

Work and Pensions Committee

Oral evidence: Universal Credit Rollout, HC 336

Wednesday 24 January 2018

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Members present: Frank Field (Chair); Heidi Allen; Andrew Bowie; Alex Burghart; Emma Dent Coad; Ruth George; Steve McCabe; Chris Stephens.

Questions 304 - 408

Witnesses

I: Jeane Freeman MSP, Minister for Social Security, Scottish Government, Dawn Abell, Social Security Policy Team Leader, Scottish Government and Stephen Kerr, Social Security Director, Scottish Government.

II: Alok Sharma MP, Minister for Employment, Department for Work and Pensions and Neil Couling, Director, Universal Credit Programme, Department for Work and Pensions.

Written evidence from witnesses

[Department for Work and Pensions](#)



Examination of witnesses

Witnesses: Jeane Freeman MSP, Dawn Abell and Stephen Kerr.

Q304 **Chair:** Hello and welcome to our Committee. Thank you for being here. We are most grateful to you. Dawn, might you begin by identifying yourself for the sake of the record? Andrew and then Chris will begin our questioning.

Dawn Abell: Dawn Abell, Scottish Government.

Jeane Freeman: I am Jeane Freeman. I am Minister for Social Security in the Scottish Government.

Stephen Kerr: Hello, I am Stephen Kerr and I am the Director for Social Security in the Scottish Government.

Q305 **Andrew Bowie:** Good morning. Welcome to the Committee. I would like to kick off by asking the Minister to what extent the Scottish flexibility—specifically the option for claimants to receive twice-monthly payments—will, in your view, improve Universal Credit in Scotland.

Jeane Freeman: Our Scottish choices improve the situation for the individual in that we offer them a choice over how they want their rent to be paid—how they want to deal with that—and whether or not they want to be paid, as you have said, twice monthly.

What those choices do not do, because we have very limited powers and Universal Credit remains a UK Government benefit, is to fix what we believe to be the fundamental problems with Universal Credit in both policy and delivery terms. Those problems are: in policy, the four-year freeze on the benefits within Universal Credit that by 2020 will have taken £3.8 billion out of welfare spend in Scotland; the wait time, albeit reduced to five weeks, which is still, in our view, too long and introduces additional hardship for individuals; and of course the delivery problems. I think the DWP's own figures are that 24% of new claims to Universal Credit are not met within the six-week wait time as it currently stands. Our choices make limited improvements but, because we do not have the necessary powers over the benefit, do not fix Universal Credit.

Q306 **Andrew Bowie:** There is an argument that the advances that are available mean that there is no mandatory five-week wait, and that they are easier to get now than they were before. Specifically on the two-week wait, there is an argument that people in Scotland who choose to go for the two monthly payments will be worse off than their equivalents in England by week six. By week nine they will only have six weeks' worth of their payment, while in England a claimant will have their full eight weeks of payments. Claimants will be worse off in Scotland than they would be in England.



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Jeane Freeman: Let me deal with both of those things. I understand your point on the advances, but the advance is a loan that is repaid. While people may receive some money in advance of the wait, it is nonetheless a loan that is repaid over a period of up to 12 months at a level decided by the DWP. Therefore, they receive less money because they are repaying that loan—in contrast, I have to say, with our own Welfare Fund, which is not a loan.

In terms of the point that claimants in Scotland who exercise the choice for fortnightly payments are worse off, I have not only heard that argument but read it, and I have written indeed to your Chair to make it categorically clear that that is untrue. Claimants in Scotland do not receive less money, they simply have the choice—

Q307 **Andrew Bowie:** But they take longer to get their full money.

Jeane Freeman: Please let me finish.

Q308 **Andrew Bowie:** I am sorry.

Jeane Freeman: They simply have a choice about whether or not they want to receive the benefit they are due under Universal Credit in fortnightly payments, or in a monthly payment. They are being treated by us as sentient adults who are perfectly capable of making that choice. We sent to the Committee our information leaflet for the individual, which explains that in, I hope, very clear detail. We did test it for a number of weeks with individuals in receipt of the benefit to ensure that it was as clear as possible. That is, of course, our whole approach to social security in Scotland—to involve directly those on the receiving end of it to help us to design our system. We did test it, to be very clear. I am sure Members will have followed it and understood that the choice is there for the individual.

When claimants come to exercise that choice through their online journal, we offer them the chance to decide whether or not they want their rent paid direct to their landlord, and whether or not they want to choose fortnightly. That allows them to exercise the choices that I suspect you and I make about how we manage our finances.

Q309 **Andrew Bowie:** One of the benefits of universal credit, though, is that through moving to a monthly pay cheque, you get people used to experiencing what it is like in the world of work, where more and more people are paid monthly. If claimants choose to be paid two-weekly, does that not make it more difficult for them to get such things as direct debits or access to cheaper utility bills that are paid monthly?

Jeane Freeman: In fact, the Resolution Foundation's research found that the majority—58%—of new claimants moving into Universal Credit were paid either fortnightly or weekly. The assertion that the majority of individuals are paid monthly deserves some examination. But, again, it is about giving people a choice over how they manage their finances. I



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know of no evidence that suggests that that choice makes the kinds of things you are suggesting—for example, direct debits—more difficult.

Q310 Chris Stephens: There is a view from some that paying Universal Credit direct to landlords risks preventing claimants from learning to manage their own finances, and obviously the Scottish Government has taken a different approach. Could you just explain that approach and why the Scottish Government takes a different view from the Department for Work and Pensions in terms of payment of rents?

Jeane Freeman: All the evidence that we have worked from, from the housing associations, from our own local government body COSLA—through its local authority membership, it is responsible for a significant amount of social housing—and from private landlords, indicates that individuals accrue significant rent arrears during that wait period and so begin their time on Universal Credit at some disadvantage. Together with that, in 2016—I know you will know this, Mr Stephens, but perhaps other Members do not—we conducted a direct consultation with individuals, including those in receipt of benefits in Scotland. In designing our system, we now work with 2,400 volunteers who are in receipt of the 11 benefits for which we are responsible.

All of our engagement with those individuals, with the various organisations I have mentioned, with key third sector organisations and, of course, with Citizens Advice Bureaux and Citizens Advice Scotland showed us clearly that offering people the choice of having their rent paid direct to their landlord would significantly ease their management of their finances.

Of course, in the whole area of these choices, while people can choose to exercise them, having begun to exercise them they can also choose to stop exercising them. That choice is not a one-off. It helps individuals know that their homes are safe while they continue either to look for work or to look for better employment, and they can still manage their finances in terms of looking after their families and paying their other bills.

Q311 Chris Stephens: Just to be clear, the evidence came from claimants themselves that they would want this option and it would help them with their finances.

Jeane Freeman: Absolutely it did, and it also came, as I said, from both private and public sector landlords. That is why our initial intention was to offer the choice in terms of social landlords, but we extended that to private sector landlords. It was a point that they raised very strongly with us.

Q312 Chair: Jeane, do you keep your eye on those who opt to exercise their freedom to pay the rent direct, given our experience that once people are in debt, they find it very difficult to get out of debt?



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Jeane Freeman: Certainly, the organisations we work with keep their eye on those individuals. The choices were only introduced from mid-November last year, so we have had a limited period of time so far. They were introduced initially to those individuals coming on to Universal Credit full service as it was introduced. By the end of this month—the end of January—they will be extended to people who were on Universal Credit full service prior to mid-November, and then obviously as it rolls out across Scotland the choices will be available.

The data is collected by DWP, and we will continue to monitor and evaluate that data. The data for the first six-week period from mid-November to the end of December shows us that 5,800 people were offered those choices. Of that number, just over 2,500 exercised a choice to take fortnightly payments or to have their rent paid direct to their landlord, or to do both. Just over 2,500 have exercised the choice in one or the other capacity.

Q313 **Chair:** Can I ask one other further question before we go on to Ruth, Jeane? If I am signing on for Universal Credit in Scotland and I would like my rent paid directly, but there is a process of judging what I am eligible for, are you able to develop any early warning system to tell the landlords that I am on Universal Credit and there will be a rent payment, in all probability, but we cannot define exactly what that payment will be?

Jeane Freeman: Of course, the choices kick in at assessment period 2. The individual has gone through the first assessment period, and I would hope that at that point the various components of their Universal Credit entitlement have been settled. They are advised at assessment period 2 that if they are choosing to have their rent paid direct to their landlord they need to continue to pay it themselves until they receive the message from DWP that that payment has been set up. There is a degree of protection around all of that, and we deliberately wanted the choice introduced at assessment period 2 so that some of that work you are touching on could be completed.

Q314 **Chair:** We know from our housing associations—certainly, those in Wirral—that there is a significant increase in the number of tenants who are building up rent arrears. Some of those tenants have never been in debt before. They are respectable, working class people who loathe the idea, and even if they think the money is coming down the tracks, they have never been in that position before. How do you think your system helps to counter the feeling of, “I have always been in control of my affairs with direct rent payments, and I have never, ever been behind with my rent before”, and its crippling effect on individuals?

Jeane Freeman: Of course, as a constituency MSP, I understand that, having comparable cases of my own and among those of my colleagues in the Scottish Parliament. I would not overclaim the significance of our choices. I think they are important and they are a direct response to what individuals and organisations like Citizens Advice and others have asked us to do, but as I said at the outset, they do not fix every element of



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Universal Credit. I do think they are important, and in fact all our engagement with those individuals tells us that returning some degree of decision-making into their own hands helps to some extent with the kind of psychological impacts that you are touching on. Our approach as a Government is simply to see those who look for the financial support they are entitled to in a social security system as our equals and as adults. Therefore, I want them to have the kinds of choices and decision-making ability in their lives that I expect to have in my own.

Q315 Ruth George: Thank you very much for sharing with us the details of the number of people who have so far opted for the different choices. Can I ask if the Scottish Government is doing any evaluation of the different outcomes on Universal Credit for the different cohorts, depending on which choices, or lack of choices, they have opted for in terms of rent arrears, personal indebtedness and moving into work?

Jeane Freeman: Sure. I do not expect the choices to make any difference to whether or not Universal Credit assists people to move into work. The choices, as I have said, are very limited in those terms.

We are only at the very beginning of introducing this option for citizens living in Scotland, so we are working with the first set of data. All of the data comes, of course, from the DWP, because it holds that data as its benefit. But our analysts, and good folks like Stephen and Dawn here with me, are continuing to work with the DWP to see, as the data set increases and we do more and more of this, how we might be able to evaluate more of the information that we receive and what additional information we might want to receive from DWP that perhaps breaks down those numbers a bit more than we have at this point.

Of course, all of that has to feed into the significant task that the DWP itself has, not only in Universal Credit but in a range of other areas that it is responsible for. We have to have those discussions and those negotiations. I should point out that in order for DWP to deliver these choices for us, we, as the Scottish Government, make a payment to it for that service and we are its customer.

Q316 Chair: Can we bring Dawn and Stephen in, Jeane, as they are at the coalface negotiating with the DWP over the management of data? Can you tell us what it is like, please?

Stephen Kerr: In terms of working with the DWP on the choices?

Q317 Chair: Yes, trying to get the information that you require.

Stephen Kerr: The information that DWP has provided will, as the Minister says, help us to understand how the choices are being exercised and the impact that they are having on people. As Government officials, we are always keen to work in a data-rich environment. Neil Couling—he will be appearing before you in the next session—and I have had quite a number of conversations about making sure that the information between the Scottish Government and the UK Government flows quite well to give



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us, as I say, as rich a picture as it possibly can. The conversations are constructive. DWP is keen, within the boundaries within which it works, to share as much information as it can with us. Obviously, we are keen to receive that information and learn how the services we are providing can continually be improved. Dawn, do you have anything to add to that?

Dawn Abell: Yes. We have worked with DWP to agree a working-level agreement for the delivery of the Scottish Universal Credit choices, which essentially sets out how we are going to work together. It contains key information that will be given to us, such as management information but also the Government's governance arrangements and the cost model on which the delivery of the Universal Credit choices is based.

Q318 **Ruth George:** Is the data that comes back to you from DWP simply the number of claimants who opt for the different choices, or does it include evidence that will enable you to follow that cohort's experience through Universal Credit?

Stephen Kerr: I think it is just raw data in terms of numbers, is it not?

Jeane Freeman: It is six weeks' worth, so, as Dawn said, at this point it is numbers. Part of the agreement with DWP is to continue to discuss what additional management information it can provide us that would allow us, for example, to do what you are suggesting. We introduced these choices from mid-November last year, and we are now towards the end of January, so we are in the early stages.

An additional point that is worth making is that the DWP works, as indeed my own officials do, to the strategic vision and direction of its elected Ministers. There is no point in pretending that the two Governments—the UK Government and the Scottish Government—do not come at these matters from completely different political standpoints. Our respective sets of officials have to try not only to negotiate and work to get the information that their respective Ministers require, but to work within an overall environment in which we do not necessarily, as politicians, agree with each other's approach to social security.

Q319 **Chair:** Perhaps you can tell us, Jeane, a little more about where you disagree with the British Government's approach.

Jeane Freeman: My own view is that social security is a right that is built into the legislation that I am currently taking through the Scottish Parliament. It is the whole centrality of human rights in this matter. We see social security as an investment that is collectively made by citizens in themselves and in each other. It is an entitlement that we all have and part of, if you like, a contract between Government and its citizens whereby we all contribute—

Q320 **Chair:** How does that show up differently talking about Universal Credit with the British Government?



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Jeane Freeman: I do not believe that the Scottish Government would freeze the component parts of Universal Credit for the years that the UK Government has done. In terms of the delivery, all of the information we have from Audit Scotland and other bodies charged with helping Governments deliver major programmes—we are engaged now in one—tells us that the way you do it is in manageable chunks. You learn the lessons from each one, in terms of delivery, you apply those lessons and you then move on. Consequently, we have called on the UK Government to pause the rollout of Universal Credit to fix some of the delivery issues that we see, and towards which substantive evidence from our local authorities and Citizens Advice Bureaux points us, and then to continue the process.

I am reminded, as I know you will be, that the proposition for Universal Credit, when it was first made some time ago, attracted widespread political support. That support has now dissipated in the reality of refusing to pause it, fix it and then move on, and in view of some of the political decisions that have been made about the content of Universal Credit and the freezing of those benefits.

Q321 **Chair:** When the previous Secretary of State was before us, Jeane, he said that he knew that there was a firewall in January during which he could call a halt to continued rollout until he was totally satisfied that individual claimants would not be on the rough end of that rollout. Have you managed to gain the right in Scotland to have a firewall in which you say, “The evidence we have suggests the rollout should be halted for the moment”?

Jeane Freeman: No, we have not. The UK Government’s view is that this is a UK benefit, for which it is responsible, and the devolution of powers does not give us that right. We are in the position, as a Government, of attempting to lobby and influence like anyone else.

Q322 **Chair:** Would you like that choice?

Jeane Freeman: I would.

Q323 **Ruth George:** I am sorry to return to what we were talking about—the different data sets. Obviously, as a Committee, we are as concerned as you are about the impact on individual claimants of the experience of Universal Credit, and we are very keen that data is collected both at a UK level and, where possible, at more local levels. I wonder whether you would be able to assist us in pressing for some data that will enable you to produce more analysis of different experiences under the different choices that are made, and whether you might be prepared to share that with this Committee, were you able to obtain it, in order to inform our recommendations for the UK Government as a whole, including Scotland.

Jeane Freeman: Yes, we certainly would. I am very happy that we keep this Committee up to date with the discussions that Stephen and Dawn have described with DWP colleagues about increasing the level and the detail of the management information that might be possible for



Scotland. I am very happy to share that with you as we reach those agreements.

In addition, I have to say that we have an advantage in Scotland. As a relatively small country, we can work directly with our local authorities and with Citizens Advice Scotland to follow through on whether or not individuals who exercise the choices are appearing in greater or lesser numbers for additional support—from, for example, our Welfare Fund—than others who perhaps are not exercising those choices. That is a longer-term piece of work, obviously, as the choices are rolled out with the Universal Credit rollout.

Stephen Kerr: The Minister mentioned Experience Panels earlier on, and there is quite a rich body of evidence coming from those discussions. We can make those available to the Committee. It obviously goes beyond Universal Credit into the devolved benefits. For example, if we wanted to convene a group of people later this year, or into next year, who spent some time on the Universal Credit choices to understand what that experience was like for them, there is no reason why we could not do that. We have the mechanism in place and that would provide us with deeper insight for the Committee and others as well.

Ruth George: Thank you.

Q324 **Andrew Bowie:** You mentioned that you had problems with delivery that you think could be solved by pausing and fixing Universal Credit and I just wondered what those specific problems were. Also, as a quick follow-up, I think all of us—we have come from different political ideologies and traditions in terms of how we approach Universal Credit—have been quietly surprised and impressed by the recent attitude of DWP and its approach of fixing the problems as it moves along, when those issues have been brought to it. What do you think could be solved by pausing the process that could not be solved by slowly fixing it as we go along, as the DWP has been doing so far?

Jeane Freeman: There is a problem for any organisation that is engaged in a major piece of work such as the rollout and delivery of Universal Credit. We can look to the private sector and other Government plans and see that the logistics of continuing to fix something as you roll along simply make it more difficult for you to fix it. If you are trying to fix the process because it is causing problems directly for individuals in receipt of Universal Credit, then you continue to cause those problems while you try to fix it. I genuinely do not see the sense in that.

I also think—arguably, this is not for me—that it is a little unfair on those charged with delivery to ask them to get up to speed on a new system, and then to get up to speed on how you might change that system, and then to do that again and again. All the time, you have in front of you fellow citizens who require your support and help, and you might not be bang up to date with the most recent change. From just about every angle from which you can look at this, I cannot see the common sense in



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continuing when you know there are things to be fixed, rather than pausing it, fixing it and letting your people get up to speed so they can offer the recipients the better service that you want to offer.

Q325 Andrew Bowie: On that point, you talked about fixing specific issues. As the Scottish Government, which specific issues would you fix if you had the powers to do that? What do you think needs to be fixed?

Jeane Freeman: I think there is a significant issue in terms of staff training and understanding. I think there are issues around the impact on individuals with terminal illness, which is different from the position with legacy benefits. That needs to be resolved. I think it is entirely wrong that an elected politician like me cannot act for one of my constituents in that instance. I think there may be—I am not completely familiar with this, but I know of it from our own work in terms of IT delivery systems—some significant pressures in altering IT systems as you want to improve the delivery. That is enough to be going on with for you to say, “Just pause it”. You do not lose face by doing that; it is the right thing to do. Pause it, fix it and move on.

Q326 Alex Burghart: Thank you very much for coming down today. It has been very interesting so far. There are three quick things I would like to touch on, one of which goes back to what Ruth was saying. One of the things we would be interested in is whether your flexibilities have any impact on issues such as medium-term rent arrears. I appreciate that you only went into this phase in November, but as soon as you have anything on that, it would be fascinating for us. If you could give us a sense of when that might be, that would be very helpful. Presumably, you have evaluations of this sort of thing running at the moment.

Jeane Freeman: As we have just described, the evaluation that we can conduct depends on the level of data that the DWP can give us. That is the discussion we are continuing with DWP. The number of people who would be offered those Scottish choices is determined by the rollout programme.

My answer to your question is that of course we are very happy to share that with you. In terms of when we might be able to do that, I hope you will give me the leeway to come back to you on that as soon as we have a sensible indication of when we might be able to do it.

Q327 Alex Burghart: One of the things we are going to be raising with the new Minister in the second panel is the interaction between Universal Credit and self-employment. I was wondering whether you have any insights on that interaction from Scotland.

Jeane Freeman: I do not believe we do.

Stephen Kerr: No—nothing above and beyond what I think you will hear today from the second panel.

Q328 Alex Burghart: Lastly, Jeane, you mentioned that the Scottish



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Government was opposed to the benefit freeze, and I understand that. Has the Scottish Government offered to pay for the freeze to be unfrozen or to be melted in Scotland? Have you had that conversation with DWP?

Jeane Freeman: No, for two reasons. We already spend £100 million from our significantly reducing budget in Scotland on mitigating what we consider to be the worst impact of the UK Government's welfare policies, primarily what we call the bedroom tax—I believe the UK Government calls it the spare bedroom subsidy, or some such—and to provide support through our Scottish Welfare Fund in situations of crisis and hardship.

Of course, we need to remember that we are part of the United Kingdom and our citizens contribute to the finances of the United Kingdom, some of which comes back in the block grant. That is the figure that I referred to as reducing significantly—by, I think, 8.9% by 2020. The idea that the Scottish Government would use our limited resources to, in effect, ask our people to pay twice for that privilege seems to me to be pushing it somewhat.

We would not look to use additional resources, over and above what I have already said and the additional resources that we will contribute to the improvements we will make to the 11 benefits that we will be directly responsible for—most notably the significant increase in support for families on the birth of their first and subsequent children. In Scotland, we do not put a cap on the size of families. Those all take additional resources we have already committed to from our own budget.

Q329 **Alex Burghart:** On the freeze, obviously it would not be Scottish citizens paying twice because that means that Scottish citizens on benefits would be receiving an additional payment that people in the rest of the United Kingdom were not receiving. Do you think you will have this conversation with DWP?

Jeane Freeman: I do not imagine that we will have that conversation with DWP. We will not have that conversation with DWP. I will not have a conversation with the Secretary of State that suggests that we pay from the Scottish budget further than we are already doing to ameliorate the effects of the policies of our Government, but I will have a conversation that suggests that those policies from our Government might be reconsidered.

Q330 **Heidi Allen:** I am going to move on to something completely different. Before I do that, I do not wish to speak on your behalf, Chair—

Chair: You will now do so, I hope.

Heidi Allen: On your question, Alex—I think Ruth also asked it—about evaluating the data and how quickly you can track the success of it, would it be helpful if the Committee wrote to DWP encouraging it to provide the data that the Scottish Government needs? Would that be something we could do?

Chair: Yes, happily.



Heidi Allen: Would it help at all, to give you that data?

Jeane Freeman: Thank you.

Q331 **Heidi Allen:** On to a completely different thing. One area you can change and do differently in Scotland, as I understand it, is the delivery of PIP assessments.

Jeane Freeman: Yes.

Q332 **Heidi Allen:** You are going to change the delivery mechanism, in terms of who does it, but also the process. It is 2020, is it, when that comes in?

Jeane Freeman: By then.

Q333 **Heidi Allen:** By 2020. Could you give us a sense of where are up to with that, how the model is going to look different and how you know it is going to be better, to give us a flavour of how things are going to be different in Scotland?

Jeane Freeman: Sure. To make sense of that, I need to take us back to what happens at the point of first decision. In our view, the key to this is to get the right information in front of those who make the decisions at that first point. We have not just established the Experience Panels, which Stephen and I have mentioned, with 2,400 volunteers. We have an expert advisory group chaired by Dr McCormick from the Joseph Rowntree Foundation, and we are bringing in BMA's general practitioner chair and others to work with us on the disability and carers' benefits that we will be responsible for.

We are aiming to secure access by the brand new public service in Scotland, the Social Security Agency, to information that is already held primarily by two other public services: our health service and local government, which is charged with social care. We have moved significantly towards integrated health and social care in Scotland.

When the individual makes their application, they tell us about the condition or the disability they are experiencing and the impact that has on them. The form is being significantly redesigned in order to shorten it and to make clear the purpose of the questions we are asking. Then we look for where the evidence can be found that supports what the individual is saying—or not. It will be the agency's responsibility to secure any evidence that the individual has not supplied, but that we need.

Where that evidence is supplied and there is no contradiction or area of doubt, we believe that we can make a decision at that point not only on entitlement, but on level. One-to-one health assessments therefore become necessary either where the individual does not want to give us their permission to access data about them from elsewhere, or where there is a contradiction in what we are looking at.

My belief is that that will significantly reduce the number of assessments—a belief supported by our expert group. They are currently



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charged with working out for me exactly what the evidence should be at the first point of decision, and where the obstacles in data access are between one part of the public sector and another, particularly around health records. I do not want access to everything in the health record. There are bits I need. It is not always the GP; it may be the practice nurse, the occupational therapist or the physio who has the information about impact. They are working that through for us so that we can have the right data protocols in place.

All of that allows us, as a Government, not only to meet our commitment that the private sector will not deliver those one-to-one health assessments in Scotland, but to look at how we might create a pool of individuals to deliver that who are otherwise employed in the public sector, in a way that will allow us to draw down from that pool the right clinical or professional expertise for the condition that is being assessed. I hope that that will help us to overcome some of the concerns around, for example, mental health, neurological conditions and fluctuating conditions.

Q334 Heidi Allen: So much of what you have described hits on some of the weaknesses we spotted as we looked at PIP ourselves, particularly around gathering the right data early on. You are absolutely right that there are data transfer issues, and there are a whole host of reasons that make that tricky. Do you have a sense yet of how that data will be provided? Will it be online? Will it be data flow? Will documents be scanned and sent? That is one of the most unwieldy parts of the system, I think. Do you have a sense of how that might physically operate yet?

Jeane Freeman: Not completely, or not finally, I think it is probably fair to say. Initially, it will be a mix, because it has in part to reflect the state of the records held, the nature of the data and how it is held in those other parts of the public sector. We know that in the health service, the data is currently held in slightly different formats across the country in GP practices, for example, although our health service is moving to a single approach. In the interim there may be a mix of how the data is transferred.

Of course, we have to reach agreement. I am very mindful of the importance, from the individual's point of view, of security around data transfer and only seeking the data we actually need, as opposed to data that we do not need. From the other end, I am mindful of the restrictions that might be placed on those provide that data for us—for example, the insurance requirements of GPs, and so on.

We have done what I think is sensible, and all my working life so far makes me feel very strongly that this is sensible. If you have a problem that you want to fix, you get the right people in the room to fix it, and those are the people who know those systems. The small group that is looking at that is chaired by Alan McDevitt, from the BMA's GP group, and Tressa Burke, who is the chief executive of one of our major disability organisations. They will bring in other expertise in integrated health and



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social care, social care records and so on to work through those problems for us with our own digital and service design specialists.

Q335 Heidi Allen: Two last points very quickly, if I may. This is such a tricky area. Once that is all done—you have the data, you have the new, shiny form, and assessments will or will not happen—how do you see the separation between this new public body and the decision-maker around award? At the moment it is very separate. Atos, Capita or whoever it might be does an assessment, and they have nothing to do with the decision-making on the award at the end of it. That is a totally separate function. How do you envisage that part of the process working?

Jeane Freeman: It would be the same. That separation is really important. If we are going to ask health or social care professionals to undertake those assessments for us—I do think, in many instances, social care is more likely to be the expertise that we need, as opposed to health—they have a particular relationship with the individual they are assessing that should not be compromised by the perception or the reality that the person undertaking the assessment is going to make the decision. The decision has to sit in our Social Security Agency so that it is responsible for its decisions and I, as the Minister, am responsible for its decisions. The direct accountability to me as a Government Minister, to our Scottish Parliament and of course to our citizens is very clear in that manner.

Q336 Heidi Allen: Do you have a sense—the clock is ticking—of when you might have this process all worked through and costed? I can see some big new costs associated with gathering all this data and intelligence about health records. Do you have a sense of when the process might be ready to share with us, and the costings associated with it?

Jeane Freeman: We are working towards that deadline you mentioned. I might query the notion that this will bring additional cost, because one of the costs we are going to save is by not contracting with the private sector and all their overheads, their buildings and so on.

Q337 Heidi Allen: When I say cost, I do not necessarily mean more, but just the costings.

Jeane Freeman: The costings will be different but this will all be delivered through the public sector in its wider sense. Now, we have begun what is called the first phase—the discovery phase—in terms of the disability assistance and all the benefits within that. We are working with our digital and service delivery teams, our policy teams and our Experience Panels, and that expert group is already under way in tackling the specific areas that you and I have just discussed. That work has begun, and we are working towards that end-date of delivery, where we take full executive competence and responsibility, as you have described.

Stephen Kerr: In terms of financial costings, quite a detailed financial memorandum accompanies the Scottish Government's Social Security (Scotland) Bill, so you can access that online from the Scottish



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Parliament's website. That will give the costs of the system that we are establishing.

Chair: It is a really important experiment for us. Jeane, Dawn and Stephen, thank you for coming. We hope to report soon. Thank you very much.

Examination of witnesses

Witnesses: Alok Sharma MP and Neil Couling.

Q338 **Chair:** Alok, welcome to your new post and thank you for appearing today. Might you identify yourself for the sake of the record? I will ask Neil to do the same, and then Alex will begin the questioning.

Alok Sharma: Chairman, thank you very much for inviting me today. I am Alok Sharma. I am the Minister of State for Employment at the Department for Work and Pensions.

Neil Couling: I am Neil Couling. I am the Director General and senior responsible owner for Universal Credit.

Q339 **Alex Burghart:** Minister, welcome. One of the things that we, as a Committee, are looking at is the interaction between self-employment and Universal Credit. Would you mind explaining to us the rationale behind assessing self-employed earnings on a cash in/cash out monthly basis?

Alok Sharma: Thank you, Mr Burghart, for that question. I am very pleased to be here. It is, obviously, my second week in the role, and I know we will have many conversations over the coming months. The one thing I can assure you of is that I will reflect on everything that your Committee says, and I know there is a lot of experience on this Committee. We will not always share the same view on everything, but I will absolutely reflect on it. I want this to be a conversation and a dialogue between us, rather than just me turning up and giving you a set of answers.

Going back to the point that Mr Burghart raised, I think that the principle of Universal Credit is about making sure that we help more people into work, to get the right level of income. Thus we are helping employees, but also the self-employed. We have done this on a monthly basis because that is the way Universal Credit works. That is the same for people who are self-employed as well as those who are employees.

It is entirely possible that there will be some people who are partly self-employed, and who will also be getting income from a job that they may be doing. I think the whole point of this is to simplify the system, and you will know at the end of the every month what you are due. I know that



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there has been a call to see whether we could do this, as with tax credits, on an annualised basis. I would just point out that within tax credits, there was a significant amount of over-payment and under-payment, and adjustments to be made. At the end of the day, this is a policy decision that we have taken.

Q340 Alex Burghart: This brings us on to the issue of the minimum income floor. We took some very interesting evidence last time from a farmer and from someone who was in the entertainment industry, who had very fluctuating incomes throughout the year. Because of the minimum income floor, they were going to be left worse off at the end of the year than they would have been if they had had a steady income. Obviously, this does not seem entirely fair to the Committee. As a new Minister, does it seem fair to you?

Alok Sharma: In terms of Universal Credit, we have tried, as a policy, to make sure that we also support those who are self-employed to grow their businesses. The national enterprise allowance has been expanded since April last year, to make sure that those who are currently self-employed and are not reaching their MIF level can get mentoring support and support with their business plan. I do accept, though, that there will be examples where people are not getting the same amount as they would if they were employed by an employer.

However, I do think lots of people make rational choices. If you are business person, you are constantly looking to see how you might improve and increase your earnings. People now have the opportunity to sit down with a business mentor and talk about how you might be able to expand in the fallow months—you raised the issue about a farmer—and how to raise your income.

Q341 Alex Burghart: Neil, when the minimum of income floor was set, how did the Department go about deciding where it should be?

Neil Couling: The minimum income floor is set at effectively the point at which you leave full conditionality if you are an unemployed person in the system. So it is set at a multiple of 35 times the national minimum wage over 52 weeks, and then divided by 12 for the monthly assessment period.

Q342 Steve McCabe: On that point, what analysis or study of people who are self-employed was conducted to take you to that figure? The evidence we have had suggests that is a very untypical figure. I assume you modelled it on something.

Alok Sharma: We know from the *Family Resources Survey* done in 2014-15, which was produced by the ONS, that self-employed workers on average earn £10,800 and employees on average £20,000 a year. As I said, the whole point of Universal Credit is to make sure that people are able to increase their earnings, whatever limitations they may have. While we do not have a direct correlation, because the number of people self-employed within Universal Credit is a pretty low number right now, a



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report was produced in September last year called the *Self-employment Working Tax Credits Claimant Survey*.

Ipsos MORI were involved in talking to a representative group of people who are self-employed, on working tax credits. I think they found that 79% of those people were earning £1,000 or less per month. They also found that 46% of those self-employed individuals had been self-employed for more than five years. If you look at that analysis, it suggests that a large cohort of people who are self-employed on working tax credits have quite low levels of income. I think the aim of Universal Credit is of course to assist people, but also to be fair to the taxpayer. That is why we have set the base at the national living wage.

Q343 **Steve McCabe:** Minister, I will certainly look at the report if we can have access to it.

Alok Sharma: Yes, absolutely.

Steve McCabe: I think that would be helpful. I was trying to understand whether the 35 multiplier was an assumption or a prediction. The report is a kind of retrospective look, and I am just trying to figure out how you arrived at that decision in the first place.

Neil Couling: We have linked it to an individual's conditionality requirements. One of your witnesses last week was very worried about the minimum income floor applying to her, and based on what she said to the Committee, I do not think the minimum income floor would apply in her situation. If you are required to work 16 hours a week and you have a child who is over the age of three, the minimum income floor will be a multiple of 16 hours times the national minimum wage over 52 weeks, divided by 12. Similarly, if you have care responsibilities, it might be set at 25 hours times the national minimum wage. We looked at it that way.

To reiterate what the Minister has said, because I think it is rather important, the number of self-employed people who show up in the in-work poverty statistics—so a quarter of the people showing as in in-work poverty—are self-employed. Even within the tax credit cohorts, self-employed people are earning £2,400 less a year than people in employment. The policy is designed to try to incentivise people towards employment where that is suitable for them.

Q344 **Steve McCabe:** Chairman, I do not want to hijack this, but can I ask one last thing? I am struggling to make sure I have understood what we have here. Am I right in thinking that that means that the actual average earnings for the self-employed are about £3,000 less than the minimum income floor? That is what we are being told. Is that accurate?

Neil Couling: Self-employment is a cause of in-work poverty.

Q345 **Steve McCabe:** That is the intention?

Neil Couling: That is what we are trying to deal with here.



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Q346 Alex Burghart: One of the issues that was raised with us last week was that the reporting periods for self-employed people in Universal Credit are out of sync with HMRC and Making Tax Digital reporting periods. Also, where you are asking start-up businesses or young businesses to report on a monthly basis, you are creating quite a bureaucratic load for them. Can you talk us through the decisions that led to this point?

Alok Sharma: Yes, I am happy to do that, and Mr Couling can perhaps come in as well.

Universal Credit has been designed effectively on a monthly framework. Many years ago, Mr Burghart, I was a company auditor and I audited very large companies, but also small companies. Certainly, my experience was that the companies that were best managed were the ones that knew what their earnings and expenditure were on an almost real-time basis. Certainly, if you talk to many small business owners, they will tell you that they invoice during the month—perhaps at the end of the month—and they need to pay their own invoices that they receive from their suppliers at the end of the month. I do not think it is perhaps as onerous as it may appear.

We have, of course, checked this. When it was launched, we surveyed people who were using the system, and 85% of them told us that they found it an easy system. Only 6% said it was not easy. We obviously need to make sure that we assist them, but 37% of the people using the system were using it out of business hours, which suggests that they are comfortable with it. In December the stats were that 97% of people were reporting their earnings on time. That perhaps gives you a measure that many self-employed people do regard this kind of reporting on a monthly basis as perfectly reasonable.

Neil Couling: The Minister highlighted for Mr McCabe the September 2017 survey. It is research report 54, but we will definitely send a copy to the Committee. At page 50, we asked the tax credit claimants about monthly reporting and they reported back to us that, “Monthly reporting is not a problem for most”—that is a direct quote from the report—because they compile records monthly. We are confident about this.

Q347 Alex Burghart: I can understand that a company that is established and successful, or a self-employed person who is into their groove, will be accustomed to doing that on a monthly basis. Are we as confident that people starting out will have the same wherewithal at their disposal? As a corollary to that, have you carried out any analysis on the cost and benefits of extending the start-up period beyond one year?

Alok Sharma: Perhaps I can take the initial point about how easy it is. In preparation for this Committee, Mr Chairman, I got to have a look at the screen and what you would need to enter. I am sure other Committee members may have done this. You enter your earnings for that month and there is a box for costs, and then there is a box for costs related to any vehicles you have used and a prompt that you can use to tell you



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what are allowable costs. That is basically it. It is quite a simple system to use.

Neil Couling: We are basically asking, “What are you living on?” or, “What did you live on last month?” We are not deeply interested in the kind of things that HMRC are interested in. We are not trying to judge their tax liability here at all.

The other thing just to bear in mind is for tax credits, about 10% of the tax credit population who say they are self-employed have employed earnings. With Universal Credit, in the household you might have a partner who is working and is employed. Mixing oil and water with an annual assessment and a monthly assessment would just build in such complexity that I would not know how to do it. That is why we have moved to this monthly approach, because claimants’ lives are not as simple as, “I am self-employed” or, “I am employed”. They are often mixed. Our own data from our first few self-employed people in Universal Credit suggests that employees might be running at about 15% as well.

Q348 **Chair:** Can I take you back to the other question that Alex asked, which was: have you considered extending the one-year start-up period?

Alok Sharma: No. Currently, I think our view is that one year makes sense. Of course it is possible for certain businesses to have almost two years without a MIF, because if you have been working on a business and you arrive within a year to claim Universal Credit, you can then get effectively an extra year. What we have tried to do is to make sure there is support available for people through the NEA and through the specialist work coaches, so they can grow their business.

Q349 **Chair:** The answer is no?

Alok Sharma: I think the answer is no, yes.

Q350 **Emma Dent Coad:** I want to make a point before I ask my question. There seems to be an assumption that everybody who is self-employed is running a business. A lot of people who are self-employed are working for people who are running a business, so they have no control over fallow times—or whatever you want to call it—and growing a business, because they are working for them, just to make that point.

Understanding the stated rationale behind the surplus earnings rules, what evidence is there that self-employed people and employees seek to manipulate their earnings in a way that justifies it?

Alok Sharma: If I may look at it in a slightly different way, in terms of surplus earnings, it is a recognition of the fact that there will be businesses out there and individuals out there who will have earnings that are lumpy, if I can put it like that, where the profile is not even throughout the year. They will budget, and they will make sure that they are covering their costs throughout the year. The whole point of surplus earnings is you can also offset your losses as well. The intention is to



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make sure that we are being fair, ultimately, to the taxpayer as well. If you are getting a big increase in earnings in a particular month, then clearly what we are looking to do with this system is to apportion that down until you are able to get access to Universal Credit again.

Q351 Emma Dent Coad: I understand the rationale behind it, but do we have evidence on whether or not people are abusing the system? I do not know. Is there any data available on that?

Alok Sharma: Mr Couling can perhaps come in on this, but I would say to you just anecdotally—this is, literally, an anecdote—that I was at London Bridge a few days ago; I know some of the Committee have visited. We raised this issue of someone who was not on a MIF, and there were a couple of cases. One was somebody who was about to receive £19,000 and obviously, under the current system, would then get Universal Credit for subsequent months, and the other was somebody with a higher receipt. I can offer you anecdotal evidence, but I think that the whole principle of it, at least the way I see it, is not necessarily about mitigating fraud, but about what is fair and how other businesses and individuals operate who are not getting Universal Credit.

Q352 Emma Dent Coad: This is being tightly monitored, is it?

Neil Couling: Yes. Can I evidence that for the Committee? You may not have picked up on this yet, but the surplus earnings provisions do not come in until April 2018, so we have not operated a surplus earnings policy yet with Universal Credit. The Social Security Advisory Committee has been quite nervous around this policy area, urging us to test and look very carefully. The regulations that we laid on Monday include provision in the first year of this policy to set the de minimis not at £300, but at £2,500 a month. That will allow us to see what the impact of this policy is and see what the prevalence of the surplus earnings situations are for both self-employed and employed people in the economy.

We have modelled this based on data from the *Family Resources Survey*, but it is actual data from RTI, which will be the helpful thing for the employed to do. In terms of self-employed people who are reporting to us, we only have about 10,000 people on Universal Credit who are self-employed at the moment. Some of them are not gainfully self-employed either, under our definitions. We do not have enough of a sample size yet to do proper modelling around this, but we are committed. We have said to the Social Security Advisory Committee that we are committed to looking at this policy and seeing how it operates, because according to some of the points that it makes, it could go badly wrong for claimants and we do not want that to happen.

Alok Sharma: I think the whole process in Universal Credit is about test and learn. We will reflect on what we learn in the process and see how it operates as more people come on to the system.

Q353 Ruth George: Thank you for that answer, Minister. Can I ask how the



Department will be monitoring the impact of Universal Credit on self-employed claimants? We heard in our session last week that while usually around 70% of supported businesses will last past 15 months, only about 20% of those on Universal Credit have survived past those 15 months. That is obviously an issue of concern for the Department, and for people who are self-employed and looking to set up a business and grow it into something that makes wealth and employs more people. How is the impact of Universal Credit as a whole, and of the minimum income floor, which is a third higher than the actual average earnings, being assessed, and then surplus earnings?

Alok Sharma: Let me reiterate that from our perspective, if somebody wants to be self-employed, we want to help them along that route. We have specialist work coaches that people will come in to see. They will be able to signpost people on to the NEA, so there will be a process of mentoring. If you have not yet reached your MIF in your first year, you will go in every quarter and have a discussion with your work coach about what can be done to improve your earnings. My experience talking to people at London Bridge was that a lot of the work coaches—they are incredibly dedicated—will quite often see those business owners more than every quarter if that is what is required. I think the whole process of monitoring goes on within the Jobcentre itself. I do not know whether Neil wanted to come in.

Neil Couling: We have committed to a specific piece of evaluation around the operation of the minimum income floor—given the points that you make, Ms George, and that others have made—and whether it will achieve what we hope it will in terms of poverty reduction. As we do with all our research that is conducted, we will publish that. Before you get over-excited and demand it of me in the next three months, which is often an experience I get, and not just with this Committee—you had the Scottish Government in earlier asking for data—we need enough self-employed claimants under the MIF to conduct the research before we can do that. We will make the research public when we have done it.

I did have some target dates for this, but of course we altered the rollout plans for Universal Credit in the light of the need to implement the Budget changes, which the Committee was very engaged in the last time I was here. I cannot tell the Committee a specific date when I think we will be launching the study, and then how long it will take to complete. But we will do this, because it is clearly a topic of great interest to people.

Q354 **Chair:** Obviously, you do not have a date to do the research. Have you implemented the Budget changes or have you not implemented them?

Neil Couling: No. The regulations we laid on Monday allow for the waiting days change to come in from 14 February. The transition to UC housing payment comes in from the start of April, as do the changes to temporary accommodation. It also includes some other provisions, and I mentioned the surplus earnings change.



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Q355 **Chair:** Obviously, February is in the New Year, and we were led to believe it was coming in earlier.

Neil Couling: Advances came in from the start of January—I think 3 January.

Q356 **Chair:** But the other Budget changes have not?

Neil Couling: The changes to how we have been treating the private rented sector, in terms of trying to pull people over who have the equivalent of the alternative payment arrangements, came in before December. I have been phasing those in as quickly as I can, but I had to alter the rollout plans. Effectively, it has displaced work that would have allowed me to go back to scale in February to May, so it has shifted things along. I am not being evasive here. The thing does alter, and I need enough people to conduct samples of.

Q357 **Chair:** Before Heidi comes in, Alok, given that you have the power to call a halt in January; given the timescale that Neil tells you he needs to implement the Budget changes; and coming back to what Jeane, the Scottish Minister, told us about the difficulty of trying to administer a benefit when it is changing, have you thought of using that firebreak to say, “We will cease rollout until Neil has accomplished the Budget changes”?

Alok Sharma: Chair, what we have done, as far as I have understood it, is to change the profile and slow down the implementation of Universal Credit. I hope that will make a difference, but I think we both hear what you are saying. Let us reflect on the point about when the piece of work on the self-employed and the impact of the MIF can start and how long that study may take.

Q358 **Steve McCabe:** I was just listening to Mr Couling, who said you will start the research when you have a big enough sample. How big does the sample need to be to give you some confidence?

Neil Couling: We will randomly assign people to the study. I want to try to get a good range of the various different types of self-employment. As I think Ms Dent Coad mentioned, self-employment is a great shorthand, but there is a range of activities that people are engaged in. You have some high-end entrepreneurs at one end—they tend to be quite a small number—and then you have contractors and people working in a way that almost resembles employment. It is something the Committee has looked at before. Then you have sole traders, painting and decorating, gardening and the like. It is quite a broad range, and I would like to be able to capture—

Q359 **Steve McCabe:** Sure, but you have obviously been giving this a lot of thought, so you must have a figure in your head that would be the optimum sample.

Neil Couling: I should be able to remember this. I forget what the analysts advise is a safe sample size, but—



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Q360 **Steve McCabe:** You have that information. If you are preparing and planning for this—you do not recall it now, I accept that—is that something you could send us, so that we could know where you are and what you are aiming for?

Neil Couling: More generally, we have put out to consultation what our evaluation strategy should be, because we are in receipt of a number of questions, “I would like to know this, I would like to know that” so we decided that there were so many coming in, we cannot meet everybody’s requests.

Q361 **Steve McCabe:** There is in existence a brief for your evaluation that you will share with us. Is that right?

Neil Couling: I want to update the strategy as well, because when we set the strategy back in 2012 or 2013, what we thought would be the interesting things are not being replicated back at us in terms of things that people are interested in. For example, if you want to go to previous witnesses—

Q362 **Chair:** We do not want to keep going on from there. Neil, Steve has asked a specific point. You must have some idea, mustn’t you, of the size of the sample and when you think you will reach that size? If we could have that information, that would be really helpful.

Alok Sharma: Chairman, I will write to you.

Chair: Brilliant, thank you very much.

Q363 **Heidi Allen:** Will your evaluation include whether the people on self-employment continue in self-employment, as well as your evaluation of minimum income floor?

Neil Couling: Exactly. We are interested in how they respond to the minimum income floor. Do they effectively up their hours, which is one response; do they take on some part-time work, effectively to support their self-employment; or do they exit self-employment and go into employment? There are 750,000 unfilled vacancies in the economy, so there is a good chance they will go into employment.

Chair: Neil, we are grateful. We are going to get the note.

Q364 **Heidi Allen:** Thank you. From detailed questions, this is now the big one, Alok, for you. The whole heart of Universal Credit—work allowances and the taper rate—are not where they were when the system was designed. What is your view on what that has done, or will still do, in terms of changing incentives to work?

Alok Sharma: Coming into this new, it has been very important for me to look at the system in place before—the legacy system, some of which is obviously a benefit system operating—and the system that we have now. Clearly what you have in tax credits, for instance, is effectively—

Q365 **Heidi Allen:** I am not so much interested in the old system; this is about



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Universal Credit.

Alok Sharma: I understand that, but what I am trying to say is that what we have tried to do with Universal Credit is to make sure that it is simple, in the sense that for every extra hour you do, you get more money in the pocket.

Q366 **Heidi Allen:** Absolutely, and we would all agree with that.

Alok Sharma: Yes. As you will know, in April last year the taper rate went from 65% to 63%. The cost of that to the Exchequer was £600 million in steady state. Again, it is a question of: if you reduce that, could you do it? Yes, theoretically, of course you can. Ultimately, it comes down to a question of the cost that is associated with it.

Q367 **Heidi Allen:** I am interested in comparing that with how the system was designed when IDS originally put it together. It was a very different system. Both the work allowances and the taper rate have changed considerably. We all understand that it is very expensive to put that back in again, and we are grateful for the 2% shift to the taper rate, but is it still enough to act as this big machine to incentivise people to go into work and take more hours?

Alok Sharma: I think the system has shown that, under Universal Credit, more people are in work and they are staying in work longer.

Q368 **Heidi Allen:** That is single, uncomplicated claimants without children.

Alok Sharma: I am sorry?

Q369 **Heidi Allen:** That is single, uncomplicated—no health issues—people without children. We do not have the data yet for people with families and disabilities.

Alok Sharma: Sure. Those people will be coming on to the system—migrated onto the system. You talked about work allowance rates, and they have been frozen for a number of years. From April this year they are going up by three percentage points. Ultimately, from our perspective, you can flex either. There is a cost element to it.

One could argue that in an economic environment where there are lots of jobs out there and people have an opportunity to increase their hours, perhaps flexing the taper rate is the appropriate thing to do, if that is what you want to do. In a job market where jobs are scarcer, incentivising people to try to find a job, you might want to flex the work allowances. Ultimately, there is a cost associated with any change that we make.

Q370 **Chair:** Can I just come in on that? IDS fought very hard against the previous Chancellor making the changes to his original scheme. He therefore must have had a very helpful brief from the Department on what the effect of George Osborne's changes would be, and the numbers easily moving into work. Have you been shown that document?



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Alok Sharma: I have not seen those documents, but what I have seen is the analysis that, compared to the legacy systems, more people are working and they are staying in work longer. That is the right thing, in terms of the incentive.

Q371 **Chair:** Is that from the simple system or the rollout of the more complicated system, if you can simplify it in that way?

Alok Sharma: I can ask Neil if he wants to comment on that, but, since we are talking about principles, as a principle it does appear to be working. I completely understand that the more complicated cases have not necessarily all come on, and there will be migration that takes place. I just go back to the point that what we now also have are claimants being able to get this personalised support through their work coaches, which hopefully helps them in tackling any barriers that they have getting into work and getting more work.

Neil Couling: I am quite bullish about the more complicated cases, as you described them, in terms of them coming into the system. The easiest cases from a benefits perspective are the hardest from a labour market perspective because Jobseeker's Allowance is already one of the most effective labour market regimes in the world. Doing better than that encourages me that when I come to look at the other cases, they will show a similar gain. If it helps the Committee, I have done a detailed piece for Baroness Hollis—

Q372 **Chair:** Neil, when will we know that your confidence is properly placed?

Neil Couling: I may start annoying you, Chair, about this, but I need enough cases in the sample size and a way of comparing.

Q373 **Chair:** When is that going to occur, Neil? When will you have your sample?

Neil Couling: It is not just a sample size problem. I was going to go on and explain that we do a matching exercise for Jobseeker's Allowance and Universal Credit for the so-called simple cases—so single, unemployed people. My analysts are not certain yet whether the similar matching approach will work for other claimant characteristics because we have to pull data from places that are not easily accessible to us, like tax credit—

Q374 **Heidi Allen:** I suppose the desperately naive comment might well be, then: if the Department decided to fundamentally change the main levers of Universal Credit—so the work allowance and the taper rate—but we did not have any known analysis techniques for how we were going to work out what effect that would have on claimants, that seems to me not terribly well prepared.

Neil Couling: What I was about to offer—before the Chair asked me a slightly different question, as is his right—was that I did a detailed analysis for Baroness Hollis because she asked me about the 250,000 extra people we think will go into work as a result of Universal Credit. I



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am very happy to provide that for the Committee for you to see and reflect upon.

Chair: We would like that information. Thank you.

Q375 **Heidi Allen:** I was really pleased, as I am sure everybody on the Committee was, that it was a more quietly delivered message—not quite the trumpet at the Dispatch Box in the autumn Budget—but the Chancellor, in addition to reducing the waiting days and some of the other changes he made, also did say he would keep the taper rate under review, which I think is very, very sensible.

What is your view on that, and what data or what market intelligence would it take for you to be asking, “Is the time right to cut that taper rate further?”

Alok Sharma: The whole issue of the taper rate I know has been a discussion point since this whole welfare reform started. Perhaps the way that I can put it is that, as the Chancellor said, we keep this under review as we keep other policies under review. From a Universal Credit point of view, the one thing that is very clear is that we are testing stuff, we are learning from it and we are reacting to it. You saw the Budget announcements, and I think that was a process of listening and reacting. I would just say to you that we keep all of this under review, but what I cannot offer the Committee today is some definitive view on when or if taper rates are going to come down in the future.

Q376 **Heidi Allen:** No, it is just what sort of things will you be keeping? What sort of data will you be demanding of Neil? What kind of questions will you be asking yourself to allow you to reach regular conclusions about whether the taper rate is set at the right amount or not?

Alok Sharma: Neil is obviously going to share the reports on the extra 250,000 people who will be in work as a result of Universal Credit, so I want to have a look at that in detail and then try to understand what are the incentives that make people want to increase their hours or indeed get into paid work in the first place?

Q377 **Chair:** When do you think you will have enough information from Neil to produce a business case for this benefit?

Alok Sharma: I am sorry, Chair?

Q378 **Chair:** We are still waiting to have news that you have completed a business case for this benefit. When do you think you will have enough information from Neil to submit a business case to the Treasury and to other bodies as well? We would obviously like to see that business case.

Alok Sharma: Sure. Maybe I can ask Neil to answer on when that information is available.

Neil Couling: Our plan is to complete the full business case in the spring, probably around March, and at that point I have committed to write to Meg Hillier, the Chair of the Public Accounts Committee, setting



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out the difference between our last business case, which was an outline business case, and this one. I would be very happy—I think we made this promise in a response back to you—to share that analysis with the Committee as well.

Q379 **Chair:** When was that outline business case made?

Neil Couling: The outline business case was settled in September 2015.

Q380 **Chair:** Right. You then expect the updated one, the real product—

Neil Couling: Yes. There is a process of business cases that the Treasury require of major programmes, so it is not unusual to go through this process because the Treasury uses it as a lever to effectively control expenditure. Unless I satisfy the next stage of the business case process, they withdraw funding from me.

Q381 **Chair:** Yes, so it is rather crucial.

Neil Couling: It is, yes.

Q382 **Steve McCabe:** I want to ask a couple of questions about people with disabilities. Could you give the Committee the rationale for excluding severe and enhanced disability premiums from Universal Credit and what calculations the Department has done—I have obviously seen the calculations that other people have done—on the likely effect of that decision?

Alok Sharma: I hope the Committee will accept that the various different benefits related to disability had become quite a complex framework. Successive governments did that with the best of intentions, of course, so it is not a criticism in that sense. What we wanted to do on Universal Credit was to simplify and rationalise the current system, and it has been modelled on ESA. The intention has always been that this will be reformed in such a way that the most severely disabled get the support that they need. If you look at the entitlement, it is substantially higher than the current support component in ESA.

Just to say, Mr McCabe, that people who are managed-migrated on to Universal Credit will be protected. We have made that point. I completely accept—I think this is the point you are alluding to—that if somebody naturally migrates, that will have an impact on them. It is quite difficult to estimate how many people this might affect. Just intuitively, I would think that a lot of those who are getting the severe disability premium right now will be managed-migrated, but I do understand the point you are making and it is something that I want to reflect on.

Q383 **Steve McCabe:** The figures that I have seen suggest that the number of people we are talking about could range between about 200,000 and 500,000, and that people could lose up to £3,000 per year. Do you think that is possible or do you reject those figures?



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Alok Sharma: Neil will be closer to this in terms of the figures themselves, but the point I would make is that it is quite difficult to come up with estimates. To the fundamental point you are making—what happens to those who naturally migrate—I want to reflect on what this Committee says and what has been said generally about this matter.

Neil Couling: Just for the Committee's understanding, comparing support rates between Employment Support Allowance and Universal Credit, it is £168 a month in ESA, and it is £318 a month in Universal Credit. That will ultimately, when fully rolled out, go to 2.2 million people in the total UC population.

Q384 **Steve McCabe:** That is the good big figure that the Department uses. I understand that. I am trying to ask about the people who could be losers, because obviously that is the bit we are concerned about.

Neil Couling: I am just asking the Committee to bear both in mind. We are not able to do one without the other, as it were.

Q385 **Steve McCabe:** I accept the first point, but can you give me any further information on the losers? That is the bit I am trying to gain a focus on. I understand why you quote that figure and it is useful to hear it, but is it true that there at least 200,000 people who could be losers, and is it true that there are figures showing they could lose up to £3,000 a year?

Neil Couling: I keep going on about the trickiness of modelling, so you will probably never have me back again, but—

Steve McCabe: Yes, but you have been doing it for a long time, so you can surely tell me that bit.

Neil Couling: Yes, but the thing I emphasise is that the vast majority of people I suspect will be managed-migrated and will get transitional protection, so they will not be losers under that definition. What I cannot do today is give you a precise figure about exactly how many people are going to naturally migrate and how many people are going to be managed-migrated.

Q386 **Steve McCabe:** Are there any calculations done on that in the Department? Did anybody model that sort of thing? You were quite bullish a second ago when you told me the good news. I am not trying to be difficult, but to be fair and have balance we have to hear the other side of the door.

Neil Couling: No, you are not being difficult at all, Mr McCabe.

Steve McCabe: No, I am not trying to be difficult. I am just trying to understand.

Neil Couling: Yes. The trickiness is trying to judge how many cases will naturally migrate, and that is the thing—

Q387 **Steve McCabe:** Are you saying there has been no work done on that?



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Neil Couling: There is high-level work on natural migrations, but not at a granularity that will allow you to identify a component of somebody's benefit here. We have three benefits in which the severe disability premium can be paid: Jobseeker's Allowance, Employment Support Allowance and Income Support. We have interactions between the three.

Q388 **Steve McCabe:** Is the position at the moment that we are relying on your experience and confidence to assure the Minister on this, or do you have some figures that lead you to have that confidence? That is the crux of what I am trying to get at.

Neil Couling: We are reflecting on this. What I am saying is I cannot give him at the moment a precise idea of the exact number of people we think will be affected.

Steve McCabe: You do not know.

Neil Couling: I return to the fact that I think the vast majority will managed-migrate over so will not be losers.

Q389 **Steve McCabe:** You do not know at the moment. Is that it?

Neil Couling: We will not be at 500,000 losers of cash, definitely, but I do not know the exact number.

Q390 **Chair:** What is the length of life of somebody who does transfer over and has protection for doing so? How long does that protection last, and when will they then become losers?

Neil Couling: We have not yet published the regulations about this but hope to do so later on this year. The intention is that it is not a time-limited approach. Much in the same way as when we moved from Supplementary Benefit to Income Support in 1988—we are probably the only two people who can remember this, Mr Field—there was the transitional protection that continued until it was eroded out over the effect of uprating across time. There is no time-limiting on the protection we are going to be offering.

Chair: Really good. Thank you very much.

Q391 **Ruth George:** Might it be affected by a change of circumstances, though, as all the other managed migrations will be?

Neil Couling: Potentially, it is affected by some limited changes of circumstances, but in general it is the increase in your core entitlement that erodes the transitional protection, not the fact that something else has changed around your current characteristics. We would need to go through the regulations together for me to give you a precise answer on a specific circumstance or not, but in general we want the erosion to occur by increasing some entitlements so people do not see a cash difference.

Q392 **Chair:** In Supplementary Benefit, if we go back that far, protection was lost when your circumstances changed.



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Neil Couling: Yes. In certain circumstances, but not in every circumstance.

Q393 **Chair:** In most of them. We will see.

Neil Couling: We will go back to it.

Chair: Whenever we get this data. All right, very good.

Q394 **Heidi Allen:** Another big conceptual question. One of the benefits of Universal Credit was this whole smooth transition in and out of work, and no cliff edges as we had in the old system. However there are some passported benefits that perhaps were not thought about in terms of how they would be integrated into Universal Credit. The hot one that everybody is talking about at the moment, of course, is free school meals. There are others, such as prescription charges. I am interested in your view. Under the proposals we have out for consultation at the moment, for example, we are going to have another cliff edge, are we not, with free school meals? What is your view on that?

Alok Sharma: Ultimately, passported benefits are decided on by individual Departments. The Chairman was the senior Minister in Government, and I am sure at the time he would also have felt it was rather odd if DWP or another Department was effectively making policy for other Departments. This has been something for other Departments to consider. The principle of it has been to make sure that those people who broadly are getting those benefits now will continue to get those benefits under Universal Credit.

Going to the point about free school meals, the calculation that has been done is that, on a net basis, 50,000 extra children will benefit with the change to Universal Credit. Of course, if you are getting a free school meal now under Universal Credit, you will continue to get that until you finish that phase of your education.

You are right; there is a potential for a cliff edge. We have thought about this and the only way that you could potentially avoid a cliff edge is effectively monetising the free school meal. Then, of course, there is a risk that not every child will get that free school meal if it is monetised. I understand this is a concern, but we have given this quite a lot of thought. I think the net effect of the change is, based on the consultation and based on the level that is suggested of earning £7,400, that the impact would be 50,000 more children getting it. Clearly, the DfE will want to reflect and come back with its thoughts following the consultation.

Q395 **Heidi Allen:** It is just that there are technical limitations, aren't there, within Universal Credit, dynamic as it is, to deal with lumps like this? Could we have designed it better?

Neil Couling: When people looked at Universal Credit, these were some of the issues we worked through, and we looked at the value of a warm



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meal in the middle of the day for 1.1 million children from the poorest families and concluded that was a better outcome than the work disincentives. In fact, when the Social Security Advisory Committee looked at this in 2012, it could not find any research evidence that showed an actual work disincentive associated with passported benefits. That made us think, in the weighing up of these statistics, that the warm meal was a better outcome, rather than a perfectly smooth tapering.

Heidi Allen: The directness of that.

Q396 **Chair:** In this debate going on in Government, Neil, you are saying that you are arguing for those who are on Universal Credit to continue to be able to claim free school dinners?

Neil Couling: Yes, and the consultation proposal gives transitional protection to anybody getting it, and that is also transitional protection to anybody getting it on Universal Credit now, which is an extra thing, and extends to another 50,000 children the help of free school meals. We definitely did not want any retreat from that, and in fact we have some improvement on that. We are quite pleased about that consultation.

Q397 **Chair:** I am pleased to hear that. Will those who are on Universal Credit—you have children at school—be eligible for free school dinners?

Neil Couling: Yes.

Chair: That is really good news.

Q398 **Heidi Allen:** That is up to an income threshold, though, isn't it?

Neil Couling: Yes.

Q399 **Chair:** Yes, there is a debate over the income threshold. Under the existing scheme, local authorities could use their information on who was eligible for Housing Benefit, data that you now have, to automatically passport children for the school premium. Will you be inviting local authorities to use your data in passporting the school premium? In matters of budgets for schools in poorer areas, it is a very sizeable sum indeed.

Neil Couling: I do not work for the Department for Education, so if I get any of this wrong I will write to you, but my understanding is that the free school meal acts as a trigger and they use the free school meal data from us—our benefit entitlement information—to do all of that. That information will continue to be passed to the Department for Education at the level at which they set. This £7,400 earnings threshold is what is proposed. I am not aware of councils being able to use Housing Benefit data in that way. I think it might be that everybody is talking about DWP data into the Department for Education, but I will check. As I say, this is not my specialist subject.

Q400 **Chair:** No. Housing data is passported. If you are on Housing Benefit, you are also eligible for free school dinners and the premium. There are



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authorities that have done this automatically and given families the opt-out. Wirral has done this—it is £750,000 extra for schools.

Neil Couling: As it is not my specialist subject, may I investigate and come back to you?

Chair: Yes.

Q401 **Heidi Allen:** Could you come back to us on that?

Neil Couling: Yes, definitely.

Q402 **Heidi Allen:** It is the whole dynamic as a system changing, isn't it? How that information will automatically flow?

Chair: We need to try to strengthen your hand to raise that threshold for free school dinners, don't we?

Ruth George: Especially as these are people whose income varies between months. It can make it a nightmare.

Neil Couling: No. I think the system works the way in which, if you qualify for the free school meal, the pupil premium and so forth follows you through.

Q403 **Chair:** You get that automatically, yes.

Neil Couling: I do not think it is a fluctuation problem, but I will check this Housing Benefit, that point, because it is a new one for me, Chair.

Chair: Yes, thank you.

Q404 **Heidi Allen:** I have a concluding point, reflecting on what you said there. I know that Government Departments often do not seem to talk to each other, and it is a bit silo-like. You have the potential for this phenomenal, smooth machine in Universal Credit, and yet other Departments and their decisions around passported benefits like free school meals potentially put at risk the benefit that is to be had from Universal Credit by creating these cliff edges. I know free school meals are just one example of that, and I can understand the logic of the greater good and why you have decided in the proposals to go the way you have, but shouldn't you be working harder with other Departments so that your machine is not damaged as a consequence?

Alok Sharma: Yes. I did not want to give the impression that there is no joined-up government, because there is. There is a team of officials—Neil can elaborate if he likes—from different Departments who are working together with us to make sure that, as these changes are implemented, they are implemented in an efficient way throughout the Universal Credit system. That is happening. Those are working.

Neil Couling: By cash value, free school meals are the biggest of the possible benefits, but they range from everything almost to fishing licences, at the complete opposite end of the scene here. There was a cross-departmental Committee—I convened it—in 2011 to start looking at



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all this. From a design of Universal Credit point of view, which is what I was responsible for back then, the thing I realised was that we could not monetise all of this. It would just be impossible. The thing that we have carefully arranged from a DWP perspective is that there is no one point at which all the passported benefits run out. Essentially, if we are creating these little cliff edges—and I said the Social Security Advisory Committee could not find a work disincentive effect of them—we have smoothed it to the extent that the taper has got a little bit bumpy, rather than a huge cliff edge with all Government policy is coalescing it. If you take things like legal aid—

Q405 **Chair:** You are coming back to us on that, aren't you, Neil? Thank you.

Neil Couling: Yes, but would it also help if I wrote and showed you where the different decisions are, by different Departments?

Chair: Yes, absolutely. Very helpful.

Neil Couling: I can set that out. There is logic behind the way in which we have approached this, but, as the Minister says, these are not specific policies that Ministers in DWP can dictate on their own.

Heidi Allen: They do not control it. I understand that.

Chair: No. We might be able to speed some of them up. Very good.

Q406 **Ruth George:** There is obviously a lot of concern about the impact of Universal Credit on poverty rates and predictions that a million extra children will fall into poverty due to the policy. The predecessor Secretary of State who set up Universal Credit told the House in October that Universal Credit flags up when somebody has a debt problem and when they are running into arrears. If that is the case, then maybe one of you would be able to tell us how many people are currently flagged up under Universal Credit as having a debt problem and how many are in arrears, please?

Neil Couling: It is difficult to interpret the comments of others, but my understanding when he said that was that we are effectively, with Universal Credit, uncovering things that were always there in the system. For example, what is interesting is that the level of pre-existing rent arrears is quite high in the Housing Benefit caseload. This came out most recently when the National Housing Federation produced a set of data on the arrears in its particular sector.

I think what my former Secretary of State was saying was talking about that, not that my system sits there and I am sitting on a load of data showing me all the debts that people have, because I am not sitting on that kind of information.

Alok Sharma: Just to make one point in addition to this, looking at the debt that people have. As people managed-migrate on to the system, particularly people who are on tax credits, there is a stock debt of around £4 billion right now as a result of overpayments and people not being



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able to pay back on time. That will then come on to our system once they are managed-migrated on. That debt will not be because of Universal Credit; that will be historic debt that was created because of other policy decisions that were made.

Q407 Ruth George: That sounds very different to what the previous Secretary of State was saying when he was talking about universal support and the fact that that ought to be going hand in hand with Universal Credit. Can you tell the Committee what the arrangements are for universal support where it does become apparent that there are debt problems, and how it will trigger if that is not being flagged up?

Alok Sharma: In terms of universal support, there is of course support with personal budgeting. Of course you can always get digital support, but we have now moved on to a system in 2017-18 where the amount of money that we are making available to local authorities to deliver that support is grant-based. That was not necessarily the case historically. What that has allowed us to do is, from April this year, we have been able to get information and gather information, so basically the amount of information flow is much better. We can see how many people are getting and making use of universal support, its various components, and there is in fact a deep dive—to use a Whitehall phrase—that is going on right now of universal support. Clearly, in the coming period we will then make sure that we publish any recommendations coming from that.

Q408 Ruth George: Presumably, from your response, there are local authorities who are not implementing universal support, and certainly some of the evidence that this Committee has received is that they have had no guidelines around it. Because it is done at a district authority level, it is very difficult to manage things like digital support, where they do not have resources.

Alok Sharma: Over 350 local authorities have now made use of this. It may be the local authority providing it. To give you an example, Ms George, I went to the local Jobcentre in Reading, which is next to my constituency, and in that particular case the local council, Reading Borough Council, provides that support. There will be other places where it will be Citizens Advice or a credit union. It may be a local housing association that is providing advice.

One of the things that we have learnt already is that the best way of getting this support to people is to have it in-house, so you have those people providing support based in the Jobcentre and you can literally signpost someone and say, "Look, we really think you could go and talk to that person". I certainly think that is one way of improving its effectiveness.

Chair, in the autumn, when we announced the package of £1.5 billion, the former Secretary of State also said that we would be having a conversation with Citizens Advice about how we could give people on



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Universal Credit advice and other help. That is a dialogue that we are continuing to have with Citizens Advice.

Chair: Very good. Thank you very much for appearing today and thank you for the offers of new data, Neil. We look forward to receiving it.

Alok Sharma: Thank you.