

Public Accounts Committee

Oral evidence: Universal Credit: progress review, HC 489

Wednesday 20 July 2016

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Members present: Meg Hillier (Chair); Mr Richard Bacon; Deidre Brock; Caroline Flint; Mr Stewart Jackson; Nigel Mills; John Pugh; Karin Smyth; Mrs Anne-Marie Trevelyan.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, Max Tse, Director, Claire Rollo, Director, John Thorpe, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-109

Witnesses

I: Sir Robert Devereux, Permanent Secretary, Department for Work and Pensions, and Neil Couling, Director General Universal Credit, Department for Work and Pensions.

Examination of witnesses

Witnesses: Sir Robert Devereux and Neil Couling.

Q1 Chair: Good afternoon and welcome to the Public Accounts Committee. We have a busy session today. It is primarily a recall on reports we have done previously on universal credit and fraud and error, so we have two panels, but we also have alerted the Department—Sir Robert, you had notice—that we want to touch on the Report that the National Audit Office did on the misuse of the flexible support fund in Plaistow jobcentre. We are joined by the right hon. Member for East Ham for this short item at the beginning. Could I ask you to look at figure 4 on page 16 of the Report on Plaistow jobcentre? The DWP has talked about it being an isolated incident, but this figure shows that there were 14 separate investigations in that one office, so I just wonder, Sir Robert, what you define as an isolated incident and how many there have to be before it becomes something that is not an isolated incident. Or was that just a misquote in a press release?

Sir Robert Devereux: I am just running my eye down the outcomes table as opposed to the allegation list. This is the list of things that we investigated. We do take people's complaints seriously and we will then investigate them.

Chair: Sorry, but could you speak up? I know this room is supposed to be good for acoustics, but this is terrible.

Sir Robert Devereux: You are a long way away.

Mr Bacon: You do have a microphone, Sir Robert.

Sir Robert Devereux: Yes, but it doesn't seem to be working.

Mr Bacon: You need to project your voice.

Chair: We are all ears, Sir Robert. Please carry on.

Sir Robert Devereux: There are 10 cases, as far as I can see—10 lines in this table. You see on the right-hand side the ones where we did not think the evidence supported the allegation, where no penalty was imposed and so on. We have investigated these things, and in some cases we have not found answers, but as you will also have seen from the corresponding table just two pages on, when we went to other jobcentres elsewhere we did not find any at all.

I am not going to sit here and say that about 75,000 staff and probably 50,000 people with at least some team responsibility—occasionally, there will be people we need to do something with, and this process shows we are doing it. The two individuals in question went through the process. They went through an internal process. One of them went to an



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employment tribunal. At every stage, the judgments being made were picked up, and business continues.

I have invited in the MP, at his request, to have a further chat about it, but we genuinely think we have put hours and hours of work into this particular set of complaints, and our conclusion is that actually this is an isolated incident that we have dealt with. In an organisation of this size, you would expect occasionally to have isolated incidents.

- Q2 **Chair:** Okay. There is always going to be a risk and balance in relation to freedom in an area like this sort of payment, which will be coming in for other benefits, such as universal credit, as well. You have that challenge, but your own internal audit team found problems with compliance this year, so I just wonder what you are doing to tackle those problems.

Sir Robert Devereux: Some of the things that the internal audit is finding call into question whether some of the controls we apply are actually appropriate to the level of risk. For example, colleagues are supposed to secure printed receipts for everything they do, so if you get a £5 taxi fare, I expect to see one for the £5. Some of those were missing. In the grand scheme of things, I guess I can see why people who have quite a lot to do may have deprioritised that. I think there is a question on management about the level at which it is an appropriate paper chase. Internal audit is reporting what should have occurred. I think there is a reasonable question about level at which it is sensible to do that.

- Q3 **Chair:** Okay. Do you think, in all honesty, that this is the last time you are going to see problems like this, and where you are going to allow a degree of discretion for staff on the frontline in making payments of this nature?

Sir Robert Devereux: This is almost like an endless quest. I either have a system where nobody in the organisation does anything except what is entirely by the rules, which you will criticise for a lack of innovation, or I have a system where in the margins—in my view, generally carefully controlled—people can make reasonable judgments. If a claimant comes in and they are looking for work, I think it is quite advantageous to have a work coach who I trust to be able to make a judgment that says, “Actually, this £15 might well help,” but the chances that my writing rules for every possible circumstance in which that would help—

- Q4 **Chair:** We are not suggesting that, Sir Robert, as you know. The clear thing here is that where you have a very loose rule, there is always a danger that something could go wrong. It is about parameters for what people are allowed to do. People have petty cash in offices without absolute, tight rules about how they manage it. In a sense, that is what this is for jobcentres, on a larger scale.

Sir Robert Devereux: In the grand scheme of the sums of money this Department spends, this is a small amount being distributed across the best part of 700 jobcentres, used in small amounts. Whenever you speak to advisers and ask, “Do you think the flexible support fund is helping you secure outcomes?”—



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Q5 Chair: But surely there needs to be a mechanism in place for making sure that those problems are picked up early and properly, ideally before internal audit has to find that there are gaps in the paperwork.

Sir Robert Devereux: Ideally, yes, but in any system—you will find this in any other corporation—there are rules that you expect people to comply with. There are first-line checks done by managers, and there are second-line checks by internal audit. Then there are third-line checks by the National Audit Office. That is how normal systems work. That sometimes these things are picked up by internal audit is part of the system by design.

Q6 Chair: Can we turn to figure 9 on page 26 of the Report on Plaistow jobcentre? It gives information about performance against off-flow targets from January to December 2013. It shows that in June and July Plaistow was not doing very well on its 26-week job target, as the two red dots show. When you are looking at the risk of using these sorts of fund, do you look at offices that are underperforming and use that as a risk element, to see if funds may be used in a different way, to help achieve targets for subsequent months?

Sir Robert Devereux: By way of explanation, these targets are the principal off-flow targets for JSA. The number of people off-flowing who have actually had any contact whatsoever with the flexible support fund will be very small. This is a measure of the total number of people 13 weeks after a claim who have—

Q7 Chair: Still, if they are not achieving the target, where there is money that is not controlled in the same way as the main benefits, there will be a human incentive to use that for all sorts of reasons—hopefully to help the claimant, primarily, but people may well find different ways of helping to meet their targets. I am asking whether you use any underperformance figures as an element of your risk assessment about whether to look, when you are doing investigations or internal audit is going in, to see if there is any misuse of the funds concerned.

Sir Robert Devereux: Paradoxically, underperformance is not a good indicator of people misusing it to achieve targets, because they have not achieved it.

Q8 Chair: Yes, but if they are underachieving, would that not be an incentive for them to then do something in the next month?

Sir Robert Devereux: This entire edifice has been built on one jobcentre and a few members of staff in a world in which, in the last five years, I have taken out 50,000 staff, increased staff engagement by 12 percentage points and reduced sickness absence by seven days to the lowest level in the private sector. You cannot achieve that if the culture in this place is basically all about people trying to duck and weave. We have made substantial improvements in every single element of customer service, and we have put our people under pressure to do that. We have given them demanding targets. My people rise to those challenges. The fact that in one jobcentre, there is this issue—I am not shying away from it, but I



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don't buy the generalisation that you are trying to make, that somehow or other the whole system is flawed.

- Q9 **Chair:** I am just asking questions, Sir Robert, and you are giving me the answers, which is very helpful. It is true that members of the PCS trade union and some staff have come to MPs to raise concerns about pressure to meet targets. What I was asking you—I will ask you again to comment further—is whether you think the targets can lead to a pressure to misuse funds in order to reach those targets. That is simply my question.

Sir Robert Devereux: We have materially increased the performance levels in this organisation, in part by increasing targets as we go along. When we increase those targets, in general it is because we already know that 25%, 30%, 50% of offices can achieve them, so we are saying to the others, "Look, whatever magic they're doing, please can you do it over here?" So we are not making these targets up; we are typically taking best performers and inviting others to join them.

That being the case, I think it is highly reasonable to assume that we are looking at all this data all the time to see whether we are on track and whether there are any pressures. If we found that there was a substantial systematic problem with hitting a target, of course we would look at it, but that is not the track record. If I go through the employment rate, which is at a record today; if I go through the amount of—

- Q10 **Chair:** We don't need you to list them all.

Sir Robert Devereux: I know you don't want me to go through it, but just occasionally it would be nice to say it.

- Q11 **Chair:** We just have a lot to get through this afternoon. Rather than continue this conversation here in this Committee room, especially as it relates potentially to individuals if we pursue it to its end, can I just ask you, Sir Robert, whether you would meet with the right hon. Member for East Ham, perhaps in private outside this room?

Sir Robert Devereux: I have already agreed to do that and invited him today.

- Q12 **Chair:** Fantastic. Thank you very much indeed for that. We will leave that one there for now and we will only come back to it if we feel the need at any point. I would like to properly and formally welcome—I realise that I did not before—Neil Couling, who is the Work Services Director at the Department for Work and Pensions, and Sir Robert Devereux, who—

Sir Robert Devereux: He is not any more. He has been the SRO for universal credit for about—

Neil Couling: Nearly two years.

Sir Robert Devereux: Nearly two years. Susan Park is running the Work Services directorate, and has been for two years.

- Q13 **Chair:** Apologies. I did know that. I thought maybe you had two titles, and for some reason I have got this one down here. Sir Robert Devereux,



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who I am sure needs no introduction to regular viewers, is the permanent secretary at the Department for Work and Pensions. For anyone who is following on Twitter, our hashtag for this first panel is #universalcredit.

Before we kick off on the main subject of our recall session, we note that you put out a written ministerial statement today on universal credit. I have to say that I do acknowledge that your Secretary of State took the time to seek me out and alert me to the fact that it was coming. We do welcome being warned beforehand, although it is interesting timing. Neil Couling, how long had you known prior to this statement coming out that this delay in universal credit was likely to happen? We last saw you in November, I think. You would not have known then, I guess; that was quite a long time ago.

Neil Couling: I would not accept that it is a delay—perhaps I can go on and explain that in a moment—but we have been working for a number of months with the problem of what we do with the fact that the scope of the programme has been increased by the desire of the Government to do more welfare reform and fit that into the work we have to do to land universal credit. We apologise for the fact that the statement has come out today but, as you know, we have been living in some very interesting times over the past few weeks and it has not been possible to announce this before today.

- Q14 **Chair:** You knew changes were coming for some months, but you had not finalised this, and then when you did there was a problem because there were no Ministers, or there was a change in Ministers.

Neil Couling: Yes, so the changes themselves—if it would help the Committee, I would be glad to talk you through them—are a mix of policy changes and some things that we are doing with the timetable for universal credit.

- Q15 **Chair:** You hinted there that the reason these things have been pushed back is that it is taking in other measures. Can you just explain that a little bit more? Can you give us an example—perhaps one of the ones listed in the statement, such as tax credits?

Neil Couling: Yes. In a theoretical sense, to use an analogy, it is a bit like you have asked me to build a house with three bedrooms in it and then halfway through, when I am laying brick, someone has said, “Can you put another two bedrooms on it?” That is why I don’t think it is a delay. It is actually an increase in scope—a change in design.

- Q16 **Chair:** Another change. I would not want to be in your shoes, Mr Couling.

Neil Couling: A number of people across Whitehall say that, actually.

Sir Robert Devereux: But not me.

Neil Couling: What has changed? The summer Budget, in particular, brought in changes that we need to make to universal credit. Some of the highlights are: 18 to 21-year-olds will no longer qualify for the housing element of universal credit, subject to a number of exceptions to that rule;



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the limited capability for work element is being reduced to zero from its current £30 rate; there is a new policy to restrict the number of children that universal credit will pay for to a maximum of two; and there is a policy to remove the increase for the first child element.

Q17 **Chair:** So these are all policy changes sprung upon you, as you would say.

Neil Couling: These are policy changes. I also have to factor in, and still have further work to do on, the changes in respect of the Scotland Act to give the Scottish Government the ability to vary elements of universal credit and, in terms of the Fresh Start agreement in Northern Ireland, to allow mitigations to welfare reform. Until the referendum result, I was also trying to plan for a policy to have an EU emergency brake. That is no longer a relevant factor following the referendum decision, but these are all scoped changes around us. The programme itself has actually been hitting all the dates set for it.

Q18 **Chair:** Okay. Can I be really clear? Although it is in the statement, can you outline what has moved in dates? I won't go through it all; I just want to be clear.

Neil Couling: If you like, I can talk you through the policy changes. They are relevant, but in order to—

Chair: If you just give us what is moving and the date.

Neil Couling: Essentially, we have simplified some of the policy to make it deliverable for April '17. I won't go into the detail, but I can if you want me to. In order to make room to build other bits of functionality in the system for some of the other reforms so that they can start in April '17, we have decided to continue with our roll-out of five jobcentres a month beyond February '17 and to increase from July '17. We will finish that roll-out in September '18 rather than June '18. We have also put some contingency in the plan. Instead of starting a movement of legacy cases over in 2018, we are going to give ourselves a bit of a contingency—a time in the plan when nothing is happening—and that will not start now until 2019, not 2018.

Q19 **Chair:** Are you going to mention the families with two children?

Neil Couling: The policy required to deliver the families with two children policy is very complex. I haven't got the time to develop the functionality for that to implement it in April 2017, so we are going to reopen tax credits for large families. So any family with three children or more will go to tax credits for a period up towards the end of 2018, and that will allow me the time to build the necessary functionality inside the universal credit system.

Chair: That is interesting if that is an official definition of a large family. I speak as a mother of three and one of 10.

Neil Couling: I am the father of four, so I think four is a large family.



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Q20 Mr Bacon: On this timetable point, I remember that the old timetable was five a month until February 2017 and then 50 a month. And now it is five a month until—did you say April?

Neil Couling: Let us go through that again. In February we carry on at five a month. In July we go to 30.

Mr Bacon: Rather than 50.

Neil Couling: And then we have what we call—

Q21 Mr Bacon: And then you have a summer break. This is a summer break next year.

Neil Couling: Yes. So we have a break—

Mr Bacon: Planning well ahead, Mr Couling.

Neil Couling: Well, it makes good sense because two things happen. First, in the break periods I drop four releases of IT into a non-growing volume environment, so it is the safer thing to do. Secondly, we know that people take summer holidays in our jobcentres and service centres. That is the time when we do not have many folk in, because it is a reasonable time for people to have holidays. So that is a good time to give yourself a pause. After that date, when we come back in October, we move to 55 jobcentres a month for October, November and December, and we take a break in January because in January we get the traditional post-Christmas peak in claims, which puts stress on the system, so there are no more volume increases there. Then through February '18 we will do 65 jobcentres a month. We will complete, after another break through August, in September '18.

Q22 Mr Bacon: Sir Robert, you look like you want to say something. I would not want to stop you.

Sir Robert Devereux: It's fine.

Q23 Mr Bacon: I understand the theology of the test and learn: you are doing it slowly and then, because of the learning, you are confident at a certain point of doing 50 a month, or now 30 followed by 55. Am I right in supposing that you think that by the time you start doing 30 a month, all of the learning that you need will be basically there, and that the reason you are doing 30 and then later 55 is not necessarily because you think there will be much more learning by that stage, but because of a capacity issue of doing it in a sensible timescale with an amount that can be handled each time.

Neil Couling: Yes. I have got to train up people across the country, so I am phasing it in that way. I am also—this may not be quite understood—building the system along, so every two weeks I drop new software functionality features into the system. As I develop more features, I can then run the system at bigger volumes. A really good example of that is our ability to automatically pay cases. That is currently at around 20% to



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25%, and by the time we go to volume I need that to be at 60% or 70% so I can cope with the volume of payments we have to make.

- Q24 **Mr Bacon:** It is a bit like saying to an F-15 pilot as he or she is zooming across the sky, "You are now flying an F-22. Here's the manual. Learn how to do it," while they are already in the air, isn't it?

Neil Couling: I am not a pilot, so I can't really comment on that.

- Q25 **Mr Bacon:** I am looking at the note that the Public and Commercial Services union sent us on this. The heading of this particular section is "Test and Learn is broken". It says: "The digital IT that supports Full Service"—this is what you were saying—"is being continually tested and developed while in live running. A key part of this should involve staff taking time out from processing to be involved in the testing and improvements to the system"—and presumably learning about the new features of the system. "However the pressure of work is making this impossible. Two key components of the Test and Learn approach are Feature Update Notifications"—for which the acronym is FUN—"and Continuous Improvement and Learning (CIL). Pressures of time have resulted in significant impact to the ability of front-facing staff to assist in ironing out any problems with UC Full Service, as fewer staff are able to report what is going wrong or what could be improved through the CIL process." Are you not making this almost impossible for your staff to do as well as they could or should?

Neil Couling: I do not accept PCS's characterisation on this particular point. I have operational folk inside the teams developing the systems. The teams developing the systems regularly go out to see how the new features that they have built are being deployed and how they are being used. I have got capacity in every release that we make for improvements that people ask us for in the light of live running. If you talk to our staff, one of the things they will say is that they see the system being changed as a result of their input.

Clearly we are now at a volume where there are over 1,000 people running the live service, so getting input from every individual is quite a task, but the programme is learning along the way. The alternative approach of trying to run a set of requirements, sending it off to a big IT company to produce an IT system, and then getting it back two and a half years later and finding that it doesn't match what you thought you were looking for—

- Q26 **Mr Bacon:** That theory has been tested to destruction.

Neil Couling: Yes.

- Q27 **Mr Bacon:** So what is your answer to the next point? It says: "FUNs"—I just love that acronym—"were previously delivered fortnightly by a subject expert, who could answer questions raised by staff, to ensure that everyone was aware of and engaged with changes to UC Full Service. This has been abandoned. FUNs are sporadically delivered by Team Leaders, who do not receive full UC training, but mostly sent out



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via email to staff with no time to read them.”

Neil Couling: We are now into 18 jobcentres and three service centres across the country, so there is a much bigger volume of people involved. We have changed some of the internal processes to reflect the fact that we are now working at volume, and how we capture information and get learning out there to people. People love the processes that we set up, but you just can’t run them at volume, so we had to change some of that. That is what I think you are picking up in the PCS briefing.

Sir Robert Devereux: It is worth characterising this. Some of the things that colleagues are working with at the minute are not entirely automated. In other words, they require more work on the part of an agent than they will do when a further release is done. Some of the training requirement is to say, “Whereas previously you had to do this, that and the other to pass this part of the process”—

Q28 **Mr Bacon:** Thank you. I didn’t intend to start with those questions, but they kind of fell out of your ministerial written statement today. What I really wanted to start with, Sir Robert, is a question about expenditure. What is the total amount that has now been spent on universal credit to date?

Neil Couling: The total cash spend to date, at the end of June 2016, is £1.164 billion.

Q29 **Mr Bacon:** How does that break down?

Sir Robert Devereux: £935.7 million of investment—one-off costs that are part of the programme—and £228.5 million of operating costs, which is the cost of running the system and having staff doing stuff. The staff in jobcentres doing this have got to be paid for and they are what you would call a recurrent operating cost.

Q30 **Mr Bacon:** So nearly £1 billion of one-off costs.

Sir Robert Devereux: Correct, and that is from a budget that we originally set at £2.4 billion for one-off costs.

Q31 **Mr Bacon:** I am trying to understand how that is broken down—what they all are. You don’t necessarily need to give it all to us now but do you have a detailed breakdown of that?

Sir Robert Devereux: Yes.

Q32 **Mr Bacon:** Can you send it to us so we can include it in the appendix of our report?

Sir Robert Devereux: Yes, I can. Definitely.

Mr Bacon: I am going to stop now. I think Deidre Brock has a question on the ministerial statement.

Q33 **Deidre Brock:** I want to ask a quick question with regard to an investigation the UN Committee on Economic, Social and Cultural Rights is conducting into the two-child restrictions and the so-called “rape



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clause”, which I think you will be familiar with. Has that had any impact in terms of the timing of the implementation of that policy?

Neil Couling: The policy, as it went through the parliamentary process for a number of the measures that were announced at summer Budget, did get more complicated for very good reasons. I don’t think anybody would argue with the propositions as they were put and the amendments that were made. In strict Bill terms, yes, that is more tricky to build.

Q34 **Deidre Brock:** So you are saying that that investigation and having to deal with its outcomes has caused a delay?

Sir Robert Devereux: Less so on that particular investigation, but the questions almost immediately spawned about multiple births, adoptions and rape are the things that have made this thing more complicated to do than a straight two-child policy. It is that, in a sense, that we are putting in front of you as the scope over and above what we were talking about last time we came.

Q35 **Chair:** This may be too complicated, but tell us what you can about why these cases particularly have been pushed back. That is, families with two children and the housing benefit for pensioners on to pension credit. Were they a choice or are all of them consequential on the policy changes you mentioned?

Neil Couling: We have not pushed back the two-child policy, we have changed the nature and delivery of it.

Chair: Sorry, changed it. You have pushed back universal credit; they are getting something.

Neil Couling: On the housing benefit policy, I remember the last time I was here we were talking about giving notice to local authorities and about how they plan. We had some very good discussions with local authorities about the nature of the task of planning for a rundown of housing benefit. What we thought would be helpful was to give them some certainty around their longevity of housing benefit for pensioners in their area of responsibility. I have written to local authority chief executives today to give them that as a planning assumption. That will help in the management of housing benefit going on, because effectively what they have to do is run down their housing benefit service, and they need to know from what period they start running it down to ending the rundown. I’m about to—in November—tell most council where they will appear in the roll-out schedule, which will help them plan and set their finances for the rest of the Parliament.

Q36 **Chair:** So a mixture of external pressures and policy change is why you came up with this cocktail of particular changes for particular groups?

Neil Couling: Yes.

Q37 **Chair:** Can I ask on behalf of the people that are going to be receiving these benefits how firm these deadlines are? Do you foresee future changes? Is this ministerial statement the final word on these particular



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changes?

Neil Couling: Based on what we know now for the policies, settled as they are now, I am confident that we can deliver to this timetable.

Q38 **Chair:** So in other words, if Ministers don't fiddle with it too much by changing the policy you can deliver what has been set out? You can't possibly say that, Sir Robert, but I have.

Sir Robert Devereux: Well spotted.

Q39 **Chair:** It is worth highlighting that one of the reasons we called you in front of us today for this recall is that in our last report on this, our recommendation attached to conclusion 4 said that the Department should, "publicly set out the main risks to the programme, its proposed contingencies and an assessment of the impact of these on costs and services to claimants." That was not accepted, yet you have now released a ministerial statement that includes the contingencies that we urged you to include. I will perhaps leave you to reflect on that. We will come back to that probably later on. Okay, go on, Sir Robert—you can't resist.

Sir Robert Devereux: Perhaps I can make the point that I made to you when you came to see the permanent secretaries. As things currently stand, I am invited to make a binary response to your recommendations. It is either no or yes; it can't be, "That bit is all very well, but on this bit I need to explain something." So I'm afraid you are absolutely right on the contingency: we have put a contingency in—great. On the stuff to do with the way in which the risks are managed, there were important things that we wanted to say that we did disagree with you on.

Chair: Fine. Sir Robert, as it happens I have taken up the promise I made to the permanent secretaries to look at the Treasury minutes. I will feed back to you my discussions on that, but not in the middle of this hearing. Thank you for your contribution on that point. I wouldn't dare to suggest that the public would be bored by listening to Treasury minute discussions, but let's get back into the subject of universal credit.

Mr Bacon: I was looking forward to an extended discussion.

Chair: I think we will take that out in other ways throughout the Committee. Over to Richard Bacon on the main issue of universal credit.

Q40 **Mr Bacon:** I will not go on about the Treasury minutes—for very long. It did sound to me like you were putting in a plea for a less binary approach in our recommendations. If we were to make recommendations that say, "How would the Department feel about x, y and z?" would you feel more able to give a more expansive response?

Sir Robert Devereux: I am really not trying to be cute with you. We used to have world where we could explain clearly what it was we actually thought. I think you had a phrase that I don't think you actually liked, "partially agreed". Fantastic, partially agreed.

Chair: I think we will leave it there. We are not going to go down the path



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of Treasury minutes.

- Q41 **Mr Bacon:** We were talking about money and you are going to send us a breakdown of the £1.164 billion. Could you also include with that a timeline next to it, so that we can see not only the total amount of money but how much was spent when, up to the present date, so we can see it over time? I think the policy started in 2010, didn't it?

Sir Robert Devereux: Correct.

- Q42 **Mr Bacon:** So presumably there was some expenditure in 2010 and then it grew significantly after that. Is that right?

Neil Couling: There was a very small amount of expenditure in those early years.

- Q43 **Mr Bacon:** It would be helpful to see the whole expenditure profile.

My next question is about the benefit profile—the profile of the benefit from this programme—because the purpose of it is to achieve a range of policy objectives and, among other things, in the long run significant financial savings. In the NAO Report from 26 November 2014, those were set out in some detail. There are five different iterations of what the Department said the benefits would be. These were the “total savings (cost) to wider society”, the “net saving” and then the “net present value” of that saving. I will go with the net saving figure because that is the more interesting one. It varies—from £22.4 billion in the autumn of 2011, to £46.6 billion by the following summer of 2012, to £38 billion by the winter of 2012—so it more than doubled in six or nine months and then lost £8 billion. Then winter 2013 was £27.8 billion and then it was down to £20.9 billion, which is the lowest figure in that series of five. That was the total saving over the 12-year period from 2010-11 to 2022-23. What is the current number for the net saving?

Neil Couling: At the last hearing I gave you the current figure from the outline business case and that is £20 billion, but the make-up of that £20 billion has changed in compositional terms.

- Q44 **Mr Bacon:** £20.0 billion?

Neil Couling: I can't remember—hang on—

- Q45 **Mr Bacon:** This is £20.9 billion.

Neil Couling: It is basically the same number but differently put together.

- Q46 **Mr Bacon:** Funny you should mention that, because the difference between the number you said and the number I quoted from the report is £900 million, which brings me to my next point. When the benefits are so extraordinary, so huge in terms of saving, why have we taken six years to get to the point where we are still talking about rolling it out over several years ahead? Would it not have been financially sensible to do whatever it took to make this work on time in the first instance, precisely because the financial savings—billions and billions of pounds—were so extraordinary?



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Sir Robert Devereux: You are predicating that there is an alternative world in which it can be done faster and still delivered. I guess I am going to come back to you and say the complexity of this undertaking is probably the largest thing this Department has ever done, and by anybody's standards I do not think there is a safer way of doing it.

I can reference that by virtue of the fact that we have in the Cabinet Office what used to be the Major Projects Authority. They have progressively looked at us, and we are currently rated amber. For a project of this size, that is quite extraordinary. That means they now think that the plan we are on is actually deliverable. They are not saying, "My goodness, Robert, you could do this five years quicker."

- Q47 **Mr Bacon:** Well, I am glad you said that, because I wrote down a question earlier as I was going through my notes: what is the value of the benefit you will forgo by slowing down implementation? And I suddenly realised that, as I wrote that, I was predicating in a world in which it could have been done more quickly, successfully. So I think we are on the same page on that.

Mr Couling, can you tell me about the business case? Am I still right in thinking that it is not going to be updated until 2017?

Neil Couling: Yes, our current plan—

Mr Bacon: That is right, is it?

Neil Couling: Yes.

- Q48 **Mr Bacon:** Now, the BIS guidelines state that business cases should be "used continuously to align...progress to...objectives" and that they "should be updated" for "changes to forecast costs and benefits." Why are you ignoring the BIS guidelines?

Neil Couling: I do not think we are ignoring the BIS guidelines, because we are using the business case to assess our progress against a number of the key assumptions in the business case I am tracking against to make sure that we are either on track or, where we are off track, we take some corrective action. Actually, rerunning the business case is about four months' worth of work. That will distract an awful lot of internal effort in order to do that, so I am having to weigh the benefits of updating it for the latest changes to—

- Q49 **Mr Bacon:** Four months' worth of work? Isn't there a grand spreadsheet where you have pumped in every assumption and all the people and all the money?

Neil Couling: I wish there was, but it is about 300 pages long, as the NAO can confirm because I have burdened their inboxes with copies of it. It is a big task to do this. It is used by the Treasury not just for the purposes of assessing the progress on the programme but as a method of financial control. It serves many, many purposes.

- Q50 **Mr Bacon:** Do you not have some sort of—I will not say "back of a fag



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packet”, but if I were involved in running something like this, I would want to be able to ask the question, relatively straightforwardly, with a certainty of 80% to 90% and in the ballpark of what the answer was going to be, “What is the effect of doing x or y in relation to p or q or r?” and know the answer pretty quickly without four months of work. You know the parameters of this, you know how many people there are in the country and you know how many people get benefits. It is not that difficult to come up with some sort of rough and ready model that works, more or less, is it?

Neil Couling: One of the reasons I have not rerun the business case is that I do not think it has changed very much as a result of the recent changes we have made to either the timetable or—the thing that was being asked last time was as the rates of work allowances have changed, wouldn’t you update the business case? It was quite nice to get confirmation from the IFS that the work incentive effects of universal credit are actually unaffected by the changes we have made to the work allowances, or unaffected for the most part. So I have taken a pragmatic decision because I do not think that fundamentally very much has changed to engage in that big exercise—to rerun it. But to answer your question “Do I have ready reckoners and do I check progress against certain values that I am getting out of the system?” yes, I do.

Q51 **Mr Bacon:** It puzzles me slightly that the business case would not change when you are having a further delay, because the November 2014 Report said of the earlier delays that, “The Department estimates that a further 6-month delay”—that was then—“reduces the net present value of the programme by £2.3 billion” and that “A year’s delay would reduce the net present value by £4.8 billion”. That is not really surprising when you are looking at the scale of these numbers. Mr Mowat, when he was not a member of Her Majesty’s Government but a member of this Committee, used to make this point repeatedly: the benefits in the long run are so enormous financially as well as societally and in terms of motivation and everything else that any delay is going to have a quite significant impact on the business case. Or are you just going to go back to saying, “Well, it wouldn’t have been implementable,” again?

Sir Robert Devereux: I am going to go back to the point that the Chair has recognised: we just described a material change in scope. Delay to me means, “I have the plan and it’s just taken too long.” That is a delay—it’s a three-bedroom building. If it is a five-bedroom building, it’s going to take longer to do. If you say, “Doesn’t it have an effect?” the answer is, “Well, of course it has an effect, but the policy is now a different policy.” The poor SRO is here to deliver what the Government want, and the Government have decided to add in two-child policies. Parliament has then added in multiple births and measures to deal with rape. It falls to Mr Couling to make it go. It seems to me that, reasonably enough, his judgment is that it is going to take a bit longer to do.

Q52 **Chair:** I am going to bring in Sir Amyas Morse.



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Sir Amyas Morse: I don't disagree with that at all, in regard to changes in policy, but one of the reasons for the completion date and the realisation of benefits moving back was that there have also been considerations other than changes in policy over the life of the project, haven't there?

Sir Robert Devereux: But we're here now, and recall against the last time. My SRO is entitled to say that we have been hitting the milestones, subject now only to policy changes. You can go back over the past five years, but in this recall period, the thing that has changed is that the policy we have been asked to deliver has become yay big, and it was only this big previously.

Sir Amyas Morse: That is true, and I'm sorry if it sounds churlish to remind you, but in getting the project started, a significant amount of the time delay related to actually running the project, and to how it was run. Now I agree that the delay relates to policy changes. That's the truth, isn't it?

Sir Robert Devereux: So move on then.

Q53 **Mr Bacon:** Could you tell us how many people are now working and receiving less in universal credit than they would have done under tax credits?

Neil Couling: No.

Q54 **Mr Bacon:** You don't know the number.

Neil Couling: My analysts have said that it is a devilishly difficult calculation to try to do. I would have to take the individuals concerned on universal credit and then try to run an assessment of what their entitlements would be under the legacy system. We can model for effects, but I cannot tell you what the differences would be for the 279,000 people we have on universal credit today.

Q55 **Mr Bacon:** Do you think there are geographical variations, based on the fact that you introduced universal credit in certain areas first? For example, it started in the north-west, so are there likely to be more people who have suffered in that way who were dealt with by those offices in the north-west, because that is where you started?

Neil Couling: A whole bunch of people are gainers under the system, too, so you could run an argument that people in the north-west have proportionately gained as well as lost out. Some people gain from universal credit; some people, relative to the old system, have lower entitlements.

Q56 **Chair:** Can you give us a ballpark figure for the range by which people gain or lose?

Sir Robert Devereux: Can I just make a big distinction between somebody who has been in work, falls out of work, turns up and now gets a universal credit rate, which the Government have determined is the



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policy, whereas somebody who had fallen out of work a year ago would have got the tax credit rate? For anybody who is on benefits continuously, I particularly pick them up and move them across, because the Government have determined that they have to have additional protection. We are talking, in all cases, about what I would call a notional loss. If it were the case—

- Q57 **Chair:** It may be a notional loss, but Mr Bacon and I could be sitting next to each other with the same circumstances, but because of when we fell out of work we might be on different rates.

Sir Robert Devereux: Which reflects Government policy.

- Q58 **Chair:** Maybe it does, but my question, Sir Robert, was not about Government policy, because we don't discuss the policy. We are here to discuss the money. Do you and Mr Couling have a lower and higher end of the range for how much people might be getting in different circumstances?

Neil Couling: The IFS have estimated that 3.2 million people will see lower benefit entitlements, while 2.2 million people will see higher benefit entitlements.

- Q59 **Chair:** Do you agree with those figures?

Neil Couling: What I was going to go on to say is what I have said to the IFS repeatedly since around 2010 is that these are static analyses, and they accept that. One thing about this policy is that it is meant to be dynamic and to evoke change in people's behaviours. We think we will see a behavioural response to the incentives within the system. We produced some estimates in the early 2010-11 period, but I do not think we as a Department have updated them since then.

- Q60 **Chair:** Caroline Flint and I are still reeling from the Report on the green deal that we were leading on. It required a behavioural response and did not work. We just express caution on behavioural responses.

Neil Couling: I am seeing a behavioural response in universal credit. We mentioned last time that for every 100 people on jobseeker's allowance who find some work in the first nine months of their claim, there are 113 people on universal credit who do that. We think that is evidence that the incentives are working in the kind of direction we want.

- Q61 **Chair:** Okay, and you are continuing to monitor those figures.

Neil Couling: Yes. With that report, we intend to produce them in the autumn. I expect to have more data in the autumn to report on. Interestingly, it will be the first time we include data on families, because we have rolled out to families in the north-west.

- Q62 **Chair:** We are going to touch on families. You have had the easy bit. I am sure it did not feel like that to you, Mr Couling, but it was the relatively easy bit.



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Sir Robert Devereux: I apologise for interrupting, but you said we have had the easy bit. Can I just pause on that?

Mr Bacon: Do you want to rest on your laurels, Sir Robert?

Sir Robert Devereux: No, no. It is recognised internationally that the JSA regime is the best labour market regime in the world. Ask the OECD. Single people are already on the world's best regime. An SRO has just told you we are outperforming that at 113 to 100. I do not know what is easy, but that is good.

Q63 **Chair:** I meant in relative terms. We have highlighted the changes in the policy that are still complicated, even now. We mean that single people were easier.

Sir Robert Devereux: They are easier in benefit terms. They are difficult in labour market outcome terms. The chances that a family on universal credit—

Q64 **Chair:** I think Mr Couling knows what I meant. It is going to get more complicated dealing with families with more complicated circumstances.

Neil Couling: It will get harder on the labour market side of things, you are absolutely right.

Chair: Absolutely. That is what I meant. I am glad we are clear.

Q65 **Mr Bacon:** Do you think these policy changes—I accept your description that there have been some policy changes; the general direction of travel and the overall aim of the thing has not changed that much, but there have been some policy changes—are a bit of a convenient cover for difficulties in the roll-out?

Neil Couling: I have just had the programme internally reviewed by a set of completely different managers not responsible to me, and their conclusion was that we would be on track to deliver 50 job centres in February, if we did not have this issue of the new scope to deal with. People are working very hard on the programme.

Q66 **Mr Bacon:** Have you published that review?

Neil Couling: We haven't published that review.

Q67 **Mr Bacon:** Can you send it to us?

Sir Robert Devereux: One of the reasons that we were a bit coy about the binary answer to the risk question is that if every single thing that is ever written down about the programme turns out to be in public, people start to be less candid. One of the reasons why the Government have had a persistent view that risk registers are not generated—it is the same thing as internal assurance. Sooner or later, you ask yourself the question, "If everything is going to turn up, will people be candid?" I will go away and reflect on it, but that—

Q68 **Mr Bacon:** We have been having this conversation with what used to be



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the Office of Government Commerce for 15 years. I accept that there is some strength in that argument, but the trouble is that keeping things private has not prevented enormous train wrecks left, right and centre across Government.

Sir Robert Devereux: The constitutional settlement that I thought we had reached was that we would therefore tell you six months after the fact what it was we thought about it, in order to give a bit of daylight. He has only just done the review.

Q69 **Mr Bacon:** Fair enough. Perhaps you can send it to us in six months' time, Mr Couling. *[Interruption.]* Was that a yes?

Sir Robert Devereux: It's not an unreasonable request.

Q70 **Chair:** We will remember that.

Sir Robert Devereux: I know you will, which is why I'm being careful.

Q71 **Mr Bacon:** And if we don't, someone else with a microscope over there will.

I would just like to ask you about case load. The case load is just over a quarter of a million—263,000 had transferred across by May 2016. You made a forecast in September 2014. How does that 263,000 compare with where you were predicting you would be 18 months ago?

Neil Couling: I have said to the Committee before that it is not my intention to predict case loads because the case loads are highly susceptible to the economic circumstances. If the economy slows, the case loads will go up and you might give a false picture of how much progress I am making.

Similarly, the economy has been doing rather well in the past 12 months, so I have fewer people on universal credit than I thought I would have. That is actually a good thing because people are on higher levels of earnings and are not in need of support. So I think it is the wrong thing to try to track the progress of this programme on, but we do publish the case load data. The stats have come out today—it is 279,315 today.

Q72 **Mr Bacon:** You also forecast then—in September 2014—that the live service roll-out would bring financial benefits totalling £269 million. Where are you in reality on that?

Neil Couling: The data I mentioned about the success that universal credit is having compared with the legacy benefits—in the main, jobseeker's allowance—would suggest that we are realising those benefits.

Q73 **Mr Bacon:** I have a question about housing. In your statement, you talk about the incorporation of housing benefit for pensioners being delayed until the completion of the universal credit timetable. Given my own discussions with my local authority and a housing association in my constituency, I think that that would be very welcome. Could you clarify what "until the completion of the universal credit timetable" means? At what point, under your present plans, will the incorporation of housing



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benefit commence?

Neil Couling: We have said in the next Parliament. We have a piece of work going on at the moment that is looking at the exact timing of that. The roll-out of universal credit will end in March 2022 under our current plans, but we have not fixed a date for that yet because we have talked to some local authorities and some would like to us to go quicker on taking housing benefit off them, because as the volumes fall they have a kind of economies of scale or diseconomies of scale.

Mr Bacon: That is exactly the point that they were making to me.

Neil Couling: So I am actually open to discussions with the local authorities on this and on what the best path will be. It is not a problem that I need to sort in the next couple of years, though.

Q74 **Mr Bacon:** How will the anti-fraud piece work in this space? My local authority thinks it is quite good in the way it manages fraud—people living together as husband and wife, and people claiming where they shouldn't be—because it is people on the ground who go around with clipboards, knocking on doors to see what is going on and literally count how many pairs of shoes there are in the hall and stuff like that. They feel they have a fairly good fingertip sense of what is actually going on. How will that all work when it is removed from local authorities? Who will do it?

Sir Robert Devereux: First of all, the fact that local authorities are not doing it does not mean that we don't have local staff. There is a jobcentre in every town so I still have DWP staff in the place.

Q75 **Mr Bacon:** Yes, but they are not exactly underworked. My local authority's point was that they have staff who are specialists in the housing strategy units. They have been doing this for a long time and have been administering housing benefit successfully.

Sir Robert Devereux: I will mention two things. Some of those local authority staff are already working with us, as you know, on the fraud investigation side. If there is local expertise that is well organised locally, we can think how best to use that as we roll this out. We are not sitting here thinking that we don't want to do that.

We have not found that going around and counting pairs of shoes is a particularly productive way of chasing some of this stuff, because people get very smart about how to park their shoes. We used to do quite a lot of that and it is not a cost-effective way of doing it. I do not want to take away from the fact that local people have local knowledge, because I believe in that. Whether door-knocking is better than some other methods—no doubt we will talk about that.

Q76 **Mr Bacon:** We may return to that one day. I have one more question on the housing issue. I have been looking at housing benefit numbers over the past 19 years. It was something like £363 billion of expenditure—more than a third of a trillion. About 18 or 20 years ago, it was something like £16 billion, £17 billion or £18 billion a year. I think it is



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now £26 billion a year—something like 3% of public expenditure. It dwarfs the money we spend on investment in social affordable housing, which is about £7 billion over a Parliament, and the money we spend on propping up the private sector through the various schemes, which is about £35 billion over a Parliament. Based on the present run rate, I calculated it at roughly £132 billion. Once people are moved off what is currently called housing benefit and into this new entity we call universal credit, will we be able to see and clearly identify that part of it that is attributable to housing?

Sir Robert Devereux: Yes, but I will just make one thing clear. If you are out of work, it will be very obvious what it is, because it is so much for your children, so much for your rent and so much for something else. As soon as you have earned £100, where we take 65% of that total off, you would have to make some assumption that would take 65% of every bit of it to come back to the housing number, if you wish. But in principle, yes, I can do that calculation.

Q77 Mr Bacon: Do you know what proportion of your housing benefit recipients are in work and need it as a top-up because they cannot afford the full cost of the rent, and what proportion are having 100% of their accommodation paid?

Sir Robert Devereux: We do know that. I am trying to remember whether it is a half or two thirds.

Neil Couling: Since 2010 it has shifted. It used to be predominantly people not on benefits who had the lion's share of the housing benefit expenditure—this is working-age people, of course. It is a while since I had responsibility for housing benefit policy, but I think it has shifted; 55:45 is the figure in my head. We publish all this data, and if the Committee would like, I can send it to you.

Mr Bacon: Yes, please.

Neil Couling: The composition of housing benefit is one of the most interesting stories in welfare in the last 10 or so years.

Q78 Mr Bacon: I have a beady eye on that £26 billion. I think it could be spent on increasing supply in ways that would mean there would be less need to subsidise high rents.

Sir Robert Devereux: Indeed it could. The fact that it is this way round is a conscious policy choice that the Government has backed to put it into the renter's pocket, as opposed to doing it on the supply side. This is a perfectly straightforward policy choice. You are absolutely right: we are currently in a position where it all goes to the renter, and somewhere or other that plays into the market. The old regime was the other way round: we built houses and we did not have very much housing benefit to pay. It is a perfectly good policy question to ask.

Chair: I am going to turn to Caroline Flint. I remind witnesses and members of the Committee that we have a vote at 4.30 pm. We also have the Fraud and Error panel, so we need to step it up a little. I am sure



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Caroline Flint will set a great example.

- Q79 Caroline Flint:** I would like to cover three areas that have been brought to my attention by the unions USDAW and Unison arising from the application of universal credit to their members. The first is about payment problems for universal credit claimants on four-weekly pay, the second is about imposing a working hours requirement and the third is about a lack of safety net for people on universal credit.

Could I start with the issue of people on four-weekly pay cycles being out of sync with the assessment process for universal credit? From what I understand, what both unions are starting to hear from their members is that where DWP's assessments take place over a monthly period—27 July to 26 August—in practice sometimes people's pay does not reflect that cycle. That is true if you are on a four-weekly basis and that does not align with this month-long period. For example, if you were paid on the last Thursday of every month, in some cases you would just fall outside the DWP-assessed time period and you would be shown to have no income. But it could also appear that you had been paid twice in that month; therefore DWP would wrongly assume that you earn more than you do. Is this coming up? Is this bubbling up to the surface in your assessments, with the roll-outs going ahead?

Neil Couling: You are sort of half right. I think it is mathematically impossible for somebody on a four-weekly cycle not to have a payment within a month, but you are quite right that for one month a year you are going to get two payments inside that month's assessment, and the way the policy works is to take into account all the income that you get in that month. We have been talking to a number of the large employers who pay on that cycle and trying to encourage them to change their cycle of payments. What we have said to the trade unions involved there as well is that we will happily work with them on trying to persuade employers to change their payment cycles. It is as true on the housing side as well—

- Q80 Caroline Flint:** How much luck are you having with that?

Neil Couling: Some employers are saying that they will change; they recognise this issue, particularly when trying to recruit people on quite low levels of earnings who are going to be in the universal credit catchment. I am hopeful that we can make some progress there. We are having similar discussions with landlords. In particular, some of the social landlords ask for rent four-weekly or weekly and we are saying, "We pay monthly now, is there any chance you can synchronise your billing with our payments?" Again, we are making progress there. That is the way we are trying to tackle it.

- Q81 Caroline Flint:** Maybe I can just refer to a case study, if that is okay, from USDAW for Phil Clements, who lives in Penzance in Cornwall. In fact, I think his MP, Derek Thomas, has been in touch with the Department concerning Phil's circumstances.

Phil is working in the retail sector and it is quite common in that area, as you are aware, to have these four week cycles. Phil's company pay him



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every four weeks in arrears, so he receives 13 payments in 12 months. His universal credit is assessed on earnings during the previous calendar month. In March, like all other four-weekly paid staff, Phil received two pay packets: one at the start of the month and one four weeks later. He was suddenly informed in April that he would receive no universal credit for that month because in March he had exceeded the earnings limit. He apparently had no warning that that would happen and had not budgeted sufficiently, so he had to use a credit card to pay for food and basic necessities that month and cancel all his direct debits.

This clearly is a problem issue, in terms of both trying to persuade employers and advance notice for people coming on to universal credit. They should be aware of this problem, and either seek to try to sort it out themselves or maybe seek support. What would you say to that particular situation?

Neil Couling: Clearly we will take a look at the case and see, in general, what kind of advice we are giving to people in this circumstance. Four-weekly pay is not massively prevalent, but is a factor. The way this system works is that it is not built on a monthly pay figure, which people tend to look at, but—without sounding too benefit-nerdy—is a monthly assessment period; so it is any income falling in that month. That is what is triggering this problem for Mr Clements and so forth. The answer ultimately is the employer changing their cycle of payments and/or being aware of this and then budgeting for the once a year situation where two payments will fall in the one monthly cycle.

- Q82 **Caroline Flint:** Is any work being done in the DWP to try to assess the numbers that might be involved in this? Obviously, USDAW is a union that is very much involved in the retail sector and it is saying that the vast majority of low-paid staff of large companies are paid four-weekly. In fact, Unison also cites that early pay in December is a common practice by employers to accommodate Christmas, and that can also be at odds. Are you doing any work to get a grip on the numbers? I remember when, in the last Labour Government, we did the 10p tax change; people were saying that there was not many people, and then suddenly they seemed to appear all over the place and there were huge problems for those families.

Neil Couling: We do have data on the prevalence of weekly pay, four-weekly pay and monthly pay within the economy. I think that is survey data rather than actually down to the last person. One of the things that Lord Freud, our Minister on universal credit, has been doing is meeting with a number of the employers and employers' organisations, to talk about this problem and try to get people to address it.

- Q83 **Caroline Flint:** Do you feel that staff who are dealing with the applications of people who may be paid in this way are fully aware of what they could do to assist the situation, or to inform the claimant about this particular problem at the outset?



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Neil Couling: That is why I said I will go away and look at just what guidance we are giving, and what advice we should be giving to people in this circumstance.

- Q84 **Caroline Flint:** One suggestion has been to enable claimants who are paid four-weekly or two-weekly to receive a payment, as a no-interest loan, for the missing month, which could then be paid back by deductions from UC payments over, say, a six-month period? Is that something you would be prepared to look at?

Neil Couling: Again, I don't know Mr Clements's case, but the policy is that somebody in those circumstances could access an advance to help to tide them over in that period. The policy does allow for that, but I don't know what has gone on in the case and I would like to find out.

- Q85 **Caroline Flint:** I am happy to forward the briefing, if that's okay.

Neil Couling: Please do.

Caroline Flint: There are also some case studies from Unison, too.

Chair: We can provide the paperwork to you on a confidential basis.

- Q86 **Caroline Flint:** Before I come back to the issue of the working hours requirement, to keep on the safety net for people on universal credit, I want to go back to Phil's case. When he did not receive any universal credit payment for April, he was faced with going into debt at that point and having to take his car off the road, which would impact on him getting to work and to additional work at the same time. He was told by the jobcentre that a budgeting advance was only available to new claimants of universal credit and they were not for existing claimants. In addition, Cornwall County Council specifically exclude universal credit claimants from discretionary housing payments and crisis loans. Again, the safety nets for someone like Phil and maybe others in his circumstances just do not seem to be there. Is that, again, something that the DWP would have a look at?

Neil Couling: I will certainly happily look at the case and establish for you and the Committee what the rules are on budgeting advances. My understanding was that they are available in those circumstances, but let me go and check that. I obviously can't answer for Cornwall Council.

- Q87 **Caroline Flint:** Okay, thanks for that. Finally, I move on to the issue of in-work conditionality—I think the Work and Pensions Select Committee has looked at this area as well. In its report from May this year—the 10th report of Session 2015-16, HC 549—it found that people in work would like to increase their hours. But there are people like Phil, for example: he was only put on a 24-hours-a-week contract and although he applies for overtime, that is not guaranteed; maybe other people in the organisation get there first. Could you say a bit about the problems with this in-work conditionality and how you approach that with sensitivity when people are trying to increase their hours, but the nature of their work or their area is just not helping?



Neil Couling: I think there is a bit of an expectation out there that we have rolled this out as a policy across the country, but we haven't. This is a national trial that we are running to see what the best ways are of intervening in cases where people are in work to try and encourage them to take more hours and get more earnings from their activities at work. We have not reached any conclusions yet about the best ways of doing it. The Select Committee's report was really good; it has clearly gone into depth on these issues, as Select Committees do. They recognise that we have a lot of work to do before coming back in about 2018 and saying, "This is what we have concluded from this."

We have this live trial: basically, we are taking half the people we get into work from universal credit—or 41% of people now on universal credit and in work. We are taking that flow into the trial. Half of the people are going into the control group and half are going into the group where we are experimenting through various different suppliers with different approaches here, so it is very early days yet.

Q88 **Caroline Flint:** Could you just tell me which areas geographically the trial covers?

Neil Couling: We haven't quite rolled this out across the whole country. It is a national trial, because we need a large number of people and we have only a relatively small number of people on universal credit now with which to construct an evidence base for what works here. It is a trial involving the whole country, but it is for people flowing on to universal credit in the next few months in the way in which I have described.

Caroline Flint: What I understand from the case study—I know it is a case study, but obviously you learn from these things, in terms of application—is that Mr Clements has been told he needs to increase his income to at least the level of 35 hours a week at the minimum wage that he is being paid. Clearly, he has been encountering difficulties in doing that, in the south-west and in the job market down there. Can I take it from what you said that Mr Clements should in some ways assume that although people should be encouraged to find as much work as they can, the jobcentre should be dealing with him sensitively in terms of the local job market and what he is able to do?

Neil Couling: I would always want the jobcentre to deal with him as sensitively as any other customer that we might have. We are trying a number of techniques with claimants to see whether those techniques work. I clearly don't know the specifics of his case, but the idea of this is that it is meant to be help and encouragement, not a system of punishment. We said that to a Select Committee, and the Select Committee said it back to us. It is not what we are about here. Universal credit will work if we can encourage more people to take more hours and increase their earnings. That is what we are trying to do.

Sir Robert Devereux: We will go and check the case, but it should not be the case that somebody has told him that he must do this. They may well have said, "Could you? What could we do to help you?" If you are sitting



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there thinking that we have issued a written directive to do it, that simply isn't Government policy and it won't even be in the trial. There may be a little bit of miscommunication going on here.

Q89 Nigel Mills: Mr Couling, what is keeping you awake at night on universal credit? What are the big things that you are worrying about?

Neil Couling: I thought you might ask me that.

Chair: You've got a long list there!

Neil Couling: Yes, lots—oh dear. First of all, I am really pleased to get today's announcement, which is a big step forward for the programme because I am on a plan that I am now confident I can deliver on. The things I worry about are IT development and the resourcing of the live operation that I am running. Back to the PCS points, do I have the right level of people for the right level of sophistication in the system? I have made a series of assumptions there, and I am testing and monitoring those assumptions. On some of the assumptions I am up, and some of the assumptions I am down. We are basically okay at the moment, but I have to keep my eye on that going forward.

There is also partner engagement. People such as the local authorities are really important. The local authorities are under their own stresses and strains with resourcing, but they are key to the delivery of universal credit so I need to keep those relationships good. I am always worried about new work and new scope. A sixth bedroom? Please no, but Parliament may decide that it wants something new.

There are also dependencies. I am dependent on some other programmes in order to deliver, so the progress that the permanent secretary has made with our employee deal is really welcome in terms of our having a workforce that can work in new ways, but I have to keep an eye on that.

Finally, there is economic shock, which the Chancellor was talking about yesterday. The consequences of the decision and how we exit the European Union, does that impact on the volumes that the programme deals with? I probably have an hour's sleep at night with all that going on.

Mr Bacon: I think volumes will be going down because of the Brexit boom.

Chair: I don't want to get into the Brexit discussions, but Richard Bacon has a question.

Q90 Mr Bacon: I was at a factory in my constituency on Friday that is taking extra orders because of the fall in sterling.

On in-work conditionality—requirements placed on recipients of universal credit, including a possible sanctions regime—you mentioned the employee deal, but how many DWP staff are likely to be subject to in-work conditionality requirements?



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Neil Couling: I don't have an estimate of that because I don't know from universal credit data how many DWP staff are on universal credit.

Q91 **Mr Bacon:** You don't know. Are you going to find out?

Neil Couling: The staff are not required to tell me that they are on universal credit.

Q92 **Mr Bacon:** No, but it is information that the Department must hold because you are paying it, and you have a duty of care to your own staff. It is not obvious either that it will be impossible for you to find out the information or that it would be a bad thing for you to know this information.

Sir Robert Devereux: That is an interesting pitch, I agree. This isn't a policy question, and the personal circumstances of my individual members of staff is a matter for them. How many children they have, whether they have an expensive rent or not—that may or may not—

Q93 **Mr Bacon:** Or whether you are paying them enough. They are being given extra benefit by Mr and Mrs Taxpayer in our constituencies because they are not receiving enough from you as an employer.

Sir Robert Devereux: You are hypothesising I ought to know. I am just observing that actually in order for me to know, as the employer, as opposed to him—the programme, running it—I would be asking a whole bunch of questions which potentially they could say "That is quite impertinent for you to know." They come to do a piece of work. How many children they have and what their rent is is strictly their business. In another part of the forest I do need some data from the system, and they are properly paying it, but knowing which employer is not of itself a material fact in the design that Parliament has agreed. They just need to know their earnings.

Q94 **Mr Bacon:** But there will be staff who are DWP employees who are affected.

Sir Robert Devereux: There will indeed, and it is clear that in the event that we end up having an in-work regime we have to make sure that that is managed in such a way that I am not asking him how he is going to improve his earnings. That would be quite inappropriate to do.

Mr Bacon: You might be getting a job down the pub at the weekends, Mr Couling.

Sir Robert Devereux: He'd enjoy that!

Neil Couling: Just to go historical, here, when we had family credit, which was the in-work support system within the Department, we didn't know then how many people within the Department were getting family credit; so there has long been an expectation that these are private matters for individuals that the employer has got no right to know. No other employer will know that you are on universal credit, for example, so why in the Department for Work and Pensions?



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Q95 **Mr Bacon:** In the way that they always would have known for tax credits, because they were involved in administering them, weren't they, to some extent?

Sir Robert Devereux: When it was family credit, it was with us; tax credits were with HMRC, and when it comes back to UC, there are always going to be some people administering it who are receiving it, and we will put in place arrangements to make sure that if any communication needs to be done it is done sensitively, so it is not your immediate line manager talking to you about stuff which is private. That is true in a lot of Government services, but your basic proposition—surely I should know and just go and find out—well, it is not so obvious.

Q96 **Mr Bacon:** Well, I am glad you liked my pitch, anyway.

Sir Robert Devereux: Yes, I liked the pitch, but I am not sure I bought it.

Q97 **Chair:** I just wanted to wrap up a last couple of quick questions. Zero-hours contracts and UC: there is a lot of to-ing and fro-ing there. Of course, for a start, those people will presumably lose transitional protection very quickly, if they have not already, once they go into the system, Mr Couling—because their hours go up and down.

Neil Couling: I don't think so, no. How the transitional protection works is if you imagine an entitlement of core UC—say it was, I don't know, £100 and the transitional protection was £20 on top of that—then the work incentives work off that shape: the work allowance and then the tapering away. So earnings up and down the taper won't affect the transitional protection.

Q98 **Chair:** Are you saying clearly that people on zero-hours contracts will not lose?

Neil Couling: Universal credit works very well for people on zero-hours contracts, because the current system doesn't—it knocks people in and out; but if I get some work this month, and then the following month I get no work, my universal credit adjusts to that.

Q99 **Chair:** If it aligns.

Sir Robert Devereux: There are some changes of circumstances which would take you out of transitional protection, but it is not going to be plus or minus a couple of hours on a zero-hours contract.

Q100 **Chair:** You obviously deal with better zero-hours contracts than I have in my constituency, because usually it is more than a couple of hours, but you are pretty clear—

Sir Robert Devereux: But either way that it is a fluctuation in your earnings; it is not a change in your condition.

Neil Couling: If you left universal credit—say I got a zero-hours contract that was extraordinarily well paid, although I know they tend not to be, but say I did, and exited universal credit. I would lose my transitional



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protection, just to be clear on that, but if I stayed within universal credit, no, it doesn't. We designed it to be flexible because we want people to take work when they can.

Q101 **Chair:** Okay. You say you have these metrics that you can measure. Do you know at this point the cost per claim currently under the system?

Neil Couling: I don't think so, no—

Q102 **Chair:** Claims change—I recognise that; but roughly.

Neil Couling: Because I am adapting the system every two weeks that is a really hard thing to—

Q103 **Chair:** Do you have an idea, when it is fully operational, what the cost per claim ought to be, to manage roughly?

Sir Robert Devereux: Yes, we do, because we have had to make arrangements in agreeing the money for the Treasury to say, on the economic outlook at the time, this will be roughly the right number to start.

Q104 **Chair:** Is that a figure you can tell us now?

Sir Robert Devereux: It is not one I can tell off the top of my head, partly because it is complicated as there are lots and lots of different claims. To give you an average, I will have to do some calculations, but I hear the question.

Q105 **Chair:** If you could write to us with whatever you can, it would be helpful.

We touched on sanctions earlier, but I wonder whether you know how many people who are working have been sanctioned in work. Do you have a figure for that?

Neil Couling: I don't.

Q106 **Chair:** You don't. My next question is: are sanctions helping people to work more?

Neil Couling: That is within the pilot I was talking to Ms Flint about. The plan is to publish the evaluation of that pilot in 2018 and at that point we will have data on how many people—

Q107 **Chair:** But I think you have heard some concerns from the Committee about people's changes of hours. In my constituency people on 15-hour contracts cannot get more hours or they are told, when they are working perhaps 10 hours in a school, to go and get more hours. There are a lot of human variations, as you know, and that is our concern at that grassroots level about how this will work.

Neil Couling: I can assure you, Chair, we are acutely aware that we need to get the in-work policy right. That is why we are running such extensive piloting and why we have refused to commit to what a policy would be in 2018. We want to get this right and we recognise that we could sour the experience of universal credit if we got it wrong. That is why we are



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taking our time with this and working on the basis of evidence rather than the prejudice the SRO might have about this or that.

Chair: Your words give me some comfort because, as Caroline Flint highlighted, there are some challenging cases out there and these are people's lives.

Sir Robert Devereux: It is never in our interest to introduce a sanction that reduces the household income such that people lose work. The whole point is to have more people in work.

Chair: But it is not just about sanctions helping. We are already over time and we are not going to go into the whole issue of sanctions. Our sister Committee has been looking at it and I think we had better leave it to them, who are more expert. I am sure we all have views on sanctions, but tempted as I am, I am not going to give a monologue about my views on sanctions here and now.

Mr Bacon: Oh, go on.

Q108 **Chair:** It is tempting, but I will save it for another time if things are going badly. We are watching it, as is our sister Committee.

Finally, following on from what Mr Mills was saying, Mr Couling, you gave a long list from your booklet of things that keep you awake at night. You have a new Secretary of State, so what is your message for your new Secretary of State about universal credit? What is your one-minute pitch to him?

Neil Couling: My one-minute pitch is that this is a policy that is worth doing. We have been implementing it for a while. We have a good plan. We have been delivering on that plan and with his support we will execute the plan successfully.

Q109 **Chair:** Okay, and what will success look like? What will the landscape be when you have rolled this out? Why will it be better?

Sir Robert Devereux: Lots more people in work.

Neil Couling: Yes. This reform is all about work. When all the noise and everything else about it—IT systems and so on—are put to one side, the policy fundamentally is a success or failure based on whether it gets more people into work. I think there is broad consensus across politics that—

Chair: It is helpful to get back to the basics of what the policy is about and we will be watching it, as will our sister Committee. Thank you for your patience. The session took longer than we thought, as it inevitably does with universal credit, a subject on which we will see you again, Mr Couling.