and Serco, and thinking of all the different things that were going on in precisely these sorts of markets—what sort of things should we be looking out for. That is the forum in which this particular learning will come up, along with lots of the positive things which this programme has got, which the National Audit Office recognised last time.

Q186 Chair: A very final question. Which of the recommendations on pages 10 and 11 do you disagree with?

Robert Devereux: I'm not sure I disagree with any of them.

Chair: You agree with them all?

Robert Devereux: Yes. They're fine.

Chair: Okay. Thank you.