HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Universal Credit rollout, HC 336

Wednesday 18 October 2017

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Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; Andrew Bowie; Jack Brereton; Alex Burghart; Neil Coyle; Ruth George; Chris Green; Steve McCabe; Chris Stephens.

Questions 72 - 172

Witnesses

I: Rt Hon David Gauke MP, Secretary of State for Work and Pensions, and Neil Couling CBE, Director, Universal Credit Programme, Department for Work and Pensions.

Examination of witnesses

Rt Hon David Gauke MP, Secretary of State for Work and Pensions, and Neil Couling CBE, Director, Universal Credit Programme, Department for Work and Pensions.

Q72 **Chair:** David, welcome. Might we begin, please, by asking you to identify yourself for the record and also Neil? Welcome to this session. Thank you.

Mr Gauke: Thank you, Mr Field. I am David Gauke, Secretary of State for Work and Pensions. This is Neil Couling, who is the SRO for Universal Credit and I know he is familiar to you.

Can I just say at the outset, thank you for this invitation, I am delighted to be here? This is obviously my first appearance before the Select Committee as Secretary of State; I hope the first of many, Mr Field. I know that we are discussing an important issue today in terms of Universal Credit and I look forward to our discussions.

There is one issue I would just like to share with the Committee at the outset. Universal Credit is a big reform. As we deliver it, we are testing and learning. It is important to maintain confidence in the system. In recent days there has been criticism over the telephone charges that exist in respect of Universal Credit. As we have previously said, the Universal Credit 0345 numbers are charged at local rates, which is included in the call package of most mobile and landline phone deals. Contrary to some reports, these are not premium lines. DWP does not make a profit from these lines. Nonetheless, given the recent attention and concern that this could place a burden on claimants, I have decided that this will change to a freephone number over the next month.

As you will be aware, Mr Field, it has been DWP's longstanding position to operate local line charges for benefit enquiry lines, but having reviewed this matter more widely, I will be extending the freephone numbers to all of DWP's phone lines by the end of the year. I wanted the Committee to be the first to hear of this approach. I hope that is helpful to the Committee.

Chair: David, thank you very much. I hope that is not the only issue on which we are going to come together in mind and spirit.

Mr Gauke: We shall see.

Q73 **Heidi Allen:** Good morning, David and Neil, and thank you for coming. What a cracking start, that is really great news and I think everybody on the Committee will be absolutely delighted to hear that. Let us see if we are on a roll, shall we?

Universal Credit: today is a big day. It feels a bit of a crescendo. A lot of people have suddenly become interested in the benefit system, which most of us are lucky enough never to have to use, but suddenly it is on everybody's lips. We know that the majority of people using Universal

Credit are low to middle income people, families. They are not people that are as lucky as we are to have jobs that pay extremely well and are reliable jobs. Given that half of low to middle income families have no savings at all, why do they have to wait six weeks for any money? Assuming of course that six weeks is the deadline that we meet and we all know that many of us have asked for a pause in the rollout until we make sure we do hit that six weeks, because some go beyond that, but why should people wait six weeks?

Mr Gauke: First of all, on payment timeliness, I daresay we will talking about this in greater detail, but of course we are improving on the payment timeliness.

In terms of the six-week wait, it consists of three elements. There are seven waiting days at the beginning, where people essentially are not eligible for benefits. The principle of waiting days has been in place for a very long time, I think from 1911.

Q74 **Heidi Allen:** But not seven waiting days?

Mr Gauke: You are correct, the waiting days were increased in 2015. There is then a month period, which is at the heart of Universal Credit, if you like, which is a period of time in which we can assess what people's earnings are, what their income is, so that we can then assess what the correct payment of Universal Credit would be. For the first month period—for the first assessment period, I should say—after that month has elapsed, it is then a question of making the assessment and paying the amount through the back system, for which we allow seven days. That is where the six-week period comes from.

Can I just correct one thing? It is that people do not have wait six weeks before getting a payment. It has always been part of the system that advance payments are available for those who want it. As you are aware, we are increasing the awareness of advances. We are seeing increases in the take-up of advances, but we have also refreshed the guidance to DWP staff to ensure that those advance payments are properly taken up by those who need it. I am conscious that there clearly have been cases of people who should have had an advance, but for one reason or another have not had an advance and I am very keen to correct that.

Q75 **Heidi Allen:** On advance payments, it is great that we are offering some people some money. I know for a fact that they are now being advertised widely. I was fortunate enough to go to a regional Jobcentre conference in East Anglia the week before last and the regional director was literally telling every Jobcentre work coach in the room, "You offer it to everybody. I do not want anybody going hungry". They are widely offering that now and that is great.

The first question is the advance payment can be up to 50%. How are we able to calculate on that on day one, but not what the person might be entitled to and therefore repayment?

Mr Gauke: It is 50% of the estimate. You are absolutely right that the final assessment depends upon what people's earnings are over the whole month, but it is possible to make an assessment of what we think it will be. Clearly if people's income is greater over the month then that is reflected in the final award, but it is 50% of the estimate as to what people's income will be and therefore what the Universal Credit payment will be after the first assessment period.

Q76 **Heidi Allen:** But we are able to estimate what we think somebody will earn?

Mr Gauke: We are able to make an estimate, particularly given that it is likely that a lot of those people seeking advances will not have any alternative income over that first assessment period. We can make an estimate; we cannot be certain. I would stress that that month period, it comes back to the principles behind Universal Credit. The principle behind it is to try to make life out of work as close as possible to being in work and to ensure that there is a smooth transition from going out of work to going in work. Therefore monthly payments make sense and it also makes sense to base the Universal Credit payment on what people have earnt over that month when we can make a full assessment. But I do think there is that issue of getting people into the system, which is why the flexibility that advances provide is really important.

Q77 **Heidi Allen:** But even though we have only just started advertising advance payments more widely, even in July, which I think is the first month that the DWP have recorded this information, 50% of people already are taking those. That rather challenges the argument that people do have savings and can get by. If, with very little or no advertising, we are at 50% already, that tells me that that number is going to get higher. Surely advance payments are just going to be papering over the fact that the six-week wait just does not work?

Mr Gauke: I disagree. Just on a couple of points, I think DWP has the data all the way through about the percentage taken up by advances.

Q78 **Heidi Allen:** But it is increasing.

Mr Gauke: It is increasing. When I came into this Department in June and looked at Universal Credit, one of the issues obviously I was conscious of was that of the six-week wait. It is worth bearing in mind, by the way, as you know, for the more vulnerable people, the waiting days do not apply, so for just a third of people, it is five weeks. But I looked at that issue and my view is the most targeted way of addressing it was to increase awareness of advances.

I think in April—Neil will correct me if I am wrong—the take-up of advances was around about 38%. It is now 52% in July. I agree with you, I would anticipate that it will continue to rise. Indeed, in a way that is what I want to happen, because I want to make sure that there is nobody facing hardship, nobody is unable to access it if they need it. It was always the case that DWP staff would ask people if they would cope with waiting five or six weeks. If people said that they would not, then advances would be offered.

We have changed the guidance so that advances, if you like, are a little bit more upfront and people are aware of it. We have changed the guidance so that people get a better guide as to how much they could claim under advances. I slightly worry that people may have been taking out advances less than they were entitled to and therefore that was not helping them.

Q79 **Heidi Allen:** But if more and more and more people are taking them, I cannot get away from the fact that that means six weeks—six weeks is not the world of work. I do not know anybody who waits six weeks to be paid, so how can you possibly say that Universal Credit, in its current form, replicates the place of work, the way that people are paid? More and more people are taking advances, which says that six weeks, they cannot cope, they cannot wait that long. What would it take? What is the process for you to change that six-week wait if you wanted to?

Mr Gauke: As I say, I ran through the elements of it for the waiting days.

Q80 **Chair:** But can you change it or not, David?

Mr Gauke: There are choices available to us. I do not think the month's assessment is inherent within the system in terms of working out what people should get after the first assessment period. In terms of the administration period at the end of it, in a way I can see the case for trying to bring that down, but the reason why it is seven days is to provide some certainty, that there is a specific date in which people get their payment and then that runs through from the very first assessment period through to the second assessment period referral.

Q81 **Chair:** How many people could you pay before the six weeks, given that the previous Minister for Welfare Reform, Lord Freud, said you should abolish the seven days?

Mr Gauke: In terms of the seven waiting days, the issue there is that would obviously have a cost implication and it is also the case that for the most vulnerable, the seven waiting days do not apply. I have taken the view that the most effective way of helping the people who need it is essentially to give them greater flexibility as to when they receive their payment, so within the first six weeks.

Q82 **Chair:** So you could deliver it in five weeks, but there would be a cost to the Government?

Mr Gauke: There would be a cost in order to abolish waiting days. As I say, I think three waiting days was always in the system. You will be aware, Mr Field, of the thinking, why waiting days at all have been there. It has always been part of the system so that people who are just a handful of days between jobs are not claiming. That is not really what the welfare support system is there to do. But yes, that is one area where we could make a change, but there are a number of priorities for public money, as you know.

Q83 **Chair:** Before Neil comes in, can I just go back to another point that you made, David? You said that this benefit was to acclimatise people to the world of work. The truth is in Birkenhead, those who are on Universal Credit or are about to go on Universal Credit are paid weekly, the vast majority weekly or two-weekly. The idea of monthly payments is totally foreign to them. Why is it that if they lived in Scotland or in Northern Ireland they would get that payment every two weeks rather than four weeks? Are you thinking of extending that privilege, let us call it, to the rest of England?

Mr Gauke: First of all, in terms of how people are paid, if we look at our tax credit data, so this is by definition looking at relatively low-paid people rather than across the board, it is the case that something like 69% of people are paid either monthly or four-weekly, so the majority of the low-paid are paid on a four-week or monthly cycle rather than a weekly cycle. I think there are some issues in terms of the way Scotland in particular are doing this. I am happy to go into greater detail with that, if you like, but it is worth remembering that essentially in Scotland what we are seeing is in those early months, in particular the second assessment, is a deferral of payments, not the bringing forward of payments.

I am very open with the Committee that the big challenge here is when people go on to Universal Credit—the points that Heidi is raising about those first six weeks—I do not think the response should be to defer when people get the money, it should ensure that there is flexibility that people can get it earlier.

Q84 **Andrew Bowie:** Secretary of State, following up from that last question, flexibilities have been built into the Scottish system and the Northern Irish system with the devolution of social security. With those flexibilities, have they been considered for the rest of the UK, and if not, why not? What would prevent us from being able to do that in the rest of the UK?

Mr Gauke: I will bring Neil in in a minute, because he has been involved in developing those flexibilities. I would make one or two points. First of all, when we are talking about the way in which people are paid, the vast majority are monthly or fortnightly. There is a significant minority that are paid weekly. There is hardly anybody who is paid fortnightly. Secondly, if you look at what they are doing in Scotland, we are seeing a deferral of payments, not a bringing forward. Perhaps, Neil, you would like to come in on that.

Neil Couling: I do not think this is widely understood, but from 4 October in Scotland, the system can work like this: the first six-week period is the same as in England and Wales and you get a month's payment at the end of that six-week period. Then you are asked, "Would you like to choose to have your payments two-weekly?" Should you choose that option, at the end of the second month or the end of the second assessment period, you are paid two weeks' money and then you get the rest of your monthly allowance two weeks later in the middle of the third assessment period. Somebody in Scotland at the end of the second assessment period will have received three-quarters of their entitlement, as opposed to somebody in England, who would have had 100% of their entitlement. It does not deal with the problem that we have always acknowledged about that first assessment period. What it is intended to do, as I understand the Scottish Government's policy, is to help people down the line manage their finances. Now, our evidence data shows that by the time of the third assessment period, people in England are used to—and indeed, Scotland—a monthly cycle of payments.

It is not bringing money forward. I think everybody thinks their system brings money forward. It is not, it is the complete opposite. It defers money because they have to sit inside of this monthly assessment period. The monthly assessment period is crucial, because we are designing a social security system for everybody. That is how you can simplify, so it has to cope with the fact that people are monthly paid, four-weekly paid, two-weekly paid and weekly paid. Any other frequency of assessment period does not work with that, so in Scotland they are deferring payments, not bringing them forward.

Q85 **Alex Burghart:** So in Scotland it takes 10 weeks to move on to a bi-weekly payment?

Neil Couling: Yes.

Q86 **Andrew Bowie:** There are other flexibilities—correct me if I am wrong—in terms of direct landlord payments in Scotland as well.

Neil Couling: There are, yes.

Q87 **Andrew Bowie:** Is that something you have considered down here as well?

Neil Couling: Funnily enough, the direct landlord payment too will lengthen the time that goes between an assessment being made and rent getting to the landlord. I am sure we will hear some anxieties about rent arrears in the course of the session this morning, but in Scotland, the policy there, because we pay by a schedule to landlords, means that we do not pay the rent money direct to the landlord each day it is due for one of their tenants, we group those together and pay them en bloc. So landlords there have the surety of money coming across, but they have to wait a bit longer for that to happen just because of the way the system works.

Chair: It sounds like a bad deal for Scotland, but anyway, Neil.

Q88 **Neil Coyle:** One of the biggest problems with the six-week wait—and bearing in mind at least one in five people are still waiting longer than that—is non-payment of rent, the build-up of arrears and the rise we are seeing in evictions. Now, you just suggested that the seven waiting days and things have always been part of it. Yes, that is true for Jobseeker's; that is not the same for housing benefit. It also seems misplaced to think that advance payments will address those issues, because that is part-payment of what might be your entitlement. I am intrigued: how many private rental landlords, local authorities or housing associations has the Department spoken to that are willing to accept part-payment of rent?

Mr Gauke: When it comes to rent arrears, there is one point I really want to address that is very important, because there has been a suggestion that we are seeing housing associations seeking to evict tenants because of failure to pay, because people have gone on to Universal Credit.

Q89 **Neil Coyle:** We are seeing that.

Mr Gauke: We have seen one case of eight people. There is a pre-action protocol—and Neil can come in on this—that essentially says social housing providers should not be taking eviction measures against tenants where there is a source of income that is coming to them from the state. We are ensuring and improving the system, whereby social landlords can be paid directly through an alternative payment arrangement, which means the money goes straight to the landlord rather than to the tenant. In those circumstances, it is not acceptable for a housing association or a council to evict people simply because they have gone on to Universal Credit and there has been a delay in payment, because they will be getting their rent paid. Neil, do you want to come in on that?

Neil Couling: Having seen the evidence that the Committee published about the evictions, I was particularly concerned about that, so I have written to the National Housing Federation to ask them to remind social landlords about the pre-action protocol and possession. What the pre-action protocol and possession is is guidance to judges, so judges should not grant possession orders, ie evictions, unless the social landlord can show that there is no possibility of Universal Credit being paid. Even in the case of a delay, there should not be an eviction in that situation. I am going to follow up with Gloucester City Homes as well.

Q90 **Chair:** So if there is an eviction, it is the judge's fault now?

Neil Couling: It is not the judge's fault, but the pre-action protocol, which is provided by the Ministry of Justice, is guidance for judges. Judges should be asking social landlords, "Possession proceedings for rent arrears should not be started against a tenant who can demonstrate that - (a) the local authority or Department for Work and Pensions have been provided with all the evidence required to process a housing benefit or Universal Credit (housing element) claim; (b) a reasonable expectation of eligibility for housing benefit or Universal Credit (housing element); and (c) paid other sums due not covered by housing benefit—"

Q91 **Neil Coyle:** You are telling them to swallow the debt, to be fair. The answer to my question was none, I think is what you are saying. You have then suggested there has only been one case of eight evictions. I am aware of at least two evictions purely due to Universal Credit within my constituency, which suggests you do not have all of the information. But this protocol is about telling landlords to swallow the level of arrears. In Southwark alone, just council tenants on Universal Credit, it now equates to £5 million. How are you addressing those arrears, rather than just telling people to swallow the debt?

Neil Couling: In Southwark, it is true Southwark in their evidence reported £5 million worth of arrears off an annual housing revenue account of £298 million, so it is about 1.7% arrears.

Neil Coyle: It is £5 million, yes.

Neil Couling: The question I think the Committee should have asked the social landlords, and you may want to go back and ask them this, is not what is the total quantum of arrears—because of course we are growing the Universal Credit caseload and our contention is that these are temporary—what is happening in those cases to the arrears, because they are clearing.

Q92 **Neil Coyle:** But that is not what Southwark said. Just to put that in context, it is 1,242 council tenants who have eviction level arrears in Southwark and that number is growing, not falling. How are you addressing that fundamental problem of the build-up of arrears? It is not coming down.

Neil Couling: Our research evidence shows that the arrears fall once the—

Q93 **Neil Coyle:** Your evidence appears to contradict what Southwark Council are saying.

Neil Couling: I am sorry, Mr Coyle, I do not think the Committee did ask the question. You asked the question, "Are arrears building?" and you will see arrears build while we are in the take-on phase, but the key question to ask here is, "What is happening on the individual cases? Are the arrears building on those individual cases or are they falling?" because our research evidence shows that it is falling.

Neil Coyle: The word the council used was "freefall".

Q94 **Chair:** But if you were protecting your Minister, you would have asked that question yourself when you read our evidence, but over to Alex.

Neil Couling: I do not sit on the Committee, so I cannot enquire of other—

Chair: No, but you read our evidence and you could have then asked Southwark the question.

Q95 **Alex Burghart:** I think that there are now about 80% of people receiving their payments after a six-week period, on time, but that obviously still leaves a fifth of people who are not. I wonder if you could tell us a little bit about why it is that this one-fifth are not receiving their payments within the six-week period.

Mr Gauke: Let me just run through it. The up-to-date evidence is that 81% receive their payment in full and on time. There is then an additional 8% or 9% who receive some of their payment, so usually the core element, but they might not be receiving an element that, for example, relates to housing or to childcare. It is also worth pointing out that some of the 10% or so that we are left with are claiming an advance, so after six weeks, essentially 92% of people have received something, 81% all of it, 92% have received something. Of the remaining 8%, there are some cases where there are around about half of that, just under, have either not had their identity verified, so we still need to check—that is subsequently verified, but we have not verified the identity at that time—or have not signed the claimant commitment. Obviously all claimants are required to sign a claimant commitment.

Of the other groups that we are looking at, some of those, for example, we might still be after information about self-employment earnings and we might not have that or about their habitual residencies, so there are still points to pick up. Now, the objective is to keep reducing that amount, to get 81% up higher and higher. We have seen pretty significant improvements. It was 50% earlier this year; it is now 80%. Obviously the more that we can get the numbers up so that people are paid in full and on time, then the less likely it is you will see issues running through in terms of rent arrears, for example, or people facing hardship.

Q96 **Alex Burghart:** But for this group, where the Department is struggling to find out the identity or find out the earnings, why is that taking place in those cases? What is making it difficult for the Department to find the information it needs?

Mr Gauke: I will bring Neil in here, but I think the important point, it is a good question, but along with that is the question about what we are doing to improve and how we can make the system work better, but Neil, if you want to come in on that.

Neil Couling: Yes. It would be wrong to try to assign fault here, but in some cases it is something has gone wrong in our administration or it may be that the claimant has misunderstood what is required of them. A really good example of that has been non-declaration of housing costs. We have found that a number of people who are in social rented accommodation may have been on housing benefits, as Mr Coyle was saying, for some time.

They do not acknowledge that they are paying rent, so at the declaration point on their claim, they do not declare that they are paying rent, so we do an assessment and then in these statistics, it will show a part-payment, not a full payment. The landlord will then come to us and say, "Look, I am not getting my rent paid". We would say, "Oh crikey, we did not know there was any rent liability" and we will recalculate that as soon as we can and put the full payment into place. In these statistics, that will show up as a failure to pay a full 100%.

We have done quite a lot inside the system to try to trigger people to tell us that they have rent liabilities by seeding questions into the claim process that try to elicit that from people, even if their kind of mental picture of themselves is that they do not pay rent. That is just one example there, but the system has a number of points towards a full payment that can go wrong, either on our side or the claimant's side or where you cannot decide whether it is our fault or their fault; it almost does not matter.

The one thing we have done is we have set ourselves a very high bar here. You probably have not read the statistics that closely, but if you look on page 14, we explain—and I ran this through with the previous Secretary of State—that we are looking at the cases that are due a payment and how many have we paid, rather than all the cases that claim, because if I took all the cases that claim, I would already get 94%, 95% here. So understand that the Department has set itself a very high bar here. We have openly shared statistics on this. We are working to improve the situation further, but we could have chosen to go the other way and we would be arguing we had a 94% payment. We do not. I am interested in who is due and have we paid that full amount, but sometimes it is not the Department's fault.

Q97 **Alex Burghart:** By when would you hope to be paying 98%, 99% within six weeks?

Neil Couling: The thing I am loth to do is give a percentage that is kind of success here, because I do not know in a normal operating system, given the propensity of people not to sign claimant commitments, what a fully successful thing to do would be. What I would like to—

Q98 **Alex Burghart:** Let us talking about getting from 80% to 90%.

Neil Couling: What I would like to see is payments in that 90% bracket. What you will see over the next few months is us deploying more features into the system. In the Secretary of State's letter to the Committee, I highlighted one of those. We have a particular problem about people reporting self-employment earnings. It is reporting them on time to allow the calculations to run. That feature went in two Wednesdays ago. We are already seeing improvements on that. I do not know of each feature how many half percentage points or percentage points it is going to contribute towards this aim, so I am loath to do say, but I definitely want the results in the 90s, not in the 80s, as they are now.

Q99 **Chair:** You have been delivering 82% on Jobseeker's Allowance, which the previous Secretary of State resisted setting a target. The target was finally set at 10 days and the 10 days is very largely met and you do take into account previous earnings there.

Neil Couling: Ironically, Chair, you of course took out some of the timeliness drivers on the then Benefits Agency, for the very good reason that we were pursuing payment at the expense of fraud and error and accuracy on the claims. There is a difficult path to tread here between making sure that people get the money that they are entitled to as quickly as possible and on time and trying to make sure that fraud and error does not creep into the system. Targets can help; they can also drive some pretty perverse behaviours. We are very clear inside of DWP, and my colleagues in operations, that we want to up some of this. Some of that will come through system features, some of it will come through improvements in operational performance.

Q100 **Chair:** David, Neil said we had not perhaps properly digested the figures you provided us with. The Committee asked you a number of questions, 10 of which you said you did not collect the data or you just did not answer the questions that we posed. So that we understand what Alex was probing you about the group that does not get a benefit within six weeks, do you know how many do not get it within seven or eight or nine weeks, or is it just a group that do not get it at six weeks? Because we have searched the figures and we asked you the question and we did not get an answer in correspondence.

Mr Gauke: In terms of—Neil will correct me here—after 10 weeks 96% have been paid in full. We know that the vast majority of those are within the six weeks. We obviously want to increase that number, as indeed we have. As I said, not that many months ago it was at 50%. Some of the hard cases that we are all conscious of and we want to eliminate, a lot of those originate from a period in time where people were routinely not getting their payments within the six-week period. That has shifted.

Q101 **Chair:** The letter back yesterday, David, said you could not tell us the numbers that were having to wait up to 10 weeks.

Neil Couling: Before we can publish statistics properly, we have to go through Office of National Statistics protocols and validate and so forth. This is quite a hard set of statistics to produce, because it involves looking back across a period of time to judge not the total number of people—I could to that for you very quickly, that would be, for that group, up into the 98%, 99% kind of total paid—but looks at those who are due a payment. What my analysts have to do is to work out at a point in time who was due a payment and then check at various other points in time, have they had that payment or not. Often you cannot do—

Q102 **Chair:** We were not asking that question. We were asking the very simple question: how many people for the first time who claim Universal Credit have to wait 10 weeks? The reply that came back from the Secretary of State is that you could not answer that question, but you do not collect the data, in fact.

Neil Couling: We do not collect the data to the extent that we could publish it right now. We have been developing this. I am being very straight with the Committee here: we have been developing this data. It is not the normal way in which we would produce payment timeliness information for the other benefits.

Q103 **Chair:** If I was Secretary of State, I would want that way of judging whether you, who is responsible for this, were improving delivery or not. If you keep saying, "We are waiting for the Office of National Statistics to tell us whether this is a robust set of figures" you surely must be able to tell the Secretary of State when he is writing to the Committee, "This is the percentage of people who have to wait between six weeks and 10 weeks, how many have to wait between 10 and 12 weeks".

Neil Couling: What I was trying to explain, Mr Field, was that we do not have data that is of an assured enough quality to produce. Somebody would look at it and say, "That is inconsistent with what you have produced already over here". We are working on that. What I was trying to explain, if I just did—

Q104 **Chair:** The Secretary of State's letter said you did not collect the data.

Neil Couling: If I just needed to produce how many people claimed in this month and how many were paid, that is reasonably easy to do. But I think what the Committee, and beyond the Committee, are interested in is who is due.

Q105 **Chair:** Your job is not to tell the Committee what we might be interested in. It might be to tell the Committee what we would like to know so we can judge and your Secretary of State can judge whether your performance is improving or not improving.

Neil Couling: My Secretary of State has just given you what the raw data says. I was explaining why we have not published that. There is a difference. I appreciate for you it might seem like splitting hairs.

Q106 **Chair:** Then you should have put that in the draft letter to the Secretary of State.

Mr Gauke: In terms of publishing information in a letter such as this, there are protocols to go through. Can I just make this point—

Q107 **Chair:** David, explain it, because it has been rolled out. I cannot remember when it first began. The idea that you have not agreed with the Office of National Statistics the robustness of the data beggars belief, really.

Mr Gauke: Can I just say, we can either go through a process in terms of the robustness, but I am happy here to share with you the raw data, which as I say, 96% are paid within 10 weeks. There are of course caveats and we need to test that. That is raw data, so if subsequently it turns out it is 95% or 94%, I will apologise now.

Chair: No, we have your qualification, David.

Mr Gauke: But to be helpful to the Committee, that is roughly the ballpark that we are in.

Q108 **Jack Brereton:** I know a number of members have already touched on advance payments, but if you could, Secretary of State, expand further. How do you feel that the policy on advance payments has changed since your conference speech recently at the Conservative Party conference?

Mr Gauke: There are maybe three points I would highlight in terms of advances. First of all, as I touched upon earlier, whereas in the past there would be a conversation that would be about, if you like, hardship, about whether someone was going to cope and then if the conversation went in that direction, if the claimant did say, "Yes, I am not going to be able to cope for six weeks" then there would be a conversation about advances. The conversation about advances is much more upfront, so that the claimant is aware of why they are being asked this question, in a way it is not just an academic exercise, that there is some help there that goes with that.

Secondly is that what is now going to happen is that in the conversation with the claimant that they will be told what the maximum amount would be in terms of a cash sum. They will also be told what the usual process is for repaying it or for deductions from future Universal Credit payments, which is over six months. What I think happened in the past was more about, "So you need an advance. How much do you need and how quickly are you going to pay it off?" The concern I had with that, looking at that guidance, is that claimants may be inclined to minimise their advance claim, because they do not want to be seen to be pushing their luck and they might be too optimistic about the period of time in which the deductions might come from them. The reality is that the majority of advances have always been recovered over six months under UC. But what I wanted to make sure is that the claimant, in the conversation that they had with the work coach, was fully informed as to what the potential was for them and then that would frame how much they would ask for. That is the second change, which I think is helpful for claimants.

The third point is one Heidi touched upon in terms of just general awareness. We are getting posters put up in Jobcentres; we are contacting organisations like the CAB to make sure that their advisers are talking to people about it. As I have said to Members of Parliament, if they are aware of constituency cases where people are left without anything that there are further—it is a belt and braces approach, so that collectively those people who are there to help claimants are aware of what advances might be available. I think that is an important point. Of course it is too early to see what the impact on that will be.

As I said earlier, we have already seen advances going from 38% of claims to 52% of claims. I expect it to go up further, but not everybody will want an advance. A sizeable proportion of new claimants are people who are in work. There will be people who will have left a job with a full month's salary and even redundancy pay. There will be people who will be living at home with parents who are in a position to support. Not everybody will want an advance, so I do not have a target of 100% by any means, but I do expect the proportion of claimants taking advances to increase.

Q109 **Jack Brereton:** Particularly on that second point that you made, do you feel that there has been a significant improvement to the advice now being given to ensure people receive the right amount of money? Also, has some formal new guidance now been issued to those work coaches?

Mr Gauke: Yes, it has been issued. I think it does make an improvement in those two ways that I talked about, making sure that it is upfront, so it is not a conversation about hardship first and then advances, it is a conversation about the two together, and also making sure that claimants know what it is they are able to get. I think that will make a difference in the percentage of advances and also possibly on the size of advances, so that people are able to get the right amount.

Q110 **Chair:** In your letters, David, you said you were not collecting data on why people were refused advances. Is that still the line or is it you are now collecting the data and waiting for it, quite properly, to be verified?

Mr Gauke: I think it is we do not collect that data, but just to talk through the conversation that the work coaches have—and Neil will correct me if I am wrong—the legal requirement is that in order to be permitted to grant an advance, there has to be some evidence that it is financially needed. If somebody is living off the equivalent of Jobseeker's Allowance for an extended period of time, I think there should be a very clear presumption that it will be needed, but as I say, if you run through the circumstances of somebody who has, for example, just left a job with a full month's salary, has some savings and lives with their parents, in those circumstances the case for advances is much weaker than a different set of circumstances.

Q111 **Chair:** You do not collect the data, but you will be collecting it, on the reasons?

Mr Gauke: Neil, do you want to just come in on this one?

Neil Couling: I do not think we are collecting the data. The effort has gone in, as Ms Allen was pointing out, in terms of trying to encourage the payment of the advances, so I was really pleased to hear that bit of feedback from that conference.

Q112 **Chair:** Neil, can you tell us how many people are applying so then we could work out how many people are being refused and then we could start asking you questions on the reasons for the refusals?

Neil Couling: I will certainly happily take that away and see whether it is possible to collect information on refusals, on characteristics.

Mr Gauke: We can certainly look at that.

Neil Couling: Because our desire is for the advances to be paid. They were put in because of the importance of the monthly assessment period and that first period of the claim back when we designed the Universal Credit back in 2010-11. Yes, the presumption, we have told our work coaches, is that these should be paid.

Chair: A promise of coming back on that data, please.

Q113 **Jack Brereton:** I just wanted to finally ask, as you have said that you want to ensure that as many people as possible are receiving advance payments who need it, do you feel that that will now become more of a permanent feature with the Universal Credit system as we move forward with its implementation?

Mr Gauke: It has always been there, advances have always been part of the system, but yes, I think for new claimants that flexibility essentially to bring forward an element of each of their first six months' Universal Credit payments to help them in the early weeks is a sensible approach. I do not think it does damage to the principles behind Universal Credit. I think there are good reasons why Universal Credit is a monthly payment. Coming back to our earlier conversation, I think we are right that it is a monthly payment, but in terms of helping people through that first period, I think that is an effective one. Obviously I want to look at this very closely and I want to monitor how it is working.

I think, for example, that the 50% limit strikes the right balance between giving people help in that first period without diminishing what they would receive later on, but to be honest, I am more than happy to look at the evidence. If we are finding that 50% is insufficient and people are coping in months 3, 4, 5 and 6 very well, then I have no objection to looking again at that limit. But I think it is important to look at the evidence first, because as I say, the hard cases, which we are all aware of and we want to address, are largely people who have not taken advances at all or if they have taken advances, they have taken too low a figure.

Q114 **Chair:** But what you are really saying, David, isn't it, is that the transition is so big for some people from their known world to your world of Universal Credit, you are putting round pegs in square holes? It is Heidi's earlier point. Is it a real success that the numbers of people claiming advances is increasing or is that the transition is more and more difficult for people to manage?

Mr Gauke: The measure of success is about how people cope in that first period as they go on to Universal Credit. I do not have a measure of success that is an optimum level of take-up for the advances. The advances are a means to an end, but I think it is a very useful means, which is, as I say, consistent with the principles of Universal Credit, which I think are really important, and it does so in a way that I think helps people when they need that help, while still enables Universal Credit to work.

But look, this is a big reform, I think we will be in agreement on that, but I think it is a big reform that has some big prizes there for us. Narrowing that gap between the world of being out of work and the world of being in work is a really important step in enabling more people to work, to fulfil their potential, to find economic security. That is what we are trying to achieve.

Chair: It is not so much a mega-reform for us. What we are concerned with, is it a successful mega-reform for our constituents? Therefore this increase in the amount of data to help us is very important, thank you.

Q115 **Steve McCabe:** I just wanted to understand how the decision on an advance payment works. As I understand it, it is down to the individual work coach. Does that mean in the absence of any data or research, particularly at this early stage, we could have two people in broadly similar circumstances in the same office or the same area having different judgments applied to them by two different members of staff? What are you doing to make sure that is not happening? Because it seems to me that would be a big flaw in what you are trying to do.

Mr Gauke: The key is about the guidance to work coaches, so that they make the decision.

Q116 **Steve McCabe:** But how is that monitored?

Mr Gauke: I will bring Neil in in a minute, but the clear steer coming from me is to ensure that people who need the support get the support. Of course there are issues about ensuring that taxpayers' money is used wisely, as I am sure you would expect me to say, but—

Q117 **Chair:** Especially coming from the Treasury.

Mr Gauke: Exactly. Yes, after seven years in the Treasury, it would be remiss of me not to be conscious of that, but equally we want a system where if people want an advance—after all, this is an advance, this is money that is not lost to the Exchequer—it is about giving people more flexibility as to when they receive it, but we want that system to work properly and get to the people who need it.

Q118 **Steve McCabe:** Sure, but I am curious about the arbitrary nature of the judgment and that is what I am trying to understand.

Mr Gauke: Let me bring Neil in on that.

Neil Couling: It is not quite 32 years, but 32 years I have been trying to answer that question, Mr McCabe, and I think it is about how you design the policy. If you think of the changes that we have made to the advances policy, it was the policy that the work coach would see the amount on the screen, but ask the claimants, "How much would you like?" You are putting inside of the work coach's head, "Oh, there is a bit of arbitration to do here". What our policy reform has done has taken that away, "Tell them what is the maximum amount they can get". Similarly, in terms of the repayment period, the question was, "What period would you like to repay it over?" Instead we are saying, "These are normally repaid over six months and six months' repayments would be these amounts".

It opens up the system to claimants, but it is also sending some subconscious messages to the work coaches that, "This is a really simple system. We want you to pay these advances. We want you to pay the maximum if you can". Now, can I, hand on heart, give you an assurance that is going to be equally done in all of our 700 Jobcentres? Of course I cannot, but you can be in no doubt, because the Secretary of State has made this very clear, I have made this very clear to the organisation itself that we want these advances to be paid. They are a key part of the system working and they help people across this initial on-boarding period, which is crucial to Universal Credit working in the long term and getting more people into work and so on.

Q119 **Chair:** Neil, when were those new instructions sent out? You kindly sent them to the Committee yesterday. Did they go to the offices yesterday?

Neil Couling: We did a briefing after the Secretary of State's speech to the Conservative Party conference.

Chair: When did you send the instructions out, Neil?

Neil Couling: The instructions went out earlier this week and we did a briefing on this. We did a briefing after the Conservative Party conference. We then agreed the guidance and yesterday we did an all managers' teleconference talking about the new guidance, what we were looking for in all Jobcentres.

Q120 **Chair:** How many weeks ago was it the Secretary of State spoke at the Conservative Party conference?

Mr Gauke: It was two weeks ago.

Q121 **Ruth George:** I am concerned that advance payments are not a solution to the problem for many people. Obviously it is only two weeks' worth of money to tide them over a period of six weeks, often more, as we have heard. Bearing in mind they then have that amount deducted over the next six months of their payment and that Citizens Advice have found that claimants have less than £4 a month with which to repay their creditors, what estimate have you made of claimants' ability to repay the advances and the impact on them over that period of time?

Mr Gauke: In terms of the amount, as you are aware, as I touched upon in my previous answer, we think that 50% strikes the right balance between helping people in that first period and not imposing too great a reduction in subsequent Universal Credit payments over the next six months, but I am—

Q122 **Chair:** But, David, when you say that is the right amount, you do not collect data to assure yourself that that is. It is your assumption, isn't it?

Mr Gauke: My starting point is that we think that that is the right balance, but I do come back to the point, because as I have indicated in my previous answer, I am not hung up on the particular parameters. We think is right, but I will be very open with you, if the evidence was suggesting that it should be a higher amount or it needs to be a longer period of time, I would happily look at that.

Q123 **Chair:** But are you collecting the evidence so you can make a judgment, David?

Mr Gauke: I come back to what is the measurement, because advances are a means to an end. The end is about ensuring that people go on to Universal Credit in a way that enables them to get into that monthly cycle, which for the reasons I have outlined I think is the right thing to do, without that causing them real difficulties. In terms of the evidence of the difficult cases that, as I say, we recognise and acknowledge, they have tended to be people who have not claimed advances, they have tended to be people where they have waited longer than the six weeks, which is why it is important to improve payment time on this, as we have done, and if they have claimed advances, not claimed sufficiently large advances.

Indeed, with the new guidance, we do enable people to go back. If they have claimed an advance and it is found not to be enough and it was not their maximum level, they can go back for a second advance. But we will continue to look at that. As I say, I think advances will address it, but the test of it is how people are coping with that transition on to Universal Credit, which we are obviously monitoring, you are monitoring, CAB is monitoring and we are working closely with them.

Neil Couling: We regularly publish qualitative studies of the experience of UC claimants coming on that picks up in interviews with them how easy the process was or was not, both in terms of claiming online, to the extent of managing their finances across this period. It is not data as such. I do not count, "There are 20,000 here happy and 5,000 unhappy". It is not data like that. We have published that before. I will happily give you—

Q124 **Chair:** I thought you were saying it was data.

Neil Couling: Maybe it is data, I do not know. But in terms of how would we know if we had a problem and needed to change in the way in which the Secretary of State was intimating he might be open to do so, it would be through such information as that.

Q125 **Ruth George:** Bearing in mind the increased levels of rent arrears that we have heard about and also personal debt among claimants of Universal Credit, are you then in that evidence collecting data on the relationship between Universal Credit and personal debt?

Mr Gauke: We look at the position in the round and obviously personal debt is an element of that, but I come back to the rent arrears issue, how we should address that. One of the challenges has been about ensuring that we verify all the housing information as quickly as possible. Neil talked earlier about some of the improvements that we are making to improve the system generally, but one example we could give is the landlord portal, which is now in operation, which is a means by which landlords can provide more information about tenants, can speed up that process and improve the verification. That should help us over time to speed up, for example, the housing element being paid on time. That is one way of helping to address rent arrears, and indeed indebtedness generally. I think the key to dealing with indebtedness is to make sure that we improve payment timeliness, which is what we are doing.

Q126 **Ruth George:** Food banks and the Trussell Trust have said they have seen more than a doubling of referrals in areas where the Universal Credit full service is being rolled out. Are foodbanks having to pick up the slack for what Universal Credit is not able to do to help people?

Mr Gauke: Again, I come back to advances here, which is that increased take-up of advances can help people through that first six-week period and reduce some of the pressures that exist on claimants. That is what we are trying to do. Obviously we will continue to monitor that impact, but as I say, we have already seen in the last few months a significant increase in the take-up of advances. That is putting money into people's pockets, where previously they did not have that money. That, we would anticipate, will have an impact on helping people through that initial period.

Ruth George: Can I just follow up on that?

Q127 **Chair:** No. On that point first, in Birkenhead, the foodbank is estimating it will need an additional 15 tonnes of food over the Christmas period because the rollout is occurring in Birkenhead during the Christmas period. Are you saying to them, given the reform you have implemented by instructing staff yesterday about advances, that they should not have to worry about raising another 15 tonnes of food?

Mr Gauke: I am not going to advise foodbanks on that assessment.

Q128 **Chair:** It is just a test of whether this is all going to work.

Mr Gauke: What we will be looking at very closely is over the months ahead what the impact of greater take-up of advances is on people as they join Universal Credit. As I say, I have not looked at that assessment. It is worth just remembering, and I think this does get missed from the debate, is that we are doing this very gradually. I have made the point before that if you look at the total number of households that will be on Universal Credit by the end of this process, currently we are 8% of the way through. By January, after this supposedly accelerated rollout, we will be 10% of the way through. We are looking at the flow of new claimants, not the stock of claimants on legacy benefits.

Q129 **Chair:** But that is not the question I asked you. I just said are you so confident now with these reforms that Birkenhead foodbank, which is trying to raise an additional 15 tonnes of food, that that is being alarmist on their part, because your reforms with the advances will lessen the number of people who are driven to foodbanks, which was Ruth's question?

Mr Gauke: The intention of the change in advances is to reduce pressure on people over the first six weeks that they claim. I want to very closely monitor the evidence.

Q130 **Heidi Allen:** That implies there is pressure during that first six weeks then, doesn't it?

Mr Gauke: Nobody is denying that there have been hard cases. A lot of that is because of delays. If you want to look at some of the prominent media cases they have been happening over a period of months, but my point is that advances as a system is the best way of people spreading out their income, as it were, over that first six-month period.

Q131 **Chair:** But you cannot guarantee that there will not be this surge in foodbank use in those areas where the rollout is occurring, such as in Birkenhead.

Mr Gauke: Look, Mr Field, you are much more experienced than me and you know that Ministers are always loath to give a guarantee about anything, but what I—

Chair: We have certainly learnt that in this session.

Mr Gauke: Yes, and I daresay as a Minister you were loath ever to guarantee anything, but what we do think is a system whereby payment timeliness is improving, and it is, and where take-up of advances is increasing, which it is, is likely to mean that those people who have undoubtedly faced pressures in the first six weeks or first period before their first payment, those people are not likely to see those pressures being as great in future. But I want to keep monitoring that and I want to look at the evidence.

Q132 **Ruth George:** There will be problems for people ongoing through their claim. You mentioned in response to initial questions about the number of people on four-weekly pay. Once a year, those people will get two pay packets assessed within one monthly period, often taking them out of Universal Credit payment for that month. Their claim then stops and they do not receive any payment the next month, even though they only received one pay packet. People are not told about this. They simply do not get any money. They have to then make a reclaim and they end up again in debt and again with problems ongoing through the system.

Mr Gauke: There are two points to make on that, one of which I will let Neil make. The first point is that overall people on four-weekly pay versus monthly pay, if they continue to claim throughout the period, do marginally better under Universal Credit than those on monthly pay. But I think there is an important point—and this is key to your question, I think—is to make sure that people, having had that month where they have received two payments and can be taken out of Universal Credit, do get themselves back into Universal Credit as quickly as possible. Neil, do you want to just come in on that?

Neil Couling: They are prompted to reclaim.

Q133 **Ruth George:** They are not.

Neil Couling: They are. When the second four-weekly amount comes in, if you still require Universal Credit, you are asked to reclaim. It goes into the journal. The process is not then the full reclaim process either, it is using the data that we have already gathered.

Chair: We will obviously be coming back on quite a lot of this, Neil. Thank you.

Q134 **Chris Green:** Secretary of State, the current phase of the rollout now extends to January. Was this always the plan?

Mr Gauke: Yes. There has been a pause for a month, but that has been in the plan, as I think my predecessor set out last year. The purpose of that is to further learn from the experience of what has happened over this period. It has always been the way, that Universal Credit has had periods of expansion, then holding while we look at the evidence. Just in the way we had 29 new Jobcentres in July, there was then a pause in August before rolling out more in October. That has always been part of the plan.

Q135 **Chris Green:** Because normally you would look and think. There is a firebreak, because you really need to pause, gather the information you need, reassess it, reassess it where you are and then go forward, having improved the offering, having improved Universal Credit. But we are hearing mounting evidence of concerns and problems, whether it is, as Mr Coyle said, about the eviction level arrears, that is increasingly becoming apparent in certain housing associations; the difficulties of people getting advance payments; 10% of people using Citizens Advice Bureau services have waited over 10 weeks. There seems to be mounting evidence that there are problems within the system and surely there ought to be a very significant firebreak now to reconsider the evidence that is mounting to say that there are problems in the system.

Mr Gauke: I think what the evidence shows is that timeliness of payments are improving. We also ought to be aware that the evidence is showing that people who are on Universal Credit, if you look at them some months after the claim has been made versus equivalent people on the legacy benefits—

Q136 **Chair:** Are you collecting data on that, David?

Mr Gauke: If I can just finish this point then I will come on to this. But this is the point about those who are on UC versus equivalent people on legacy benefits, six months down the line you are more likely to have worked if you are on UC than if you are on the legacy benefits and you are more likely to be progressing in work than if you are on the legacy benefits. That is consistent with the modelling that was done at the beginning of the process that suggests that UC will result in 250,000 more jobs in this country when it is fully rolled out than would otherwise have been the case versus the legacy benefits.

In terms of that study, one of the challenges here is to make sure that you have a control group, so that the further you go into this process, in a way the harder it is to have a control group. You have to look at different types of people because, for example, every new claimant who is single and unemployed is now going on to Universal Credit. But we are looking again at updating that study. There have been three studies and they have all pointed to the direction of UC was doing better than the legacy benefits, but yes, we are looking again to see if we can replicate that study and see if it continues to support that trend.

Q137 **Chris Green:** I agree with the idea, the vision behind Universal Credit. I think it is a very good thing, but when you see the problems mounting up and you see that the rollout is only going from 8% to 10% in January, when it should have already pretty much been completed from the initial vision, if this is such a good thing. But it has been delayed and delayed and delayed, so people are not going to get the support they need to get into work. Do we have to pause to reconsider perhaps significantly changing Universal Credit and then come back again?

Mr Gauke: No, I do not believe so. As I say, I think there are real positive benefits there and a pause would delay us making progress to that additional 250,000 jobs and providing help to large numbers of our citizens. I point to the fact that the system is improving as we have rolled out. What we have seen in terms of full service rather than live service, for a long time we were doing five Jobcentres a month. There is always the suspicion that when you are doing five Jobcentres a month, you are kind of getting crack teams in there, there is a lot of oversight from the centre and it is all very carefully managed.

In July, we did 29 Jobcentres and the process has worked. You cannot have the same centralised oversight when you are doing 29 Jobcentres as when you are doing five. If I look at the metrics in terms of those 29 Jobcentres, they are performing well. In fact, payment timeliness is slightly above the average across the country, but it is only by that testing and learning, it is only by extending that we know that there was a capability to do this over more Jobcentres than was the case in the past.

Q138 **Chair:** So there will be a firebreak in January?

Mr Gauke: There will be a firebreak, but that has been in the plan.

Chair: No, I agree it has been in the plan. I am not trying to—

Mr Gauke: Yes, always. I should acknowledge when I say it has always been in the plan, I am conscious that there have been many plans for Universal Credit, but the plan that we have had for now some time, which is about a test and learn, gradual, steady rollout strikes me as getting the balance right. I think we do need to maintain the rollout and keep expanding it and so on, but as I say, it is a pretty steady rollout that gives us the opportunity to learn and make improvements. I would hope and expect that every month there will be refinements, improvements, changes, things that, for example, make it easier to verify particular aspects more quickly, all of which moves this in the direction, through lots of small incremental changes, to a system that is getting better and better. But even at this stage, it is already helping more people into work than the legacy benefits.

Neil Couling: One thing, just from the perspective as the accountable official for the rollout, it may have escaped the Committee's notice a couple of things here. First of all, I told the Public Accounts Committee back in 2014 that I would not roll out Universal Credit if I did not think it was safe to do so. On the basis of looking at the then plans, I changed the plans and persuaded three Secretaries of State, two Prime Ministers of two Chancellors of the Exchequer, because it overlapped the change at the top of Government, that we needed to change the plan to make it more safe to do.

I have also paused the programme before. I paused the programme back in February 2016. I do not think anybody noticed, but what happened was we went live in Hounslow Jobcentre. We had three times the flow of cases that we were expecting and it overwhelmed our operation, so I stopped the programme there, I paused it for a couple of months until we could re-steady ourselves. I will do so again if I think the evidence merits that.

Q139 **Chair:** If it does not work as you are saying, you are telling the Committee, but also the Secretary of State, you expect your head to be on the block?

Neil Couling: Yes. Paragraph 5.6 of the Ministerial Code says that I am responsible to Parliament for the delivery of this, not the Secretary of State, which makes me feel slightly uncomfortable, but it does mean that in terms of looking at and giving advice to the Secretary of State about whether we should proceed or not, I am the least incentivised person in this Department to want to proceed with the rollout, because it is all on me.

Chair: No, indeed. Thank you for lining yourself up so clearly.

Neil Couling: The Public Accounts Committee are very aware of this, so you might as well be as well.

Mr Gauke: I was just going to say, my day is getting better and better. I would just add, look, I came to DWP in June. As you know, I have been in the Treasury for the previous seven years. I do not come to this with a particular baggage or personal commitment that, “I have to deliver this at all costs” but I have looked at the evidence and I think—

Q140 **Chair:** That is what we are banking on, because literally the Treasury always has taken a very sceptical view about whether this programme is workable. We have just heard the person lining themselves up, if it does not work as you have been wishing it to work and that you were driving it to work.

Mr Gauke: Can I just make this point? On the evidence that I saw, without coming to this with a preconceived position, I think it is right that we have proceeded with this next step. Of course any new system will have its challenges, but as someone who came into Parliament in 2005, two years after tax credits had been introduced, this is a much better system being introduced in a much more sensible way.

Q141 **Chair:** But the key thing was the answer to Chris, wasn’t it, that the firewall will operate in January?

Mr Gauke: Yes, it will.

Q142 **Neil Coyle:** So you have proceeded with this without proceeding with the business case that was promised in autumn, but that aside, you mentioned the landlord portal, which you admit in your letter was a minimum viable product when initially released, but you have made modifications to it, including in my borough in Southwark. Can you tell us about those modifications and how they are working or not?

Mr Gauke: I will bring Neil in here, because the feedback we have been getting from those social landlords that have been using it has been extremely positive, but I will let Neil respond.

Neil Couling: We have done two main things. First of all, we expanded what the portal can do. The portal can do two main things: first of all, it allows the exchange of information between ourselves and the social landlords and it also allows the social landlords to request an APA, an alternative payment arrangement, essentially payment of rent direct to the landlord. We coupled that with the trusted partner status too. What that does is put the landlord in the driving seat for deciding who gets APAs. Essentially, if the landlord decides that a person needs to be paid direct, then the landlord can make that happen.

In terms of coverage, we are now at around 15% to 20% of the total number of social landlord properties in the country covered by this and we will be at 50% by the end of December in terms of rolling this out. That will be 80% of the coverage of social landlords in the new offices that we have been rolling out since October. We are growing this quite quickly, but we are doing it through a system of support to social landlords, effectively making sure that they can come on to the system and use it.

Q143 **Neil Coyle:** Half will not be in it by December. You say you are pleased with how it is rolling out, but Southwark Council have said last week, “We recommend the Department continue to work closely with local authorities and social landlords on the development of a landlord portal that meets social landlords’ needs”. Clearly they still do not have ultimate faith. They made specific recommendations and I am intrigued why these were not accepted.

First, you have said there is a trusted partner status, but you still have an insistence that the individual has to declare the rent they are paying. Why can’t that be the trusted partner status to declare what rent is owed? Secondly, Lord Freud’s point about the removal of the seven-day waiting period. Thirdly, you have just said awareness of advance payments is low, awareness that people are paying rent is low, so why not allow the other recommendation from Southwark Council and beyond on transitional arrangements for those moving who already receive housing benefit? The Department know they get it; the work coaches know they get it. Why not have a transitional arrangement that prevents them building up the debt and arrears?

Neil Couling: I will do my best to answer those questions. If I miss any, come back to me. First of all, my understanding of the position of social landlords is they are really pleased with the landlord portal. They would like to develop it more, we would like to develop it more, but right now we have put the priority on getting the coverage across the country in the safest way possible so it works when we deploy it with the landlords.

To the question, “Why don’t you just ask the landlord in terms of verification?” of course the claimant comes to us first, the social landlord does not. In the claim process, we want to try to encourage—because of this under-declaration around housing—the claimants to tell us, but of course if that looks like an address that is owned by a social landlord, we can then go to the social landlord and say, “Is this person renting with you, because they have not declared their rent on the claim?” It is that way around.

I am sorry, your other questions? There were so many.

Q144 **Neil Coyle:** The seven-day waiting period and transitional arrangements for people transferring in, who already receive housing benefit.

Neil Couling: I think you have covered that.

Mr Gauke: I think I have covered waiting days. Sorry, the last point was?

Neil Coyle: On transitional arrangements, for people who are moving, who the Department already knows receive housing benefit and have done for some time.

Neil Couling: Again, we may know that they are on housing benefit, but we will not necessarily know, because it is not always recorded on our systems that somebody is on housing benefit. For example, somebody who is a housing benefit only case, who has income that takes them above the JSA amounts, may trigger a claim into Universal Credit and we would not know that they were on a housing benefit. It is not true to say that we are all-seeing and all-knowing in that regard.

Q145 **Neil Coyle:** There seems to be some faith that the portal is working. I do not hear that from the councils or other housing associations. The idea that things are improving, Southwark Council have gone from having just 10% of its tenants accounted for £3.8 million worth of arrears to £5 million worth of arrears. Is one of the problems here with the RTI part of the system included in the portal, but beyond that, in terms of income as well as rent levels and childcare costs and things like that?

Neil Couling: RTI is working very well. We had 360,000 RTI bits of information coming into the system on UC claims last year. The level of queries on them was 0.4%.[1]

Q146 **Chair:** You had 500,000 claims, didn't you?

Neil Couling: No, sorry, 360,000 and there were—

Chair: Pieces of information about real time income?

Neil Couling: Yes, basically RTI feeding into claims.

Chair: But you had 500,000 claims?

Neil Couling: Yes, but remember that is a growing caseload and the RTI feeds could be anything between one and 12, depending on the duration of that claim in that period. The point I was trying to make was the number of queries from claimants about the RTI information coming in is very, very low and when we go back to the claimant and explain how the calculation of their entitlement has worked, most of those disappear too. There has been about 238 cases where we have had problems with the RTI information provided, normally at the employer end, which we ask HMRC to resolve with the employer.

Q147 **Neil Coyle:** You say it is working very well, but that last point you are making there about HMRC, is this is the Late, Missing and Incorrect RTI project that DWP is leading with HMRC?

Neil Couling: Yes. We have always known that if employers do not record on time correctly the earnings of their employees, then the RTI feed to us would not be as useful as we were hoping it would be in the design phase. HMRC have been continually working with employers to improve the quality and accuracy of the information that they put into RTI. Clearly that also has an impact for the Government revenue too, because it is all about the income tax declaration and National Insurance

[1] Neil Couling has made the following correction: that 360,000 bits of data came into the system in the previous month, (September 2017) and the level of queries was 0.4%.

declaration, so there is a strong interest for HMRC in getting that right too.

Q148 **Neil Coyle:** Finally, why did DWP deny the existence of the Late, Missing and Incorrect RTI project in an answer to the Right Honourable Member for East Ham on 9 October? Can you just say why that group is not looking at what the Department admits in a Freedom of Information request is the system defects with Universal Credit?

Neil Couling: I have not seen that FOI response, so I would need to look at it before I could answer properly.

Q149 **Chair:** Are you saying that all questions about the operation are not checked by you before you send them for the Secretary of State to sign off?

Neil Couling: If I tried to answer every FOI request we received on Universal Credit, I would probably bring down the FOI system.

Chair: No, from Members of Parliament. This is the Member for East Ham.

Q150 **Neil Coyle:** It is a written answer, 9 October. The question was 106562 and the Freedom of Information reference for DWP is 3665. It says, "This project does not address system defects, but does address inaccuracies in submitted data" so it is treating the symptoms and not the cause of the problems.

Neil Couling: No, it is as I outlined just now to the Committee, isn't it? The work is really at the employer end. There is no system defect in the feed of data to us, it is about what is being input at the employer end: is it accurate to what an employee is getting? Because the employee will turn up in a Jobcentre and say, "You have assumed that I have £500 this month. It was £450. What has gone on here? You have it wrong" but we have not if the RTI feed said £500 rather than the £450 that they are reporting.

Mr Gauke: The issue with RTI, and this was the element of Universal Credit that I was involved in going back to 2012, is that it will always be dependent upon the accuracy of the data that goes in in the first place. If that accuracy is not right, then you are transmitting something that is inaccurate. The challenge for HMRC, which is relevant for DWP, is ensuring that that data is as accurate as possible.

Q151 **Neil Coyle:** But if you are to help ensure that Universal Credit does deliver—and I do not believe the figure, quite frankly—250,000 jobs at the point it is finished, not now, as some have claimed, then those on a fluctuating income must be able to have that reflected accurately in the RTI and you are doing nothing to ensure that is improved at the moment.

Mr Gauke: Let us remember, until we had RTI, until we had Universal Credit, we had a system that required us to look back over annual income and make adjustments accordingly. What RTI is doing is a huge step forward in terms of the level of data that is available to DWP in accurately assessing income as it fluctuates. It is exactly those circumstances that you outline of people with fluctuating incomes that I think Universal Credit is the biggest improvement, because we are able to—

Q152 **Neil Coyle:** If it works.

Mr Gauke: We are seeing it working. We are seeing Universal Credit payments varying with the fluctuations of people's income. I can remember going back to 2010 and people said, "Oh, Universal Credit will never work because RTI will never work". My personal boast two or three years down the line is that RTI was the one thing that was working. That was when I was with HMRC rather than DWP. Now we are seeing Universal Credit working, the RTI system is improving. The challenge here is to make sure that the data that is put into the RTI system is accurate. It is accurate in the vast majority of cases, but we need to continue to make sure that that small minority is dealt with.

Q153 **Steve McCabe:** I just want to ask briefly about the private rented sector. You probably saw that the Residential Landlords Association had evidence that there were a substantial number of landlords refusing to let to people on Universal Credit because of their fears about rent arrears and getting the rent. I notice from your letter that 45% of those currently on Universal Credit are getting the housing element. That suggests to me that we could be heading for a bit of a problem in terms of accommodation. I wondered if you accept that was a risk and what you are doing with the private landlords to try to avoid that.

Mr Gauke: Again, I will bring Neil in here. I would make the point that the issue about improved payment timeliness is again relevant for this point and indeed use of advances can be relevant in these circumstances, but more specifically, Neil.

Neil Couling: We are working very closely with private landlords too. We cannot extend the landlord portal to them because of the different rules we have for data protection with the private rented sector and social rented sector, which I can go into if people want, but—

Q154 **Steve McCabe:** Is that something you could change if you decided that was—

Neil Couling: You could, but I do not know whether you would want to. I will put you in the policy seat, if you like, which is if you are worried that landlords might stop renting—and remember there are thousands and thousands of private landlords—to people on benefits, if you were one of those tenants and you thought your landlord was at risk there, would you necessarily want them to know you were on Universal Credit? That is the trickiness. If all private landlords were reasonable, then you probably could extend the data protection rules to allow that, but I think is the risk in that.

The thing I would say about landlords not renting in the future is there was a very similar threat in 2008, when the then Labour Government stopped paying rent direct to private landlords. I was in the operational bit then and then I ran the policy team in 2009, so I was still getting the pressure from landlords then. They said, “It is definitely happening; we have evidence of it happening”.

In 2007-08, 25% of the private rented sector was taken up with people on a housing benefit. In 2017-18, so ten years later, it is 27%. It rises and falls a bit with the economic cycle, but they are two reasonably similar years in terms of the level of activity in the economy. You may find examples of individual landlords who say, “Yes, I have had enough”, they may have a bad experience with a tenant and they say, “I am not going to do that”. But in general, the market will lead landlords towards renting, otherwise they exclude themselves from anything from a quarter to a third of the private rented market.

Q155 **Steve McCabe:** Would it be fair to conclude from what you are saying that you think this claim by the Residential Landlords Association is probably not valid, in your experience?

Neil Couling: In my experience, I heard it in 2008 and it did not happen. I am not complacent about it and we are working with private landlords. We will talk about Great Yarmouth. In Great Yarmouth, 64% of the market is taken up with people on a housing benefit or Universal Credit. A landlord in Great Yarmouth, if they wanted to walk away, would be walking away from two-thirds of the market. My economic instinct is this is not going to happen. You will be able to find individual landlords who will move away, but that happens now. It is all about their experience with claimants. I am not overly concerned, but we are looking at it and of course we keep it under consideration.

Q156 **Chair:** Will you be collecting data then, so we are not just exchanging stories?

Neil Couling: This is all publicly available data. If the Committee wants access to it I can forward it on.

Q157 **Steve McCabe:** Can I ask one other thing? I notice that the disability charity, the Papworth Trust, suggested that rent arrears should be a key performance indicator for Universal Credit. What do you think of that as a suggestion?

Mr Gauke: There are number of indicators on there. One thing that we must not miss from this, we should not jump to the assumption that everybody leaves the legacy benefits with no rent arrears. If anything, Universal Credit has rather revealed that rent arrears were running higher in the social rented sector than perhaps had previously been appreciated.

Q158 **Chair:** David, every study I have read has always listed that there was a problem with rent arrears. It just so happens, generally speaking, it has doubled under Universal Credit.

Mr Gauke: I think that to some extent Universal Credit has shone a light on this.

Chair: By magnifying it.

Mr Gauke: I come back to my point about ensuring that people can get money earlier, if they need to get it earlier, through advances. I come back to my point about reducing the time people are waiting and therefore payment timeliness, all of which I think contribute towards this. Also in understanding rent arrears, I think there is a difference between an issue that might be a problem for one, two, three or four months, which people then get on top of, and a problem that people cannot deal with over a long period of time. What we need to do is have an understanding as to whether this is short term people going into rent arrears and then recovering—and clearly there is evidence that significant numbers of people are doing that—or is this one where people go into rent arrears and are then stuck. Again, we need to very closely monitor that, because they are different problems.

Q159 **Alex Burghart:** Just a very quick one from me. The latest analysis of Universal Credit was quite promising. We saw more people moving into work and more people moving into more work, exactly the sort of thing that the programme was designed to deliver, but that analysis was from the 2014-15 live service. When are you going to undertake the analysis for the full service?

Mr Gauke: We are looking at that, as I touched upon earlier. It is worth remembering that this looked at where people were six months down the line, so although we might have looked at it, we are talking about people who claimed in 2015. Very often we are looking at the position of where they were in 2016 as a measure, but we are looking at coming back to this and doing further analysis on it. As I touched upon in my remarks to the Chairman, of course we need to make sure that we have an appropriate control group against which to compare. It would not be possible to go back and look at the live service people, if you like, the single unemployed. We would have to find different groups to look at, but yes, we are conscious of that and we want to test that analysis again.

Neil Couling: It is the problem, funnily enough, with the arrears data. I found myself listening to the radio this morning, listening to Andy Burnham talking about the situation in Oldham, where he said the amount of rent arrears had gone up from 30% to 80%. The trouble is you cannot conclude that from the kind of information that is being provided, because the stock of legacy housing benefit cases is not the same as the cases coming on to Universal Credit. There is undoubtedly an effect if you have a six-week period before somebody is entitled, there will be some arrears there, but you cannot conclude from this data—it is analytically unsound to conclude—that it has doubled or not. I appreciate that has been used in a political space and people are arguing that. I am not saying there is not some kind of arrears effect.

Q160 **Neil Coyle:** Are you warning us that you will not be able to find a control group in order to reflect that same study?

Neil Couling: I was going to come on and explain what we are doing. We have been working with a landlord, Curo, trying to match their data to our data to see what the effect is. We take out the effect of the legacy cases that do not change, that stay on housing benefit and may have had arrears two or three years ago, but do not show as having arrears now because they have cleared. They are not new cases.

Q161 **Neil Coyle:** The question was about work.

Neil Couling: I will come on to the work point as well, Mr Coyle. I think it is important to understand that and also taking it into the landlord space. In terms of work, yes, we are looking now at our families data, because we expanded in the north-west to look at couples and families and trying to find matching groups for that. As the Secretary of State explained earlier, for single unemployed people we are running out of a comparative group, because we do not have new claims to JSA anymore because Universal Credit has rolled out across the whole country to single unemployed people. We are going to continue trying to match, get properly constituted comparator groups, and then understand what the labour market effects are.

Q162 **Alex Burghart:** Do you think for families we might see some analysis by the end of this year or early next year?

Neil Couling: I think it would be into next year. It is quite a tricky thing to do, which is why I caution anybody who is doing comparative studies between the old system and the new. Unless you have set up these proper comparator groups, you cannot substantiate the claims that are being made. That is true for debt, it is true for housing and it is true for the labour market too. You have to constitute this properly.

Q163 **Alex Burghart:** But you think you might be able in the first part of next year?

Neil Couling: I think that is entirely possible, yes. Although I seem to be picking up data requests quite a lot from the Committee today, so I reserve the right to try to order all this.

Heidi Allen: I think there is probably a message there.

Chair: But the Secretary of State needs this sort of information for the firebreak in January.

Q164 **Chris Stephens:** Secretary of State, I want to ask about telephone charges in a second, but one of the things that strikes me about the rollout of Universal Credit is that the Department is also closing Jobcentres at the same time. Can you tell me if there has been an assessment made by the Department as to what the impact will be on the rollout of Universal Credit in areas where there is a Jobcentre closure?

Mr Gauke: In terms of the Jobcentre closures, as you will be aware, DWP is at the end of a contract that gives them the ability to look again at their estate. Frankly, the existing estate is not an efficient use of taxpayers' money in terms of providing a good service to claimants, so there is a rationalisation of the estate. That does mean that there are Jobcentres that will be closing, but there are also Jobcentres that are being modernised and improved and so on.

I would not want the Committee to be left under the impression though that we are seeing a reduction of staff working in this area. We are recruiting people as work coaches, so there is more support that is being provided to Universal Credit claimants, so we are seeing an improved service. I would like to stress the personalised support that Universal Credit offers is one that I think is a real improvement on what has been provided in the past. In my experience of going around Jobcentres and meeting the staff, I know that Members of Parliament of all parties have had this experience of a really positive engagement with work coaches who are enthusiastic about the service that can be provided to claimants.

Q165 **Chris Stephens:** Your colleague, Mr Hinds, in a written answer to me indicated there was going to be 750 job losses as a result of Jobcentre closures. Are you indicating to me that none of those job losses are people who are engaged in Universal Credit work? Is that what you are telling me?

Mr Gauke: What I am saying is that if you look across the board, we are increasing the number of people who are working on Universal Credit, not reducing.

Q166 **Chris Stephens:** In terms of the effects then, you indicated that there has been no assessment of Jobcentre closures, because some of the Jobcentres earmarked for closure are specifically responsible for the rollout of Universal Credit. Surely one of the impacts would be on a disabled constituent having to travel further to a Jobcentre, who will then come to DWP claiming for an advance payment or an additional advance payment just to get to a Jobcentre to meet an appointment. Has the Department considered that possibility?

Mr Gauke: I make the point that what we are moving to is a more rational deployment of Jobcentres. It is still the case, if I may make this point, that if you look at the larger cities, the city with the highest number of Jobcentres per head of population is Glasgow. That is the case before the plans and it is the case after the plans have been implemented. I think that we are providing a good coverage of Jobcentres across the country. I also recognise that, yes, there are times where claimants do have to come into Jobcentres, but course there is more and more that can be done online. 99% of claims are made online and that is working well.

Q167 **Chris Stephens:** I am just going to move it on to the telephone charges, which you mentioned at the start. As someone who has campaigned on this for two years I do welcome what you said this morning. But just to clarify, I think you said that all DWP helplines will be free by the end of the year. Is that what you indicated?

Mr Gauke: Yes.

Q168 **Chris Stephens:** Secondly, could you tell me, Secretary of State, have you looked at the issue of third party phone providers? That is people who are searching a phone line who are then phoning that third-party provider, who then transfers the call to DWP, because that is where people are spending a lot of money on telephone calls trying to get access to your Department.

Mr Gauke: Two points. Yes, you heard me correctly. Universal Credit lines will be free phones in the next month, but across the board by the end of the year. You do raise a point about some of these numbers, which of course we do not control. We are aware of the issue. I think the point for us is to publicise the new freephone numbers and make sure that people are aware so that they call directly. But frankly, some of this activity is outrageous, about how people are taking advantage of the situation, so I share the frustration. I do not know whether, Neil, there is anything you want to add to that.

Neil Couling: That is exactly what I was going to say.

Chair: That is the answer, all right. A last point from Heidi, obviously.

Q169 **Heidi Allen:** You will be very pleased about that, won't you? I have heard one thing that has given me a real hope today, aside from the phone lines, which is brilliant. Neil, you said that with Hounslow you took a judgment call and persuaded the Prime Minister at the time that that was the right time to pause. Given that my Jobcentre work coaches tell me the system is pretty much about 60% built—this is the full service—and we still have major deficiencies in the system in terms of free school meals, that is going to come and bite us on the whatsit if we are not very careful, because that functionality does not exist in Universal Credit so far.

We need to be able to offer direct housing payments for those that need them, where it is better for them. Evidencing childcare costs is still not working and Universal Credit does not work for the self-employed yet either. Given that we have some massive hurdles still to cross, might there be an opportunity between now and January, which is the next natural break pause, Neil, that if you feel the case is there—and David too—might you be prepared to pause it mid-period again, as you did with Hounslow?

Mr Gauke: You start off and I will follow up.

Neil Couling: Let me be clear, I monitor the system and how it is going all the time. This morning 11 new Jobcentres joined, so we are up to 135 Jobcentres today.

Chair: What is the answer to Heidi's question?

Neil Couling: I am having a go at it, Mr Chair.

Chair: You are not.

Neil Couling: We monitor all of the time. I do not accept what you are saying about the aspects of the system not working. It is true that there are developments to the system to apply. One of them is I want to make booking of appointments, that claimants can do that themselves, much like when we would book a holiday, we are booking ourselves on to the seats on the plane. I want to bring features like that in. But it is not true to say that there are system features that are not working well, that we cannot safely proceed.

Q170 **Heidi Allen:** Free school meals?

Neil Couling: Free school meals: currently everybody on Universal Credit qualifies for free school meals. I am waiting for a policy position from the Scottish Government and the Department for Education for England to tell me what policy they would like to implement. Then in the same way we have implemented data—we basically provide data, for example, to the Department of Health and the Scottish Government for their various policies around things like Healthy Start vouchers and the like—we will implement changes for that. It is not a question of me not doing anything. I am awaiting instruction from my colleagues across Government.

Q171 **Heidi Allen:** Sorry, maybe I phrased it incorrectly. I am not saying that it is your fault that some of these systems are just not there. There are reasons why the full functionality is not there. Therefore, is it feasibly possible you might ask for a pause again mid-period, yes or no?

Neil Couling: I look at this continually. I will look at it in January, but I look at it every week as to how things are going. The thing I did in Hounslow was I looked very quickly at what was going on there, there was clearly a problem, so I put a foot on the brake and said, "Right, we are stopping here until we have sorted these problems out". I will do that again.

Mr Gauke: I come back in a way to what I said earlier. I want to look at the evidence. I want to make sure that this is a system that is constantly improving and being refined and so on. But I think we should not take decisions on pausing and so on without also appreciating what this system can deliver in terms of removing the barriers to work, to increasing the incentives to work, to bringing together a system that is coherent and helps people move from being out of work to being in work. There is a very big prize there.

My determination is to make this work. In doing that, of course I will listen to the arguments that are put. I will listen and look carefully at the evidence that is presented to us. But in terms of the decision that I took to proceed in October with the rollout, I believe that was the right decision based on the evidence in front of me, because this is a system that can make a really positive difference, can transform lives, and my determination is to deliver this successfully.

Q172 **Chair:** David, for a Committee that clearly is worried about this, I think the most significant answer you gave today was to Chris Green, that that firebreak is a real possibility, that if you wanted to get off the wheel, so to speak, of this Universal Credit rollout, you could, and that you will be considering the evidence that is coming in for you to make that decision. I hope we are going to hear much more about that firebreak in the debate this afternoon.

Mr Gauke: I will of course consider the evidence. Who knows, maybe I will be back in the New Year to discuss the decision as to the next tranche.

Chair: Absolutely. Thank you very much, both you and Neil.