



House of Commons
Work and Pensions Committee

**Benefits Simplification:
Government Response
to the Committee's
Seventh Report of
Session 2006–07**

**Third Special Report of Session 2006–
07**

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The Work and Pensions Committee

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Third Special Report

1. The Work and Pensions Committee agreed its Seventh Report of Session 2006-07, Benefits Simplification, on 18 July 2007. The Report was published on 26 July as House of Commons Paper No. 463.
2. We have now received the Government's Response to this report in the form of a memorandum from the Secretary of State for Work and Pensions. This memorandum is printed as an Appendix to this Special Report.

Government response

1. The Government welcomes the Seventh Report of the Work and Pensions Select Committee Session 2006-07 on Benefits Simplification and the Committee's valuable contribution to the debate on simplifying the UK benefits system. Simplification plays a key role in the Department for Work and Pensions' (DWP or 'the Department') ongoing programme of reform. Every year, the Department deals directly with around 20 million citizens and handles around 300 million customer contacts. At some stage in their life, almost everyone in the country is likely to engage with one or more of its services. Needless complexity can mean poor service, higher cost and a system less effective at delivering its aims. That is why simplification is now at the heart of all DWP policy and delivery decisions and the Department is devoting more resource and attention to this issue than for many years.
2. As the Government continues to modernise the benefits system, simplification is an important means in securing our vision. It is being pursued vigorously where it supports our strategic aims: promoting full employment; supporting children and families; and delivering security, dignity and social justice. The Government is determined to maintain the momentum even though there are always competing priorities for limited resources and capacity, and the Government has to be realistic about the amount of change that can be delivered at any one time. The Department for Work and Pensions has an ambitious programme of welfare reform under way affecting all future pensioners from 2010 and most customers of working age benefits. It has also embarked on a major programme to transform the way it delivers services to its customers. The intention is to design delivery around customers' needs so that services are accessible and easy to navigate. It will not put these programmes of change or customer service at risk by attempting to do too much at once.
3. The Department concurs with the Committee's argument that a blueprint for the benefit system as a whole is necessary to ensure a coherent direction and maximise the gains from simplification across the benefit system. This needs to be balanced with a recognition that the system will always need to change and evolve to reflect changing circumstances and new opportunities. The Department has been working for some time on a set of principles on which a simpler system should be based and how these principles might be translated into specific changes. Fundamental change to the system would take many years to implement and would impact on most citizens. Change on this scale would require wide public debate and engagement and a degree of consensus if it is to be carried through. The

Department will consider the best way to initiate such a public debate and will put forward proposals next year.

Conclusion and Recommendation 1: We appreciate the value of means-tested elements of the benefits system that target assistance at those people most in need of financial support. Having said that, evidence to this inquiry suggested that there is a direct correlation between the amount of means-testing and the complexity in the system. We recommend that the Government specifically evaluates the current caseload of means-testing in the system as part of its simplification efforts and where possible, reduces it. We particularly consider that, in order to achieve simplification, priority should be given to alignment of rules for different benefit eligibility. (Paragraph 51)

4. The Department agrees that the rules on means-testing can be a source of complexity and that it should continue to simplify and align means tests wherever possible. The extent to which the system relies on means-testing as a targeting mechanism is an important question for future reform. There are powerful arguments either way and the Department believes that the scope for increasing the amount of universal (i.e. non-means-tested and non-contributory) provision is likely to be very limited but will continue to seek to simplify the means-testing rules and build on the progress already being made.

Conclusion and Recommendation 2: We accept that the contributory principle is valued by many as a contract between the state and the individual and reflects the Government's rights and responsibilities agenda. However, the contributory principle adds an additional layer to the current system and research suggests it is no longer as relevant to the benefits system as it once was. We therefore recommend that the Government reviews whether or not the contributory principle remains a relevant part of the modern benefit structure (Paragraph 55)

5. The Government does not agree that the contributory principle is not as relevant to the benefits system as it once was. The Pensions Act 2007 has reaffirmed and modernised the contributory principle in relation to state pensions. As the Department has said previously, contributory, means-tested and universal benefits are not an end in themselves but mechanisms for achieving particular outcomes. In the case of contributory benefits for people who are out of work a key outcome is a link between benefit entitlement and previous employment. In the Government's view it is this link that is important and the question to be considered is whether a contributions test is the best way of delivering it.

Conclusion and Recommendation 3: The existing system, with its benefits paid according to different principles and rules, is clearly complex and in need of change. We believe that measures to simplify the benefits system could, if done sympathetically and systematically, contribute to the Department's wider objectives, and improve the lives of millions of claimants. The Government should be taking as its starting point a review of:

- whether all existing benefits are necessary;
- whether some benefits could be merged;
- the interaction between benefits and how the qualifying arrangements differ; and

- **the overall purpose of the benefits system. (Paragraph 56)**

6. The Department agrees that the starting point for any reform is a rigorous scrutiny of the system as it is now to test it against objectives. It has been doing exactly that, and many of the improvements which the Department has already made were set out in the Department's Memo to the Committee. The announcement of measures in both the Pre Budget report and Budget 2007 indicates the Department's continuing drive to reduce complexity. In addition, Pension Reforms, the introduction of the Employment Support Allowance, Housing Benefit reform and its lone parent proposals all demonstrate the Government's willingness to undertake even more fundamental reform of benefit rules where this will better suit its objectives.

Conclusion and Recommendation 4: We conclude that there is a lack of vision and drive within DWP and across Government to simplify the benefits system and we share the reservations of a number of witnesses about what the Benefit Simplification Unit can achieve under its current structure. We commend the role it is playing preventing further complexity being introduced into the system, but this is a very long way from having a plan to systematically introduce simplification, and from the DWP Permanent Secretary's "very clear simplification ambition." The fact that the Benefit Simplification Unit's Simplification Guide imposes a unique condition, "if resources permit", on "spring cleans" of particular rules or processes is disappointing, but indicative. (Paragraph 79)

7. The Government rejects the charge that it lacks the drive or vision to simplify the benefits system. Simplification is now receiving greater prominence in all DWP policy and delivery decisions and the Department is devoting more resource and attention to this issue than for many years. The work of the Benefit Simplification Unit has had a direct and measurable impact in line with the Permanent Secretary's ambition. The Department has an ambitious programme of welfare reform under way in which simplification plays a crucial part; including modern, more generous provision for pensioners, a transformation in support for sick and disabled people to help them gain greater independence, a more practical approach to child maintenance, and a simpler form of housing support. No Government in the last generation has taken on such a challenge.

Conclusion and Recommendation 5: Our predecessor Committee recommended in 2004 that "the Department establishes a high level working group chaired by Ministers, comprising IT suppliers, social policy experts and other relevant parties, including representatives of client groups and front-line staff, to make recommendations on how policies can be simplified." We believe that this recommendation retains considerable merit. (Paragraph 80)

8. The Department agrees with the principle behind this recommendation and has taken forward its ambitious programme of welfare reform in full consultation with IT suppliers, social policy experts, representatives of client groups, front-line staff and clients themselves.

Conclusion and Recommendation 6: Engaging the expertise of front-line staff should be a high priority for the Benefit Simplification Unit. There needs to be a proactive policy of gathering ideas and then acting on them to change processes. (Paragraph 86)

9. As indicated in the Department's evidence to the Committee this already happens and will continue to do so. For example, the major set of simplification changes announced in the 2007 Budget was the direct result of engaging with front-line staff. Moreover, the Department's continuous improvement teams are working directly with staff and using their expertise and ideas to develop better benefit processes and arrangements for customers.

Conclusion and Recommendation 7: We welcome the DWP's decision to roll out the Lean Pathfinders more widely. We ask DWP to report progress to us, including how the emerging best practice from these Pathfinders will be rolled out nationwide, and how lessons will be learned across different benefits. We also ask DWP to consider greater formal claimant participation in these projects, for example through the work of Jobcentre Plus External Relations Managers and local liaison groups. (Paragraph 94)

10. The Department is committed to a radical Change Programme which will transform the way it works and the services it offers customers. At the heart of this transformation is the decision to become a Lean organisation committed to Lean tools and techniques in everything we do. Lean places customers and staff at the heart of developing improved processes and service levels and is firmly based upon listening to, understanding and involving them in the design of services. An essential first step in each initiative is, therefore, understanding the voice of the customer which includes the involvement of established customer contacts. The Committee visited our Pathfinders earlier this year and will already be aware that the Department has built upon their success with the launch of six further initiatives across seven areas this September. We shall be disseminating progress with these initiatives widely and we will work closely with the Committee's secretariat to ensure that the Committee is kept up to date with developments.

Conclusion and Recommendation 8: We ask the DWP to clarify whether it is planning to conclude its study of the scope for producing a complexity index. If so, the suggestions on measuring 'costs of compliance' made by Fran Bennett (University of Oxford) and Mike Brewer (Institute for Fiscal Studies) should be part of that study, if not, DWP should explain why. Our view is that, given the high levels of complexity and the limited progress made so far, running programmes to reduce complexity should be a higher priority for Government. (Paragraph 100)

11. The Department continues to study the scope for producing a complexity index and has said previously that if a suitable measure of complexity could be developed it would be put in place by the end of 2007. Findings to date have confirmed that there is no single metric that could act as a suitable measure of complexity.

12. The Department's initial conclusions are that the best approach is likely to be to focus on the burdens which the benefits system imposes on its customers. As an initial exercise, the Department is planning to look at the administrative burdens experienced by its customers when making a new claim to Jobseeker's Allowance. This is a more modest approach than that proposed by Fran Bennett and Mike Brewer as it will not cover claim maintenance or changes in circumstances and, in the first instance, is restricted to Jobseeker's Allowance only. Officials in the Department had a very productive meeting with Fran Bennett and Mike Brewer on 2nd October to discuss how their suggested measure of customer compliance costs might complement this study and how their work

might feed more widely into the Department's Change Programme and Customer Insight initiative. The Department will continue to work closely with them as the research develops.

Conclusion and Recommendation 9: We are surprised by the decision of DWP not to publish the report prepared by Sue Royston, who was seconded from Citizens Advice to the Benefit Simplification Unit for nine months, or even to place the report on its website, as this was an extensive piece of work which drew contributions from external organisations, involved liaison and the involvement of claimants and their advocates, and is likely to result, from the comments of the Minister, in some significant changes to the system. We ask DWP to reconsider this decision. (Paragraph 105)

13. A copy of Sue Royston's report will be placed on the DWP internet site alongside the Benefit Simplification Guide to Best Practice. The link will be:

http://www.dwp.gov.uk/resourcecentre/policy_strategy.asp#g

Conclusion and Recommendation 10: We were refused access to the quarterly reports on complexity that are given to the DWP management team. We are disappointed at the DWP's decision, and press again for these documents to be submitted to us for scrutiny, if necessary on a confidential basis. We also press the DWP to ensure that Benefit Simplification Unit progress reports are placed on its website, in order to give the Unit a higher external profile. (Paragraph 108)

14. The quarterly reports are internal reports which include details of work in progress and discussion of various options that would lead to advice to Ministers on the way forward and as such are not appropriate for publication. The Department is committed to continue reporting on progress in its Annual Report.

Conclusion and Recommendation 11: As part of this inquiry we met a series of claimants and even Jobcentre Plus staff who found it impossible to get through to the new Jobcentre Plus Benefit Delivery Centres. Unlike calls to Contact Centres these calls are charged at 0845 rates and are not free. Coupled with delays in the system, this has resulted in hardship and distress for many vulnerable people. DWP should take action to resolve these problems immediately. (Paragraph 118)

15. Jobcentre Plus is aware that in some locations customers have been experiencing difficulties in getting through to its Benefit Delivery Centres on the telephone. To address this more people have been assigned to answer the telephones as trained resources become available. As a result the time taken to process claims has fallen consistently over the last 12 months and continues to fall. Like many other service organisations Jobcentre Plus uses 0845, local rate tariffs, for telephone enquiries, following 0800 calls to claim benefits, which are free from most landlines. In addition Jobcentre Plus is paying particular attention to the needs of vulnerable customers who may be less able to use the telephone service. Jobcentres continue to take applications and handle face to face enquiries. Local advice organisations are being given local direct line numbers to the centres so they can bypass the switchboard in cases of urgent need.

Conclusion and Recommendation 12: Engagement with those who are out of the labour market is crucial, and Better-Off Calculations are an essential tool in this

process. At the same time, their complexity illustrates the opaqueness of our current benefits and tax credits system. We recommend that all staff who carry out Better-Off Calculations are given additional training to ensure that the information they give to claimants is accurate, and that the IT systems are reviewed to make them easier to use and to ensure that Better-Off Calculations accurately reflect likely tax credits payments. The Committee would also welcome assurances from Jobcentre Plus that Better-Off Calculations are a priority and that staff are encouraged not just to undertake claimant assessments but to appreciate fully the value of the calculation in giving people the incentive to return to work. (Paragraph 127)

16. The Department recognises that better off calculations are a powerful and valuable tool in influencing customers to leave benefit and enter paid employment. Personal Advisers consider offering a better off calculation during all interviews. Their prime role is to motivate the customer to move into work and judging the correct time for a calculation is crucial for maximum impact. Where it is established during the interview that the customer's initial requirement is to receive support to enable them to move closer towards work, alternative help (for example training or up-skilling opportunities) is offered first.

17. An extensive range of training is available to equip Personal Advisers to use the Better Off Calculator effectively. This includes skills for gaining customer commitment, helping customers into work, advising about benefits and tax credits, and dealing with tax credits within the calculation.

18. Jobcentre Plus has developed a leaflet to increase customer awareness of better off calculations and to streamline the information gathering process. Issued in advance, it allows those who wish to complete the self-information section to prepare for their interview. Jobcentre Plus also informs customers of existing third-party internet based benefit calculators that are available for them to use.

19. In addition, the Better Off Calculator is undergoing a major refresh, which is scheduled to be available from November 2007. Significant improvements are aimed at simplification and reducing completion times. A recent local survey has shown that the average time to conduct a calculation is 16 minutes. This figure is expected to almost halve, allowing more time to discuss the outcome with the customer.

20. To support the refresh, an IT-based Training Solution has been developed and will be available from October 2007. Personal Advisers will be able to practise cases, particularly those with complex circumstances to improve their knowledge and confidence in using the tool. The launch of this new product, ahead of the revised calculator, has provided Jobcentre Plus with an ideal opportunity to re-train all those of its staff who conduct calculations. Updated training material will be provided to them as well as comprehensive technical and policy guidance, aimed at increasing accuracy and usage.

Conclusion and Recommendation 13: We believe that Better-Off Calculations can help claimants make informed choices about work by setting out clearly any in-work entitlements for which they may be eligible. We recommend that the Government ensures that all working-age claimants are given a Better-Off Calculation at the appropriate time, and that it sets higher national targets for how many claimants receive them. (Paragraph 132)

21. A national, minimum standard of 20% of interviews to include a better off calculation has been set to increase the volume of customers who receive this service. The standard was decided after considering all the different customer groups receiving help through the advisory service and the efficient and effective use of the calculator. Regions are free to use their discretion and flexibility to increase the level to ensure that calculations are offered whenever it is appropriate. Jobcentre Plus intends that all customers will receive a calculation during the course of their claim.

22. A study of calculations performed for lone parents throughout 2006/2007 has shown a significant and consistent increase in the percentage of calculations in line with Jobcentre Plus expectations of them being conducted at the appropriate time. As a result of the work to improve overall Jobcentre Plus performance, the same upward trend is being repeated for other customer groups.

23. There are times when it may be inappropriate, inefficient or unhelpful to perform a calculation. For example, where there have been no changes in the customer's circumstances that could merit duplication; for customers where it is clearly apparent they would be worse off; or for a recently widowed parent whose primary concern is to settle their children. Where it is not appropriate for the customer when they first make a claim to benefit, a calculation is offered at the next appropriate interview.

24. Jobcentre Plus plans to provide on-line access to better off calculations in 2008. This will enable the calculator to be accessible to everyone who has access to the Internet.

Conclusion and Recommendation 14: We conclude that any attempt to simplify the benefits system must take tax credits into account. However, it is difficult to see how this will be achieved at a policymaking level. The Benefit Simplification Unit only has responsibility for DWP benefits and while there is joint HMRC/DWP work underway to improve data sharing and operational processes, there is no Government Minister, department or unit which is attempting to address the combined and overlapping complexities of the benefits and tax credits systems. This omission must be urgently addressed. (Paragraph 148)

25. The Department is specifically looking to see whether more can be done to improve the service given to people who are customers of both Departments and who currently have to deal separately with DWP, HMRC, and very often, their local authority when they move in and out of work. The North Tyneside trial, which saw shorter processing times, better services and fewer hand-offs, has recently been extended to a further six local authorities and, if these trials are also successful, improvements will be applied nationally in the long term.

26. More generally, a joint steering group, chaired by the Permanent Secretaries of both HMRC and DWP, is overseeing a major programme of joint working. Amongst the areas where work is underway are:

- Joint Debt Recovery - Work has started to look at people who owe money to both HMRC and DWP, and consideration is being given to where joint working would be most effective to recover the debt.

- Face to Face - A Pilot to house HMRC Enquiry Centres in three Jobcentre Plus buildings began in September 2007.
- Customer Insight - shared working on customer insight that draws from best practice in both Departments to identify joint work to improve services from the point of view of the customer.
- Contact Centres - Working together to share best practice, common management support and consider federated options for sharing the workload.
- Fraud - New processes and procedures which will allow future joint operations to be more cohesive, make optimum use of shared resources and make best use of the legal powers of the two Departments are being explored.

27. The Department will also work with HMRC to consider the scope for addressing the combined and overlapping complexities of the benefits and tax credits systems.

Conclusion and Recommendation 15: We believe that the Social Security Advisory Committee is a valuable and experienced resource that provides critical examination of the DWP benefits and HMRC's Tax Credits systems and would have a role in joining up HMRC and DWP thinking. We urge the Government to ensure that both Departments engage with the Social Security Advisory Committee as a means of collaboratively addressing complex interactions between the respective systems, reconsider formally extending the Social Security Advisory Committee's remit to include Tax Credits, and arrange for a joint review of the Memorandum of Understanding to be conducted as soon as possible. (Paragraph 149)

28. Both HMRC and DWP are committed to working together for the benefit of their customers, especially where both Departments share responsibility for providing relevant and linked support. DWP has a statutory duty to consult with The Social Security Advisory Committee, and HMRC (through the Memorandum of Understanding signed in July 2004) has a non-statutory agreement to consult. This provides the Social Security Advisory Committee with an opportunity to give full and frank advice to Treasury Ministers on any aspect of the tax credits system including policy.

29. HMRC has received a proposal from the Social Security Advisory Committee for a review of the Memorandum of Understanding which is under consideration. The Government has no current plans to introduce legislation to extend the Social Security Advisory Committee's statutory remit to include tax credits.

Conclusion and Recommendation 16: The DWP has acknowledged in its own research that it must do more to ensure that claimants are aware of Housing Benefit as an in-work benefit. We urge the Government to work with local authorities to examine how best to raise awareness amongst benefit claimants and low wage earners and to act upon this swiftly (Paragraph 155)

30. Following the outcome of the Department's research¹ it has put in place a strategy for increasing awareness and understanding of Housing Benefit as an in-work benefit. This

¹ <http://www.dwp.gov.uk/asd/asd5/rrs2006.asp#hbctbinwork>, Housing and Council Tax Benefit as in-work benefits; claimants' and advisers' knowledge attitude and experiences.

includes targeting information at Jobcentre Plus staff and customers, and identifying opportunities for joint working between the Department and Local Authorities to promote in-work Housing Benefit. Some elements of the strategy have already been implemented including placing articles in publications for practitioners and a working paper on rents and work incentives.² The remainder of the strategy will be taken forward over the next year and the Department will be looking at its impact.

Conclusion and Recommendation 17: We recommend that the Government undertakes research to investigate whether there remain some groups of claimants for whom work does not offer the best route out of poverty, and more detailed analysis of the impact of high Marginal Deduction Rates in parts of the benefits system on overall work incentives. (Paragraph 176)

31. For the vast majority of claimants work is the best route out of poverty because of in work benefits. Overall long-term claimant unemployment is close to its lowest for 30 years. The lone parent employment rate in the second quarter of 2007 was 57.2%, up 12.5 percentage points since 1997. Tax Credits, Housing Benefit and Council Tax benefit are all designed to ensure that the benefit amount clawed back will always be less than income earned. Additionally, through a combination of tax credits and the National Minimum Wage, the Government has been able to boost the minimum income of people moving into work in recent years.³ The Department has recently announced a new financial incentive for lone parents taking a job guaranteeing £40 a week extra for the first year (£60 a week in London) ensuring that work always pays.

32. The Department is in the process of commissioning research on the level of gain which customers say they need in order to move into work. The research will look into the levels stated as well as the underlying reasons. The research is expected to report over the autumn/winter of 2008/09.

33. Marginal Deduction Rates are generally regarded as primarily an issue for people in work whose benefit may reduce as their earnings increase. Marginal Deduction Rates are the result of the combined effects of benefits withdrawal and taxation. The Department is aware that taper rates and Marginal Deduction Rates need close attention and is keeping them under review as part of the ongoing reforms of the benefit system. In Budget 2007 HM Treasury published some analysis on Marginal Deduction Rates but they did not find any evidence of their adverse affects.⁴

Conclusion and Recommendation 18: The Committee awaits the Government's response to David Freud's review of welfare system but even at this early stage considers that, should the Government extend the role of contractors in delivering frontline services for claimants, it should be incumbent on providers to undertake benefits training for staff. (Paragraph 178)

² <http://iad/asd5/public/wp38.pdf>

³ See Table 4.1 on page 102 of Chapter 4, Budget 2007
http://www.hm-treasury.gov.uk/media/A/2/bud07_chapter4_267.pdf

⁴ See Box 4.4 on page 103 of Chapter 4, Budget 2007
http://www.hm-treasury.gov.uk/media/A/2/bud07_chapter4_267.pdf

34. The Green Paper 'In work, better off', which responds to David Freud's review, sets out the remit for personal advisers which is making sure that customers get all the help they need in finding work including guiding them through the welfare system and the provision of benefit advice.

35. The Department is currently consulting with a wide range of stakeholders about a future Commissioning strategy. One of the key questions in the consultation exercise is about establishing the capabilities required of high performing providers. The Department's current view is that provider staff should have a basic understanding of the benefits its customers are in receipt of, including basic conditions of entitlement and linked (or passported) benefits. However, it believes that their primary role in this respect should be one of signposting back to Jobcentre Plus when more detailed advice is required.

Conclusion and Recommendation 19: We agree with Sue Royston that looking at customer journeys could be a good way of shedding light on the claimant experience, and as such should be a useful tool for the new Customer Insight Team. (Paragraph 192)

36. The Department agrees. Customer journey mapping is just one of a number of customer research methodologies that the newly created DWP Customer Insight function is adopting to:

- get a much better understanding of the customer experience;
- identify target areas for service improvement; and
- underpin its work programme.

37. In the first instance the DWP Customer Insight Unit plan to use customer journey mapping to inform work on improving the experience for people approaching retirement and to shape development of a DWP-wide segmentation model. The Unit will also be developing a 'customer insight toolkit' to capture and share best practice guidance on techniques for getting closer to the customer and better understanding their needs.

Conclusion and Recommendation 20: We welcome Sir David Varney's recommendation that a Government-wide change of circumstance service should be established by 2010. Given that the DWP has such an important role in the delivery of the Varney review through the 'Tell Us Once' project, we believe that successful implementation should be incorporated as part of the Department's targets, and closely monitored as proposed by Sir David Varney. (Paragraph 207)

38. The Department has formally incorporated its contribution to the cross-government Service Transformation programme (the implementation of the Varney review) into its Business Change programme. This includes all strands of Service Transformation including Tell Us Once and Directgov. This will ensure that it will be fully incorporated into the Department's change plans and will be monitored by the Executive Team.

39. The Department has been recognised as a leader of Public Service transformation. It has put in place a programme board for the 'Tell Us Once' project chaired by the Permanent Secretary and with representation at senior official levels from across government.

Conclusion and Recommendation 21: Tell Us Once is limited to a relatively narrow area, so we welcome the Minister's commitment to introduce a single point of contact for changes of circumstances across DWP, including for housing benefit, and ask the Department to set out a timetable of its wider work to achieve this, including the One: Time Solution and the Customer Information System. It is essential that a single point of contact is developed to facilitate both the easy communication of changes in circumstances by claimants and a prompt response from agencies. This will help claimants to avoid unnecessary hardship, such as the threat of eviction. (Paragraph 208)

40. The Department fully recognises the value, both for customers and for improving operational efficiency, of getting information about customers' circumstances once, and of using that information for the full range of services appropriate for the customer concerned.

41. This forms part of the wider ambition for Government to provide a service for notifying changes of circumstances, which is being developed through the Tell Us Once programme. The Government's ambitions for the Tell Us Once programme do not focus on a single Department but extend beyond DWP to look at the overall needs of the citizen. The programme is still at an early stage and decisions about its initial scope will be made following feasibility studies and pilots. It is currently envisaged that the pilots will be in place by the end of 2007.

42. DWP is committed to finding ways of reducing the burden on the customer to join up its services and it is working to achieve this. The Customer Information System will provide the Department with the ability to bring together information about individual customers which could provide the foundation for a single notification service, but the development of such a service would also require additional investment beyond the scope of the Customer Information Service project itself. The initial version of the "My DWP" project will use data from the Customer Information System to allow customers initially to see their current entitlements and later to make new claims to benefit. It will not support the reporting of changes of circumstances. That would require a further phase of the project, for which a detailed timetable and scope have not yet been developed.

Conclusion and Recommendation 22: We welcome the fact that progress is being made towards the introduction of an electronic document storage facility in the Pension Service, and ask DWP to keep us informed of progress with this important project. (Paragraph 209)

43. The Pension Service is delivering a strategic document repository service that enables the electronic storage and retrieval of customer related documents in the first instance. This corporate service is scheduled to be used initially by the Pension Service and will enable customer advisers to have instant access to view incoming and outgoing customer correspondence on their desktop.

44. All Business areas of DWP have been engaged in the design stage to ensure the technical solution is re-usable across DWP thus enabling the sharing of information and the technology itself. The planned date for piloting the solution is Oct 2008 with rollout starting in Jan 2009.

Conclusion and Recommendation 23: We look forward to the Government's response to the Freud review, and trust that it will include an assessment of the feasibility of his suggestion that Jobcentre Plus offices should become one-stop-shops for a range of government services. In the meantime, DWP does need to ensure that its links with other agencies who have direct contact with vulnerable people, such as health visitors and local authorities, are strong, and that help and advice about benefits is widely available. (Paragraph 218)

45. The Change Programme in DWP includes a project which involves customers, intermediary organisations and local authorities in testing service requirements for vulnerable groups through a pathfinder in a live service environment. The main intention behind this work is to deliver an effective, affordable service for particular vulnerable customer groups.

46. The first aspect to this work involves disabled people, and will go live in October 2007. The project has already involved customers and representative groups in a forum to understand the issues from a customer perspective. The project will be linking with many intermediary groups during the live test.

47. DWP also has a programme of work aimed at engaging and educating GPs and other health professionals about the positive health benefits of work. A National Director of Health and Work has been appointed to oversee this work and ensure close links with the Department of Health. Much of this work is still in progress and will report in the next few months.

48. The Pathways Advisory Service is another pilot scheme where a Jobcentre Plus adviser works from a GP surgery. The role of the adviser is to direct patients towards provision available under the Pathways to Work programme.

Conclusion and Recommendation 24: Jobcentre Plus needs staff on the front-line who have a degree of expertise in the benefits system and are not tightly bound to the script. The analogy we would draw here is with a triage nurse in an Accident and Emergency Department. It would be inefficient if staff in Jobcentre Plus contact centres, who will be dealing with routine calls most of the time, were fully trained-up experts in the benefits system. But they should be better trained than they are now, to provide a more informed and flexible service to claimants and save work further down the line. Jobcentre Plus should learn the lessons of its sister Agencies, particularly the Pension Service, on this. (Paragraph 226)

49. As already mentioned in the Department's Memo, The Pension Service now has an integrated claims process for State Pension Credit, State Pension and Housing and Council Tax Benefit. Its Local Service offers a full benefit health check for customers over pension age. In 2007/08 the Local Service visits approximately 13,000 pensioners each week to encourage pension credit take-up and to provide advice on a wide range of benefits. In 2006 the Disability Living Allowance/Attendance Allowance Helpline handled 4.7 million calls - and 95 per cent of customers rated the service as "excellent" or "very good". Jobcentre Plus is currently developing a new learning pathway for Jobcentre Plus Contact Centre staff which will include training activities that focus on the eligibility conditions for receipt of benefits and the interaction between benefits. All three businesses are working

together to improve the service delivered to shared customers. The Department is developing an organisational culture where staff will always seek to provide a customer focused service, and will continually challenge any internal barriers to this.

Conclusion and Recommendation 25: Given the points we have made already about the importance of improving the interface between in-work and out-of-work benefits, the joint DWP/HMRC pilot to develop service improvements sounds promising and we welcome the fact that it is being extended. (Paragraph 230)

50. The trial to improve the way that DWP, HMRC and local authorities help customers in North Tyneside has now been extended to a further six local authorities, Liverpool, West Lothian, Lambeth, West Somerset, Sedgmoor and Merthyr Tydfil. Further information should be available about the outcome of the Pilots early in 2008.

Conclusion and Recommendation 26: We ask DWP to consider whether its 'My DWP' project should include the function to submit applications for benefits online using a secure system with links to the DWP's own processing systems, along the lines of the One-e-App process used in parts of the USA. We also ask DWP to set out the legislative background to the need for a signature on claim forms, which is often described as a barrier to on-line applications. (Paragraph 241)

51. My DWP will deliver the platform on which the Department will build a number of the Department's new e-Services. The Department's aim is for the basic My DWP platform to be available from April 2008. It will then be augmented over time as part of the Department's business transformation plans over the 2007 Spending Review period and beyond. While on-line applications will be a key consideration for future development, the Department is still in the process of drawing up plans for when this might happen, what the characteristics of the service might be and what is the capability and capacity needed to make the required organisational changes to support the service.

52. There is nothing in legislation which specifically prescribes that there must be a signature on a claim form, but traditionally a signature or a mark has been needed so that the customer can both affirm that the document in question constitutes their claim for benefit and that the information they have provided is both true and complete. The manner in which claims have to be made is set out in regulation 4 of the Social Security (Claims and Payments) Regulations 1987, as amended.

53. In recent years new methods of claiming have been introduced:

- from December 2003 an order was made under section 8 of the Electronic Communications Act 2000 c.7 to enable claims for Carer's Allowance to be made electronically;
- from May 2005 it became possible to claim Graduated Retirement Benefit or retirement pension of any category entirely by means of a telephone call. From July 2005 this was extended to include a shared additional pension. Although a hard copy of the information gathered by means of that telephone conversation is sent to the claimant to enable them to check that it is accurate and complete, it is not necessary for the individual to sign and return it to enable it to become a claim.

Instead the claim is made entirely by telephone (reg 4(11) to (14) of the Claims and Payments Regs)

- from January 2006 the legislation was further amended so that an electronic claim could be made for Attendance Allowance, Disability Living Allowance, Graduated Retirement Benefit, State Retirement Pension and Shared Additional Pension
- from July 2006 the provisions for making telephone claims were extended to claims for pension credit (reg 4D(6A) to (6E) of the Claims and Payments Regs.)

54. Currently these developments affect people of pension age more than those of working age. This is because the administration of social security pensions is more centralised for pensioners than for people on working age benefits. As such it is easier to introduce voice-authenticating and other technologies in the context of large call-centre sites. However the long term plan is that these advancements in technology will become more widely available at a local level, so that working age people will also be given a choice as to the method of claiming benefit.

Conclusion and Recommendation 27: We welcome the Minister's interest in the quality and comprehensibility of computer-generated letters, and the news that Jobcentre Plus is to begin a review of its correspondence, which has been the subject of much criticism during this inquiry. This review must lead to an action plan to improve the quality of these letters, and the action plan should be forwarded to us. (Paragraph 252)

55. The Department notes the Select Committee's interest in the quality of its computer-generated letters and can confirm that a project commenced in August 2007 to undertake this review. An action plan will be produced during the autumn, which will be made available to the Committee.

Conclusion and Recommendation 28: We agree with the Minister that Statements of Entitlement are the right way forward, replacing an important piece of information for claimants that disappeared when Order Books did. DWP should work to implement this measure as soon as possible, as part of the wider 'my DWP' project. (Paragraph 256)

56. A key part of the My DWP project is to enable people to access information relating to their benefit entitlement. By spring 2008 people will be able to access on line, and print, easy to understand information about the benefits they are receiving. Current arrangements will continue in place for people who are unable to access or use the e-Services.

Conclusion and Recommendations 29 and 30: DWP must put the claimant at the heart of the simplification process, and it is clear that there is much potential for improving the customer experience – and internal DWP processes – without changing the rules. We welcome the work done by DWP to date on this, particularly the Lean Pathfinders. However, it is not enough to rely on 'masking' complexity; there is a need to go further and address the rules of the different benefits and the structure of the system itself. (Paragraph 262) We welcome the changes to rules and time periods the Government has made so far, but during our inquiry we have received evidence to suggest that amendments have not gone far enough. In order to achieve simplification priority

should be given to alignment of rules for different benefits, including means-tested benefits. We recommend that the Government recognises this and outlines its intentions on alignment over the next five years, together with reasons for areas of inaction. (Paragraph 282)

57. The Department agrees that it must continue the good work it has already started on considering rules and structures where these create unnecessary burdens for customers. The long term aim is to minimise differences and align rules, but constraints on costs and capacity mean that it would be unwise for the Department to commit to a specific timetable at present.

Conclusion and Recommendation 31: We agree that claimants should expect to report changes in their circumstances to the relevant agency. However, witnesses have made a strong case for the Government to examine the frequency with which claimants must fulfil this expectation. We therefore recommend that the Government undertakes a systematic review of the rules for reporting changes of circumstances and the impact of existing reporting periods, particularly for Housing Benefit. (Paragraph 295)

58. The Department intends to examine the case for fixed term awards. However, ignoring changed circumstances over a lengthy period would be either harsh or costly: harsh if it left poor people with a substantial shortfall in their benefit when they lost some income, such as part-time earnings, during the fixed period; costly if it made good such shortfalls immediately, but ignored those cases where benefit should be reduced. There may though be scope for ignoring changed circumstances that occur within a fortnight (i.e. ignore changes occurring between pay days once working age benefits are moved to payment fortnightly in arrears from 2009).

Conclusion and Recommendation 32: We recommend that, following the publication of the Joseph Rowntree Foundation's research into different systems of uprating, the Government undertakes an assessment of the impact on claimants of different uprating measures and the consequences for poverty eradication. (Paragraph 298)

59. The Department will study the Joseph Rowntree Foundation's research on the different options for the regular uprating of benefits and tax credits with interest when it is completed in March 2008, examining critically their likely impact in the long term on poverty rates, work incentives, the extent of means-testing, and on public understanding and acceptability.

Conclusion and Recommendation 33: We recommend that the Government publishes the findings of the Pension Service Solution Centre project into automatic benefits payments and examines the feasibility of introducing automatic claims and payments to other parts of the benefits system. (Paragraph 302)

60. Formal publication of the project findings would not be appropriate in view of its high level nature and the fact that its findings are untested. This was essentially an internal study that enabled DWP to look at potential options for making Council Tax Benefit more accessible, which could then be used to inform further research and, where appropriate, develop future policy. No detailed analysis was conducted but Ministers and senior officials have determined from the initial findings that it is worthwhile to explore further the possibilities put forward by the project.

61. Work is ongoing to explore business areas within the Department where more automatic awards of benefit can be introduced. One of the enabling factors will be an enhanced IT provision and this will be dependent on the outcome of the Comprehensive Spending Review 07 process. The Pension Service are planning to hold an event later in the year with voluntary sector partners where the opportunities for more automatic payment of benefits will be examined and discussed in a workshop.

Conclusion and Recommendation 34: We were disappointed to learn of the problems being experienced in the operation of the Customer Account Management System. We are particularly concerned about the implications this may have for the introduction of Employment and Support Allowance, which will operate using this model. We recommend that the Government urgently investigates these issues in order to avoid the IT problems that have been associated with DWP systems in the past. (Paragraph 306)

62. The Pension Service's Customer Account Management System is now capable of processing 88% of Pension Credit and over 90% of State Pension new claims, which is the design specification. The remaining case types are very complex cases which require specialist, clerical attention.

63. While there were initial problems at go-live which meant that only around 55% of Pension Credit new claims could be processed directly via the Customer Account Management System, these issues were rectified rapidly and The Pension Service was never in a position where the new technology could not support the processing of more than 50% of new claims to Pension Credit. The Employment and Support Allowance delivery team are working very closely with Pension Service colleagues to learn from their experience and to apply the lessons learned to Employment and Support Allowance design and delivery plans. In view of this, there is no reason why the Customer Account Management System model could not support the processing of other contributory or income related claims including the introduction of the Employment and Support Allowance.

Conclusion and Recommendation 35: The Committee asks that the Government provide a clear rationale to explain its future plans for the Customer Management System and considers the impact of the serial introduction of short-lived IT systems on the administrative complexity of the benefits system. (Paragraph 311)

64. The Department has only tentative plans to replace the Customer Management System and are still planning releases for November 2007 and June 2008 which will enhance functionality and improve the overall user experience. These will provide a positive return on investment by 2010.

65. However, the Department does expect, once the new Customer Account Management System functionality has been delivered for the Employment and Support Allowance in October 2008, and any initial teething problems have been resolved, that the Customer Account Management System will then be used as a the base on which to build future requirements for all other benefits. The Department's current intention is to start first with Jobseeker's Allowance in 2010 as this uses the same legacy benefit processing systems as the Employment and Support Allowance and then Income Support and associated benefits.

66. The new Customer Account Management System is built on a modern industry standard product and includes functionality to integrate with modern telephony and other standard applications, This is only possible on the existing Customer Management System with considerable bespoke development. The Department believes that having a single Customer Account Management function across all its benefits will make the overall system easier to use by its staff and easier to understand by its customers. While this standardisation of the front-end will not in itself lead to simplification it is being positioned to take advantage of any rationalisation of benefit rules.

Conclusion and Recommendation 36: We recommend that the Government do more to ensure that incremental simplification measures do not have unintended consequences for different parts of the benefits system. Just as policy proposals for benefits are now channelled through the Benefit Simplification Unit to assess their impact on complexity, the Committee recommends that proposals for simplification undergo a similarly vigorous impact assessment process. (Paragraph 314)

67. The Department will consider the scope for this as part of the Cabinet Office initiative to increase transparency in policy making. The Cabinet Office introduced a new Impact Assessment format from 14 May and policymakers are already strongly encouraged to use the new Impact Assessment for proposals for simplification.

Conclusion and Recommendation 37: We accept that the Minister did not wish to pre-empt the Government's response to the Freud review during our evidence session but we were very disappointed that he could not present a clear long-term vision for the simplification reforms of the benefits system or comment on the principle of a single working age benefit. This was particularly the case given that discussions about the possibility of a single working age benefit pre-dates the Freud review on the Government's policy agenda. (Paragraph 329)

68. The Government has already said that it is interested in the scope for a single system of benefits – not necessarily a single benefit – and sees Employment and Support Allowance and other reforms as consistent with that long-term vision. However, as Freud, The Institute of Public Policy Research and the Committee itself have shown there are many possible variants. The Government has not yet formed a definite view and wants to let Employment and Support Allowance and other reforms bed in before embarking on further wide-ranging reform.

Conclusion and Recommendation 38: The Institute of Public Policy Research has set out one option for the radical reform of the benefits system. In the absence of a strong Departmental vision we have endeavoured to spark a debate by developing a suggested outline for a simplified Single Working Age Benefit, which is attached at Annex A. This sketches out an alternative option to that proposed by IPPR by extending the single working age benefit to provide in-work support, thus replacing tax credits. We recommend that the Government study these proposals and respond setting out which elements it agrees with and, most importantly, what alternatives it would propose for those facets it does not accept. We accept that fundamental changes such as those outlined would require a great deal more detailed development before they would be ready, but we would reiterate our disappointment that there is no obvious debate or vision being developed and, accordingly, offer this as a starting point. (Paragraph 342)

69. The Government is happy to consider the various models put forward for the benefits system as the basis for ongoing discussion. Both the Institute of Public Policy Research and the Select Committee models highlight certain key issues: additional costs; increased benefit expenditure on groups for whom the Government's priority is work rather than income maintenance out of work; and how to provide extra costs for disability. The Committee's model is more radical – a form of Citizens Income. As described it appears, at least at first sight, to carry a risk of both very high expenditure and reduced work incentives.

Conclusion and Recommendation 39: We were disappointed that the Department does not appear to have undertaken comprehensive cost benefit analyses of legacy benefits in the system. We would recommend that the Government examines the benefits of buying out transitional arrangements in much greater detail than appears to have been done so far to determine whether this measure could simplify the benefits system. (Paragraph 354)

70. The cost benefit analyses undertaken by the Department that were provided to the Committee indicated that buying out transitional protection for customers in receipt of Invalidity Benefit would be very expensive.

71. The main area of transitional protection which preserves complexity is the high number of people in receipt of Invalidity Benefit and pre 2001 Incapacity Benefit. The Department will be addressing this complexity in its plans to migrate these customers on to the new Employment and Support Allowance. Details of the migration proposals will be announced when final decisions are made. However, when customers are migrated the Department has already committed to ensuring that all those currently on incapacity benefits will have their benefit levels protected, meaning that nobody will suffer a cash loss under the new allowance.

Conclusion and Recommendation 40: The Minister advised us that the Government had considered and rejected time limited benefits. During our visit to the USA we were told there had been very little research on the impact of time limits on claimants, including those who did not obtain employment, but that some research is due to be published later this year. We welcome the Government's rejection of time limits but consider it prudent that it reviews the expected research on the US experience. (Paragraph 369)

72. The Department notes the Committee's comments and will review the research when it is published.

Conclusion and Recommendation 41: We were impressed with the Electronic Benefit Transfer Card that we saw in California and we would urge the Government to consider what lessons can be learned from this system for the UK. (Paragraph 371)

73. The last two decades have seen Governments across the world moving from paying benefits and pensions in cash or by cheque to electronic payments. In Great Britain a major modernisation of the way benefits and pensions are paid has been undertaken. In 1997, 28 per cent of customers were paid into a bank account with the remainder paid by order book or giro cheque. By 2003, when the move to Direct Payment started, the number had

increased to 43 per cent. It now stands at 98 per cent, with only 2 per cent (around 400,000) DWP customers paid by cheque.

74. The Department is aware of the important role that the Electronic Benefit Transfer System plays in the United States - indeed the technology supporting the Post Office card account is largely based on that used for the Electronic Benefit Transfer (with the Post Office's suppliers also providing Electronic Benefit Transfer services to California).

75. The Department believes that the current arrangements in Great Britain where payment into a bank or building society account is the norm are working well. The Department continually monitors developments in the banking industry and, in particular, it is now looking to see whether it can eventually replace the current system of cheques with a more efficient and secure service.

Conclusion and Recommendation 42: We recommend that DWP and the Benefit Simplification Unit examines in detail measures which have been taken to simplify benefits in other countries. In particular, we recommend that the Government considers trends in Australia and New Zealand, particularly if and when they make any decisions on more fundamental reform of the benefits system. (Paragraph 378)

76. The Department accepts this recommendation. The Benefit Simplification Unit has already looked at the New Zealand model. The Australian Government's Welfare to Work reforms commenced last year. It is too early to assess the effect of the changes but the Department will consider any lessons that can be learnt from these reforms as they begin to emerge.

Conclusion and Recommendations 43 - 45: Throughout this inquiry we have heard evidence of substantial dysfunctional complexity in the UK benefits system. Reports by the National Audit Office, Public Accounts Committee and the Department, as well as the contributions we received all alluded to this. Incremental change, alignments of rules and improving the service for claimants certainly have a role to play in addressing these problems but there is still a long way to go. (Paragraph 379)

Our concern is that the current DWP approach addresses only the tip of the iceberg, looking at new policies but not necessarily the existing structure, examining parts of the system in isolation. Without a wholesale review of all benefits, and tax credits, their interactions and idiosyncrasies, meaningful simplification will never be achieved. We do not believe that the Benefit Simplification Unit can do this in its current form. (Paragraph 380)

We recommended earlier in this report that a high-level group should be established in the short-term to make suggestions for simplification. We also believe that the Government should establish a Welfare Commission, similar in format and remit to the Pensions Commission, which can take a holistic view, model alternative systems, and come up with a considered blueprint for a way forward. A benefits system which DWP staff, claimants and welfare rights advisers have a hope of understanding is in everyone's best interests. (Paragraph 381)

77. It is worth recalling that the National Audit Office report of 18 November 2005 - Dealing with the complexity of the benefits system - acknowledged that the Government

had already taken a number of steps to tackle complexity. It also rejected the view that there was any quick fix and called instead for the Department to continue chipping away at the complexity of the system. The Department believes that it has done considerably better than that in the intervening two years and believes that the Committee has significantly under-stated in its report the actual progress made.

78. A simple benefit system is a worthy aim, both for the benefit of customers and to make administration more efficient. The Government is determined to address the scope for such a system. However, the Department's primary goal has to be to meet the needs of customers with the limited resources available. This means that the Department will always be striking a balance between simplicity and targeted support.

79. Moving to a single system of working age benefits would be a huge change, involving some difficult issues about the way we provide support for people with additional needs, the role of the contributory benefits and increased cost. These are important matters and we need to take time to consider them. As stated in the introduction to this response, the Department is considering setting out the principles for future benefit reform early next year and does not therefore intend to establish a review group or Commission at this stage. The Committee's report will be taken into account by the Department in drawing up its own proposals for the best way forward.