



House of Commons  
Committee of Public Accounts

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# Reducing errors in the benefits system

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Twenty-fifth Report of Session 2010–  
11

*Report, together with formal minutes, oral and  
written evidence*

*Ordered by the House of Commons  
to be printed 2 March 2011*

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## The Committee Name

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit" (Standing Order No 148).

### Current membership

Rt Hon Margaret Hodge (*Labour, Barking*) (Chair)  
Mr Richard Bacon (*Conservative, South Norfolk*)  
Mr Stephen Barclay (*Conservative, North East Cambridgeshire*)  
Dr Stella Creasy (*Labour/Cooperative, Walthamstow*)  
Jackie Doyle-Price (*Conservative, Thurrock*)  
Justine Greening (*Conservative, Putney*)  
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Joseph Johnson (*Conservative, Orpington*)  
Rt Hon Mrs Anne McGuire (*Labour, Stirling*)  
Mr Austin Mitchell (*Labour, Great Grimsby*)  
Nick Smith (*Labour, Blaenau Gwent*)  
Ian Swales (*Liberal Democrats, Redcar*)  
James Wharton (*Conservative, Stockton South*)

The following member was also a member of the committee during the parliament:

Eric Joyce (*Labour, Falkirk*)

### Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

### Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

### Contacts

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## Summary

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The benefits system is large and complex. There are around 30 different types of benefits and pensions, and £148 billion was paid out to 20 million people in 2009-10. The Department for Work and Pensions (the Department) estimates that £2.2 billion of overpayments and £1.3 billion of underpayments were made in 2009-10 as a result of administrative errors by its staff and mistakes by customers. Whilst the value of these errors as a proportion of total benefit expenditure is low, the amounts involved are still very significant sums of public money and have contributed to the Department's accounts being qualified for 22 consecutive years.

We took evidence on two reports from the Comptroller and Auditor General looking at administrative and customer error in the benefits system.<sup>1</sup> We found that efforts to tackle error have had little success: despite the Department introducing a strategy to reduce errors in 2007, levels of error have remained constant since then.

We recognise the difficulty of reducing error, given the complexity of the benefits system and the volume of payments being processed. The publication of a joint HM Revenue and Customs and Department for Work and Pensions fraud and error strategy in October 2010, along with additional funding of £425 million over four years, is an opportunity to inject a new impetus. The joint target of a 25% reduction in the cost of overpayments from fraud and error by 2015 is challenging, and whilst the Committee acknowledges the efforts being made by the Department, there is still concern that there is not yet a clear plan of action to achieve it which sets out specific interventions and milestones to monitor progress. The target does not address underpayments, despite the hardship that benefit underpayments can create for people in need, and it is critical the Department does not neglect this important aspect of reducing error.

The Department must ensure that interventions to reduce error are targeted where they are most likely to get the greatest return. The Department has undertaken some work to understand the cost and impact of its measures to reduce error, but this has been neither comprehensive nor complete. In order for the Department to manage its programme of interventions cost-effectively, it must develop a rigorous approach to costing its interventions and assessing how each will contribute to the target.

Progress on reducing error requires a better understanding of where and why errors arise, and a greater focus on preventing errors occurring in the first place. The Department is not making use of all available sources of information, such as calls to advice lines or feedback from quality checking teams, to identify the reasons why staff make mistakes and where guidance and training efforts should be directed as a result. Greater use of risk profiling would help identify which customers are most likely to make mistakes on their benefit claims, allowing interventions to be targeted more effectively.

Wider welfare reforms have the potential to reduce errors in the long term by simplifying

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<sup>1</sup> C&AG's report, *Minimising the cost of administrative errors in the benefit system*, HC 569, Session 2010-2011; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, HC 704, Session 2010-2011

benefits administration, but waiting for the implementation of the Universal Credit is not an option. The reforms will not be implemented in time to contribute much towards the 2015 target, and it is therefore essential that the Department maintain its current focus on getting error levels down now.

## Conclusions and Recommendations

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1. **The cost of errors in the benefits system is considerable and has remained constant since 2006-07.** Total overpayments in 2009-10 amounted to £3.1 billion. Of this total, staff and customer mistakes accounted for over £2 billion of overpaid benefits, while fraud accounted for another £1 billion of overpayments. The Department needs to step up its performance significantly if it is to meet its joint target to reduce the cost of overpayments due to fraud and error by 25% over the next four years. The Department and HM Revenue and Customs have an additional £425 million over this period to tackle the problem, but the Department has not clearly set out how it intends to spend and evaluate this extra funding. By May 2011, it should write to us with a clear delivery plan setting out the interventions it will implement to meet the target, how it will monitor progress and the corrective measures it will take if progress toward achieving the target is inadequate.
2. **The Department has focused on reducing overpayments and neglected underpayments, despite the hardship that underpayment of benefits can cause for claimants.** The average weekly underpayment in Income Support for affected customers is £24, a considerable proportion (29%) of their weekly payment. There were an estimated £1.3 billion of underpayments due to customer and administrative error in 2009-10, but the Department does not have a target to reduce this total. The Department's drive to reduce overpayments must not be at the expense of reducing underpayments. It should set clear goals to reduce underpayments which are as challenging as its target on overpayments.
3. **The Department does not know which of its interventions have the biggest impact on reducing error because it has undertaken only a partial assessment of their costs and benefits.** The Department has conducted cost-effectiveness assessments of some of its interventions, but these were incomplete and did not include all relevant costs. The failure to identify what works best undermines the ability of departments to manage programmes cost-effectively and is something we see repeatedly across government. We have made similar recommendations very recently in relation to both the work of youth offending teams and civil tax investigations. The Department should complete a full cost-benefit assessment of each intervention, and keep these up-to-date, so that resources can be targeted on the interventions that are most cost-effective at reducing error.
4. **The Department does not have a sound understanding of where and why errors arise and is not doing enough to prevent errors entering the system in the first place.** The Department needs to improve its use of data to help it identify sources of error and prevent mistakes from occurring.
  - On administrative error, the Department should draw on available sources of information, such as staff feedback and calls to internal helplines, to detect where benefits processing staff are having problems. The Department should then use this information to revise guidance and training in order to help staff avoid making the most common mistakes.

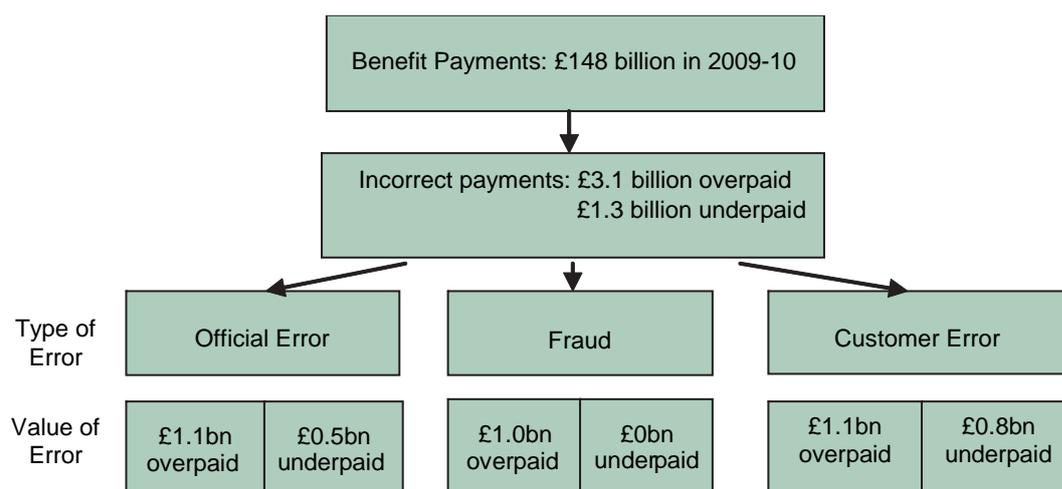
- On customer error, the Department should make greater use of risk profiling to identify those customers most likely to make mistakes on their benefit claims. The Department introduced risk assessments for Housing Benefit in 2003 and Income Support in 2010, but has yet to extend these to all benefits. The Department should then target appropriate actions, such as contacting customers to check if there have been changes in their circumstances which would affect their benefit entitlement, and evaluate such interventions.
5. **Quality checks are an important measure for detecting and preventing error, but Jobcentre Plus's quality assurance arrangements are not independent enough.** The Pension, Disability and Carers Service has a national quality checking team independent from local offices to ensure the standard and consistency of checks, while Jobcentre Plus relies on checks carried out by staff working in local offices. The Department should make sure agencies learn from each other so that all agencies adopt best practice in their quality assurance arrangements. We expect Jobcentre Plus to fulfil its commitment to us to implement a system of independent checks by April 2011.
6. **Wider welfare reforms could reduce error in the long term by simplifying the benefits system, but could also distract the Department from its focus on getting error rates down now.** The Department believes that the introduction of Universal Credit will minimise errors by simplifying benefits administration. However, Universal Credit will not start being phased in until 2013, and so will not be able to contribute much to the target 25% reduction in fraud and error over the next four years. The Department must ensure that its commitment to reduce error remains a priority and is sustained while preparations for Universal Credit go ahead.

# 1 Extent of error

1. The Department for Work and Pensions is responsible for much of the benefits system, and the majority of payments are processed by the Department's agencies, Jobcentre Plus and the Pension, Disability and Carers Service. The benefits system is both large and complex: there are around 30 different types of benefits and pensions, with 900 distinct rates of payment.<sup>2</sup> In 2009-10, some £148 billion of payments were made to 20 million people.<sup>3</sup> We took evidence on two reports from the Comptroller and Auditor General looking at administrative and customer error in the benefits system.<sup>4</sup>

2. The Department estimates that it made a total of £3.1 billion of overpayments and £1.3 billion of underpayments in 2009-10 as a result of fraud, customer error or administrative error (Figure 1).<sup>5</sup> Of these totals, error accounted for £2.2 billion in overpayments and £1.3 billion in underpayments. Administrative error accounted for £1.1 billion of overpayments and £500 million of underpayments in that year.<sup>6</sup> Customer error resulted in overpayments of £1.1 billion, and underpayments of £800 million in 2009-10.<sup>7</sup>

**Figure 1: The extent of fraud and error in the benefits system**



Note: Because of rounding differences total overpayments do not sum to £3.1bn

2 Q 2

3 C&AG's report, *Minimising the cost of administrative errors in the benefit system*, para 1; C&AG's report; *Reducing errors in the benefits system caused by customers' mistakes*, para 1

4 C&AG's report, *Minimising the cost of administrative errors in the benefit system*, HC 569, Session 2010-2011; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, HC 704, Session 2010-2011

5 C&AG's report, *Minimising the cost of administrative errors in the benefit system*, para 1.3; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 1

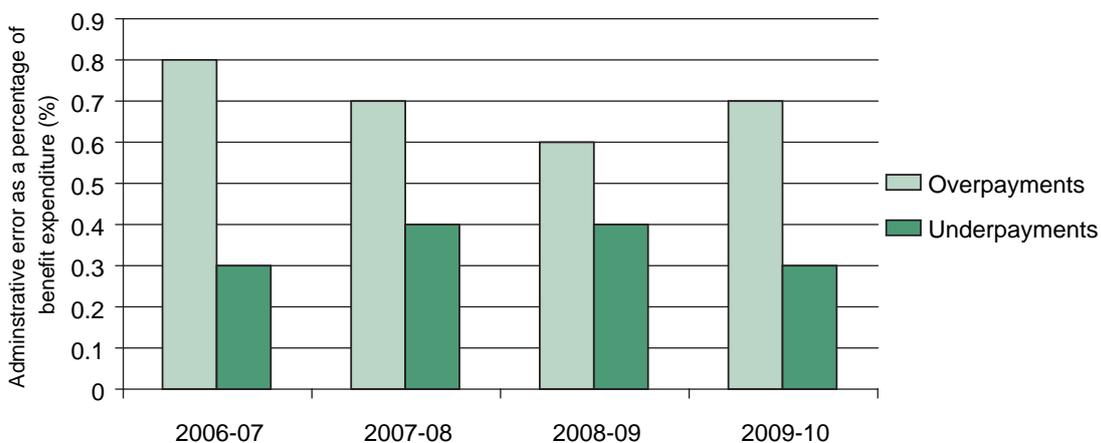
6 C&AG's report, *Minimising the cost of administrative errors in the benefit system*, paras 2, 4

7 C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 1.4, pg 14

3. The Department launched a five-year strategy for tackling error in January 2007 which included an emphasis on training and support for staff and informing customers of their responsibilities.<sup>8</sup> Despite this, levels of error have remained constant over the past few years.<sup>9</sup> Figure 2 shows that between 2006-07 and 2009-10, there was no sustained decrease in the level of over or underpayments due to administrative and customer error, taken as a percentage of total benefits spending.<sup>10</sup>

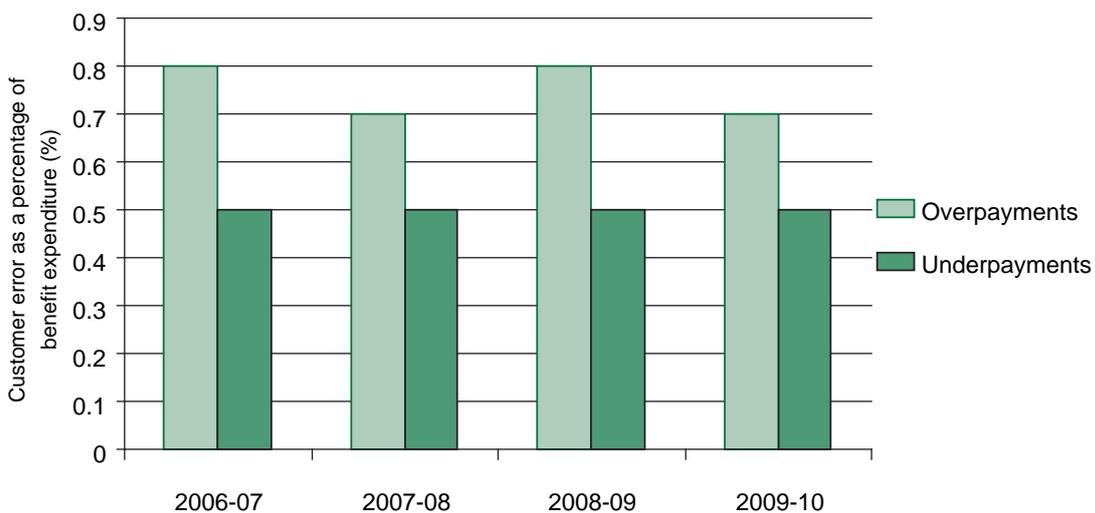
**Figure 2: Overpayments and underpayments as a result of error**

*Administrative error as a percentage of benefit expenditure*



Source: A C&AG's report, Figure 2

*Customer error as a percentage of benefit expenditure*



8 Qq 74, 79, 97; Department for Work and Pensions, *Getting welfare right: Tackling error in the benefits system*, para 3.36; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 8, pg 6

9 C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 8, pg 6

10 Qq 44-48; C&AG's report, *Minimising the cost of administrative errors in the benefit system*, para 11; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 1.6, pg 16

Source: C C&AG report, Figure 4

4. The extent of fraud and error has resulted in the Department's accounts being qualified for the past 22 years. Sir Leigh Lewis, the Permanent Secretary for the Department until his retirement in December 2010, told us that the failure to lift the qualification was the 'biggest single disappointment' of his five years leading the Department.<sup>11</sup> The new Permanent Secretary, Robert Devereux, told us he was now committed to removing the qualification on the accounts.<sup>12</sup>

5. In conjunction with HM Revenue and Customs, the Department published a new joint strategy in October 2010, entitled *Tackling fraud and error in the benefit system*. The strategy aims to secure a reduction of 25% in the cost of overpayments due to fraud and error over the next four years.<sup>13</sup>

6. The Government has committed to providing the Department for Work and Pensions and HM Revenue and Customs an extra £425 million over four years for measures to reduce fraud and error, which the Department believes is sufficient to implement its initiatives.<sup>14</sup> However, the Department does not yet have a clear plan of how it will utilise its funding to reduce the cost of fraud and error, or how it will evaluate the initiatives.<sup>15</sup> The Department's last strategy in January 2007 to reduce fraud and error was not supported by an action plan, although the Department has started to compile an action plan to support the 2010 strategy.<sup>16</sup>

7. The Department's focus on reducing overpayments has meant it has not given sufficient attention to tackling underpayments.<sup>17</sup> The average weekly underpayment detected on Income Support because of customer error was nearly £24, equivalent to 29% of the average weekly payment, which can cause significant financial hardship for claimants.<sup>18</sup> However, the Department does not have a target to reduce underpayments.<sup>19</sup>

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11 Q149

12 Q160

13 Qq 164-166, 168, 176-179; The Department for Work and Pensions and HMRC: *Tackling fraud and error in the benefit and tax credit systems*, October 2010, para 15, pg 14

14 Qq 20, 23, 141, 173; The Department for Work and Pensions and HMRC: *Tackling fraud and error in the benefit system*

15 Qq 165-174

16 C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 17; Ev 36

17 Qq 227-28

18 C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 11

19 Qq 227-245

## 2 Identifying why and where errors occur

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8. The persistence of error is due to long-standing issues that have yet to be fully resolved. The Department's 2007 strategy on error reduction and the Government's subsequent 2010 strategy on fraud and error highlighted some of these recurring issues, such as the complexity of the benefits system and inadequate support to staff.<sup>20</sup> For example, the 2007 strategy noted that staff guidance was often difficult to access, a problem we found still exists today.<sup>21</sup> Similarly, the 2007 and 2010 strategies both identified the need to introduce formal skills accreditation.<sup>22</sup> Another long-running problem that has not been addressed is that IT systems have not been designed from the perspective of the user.<sup>23</sup>

9. The Department has made some progress in improving the data it collects to help it understand why errors happen. For instance, it told us it had managed to cut down the number of categories it uses to code errors from over 600 to 60, which has resulted in simpler and better data on the reasons for errors.<sup>24</sup> To improve its understanding on when errors occur, the Department carried out a systematic review in 2009 of the data recorded for each error code. It estimated that fewer than one in four errors were likely to have occurred when a customer originally applied for the benefit. Most happen when a customer is required to report a change in their circumstances.<sup>25</sup>

10. Nevertheless, the Department conceded that it had not 'tortured' the data it collects to develop a full understanding of where and why mistakes happen, and it could make better use of other sources of information.<sup>26</sup> Analysis of calls to internal advice lines, for example, would indicate the types of difficulties that processing staff were experiencing, as well as which local offices were having particular problems.<sup>27</sup> Jobcentre Plus told us that it has started to examine the calls made to its advice lines, but only limited management information is available so far.<sup>28</sup>

11. Measures to prevent mistakes occurring are an important part of overall efforts to reduce error. Until recently, however, prevention has been accorded less emphasis than other fraud and error activities, such as detecting illegitimate payments.<sup>29</sup> It is difficult for the Department to recover overpayments, so it makes sense that the Department focuses on preventing errors from arising in the first place.<sup>30</sup> The Department told us prevention is

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20 Department for Work and Pensions, *Getting welfare right: Tackling error in the benefits system*, January 2007; Department for Work and Pensions, *Tackling fraud and error in the benefit and tax credits systems*, October 2010

21 Qq 74, 79, 97; Department for Work and Pensions, *Getting welfare right: Tackling error in the benefits system*, January 2007, para 3.36

22 Q 81

23 Q 82

24 Q 62

25 Q 182; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 2.5

26 Qq 3, 68; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 2.6

27 Qq 103-104

28 Qq 74, 104

29 Q 182; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 2.13

30 Q 182

‘absolutely key’ and one of the ‘fundamental things’ it wants to change about its approach to tackling fraud and error.<sup>31</sup>

12. A large proportion of the cost of overpayments as a result of customer error comes from a relatively small proportion of claimants and preventative measures, such as risk profiling, can be effective in identifying which customers are more likely to make mistakes.<sup>32</sup> The Department introduced such risk assessments for Housing Benefit in 2003 and Income Support in 2010, but has yet to extend these to all benefits.<sup>33</sup> However, the Department told us it now plans to introduce risk profiling to all its benefits.<sup>34</sup>

13. Quality assurance checks are an important way to detect and prevent error. Checks may be conducted both before and after payments are made to verify their accuracy, although the Department’s agencies currently vary in how they carry out such quality checks. The Pension, Disability and Carers Service has a national team to carry out accuracy checks, comprising staff independent from local offices; Jobcentre Plus, on the other hand, relies on checks conducted by staff drawn from local offices. The independence of the Pension, Disability and Carers Service’s checking arrangements is designed to ensure high levels of quality and consistency.<sup>35</sup> Jobcentre Plus has accepted the desirability of implementing independent checks, and consequently made a commitment to us that it will introduce an independent tier of quality checks by April 2011.<sup>36</sup>

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31 Q 188

32 Qq 187, 188; C&AG’s report, *Reducing losses in the benefits system caused by customers’ mistakes*, para 10

33 Qq 184, 203; C&AG’s report, *Reducing losses in the benefits system caused by customers’ mistakes*, para 19

34 Q 203; Department for Work and Pensions and HMRC, *Tackling fraud and error in the benefit and tax credit systems*, October 2010 para 12 and 5.2

35 C&AG’s report, *Minimising the cost of administrative errors in the benefit system*, paras 16, 3.11

36 Qq 110-114, 118-120

## 3 Developing a systematic approach to reducing error

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14. The Department currently has a range of initiatives under way to tackle error.<sup>37</sup> For example, Jobcentre Plus has introduced an intervention specifically targeted to identify and correct customer error in Income Support and Jobseeker's Allowance cases. This initiative, which started in June 2010, involves staff contacting customers to check for undeclared changes in circumstances.<sup>38</sup> However, the Department conceded that it does not have sufficient information to evaluate whether it could get a better rate of return on its investment in this intervention.<sup>39</sup>

15. The Department undertook cost-effectiveness assessments of some interventions in 2009 in order to determine the return from individual activities. The estimated cost of these interventions was £23 million. On the basis of its analysis the Department reported a saving of between £3 and £70 for each pound spent, with data matching activities providing the greatest return on investment.<sup>40</sup> However, the costs included in the assessments were not complete or consistent. Significant costs were omitted from the analysis, such as accommodation, IT costs and other associated overheads, as well as the cost of the work required to correct cases once mistakes had identified.<sup>41</sup> The Department told us that it is now developing a more robust approach using consistent cost estimates.<sup>42</sup>

16. In July 2009, the Department set up a Fraud and Error Council to coordinate efforts to reduce error.<sup>43</sup> The Council compiled a list of current and planned initiatives to tackle fraud and error in March 2010,<sup>44</sup> but the list did not contain complete or consistent information on the cost and benefits of its interventions. The Department conceded that it did not know which collection of initiatives would deliver a sustained reduction in fraud and error.<sup>45</sup> To rectify this, the Council has committed to a systematic review by Spring 2011 of each of the benefits to understand the causes of error and how they can target their interventions more effectively.<sup>46</sup>

17. In its recent White Paper, *Universal Credit: Welfare that Works*, the Government set out proposals to replace a number of existing benefits with the Universal Credit.<sup>47</sup> This

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37 C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 2.9

38 Q 167; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 14

39 Qq 22-23, 195

40 Q 14; C&AG's report, *Minimising the cost of administrative errors in the benefit system*, Figure 8, page 30; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 22

41 C&AG's report, *Minimising the cost of administrative errors in the benefits system*, paras 3.22-3.23; C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 22

42 Q127; C C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 22

43 Q106; C C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 15 pg 8

44 C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*, para 21

45 Q 167

46 C&AG's report, *Reducing losses in the benefits system caused by customers' mistakes*

47 Department for Work and Pensions, *Universal Credit: Welfare that Works*, Cm 7957, November 2010

reform is expected to simplify benefit administration substantially, thereby lessening the scope for mistakes to occur.<sup>48</sup> As a result, the Department expects Universal Credit to reduce losses from fraud and error by more than £1 billion per year in the long term. It is not yet clear what proportion of the projected savings is expected to come specifically from reductions in administrative error, particularly since the Department concedes there will always be some level of human error in the system.<sup>49</sup>

18. Implementation of Universal Credit is expected to take some time, given the ‘radical re-engineering’ of the system that it will involve.<sup>50</sup> The Department plans to introduce the new regime from 2013 onwards, and it could take up to ten years to implement fully.<sup>51</sup> The introduction of Universal Credit is unlikely to be in time to contribute much to the planned 25% reduction in fraud and error, and in the meantime the Department should ensure it maintains its commitment to reducing error through existing initiatives.

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48 Q 3, 186

49 Q 55

50 Q 10

51 Qq 8-11

# Formal Minutes

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**Wednesday 2 March 2011**

Members present:

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon  
Mr Stephen Barclay  
Dr. Stella Creasy  
Jackie Doyle-Price  
Matthew Hancock

Chris Heaton-Harris  
Mrs Anne McGuire  
Austin Mitchell  
Jo Johnson  
Nick Smith

Draft Report (*Reducing errors in the benefits system* ) proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 18 read and agreed to.

Conclusions and recommendations 1 to 6 read and agreed to.

*Resolved*, That the Report be the Twenty-fifth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Wednesday 9 March at 3.00 pm

## Witnesses

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### Wednesday 8 December 2010

Page

**Sir Leigh Lewis KCB**, Permanent Secretary, **John Oliver**, Director of Benefit Performance, Department for Work and Pensions and **Ruth Owen**, Chief Operating Officer, Jobcentre Plus

Ev 1

### Tuesday 1 February 2011

**Robert Devereux**, Permanent Secretary and **John Oliver**, Director of Benefit Performance, Department for Work and Pensions

Ev 23

## List of printed written evidence

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1 Department for Work and Pensions

Ev 34: Ev 36: Ev 37

# List of Reports from the Committee during the current Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2010–11

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| Second Report        | Delivering Multi-Role Tanker Aircraft Capability  | HC 425 |
| Third Report         | Tackling inequalities in life expectancy in areas with the worst health and deprivation | HC 470 |
| Fourth Report        | Progress with VFM savings and lessons for cost reduction programmes                     | HC 440 |
| Fifth Report         | Increasing Passenger Rail Capacity  | HC 471 |
| Sixth Report         | Cafcass's response to increased demand for its services                                 | HC 439 |
| Seventh Report       | Funding the development of renewable energy technologies                                | HC 538 |
| Eighth Report        | Customer First Programme: Delivery of Student Finance                                   | HC 424 |
| Ninth Report         | Financing PFI projects in the credit crisis and the Treasury's response                 | HC 553 |
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| Eleventh Report      | Community Care Grant  | HC 573 |
| Twelfth Report       | Central government's use of consultants and interims                                    | HC 610 |
| Thirteenth Report    | Department for International Development's bilateral support to primary education       | HC 594 |
| Fourteenth Report    | PFI in Housing and Hospitals  | HC 631 |
| Fifteenth Report     | Educating the next generation of scientists   | HC 632 |
| Sixteenth Report     | Ministry of Justice Financial Management  | HC 574 |
| Seventeenth Report   | The Academies Programme   | HC 552 |
| Eighteenth Report    | HM Revenue and Customs' 2009-10 Accounts  | HC 502 |
| Nineteenth Report    | M25 Private Finance Contract  | HC 651 |
| Twentieth Report     | Ofcom: the effectiveness of converged regulation  | HC 688 |
| Twenty-First Report  | The youth justice system in England and Wales: reducing offending by young people       | HC 721 |
| Twenty-second Report | Excess Votes 2009-10  | HC 801 |
| Twenty-third Report  | The Major Projects Report 2010  | HC 687 |

|                      |                                       |        |
|----------------------|---------------------------------------|--------|
| Twenty-fourth Report | Delivering the Cancer Reform Strategy | HC 667 |
| Twenty-fifth         | Reducing errors in the benefit system | HC 668 |



# Oral evidence

## Taken before the Committee of Public Accounts on Wednesday 8 December 2010

Members present:

Rt Hon Mrs Margaret Hodge (Chair)

Mr Richard Bacon  
Stephen Barclay  
Stella Creasy  
Jackie Doyle-Price

Matthew Hancock  
Mrs Anne McGuire  
Nick Smith  
Ian Swales

**Amyas Morse**, Comptroller and Auditor General, and **Phil Gibby**, Director, gave evidence. **Gabrielle Cohen**, Assistant Auditor General, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

### REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

#### Reducing errors in the benefits system (HC 569)

##### Examination of Witnesses

*Witnesses:* **Sir Leigh Lewis KCB**, Permanent Secretary, Department for Work and Pensions, **Mr John Oliver**, Director of Benefit Performance, Department for Work and Pensions, and **Ms Ruth Owen**, Chief Operating Officer, Jobcentre Plus, gave evidence.

**Q1 Chair:** Welcome to you all, and a particular welcome to you, Sir Leigh. I think this is probably your last appearance—out of how many?

**Sir Leigh Lewis:** It's hard to get this right. Neither the Committee Secretary nor I are able to work this out, but by my very crude reckoning, we're up to about 30.

**Chair:** Thirty. Well done.

**Mr Bacon:** If you get it wrong, just put it down to administrative error.

**Mrs McGuire:** You said we were going to be nice today.

**Q2 Chair:** This is quite a topical session, given the judgment that I heard on the one o'clock news on the radio. You might be able to tell us a little bit more about it. It is that if there is an error that is caused by your administration, you will not in any way be able to recoup it. This makes this issue, as I understand it, ever more important, because once you've made the error, you have to write it off. We've all looked at this, and I know it's hellishly difficult; we can all understand that you're dealing with a huge number of individuals, a lot of claims and a lot of members of staff.

If I can ask you, Sir Leigh, to reflect on it, you've been trying to get administrative error down for ever, and yet you're finding it very difficult to shift. Whilst as a percentage of the total money that you give out it's not enormously high, in absolute terms it's a lot of money to the taxpayer and to Government. What's gone wrong? Why have you not been able to get it down better than you have? What's gone wrong?

**Sir Leigh Lewis:** Thank you, Chair. Just to say, as I depart, it will be with one clear failure. I arrived just over five years ago back into the Department, and on my very first day I remember saying to all the Department's senior staff that I wanted to achieve the lifting of the qualification of our accounts in that

period, which had then been there for 16 years. I haven't achieved that; as I go, it's now been there for 21 years. We might come back to that at some point. Why is this so challenging? Two sets of reasons, if you'll let me talk about them. First of all, you can always do better. We have put in enormous effort, and enormous energy and commitment—the Report from the National Audit Office acknowledges that, and I'm grateful—but there's always more that you can do, and more systematically and better. The Report, I think, points us in some directions where we can do better still, and do more, and use information and data. This is not a story of, "We are doing everything we can in the best of all possible worlds."

I will put that to one side, and reflect a little bit on a benefits system that is unbelievably complex. At the risk of losing any support from the Committee before I've even started, in a way we're all responsible: successive Governments and Parliaments, as well as successive administrations and civil servants. Depending on your definition, and not counting passported benefits, there are something like 30 separate benefits in our benefit system. It's interesting that the Report says there are "over 27"; we can't quite get to how many there are.

In terms of possible combinations of benefits, it's simply impossible to arrive at a definitive figure. They certainly run into hundreds. We've got 25 special groups of people in our benefit system, with their own sets of rules: war pensioners, crofters, seasonal workers, share fishermen. We have 900 distinct rates of payment. We issue 14 manuals of 8,690 pages to our decision-makers.

Going back to 2006, the PAC, in its Report *Tackling the Complexity of the Benefit System*, said: "It is hard to quantify how much the system has grown, but the authoritative Child Poverty Action Group guide to welfare benefits... has grown from 432 pages in

1990–91 to 1,546 pages in 2004–05.” It has now reached 1,680 pages. Maybe it’s always a good thing to quote one’s own Secretary of State. Ian Duncan Smith said, on 11 November when he launched the White Paper on Universal Credit, “Our antiquated welfare system has become a complicated and inflexible mess.” In a sense, that’s the system that we’re trying to administer.

One other thing, although I really don’t want to bore the Committee. Society and societal change in that period has become ever more complex. We live in a society in which people’s lives change at a rate that my parents, let alone my grandparents, would have found unimaginable in terms of the complexity of people’s lives. If you look, for example, at rates of divorce, they’ve gone staggeringly higher since the modern welfare system came into existence in 1948, let alone since I entered the Civil Service.

If you just take one factor, one figure, which I think is quite staggering, births outside marriage—this isn’t a moral statement of any kind; society simply is the society that it is—were at 5.4% in 1948, when the modern welfare system was introduced. In 2008, they were at 45.3%. Not only have we got a hugely complex system, but we’re trying to keep track of people’s very fluid and ever-changing lives in that system. We could do better, but in many ways, I think against a background of a system of that unbelievable complexity, perhaps it’s not altogether a bad figure that we lose 0.7p in the pound through official error.

**Q3 Chair:** I think all of us accept that. You could put the other side of that equation—for example, that advances in information technology mean you can communicate much more quickly than you might have done 30 or 40 years ago. That ought to allow you to have much better standardised ways of administering what is undoubtedly a complex system. The equation is two-sided, and we have to understand that.

What I felt, looking at it, if you look at the system as a whole, yes, it’s complex, and yes, everybody’s added to it every time there’s been a new administration. But there are key areas where you get a concentration of administrative error. Homing in on those, which is what this Report does, you might have expected to have greater success, and yet, if you look at the figures, they’re going in the wrong direction.

I know we’ve had a recession, and I know that’s resulted in more JSA applications. Nevertheless, if you look at income support, if you look at all those means-tested areas where you will get a concentration of error, the figures are going the wrong way, not the right way. It just seems to me that if one had had the focus on those few areas where you had the greatest problems—or indeed on the people who had the greatest problems; the people who have had over £10,000 more than they should have done, out of administrative error—you might have got further. I can’t quite understand why, in all the work that we know you’ve done, you haven’t been able to drill down to where the problems really are.

**Sir Leigh Lewis:** Yes. A frustration for us, as well as a frustration for you. I think the Report, in fairness, points to some ways and some techniques where we could do it better still. I do understand and take that.

It’s been a very useful exercise. But it’s not as if we have not been doing this; it really is not.

I don’t want to pretend that nothing was being done before I arrived, but I did put a huge personal emphasis behind this, and that’s been there throughout my time. Over the last five years, we have focused in on the most error-prone benefits; we haven’t spent a huge amount of time looking at state pension, for example, where the official error rate is 0.1%. We’ve homed in on those benefits that have had the highest rates of error. Within that, we’ve homed in on the top 10 causes of error. We can go into all of these areas in more detail. We’ve looked at where we can use IT—your point exactly, and fairly—to try and take error, design error, out of the system.

In fairness, the overall rate of official error, as the Report says, has stayed pretty constant at about 0.7% through that period. It’s gone up 0.1%, or it’s gone down 0.1%; it’s barely changed. Incapacity benefit has got worse. Some of the other benefits have got seriously better. In pension credit, we’re at our lowest level ever of official error.

But it’s been not for want of trying. That is one of the advantages of moving towards a universal credit, which will be, if it’s implemented as the Government would wish, a radically transformed and simpler form of benefit for people of working age. I don’t think, with the best will in the world, simply going on as we have is going to fundamentally bring this down further. It will in some respects. We can do better, but if we’re really going to crack this, we have to have a radically different design of the benefits system.

**Q4 Chair:** The other thing that I would ask you is about local government, which appears to be a particularly bad culprit on this. Somewhere in the Report it says that local government “accounts for 17% of overall benefit expenditure and for just under 25% of the overall level of administrative error.” Have you got a comment on that aspect? That hits you, and you think, “Ah, is there something there that you could do?”

**Sir Leigh Lewis:** Yes. It’s true, as you say: housing and council tax benefits together account for about 17% of overall expenditure, but for about 25% of the overall level of administrative error. It would be comforting, in a sense, because we don’t do that, for me to sit here and say, “Oh, I know. For goodness’ sake, why don’t they pull their finger out?” In fairness to many local authorities and the work of my own Department, an awful lot of effort has gone into that. I think one of the issues there is that, with well over 300 local authorities administering housing benefit, you get into the issue of performance variation, inevitably.

**Q5 Chair:** Would you centralise it?

**Sir Leigh Lewis:** I would consider that strongly, and that is part of universal credit. Yes, that’s part of the design for universal credit.

**Q6 Chair:** It’s got a history. It used to be administered centrally, and then, I can’t remember when, it was decentralised to local authorities.

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**Sir Leigh Lewis:** Yes. I'm not sure I even know the history. I think if you were starting with a very clean sheet of paper, saying that you want essentially one benefit to be administered by over 300 different bodies, probably you'd just pause at that point, before you ticked it.

**Q7 Chair:** Yes. I remember the history. It was because it was so inefficiently done from the centre. It wasn't done for ideological reasons, but it was an efficiency argument—that you might have fewer errors if you did it at the local authority level than if you did it at the central Government level.

**Sir Leigh Lewis:** It's certainly worth saying that the design for universal credit, which is, of course, a very radical transformation, would effectively bring that within a single working area

**Q8 Chair:** That's 10 years down the line.

**Sir Leigh Lewis:** Not quite so far.

**Q9 Chair:** Eight years.

**Sir Leigh Lewis:** Starting in October 2013, according to the Government's plans.

**Q10 Chair:** As these things go, probably 10 years. Richard says it's probably longer. Were you to remain a Permanent Secretary, you would say, "Centralise housing benefits," would you?

**Sir Leigh Lewis:** I would say, "Don't do it at the drop of a hat, because that would be the most enormous task." Perhaps you would expect me to say this, Chair, but I do welcome the plan for a universal credit. It does seem to me that it is the radical re-engineering of the benefits system that is required.

**Q11 Stephen Barclay:** Just picking up on the point that the Chair is making—that perhaps a solution is a further eight years away—can I just take you back to the PAC Report in 2002–03, *Tackling Benefit Fraud*? If I can quote its findings, "The Department's experience over the years suggests that the arrangements whereby local authorities pay housing benefit are insufficiently robust to deliver the benefit without substantial losses to the taxpayer. If the Department cannot make these arrangements work more effectively"—as you've just alluded to—"they will need to consider what alternative methods of delivery might align payments better with lawful entitlement."

If this Committee was saying exactly the point you've just made, and they were saying it back in 2002, and the solution is a further eight years away, why is it taking so long?

**Sir Leigh Lewis:** First of all, just to get our timings right, the Government's intentions are that universal credits should start for new customers to benefit in October 2013, and then it would progressively take on the existing stock over a period. This is a huge challenge. It's certainly not tomorrow, but it's not as far away as that.

Two things, in answer to your perfectly fair question. First of all, no Government, in that intervening period, has decided to fundamentally restructure the housing benefits system, because while that Report may have

been right in its time, this would always have been seen as a massive and major step. As I know, re-engineering the benefits system is not something you take on lightly.

The other thing I'd like to say is throughout that period, both local authorities and my Department have worked very hard and systematically to improve the administration of housing benefit through local authorities. There are some local authorities that are absolutely first-class on this, and we do operate now a whole system of carrots and sticks with local authorities to encourage better performance.

**Q12 Chair:** Has the level of administrative error gone down since 2003?

**Sir Leigh Lewis:** I think overall the level of administrative error, if you take housing benefit fraud and error together, is now at a record low of 4.4%. That's down from the peak of 5.5% in 2005–06. It's down, but it's still at a high level.

**Q13 Stephen Barclay:** Could I just come back on those figures, because I looked at your Annual Report for the first year, going back for five years, given that you've been in the post five years.

In terms of fraud relating to housing benefit and council tax, in 2005–06 it was 1.2%. In 2009–10, it's 1.2%. It doesn't seem to have moved. The quantum in 2009–10 is £300 million. We picked on the earlier PAC finding that said perhaps there should be a fundamental shake-up. That hasn't happened. This Report says that, even without that, you're not using your resources effectively. That's the finding on page 9, where it says, "We could not establish that the Department had consistently targeted its resources and initiatives to the best effect."

When there was the report *Progress in Tackling Benefit Fraud* in July 2008, the Department reported that it was spending £154 million combating fraud, for the year 2006–07, but it only recovered £22 million for that spend. Can you just clarify, in terms of the figures here, if there's a fraud level for these two benefits of £300 million, how much is the Department spending investigating that, and how much is it recovering?

**Sir Leigh Lewis:** There were quite a lot of questions in there, so let me try and just take them, and if I have missed one along the way, then you'll come back to me.

**Stephen Barclay:** Sure.

**Sir Leigh Lewis:** First of all, I think the figures that you're quoting were the figures, understandably, within the report for official error within housing benefit. That latest figure is at 1% in 2009–10.

**Q14 Stephen Barclay:** No. Sorry to interrupt, but it's also £300 million. You're absolutely correct it's the same in 2009–10. If one looks at the official error figure for 2009–10, coincidentally—and this may be just because the Department is so cavalier with figures that it rounds them up to a neat number—it's £0.3 billion, 1.2%, on official error. It is also £0.3 billion for 2009–10 on fraud.

**Sir Leigh Lewis:** First of all, one thing I have learnt, in 30 appearances before the PAC, is not to accept

throwaway remarks that aren't true. The Department is absolutely not cavalier on its measurement of error. Indeed, it's been complimented by the NAO, in its Benchmarking Report, as having a better record of measuring fraud and error than any comparable administration that the NAO were able to identify.

Let's return to a point of agreement: it is still too high. The figures I was quoting—and they're entirely compatible with the ones you're quoting—were the overall total for fraud and error in housing benefit and council tax benefit as a whole.

Regarding two other things that you said, and let me try to pick those up—cost-benefit, and is what we're doing cost-effective? As I think figure 8 of the Report shows, for the various initiatives that we undertake—and this goes wider than housing benefit, in fairness to your question—we believe that we save between £3 and £70 for each pound we spend. Overall, we believe that the error reduction strategy that the then Government published in 2007 has saved over £800 million since its inception.

The other point you raised was debt recovery: how much do we recover from the debts, whether they're from fraud or error? I haven't got those figures in my head, but they've been going very substantially upwards. Indeed, this Committee and the NAO produced a Report, in the last couple of years, on debt recovery. Our debt recovery is at record levels, and we recover getting on for £4 of debt for every £1 we spend. None of these things are ever good enough, but they are all ones to which we have devoted very considerable effort.

**Q15 Stephen Barclay:** With respect, that's a different answer from the question that I put. The question I put was more targeted: it was about housing benefit and council tax benefit, because what concerns me is that they are administered by local authorities. The question is: how are those local authorities incentivised? If you are paying the bills, how are they incentivised, particularly in tough times, to address fraud?

*Sir Leigh Lewis:* Okay.

**Q16 Stephen Barclay:** To what extent, for example, are they liaising with SOCA, as local authorities, in order to capture the data that SOCA has vis-à-vis some of the things it has on payments into accounts from banks, which relates to benefits fraud?

*Sir Leigh Lewis:* We're straying a little, of course, from today's hearing, which is about official administrative error.

**Q17 Stephen Barclay:** Some 25% of admin error relates to this issue.

*Sir Leigh Lewis:* I'm speaking essentially from memory rather than having gone through this in every detail.

We work very, very closely with local authorities on fraud. There have been some major advances—for example, we can now prosecute each other's cases of fraud. There is closer working between the Department's fraud investigation service and local authority fraud teams than there has been for a long time.

Something that I'm proud of having introduced in the last five years is a Back to the Floor programme, where senior members of staff spend a week each year working directly in one of our customer-facing parts of the Department. I spent a week myself, in August of this year, working with our fraud investigation team in the South West. As I saw for myself, there is very close co-operation in working with the local authority fraud teams. Fraud debt is hard to recover, by definition. You're dealing with people who are setting out to defraud you. They've not made an error by accident.

**Q18 Stephen Barclay:** Could we perhaps have a note?

*Sir Leigh Lewis:* Yes.

**Q19 Stephen Barclay:** We can't just rule out the fact that 25% of administrative errors relate to that administered by local authorities. What I'm trying to get is a figure for how much is being spent investigating that £300 million. Why is it that five years ago it was 1.2%, and this year it's 1.2%, so it's not moving as a percentage, and as a quantum it's going up?

I don't get a clear sense, with respect—this is what the NAO Report says is not happening—of the extent to which there's a cost-benefit analysis within the Department that the £27 million spent on adverts over the last five years to tackle fraud is more effective than using that £27 million to incentivise local authorities or using it in other ways. What I'm struggling to understand is how you're targeting your resource to address that 1.2% of fraud.

*Sir Leigh Lewis:* Let me let you have a note, because that would be a very good idea. Of course this Committee did have, and I responded to, a Report on fraud in the benefit system about—I'm looking at the Comptroller and Auditor General—I think two to three years ago. At that point, fraud was at 0.6%. It hasn't changed very much; it's now 0.7% of the total. This isn't just local authority, by the way; it's right across the benefit system. The conclusion of the Report was that we were probably close to an irreducible minimum at that level. Let me do you a note.

**Q20 Ian Swales:** I'd just like to return, because you mentioned figure 8, Sir Leigh, where you're looking at the return for money spent on the various interventions that you've carried out. Any businessman would look at that and say: "That's an excellent return." You're getting, as you rightly said, £5 to £70 return for every £1 you spend on interventions.

My question is: how do you know you're spending the right amount? Surely spending more is going to lead to a greater return, isn't it? At what point do you stop spending on interventions? To what extent are you limited by, you could say, artificial limits on how much you can spend? If this is the kind of return, then it's obviously the right thing to do this work for the taxpayer.

*Sir Leigh Lewis:* Absolutely. Two things we're trying to do, in that respect. One is that we're trying to use

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our existing resource to get the best possible return, in exactly the way. You look at those tables, and you say: “The one that’s returning you £70 for each £1, that seems a particularly good use of resources, so let’s see just how far we can push that.”

In fairness, that’s data matching. We’ve hugely expanded our data matching in recent years, precisely because it gets such a good rate of return. The Fraud and Error Council, which John Oliver, who’s our Director of Benefits Performance, chairs, which reports directly to me, is absolutely tasked by me for looking the whole time at where we get the best return for our pound.

In fairness to successive Governments—this is not a party point in any way—successive Governments have been willing, particularly in recent years, to invest more money in order to get a better rate of return. Over the period from the year we’re in, 2010–11, up to 2015–16, we will be investing over £450 million of extra resource in order to deliver additional fraud and error savings of over £2 billion. That’s come through in successive Spending Rounds, PBRs, Budgets and so on. I could take you through the various initiatives.

**Q21 Chair:** Could I just ask you on that, given today’s judgment, will you be focusing that more on administrative error or on fraud? Once you’ve done administrative error, you’re not going to get it back.

**Sir Leigh Lewis:** Today’s judgment, Chair, of course, we’ve only had today, so we do need the time to read it and study its implications, etc. I don’t really want to say, “No, absolutely, we’re going for that.” What that judgment suggests is that the importance of trying to stop that error from getting into the system in the first place is ever more important.

**Q22 Ian Swales:** Just a final question on that point. Clearly, you are saying you’ve made a business case, if you like, to get this money to spend. What are the constraints? Would you like to have more? I’m sure you’ll say you’d like to have more, but what’s the business case for the taxpayer? If they spend another £100 million, how much extra will you get back?

**Sir Leigh Lewis:** There are always a number of factors, aren’t there? First of all, somewhere there’s always a law of diminishing returns; at some point, the extra pound stops buying you three pounds, and buys you one pound and tuppence, and so on. Secondly, successive Governments may see the intellectual case for that extra investment, but nevertheless it has to be provided out of taxpayer resources, so there are always expenditure constraints. The third issue is simply the capability of the system to gear up and do more. One of my pieces of experience is that simply throwing money at something, in a cavalier way, not planned and not thought through, tends to get you pretty poor rates of return.

**Q23 Ian Swales:** You think you’ve got about the right resources, given all those constraints? You think the situation going forward is about the optimum? Is that what you’re saying?

**Sir Leigh Lewis:** I think it’s pretty good, yes. Having an extra £450 million over the next five years—that’s not trivial money at all—puts us in a good place. Even if somebody suddenly said, “Just help yourself,” I wouldn’t go and pick hundreds more millions out of the coffers.

**Q24 Mr Bacon:** Very quickly, Sir Leigh, when you say, “One of my experiences is that throwing money at problems doesn’t solve them,” can you give an example of where you’ve thrown money at something?

**Sir Leigh Lewis:** No.

**Q25 Mr Bacon:** You’ve just said it was from experience. Which experience are you referring to?

**Sir Leigh Lewis:** So I must have some experience, mustn’t I? I don’t think I’m going to get drawn into going back over inglorious episodes in my career.

**Chair:** You might provide us with a note on that.

**Q26 Mrs McGuire:** Thanks very much. To a certain extent, this dovetails a little into Stephen’s line of questioning. Why do we put fraud and error together?

**Sir Leigh Lewis:** That’s a very good question.

**Q27 Mrs McGuire:** That’s why I asked it.

**Sir Leigh Lewis:** One reason is that it’s tempting to think that they sit in completely watertight compartments, and that something is always the one or always the other. The truth is that there are lots of shades of grey. You know the extremes. The extreme on fraud is someone who sets out, very deliberately—on a massive scale, often—to defraud the taxpayer and the benefits system.

**Q28 Mrs McGuire:** So you could put them in a box?

**Sir Leigh Lewis:** At the other end, you’ve got customer error, where the customer, completely innocently and totally unknowingly, does something, tells us something, fails to tell us something that they should tell us.

The truth is that although we categorise, and the NAO when they audit our accounts categorise, there are lots of shades of grey in individual cases, where it’s really quite hard to know whether there was a kind of malevolent intent or whether this was truly innocent. The other thing I’d say is that lots of the solutions, like data matching and the use of better IT and training, target both fraud and error. To put them completely in separate buckets or silos and treat them separately would be wrong.

**Q29 Mrs McGuire:** Do you think it’s helpful to the debate about how we deal with fraud in the system to continue to talk about fraud and error as though they were totally interrelated?

**Sir Leigh Lewis:** You lead me into almost how these things could be reported and presented, and almost into political territory. There is a big difference between somebody who sets out utterly deliberately to wilfully defraud the taxpayer and the benefit system, and someone who is, at the other extreme, simply confused, baffled and bemused by the system, and makes mistakes because they can’t understand it.

In a sense, I suppose, the unifying feature of those is that this is, in the end, loss to the taxpayer, and it's loss to the taxpayer in the benefit system. In terms of trying to tackle it, it is logical to put them together.

**Q30 Mrs McGuire:** We have big figures here in the Report. I have tried—I may have missed it—to find out what the average administrative error is costing. I'm not explaining this very well. The individual cost, or the cost that the individual is overpaid, that's what I'm trying to get down to.

**Sir Leigh Lewis:** Yes.

**Ian Swales:** Per person.

**Sir Leigh Lewis:** Yes.

**Q31 Mrs McGuire:** We've got millions of figures. The per-person average, in terms of administrative error. It may be in the report. Is it?

**Chair:** There is some.

**Sir Leigh Lewis:** There is some information on that.

**Phil Gibby:** It is very difficult, but figure 4, on page 16, gives you a breakdown by value for the three main areas.

**Q32 Mrs McGuire:** On an individual basis? Or an average?

**Phil Gibby:** It gives you the value, so that most of the mistakes are cumulatively less than £5,000, if you see what I mean. That's where the vast majority of mistakes are.

**Q33 Mrs McGuire:** That's what I wanted to get to. Is that £5,000 over a number of years, or over a couple of months?

**Phil Gibby:** It would be over quite a long time.

**Sir Leigh Lewis:** When you get to it, yes.

**Q34 Mrs McGuire:** The question I'm trying to elicit an answer to is whether or not, in your opinion, in your experience of the system, there should be a de minimis in terms of error. We talk in billions, and it's a horrific figure we're going with, don't get me wrong on that. However, when you look at the individual cases, it's whether or not it is a cost-effective exercise, to start to try—where it's error; I'm not talking about fraud. I want to segregate fraud out from this discussion.

**Sir Leigh Lewis:** I think there's a lot there. First of all, just to say that my understanding is the same as the NAO's. When an error comes to light, the figure that's attached to it is the whole of the error since that claim was in error. It can go back, in some cases, for many years.

Secondly, we do try—I don't want to pretend it's perfect—for example, to assess the proportion of error and the size of that error for individual benefits. For example, pension credit is one example I know. We know that around two-thirds of pension credit error overpayment cases contain an error of less than £2 per week. We know that the equivalent for underpayments is 75%; the error is less than £2 per week. That doesn't mean it doesn't matter, but it puts it in relative perspective.

**Q35 Chair:** The quantum on that is that it's less than £2 a week in 75% of cases?

**Sir Leigh Lewis:** In terms of overpayment cases, it's £2 in 65%, and in terms of underpayment, it's 75%.

**Q36 Chair:** But the absolute figure is what?

**Sir Leigh Lewis:** The absolute figure I haven't got in my head, but it will certainly be in the Report somewhere. If I can't instantly find it, we'll give you a note.

**Q37 Chair:** Right. The £2 is minute, but it will end up being £70 million or something, probably. That's what I'm trying to get at.

**Phil Gibby:** The total of estimated overpayments on state pension credit in 2009–10 was £150 million; that's in figure 3.

**Q38 Chair:** So 65% is less than £2, so it's probably about £100-odd million. £120 million, I'd say. Something like that.

**Sir Leigh Lewis:** Just to finish the answer to Mrs McGuire's question, we do have, in terms of debt recovery, a de minimis figure. Not when it comes to fraud, as you say. That's simply good use of public money, that we don't spend more to try and recover a very small debt than we can get if we recover it.

**Q39 Mrs McGuire:** You do have a de minimis figure for error, then? You said that you don't have a de minimis recovery for fraud? I may have picked that up wrongly, sorry.

**Sir Leigh Lewis:** Debt recovery, where someone owes us a debt, we do have a de minimis figure, below which we do not normally seek to recover.

**Q40 Mrs McGuire:** And what's that?

**Sir Leigh Lewis:** That's agreed with the Treasury. I haven't got it in my head. John, have you?

**Ruth Owen:** Sixty-five pounds.

**Sir Leigh Lewis:** Sixty-five pounds. Ruth Owen, from Jobcentre Plus. Sixty-five pounds.

**Mrs McGuire:** So £65, if it's a pension credit of £2, that's the equivalent of what? Thirty weeks?

**Chair:** Thirty weeks.

**Q41 Mrs McGuire:** Is your £2 a weekly figure for the overpayment of pension credit, or is that a monthly figure?

**Sir Leigh Lewis:** No, that's—

**Q42 Mrs McGuire:** I'm trying to get a sense of whether or not the big machine is investing a lot of money to pull back a minimum amount, albeit that cumulatively it looks horrific.

**Sir Leigh Lewis:** The assurance I give you is that in seeking to recover debt—say, a debt owed by someone who has been overpaid pension credit—we would not normally seek to expend a great deal of money trying to recover a small amount. It is not good value for the taxpayer. We do, with both error and fraud, concentrate on the larger-value cases, inevitably and rightly.

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**Q43 Chair:** Just to say on that, of course, in today's judgment, you won't be able to recover it anyway, if we're all right about what we heard on the radio.

**Sir Leigh Lewis:** That's absolutely right. The bulk of our recovery comes from customer error and fraud, rather than official error.

**Chair:** Okay.

**Q44 Matthew Hancock:** I'm very grateful—I think we're all very grateful—for your openness at the start in accepting how difficult this is, and perhaps your demob willingness to be very clear about that. I wanted, following on from that, to ask why, if you've been improving, as you were saying, in terms of reducing this error, it went up in the last year. If you look at the charts in figure 2, overpayments rose between 2008–09 and 2009–10, both in billions and as a percentage.

**Sir Leigh Lewis:** First of all, on the figures, when I said "improving", I think what I was actually saying was that I think our effort and our commitment have not wavered in all of that time. The figures have stayed pretty flat.

**Q45 Matthew Hancock:** Hold on. This is an increase from £800 million to £1.1 billion.

**Sir Leigh Lewis:** Yes.

**Q46 Matthew Hancock:** That's not "pretty flat".

**Sir Leigh Lewis:** That simply reflects a rising benefit bill. It's a constant proportion of a rising benefit bill.

**Q47 Matthew Hancock:** It's a higher proportion; it's gone from 0.6% to 0.7%.

**Sir Leigh Lewis:** The point I was making before is that it's fluctuated around 0.6%, 0.7%, 0.8% in recent years. The proportion of benefit being overpaid through administrative error has stayed pretty flat. The cash sum has gone up, because the amount of the total benefit bill has been going up year by year.

**Q48 Matthew Hancock:** Okay. You say that the nominal side is down to the increase in benefits paid, and you don't think the percentage is a significant rise?

**Sir Leigh Lewis:** I certainly do think it's significant; I'm not for one moment saying that overpaying 0.7% doesn't matter in any way. What I'm saying is that the changes in the proportion, over recent years—and I think that's the message of the NAO Report as well—are not significant, particularly when you include sampling error. The only conclusion you can sensibly draw is that it's remained flat, pretty well, as a proportion of benefits spend.

**Phil Gibby:** If I may just chip in to clarify, the estimates are based on a sampling of cases.

**Q49 Matthew Hancock:** Yes. I was just going to come on to that. The estimates are based on a sample from October 2008 to September 2009, and it says in footnote one in figure 3: "Complete data for 2009–10 will not be available until December 2010." Do you know when in December 2010? It might be useful to have a look at them before completing our Report.

**Sir Leigh Lewis:** I regret to say that it's not going to be until probably January 2011. This is not me. It is the statisticians who produce these estimates in our Department, and they don't release them until they think they're absolutely as accurate as they can make them.

**Q50 Matthew Hancock:** Okay. Can I just push you on a couple of factual points related to this? For the 0.7% figure that we were talking about in figure 2, where are the areas where the proportion of overpayment is lowest? If I look down this list of benefits, in figure 3, breaking them down, other than retirement pension and carer's allowance, which in total come to about £32 billion, all of those proportions are higher than 0.7%. I can't understand how, given that in big benefits, like housing benefit, incapacity benefit and income support, the proportion of error is significantly greater than 0.7%. I can't mathematically work out how that average can get to 0.7%.

**Sir Leigh Lewis:** The simple answer to that is retirement pension.

**Q51 Matthew Hancock:** Because it's so big.

**Sir Leigh Lewis:** Because it's so big, and the figure is 0.1%. Therefore that's the thing that brings your average down to 0.7%.

**Q52 Matthew Hancock:** Okay. Thank you. My final question is on figure 4. I just want to get some sense of these really big overpayments. If you're on income support, then an overpayment of over £5,000 is enormous to have to deal with as an impact on the family. An overpayment of over £10,000 is extraordinary, and the idea that you can end up in a situation where you've got an overpayment of £25,000 is very difficult to work out.

How can the Department get itself into a position where it has overpaid somebody by £25,000, when you're dealing with income support, which is about—you'll have to help me—£50-something a week?

**Ruth Owen:** Sixty pounds.

**Sir Leigh Lewis:** Can I give you an example of how this can happen—it might help—and also an example of what an overpayment is, if that doesn't sound almost too theological a question to ask in return.

The way this whole system works—and the NAO may want to add to that—is that because we can't go and examine every one of millions of cases every year, we take a sample of cases. We go through those, and the NAO go through them, in great detail to see if there is an error in a case. You may look at a case that has not been picked out ever in that sample process, or not for decades. If you then find an error in that case, in order to generate a value figure for it, you take that weekly or monthly error for the whole number of weeks or months that that has been in payment.

Take, for example, someone who's been long-term unemployed for a very long time. You might find, when you go back into that case, when it's examined, that it's in error, because there's no record that a Jobseeker's Agreement was ever completed. That's one of the conditions of entitlement, that there must be a Jobseeker's Agreement. If that person has been

claiming benefit for, say, 10 years, you will then simply calculate that as 10 years' worth of benefit, because there is no evidence that there was ever a Jobseeker's Agreement. One of the ironies is that there may well have been a Jobseeker's Agreement. The failure may simply be that we never recorded it properly and it can't be found.

**Q53 Matthew Hancock:** On an overpayment like that, which is very significant to the individual concerned, how will moving to a universal credit help?

**Sir Leigh Lewis:** In that particular instance, that probably would not impact. Where a universal credit will undoubtedly help is that, going right back to the first answer that I gave the Committee, it will radically reshape the benefits system. All of those huge complexities, which not only our customers but our staff are wrestling with day in, day out, will become far simpler. There will be far fewer benefits. There will be far fewer premiums. There will be far fewer combinations. There will be far fewer sets of circumstance. The system will be a radically simpler one, and therefore the capacity of everyone to make mistakes ought to be dramatically reduced.

**Q54 Mrs McGuire:** We'll take it from a universal credit that there will be add-ons to the universal credit?

**Sir Leigh Lewis:** Yes, there will.

**Q55 Mrs McGuire:** So there is still, within the system, capacity for—

**Chair:** Complexity. Absolutely.

**Mrs McGuire:** Maybe we can come on to this later, about why the errors take place. The errors strike me as mainly personal; people not putting in the correct information. There's still the capacity for human error in the new system, because you can still have those add-ons. You might reduce it from 30 benefits down to 10 benefits, but unless you get the first page right, which is inputting the information, you're still going to have error in the system.

The universal benefit approach is a significant change, and I don't have any problem with that, but there's a danger of over-egging the notion that it will almost drive error out of the system, because I don't think it will.

**Sir Leigh Lewis:** No, and if I've given that impression, then I've given it wrongly, because you will never eradicate human error from the system. There will always be some levels of complexity, and that is absolutely true.

The Government's recent document on the universal credit, published on 11 November, estimates that the overall universal credit and related measures will reduce losses from fraud, error and overpayments by more than £1 billion a year in the long term. That includes, by the way, tax credits, which are not the subject of the hearing this afternoon, but will be part of the universal credit.

**Q56 Matthew Hancock:** Can I just ask one final question on this? The overpayment that you describe—where there's a lost agreement, therefore

leading to a calculated overpayment of £25,000—isn't really an overpayment as we would understand it. It is a lost document.

How do you separate, in these figures, overpayments where money has been paid—where, in those circumstances, whatever the bureaucracy did, the money should not have been paid—from where the money ought to have been paid but the processes weren't followed? In the bureaucratic world, that's called an overpayment, but there's a difference. Do you see what I mean? There's a difference, a key difference.

**Sir Leigh Lewis:** Yes, I do.

**Q57 Chair:** I was going to ask the question in a different way. You've described what I would call a technical overpayment, rather than an administrative error. Have you got a proportion? Do you know how many are technical? What proportion of the £1.1 billion is technical? Do you know that?

**Sir Leigh Lewis:** I've got a figure that I do know, which is that we think in 2009–2010 one of the top 10 causes of official error was a labour market weakness in the claim, when it was found, and that typically would be no Jobseeker's Agreement in the case file. That was £33 million of error attributed to that specific cause in that year.

**Matthew Hancock:** That's not really an error, is it?

**Chair:** It's a technical error.

**Q58 Matthew Hancock:** The payment of that £33 million was appropriate. The error was that the documentation wasn't signed off.

**Sir Leigh Lewis:** You take me into an area that has occasionally been one of contention between ourselves and the National Audit Office, in fairness, because I think that we would ourselves argue that there are indeed errors and errors. There are some errors that are essentially technical and where it is not the case that you should have paid somebody £50 and you just put the wrong digit in and paid them £500. The National Audit Office—I am not complaining; it has been the system for many years, though I wish it were otherwise—takes a pretty austere view of this.

**Chair:** Just tell me, out of £1.1 billion, how much of this is technical? You've given us one example.

**Q59 Matthew Hancock:** How much should have been paid?

**Sir Leigh Lewis:** I couldn't give you that offhand.

**Q60 Matthew Hancock:** Amyas is going to tell me off, because I've been helping a Permanent Secretary against the NAO, which is not my job.

**Sir Leigh Lewis:** Why weren't you here earlier?

**Q61 Ian Swales:** Just to help the National Audit Office, the fact is, you don't really know, do you? That's the problem. You can say, "This document was missing, and therefore it's a technical error," and, as Mr Hancock says, therefore it's okay. But you don't know it's okay, because the document's missing.

**Amyas Morse:** Thank you. That's right.

**Sir Leigh Lewis:** Exactly. I think this just shows that there is some theology in what we count as error, and

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there always will be, if you see what I mean. There can be another variety of error that will go down as an error, where you pay someone a contributory benefit to which they weren't entitled, for example. Therefore that is an error, but actually, the likelihood is that they would have received the same amount of money on an income basis, so there are lots of technicalities in this area. It is not simple.

**Q62 Dr Creasy:** Sorry, I accept your premise that there might be a theological perspective to this, but there were a lot of books in the Bible, and I notice that you've got 607 different error categories. The idea that you don't have a category for these types of errors seems to me a little alien. You say that 52% of these were not used. What were the others, and why have you not been able to differentiate between these different sorts of errors? Obviously that's fundamental to the kind of issue you have to address.

**Sir Leigh Lewis:** Just to get a pause for breath, I might just ask Ruth Owen to take on that question, because we've been cutting down that number of errors precisely because it was too many to be useful and meaningful.

**Ruth Owen:** The description of the different types of error goes back to Sir Leigh's earlier statement about the range of combinations of things that could go wrong on a case, or a combination of benefits being paid together, and trying to categorise to find the root cause. What we've done now is reduce that down to about 60 different categories, of which we now focus all of our effort and error reduction activity on the top 10, to combine them together.

**Q63 Dr Creasy:** But the things Matthew's talking about are process errors as opposed to claim errors. Do you have categories for process errors? Would you be able, if you came back to us in 18 months' time, to say, "We've looked into our errors more, and some of these are about lost paperwork or contributory principles. Others are about inappropriate information"?

**Ruth Owen:** I have two sets of information. I have information that the NAO interprets, which is the sampling cases, but my understanding from Jobcentre Plus is that technical errors are about 10% of error that they found in Jobseeker's Allowance.

**Q64 Dr Creasy:** Do you have an error code for process problems?

**Ruth Owen:** Yes, we do. That's called "deemed error".

**Q65 Mrs McGuire:** "Deemed error"?

**Ruth Owen:** "Deemed error". That's where we have assumed an error because it couldn't be proved one way or another. Internally, within Jobcentre Plus, I have my own internal checking regime. We make 600,000 checks of benefit cases every year. I have data down from regional, local, site level, team level, to individual level, for all those cases that were checked, how many were paid correctly, so the person got the correct amount of benefit, and how many were procedurally accurate. I've got all that information, which is management information, and which I use.

**Q66 Dr Creasy:** Why haven't we got that information?

**Ruth Owen:** The NAO uses the information, which is the sample, and they have deemed error and non-deemed error.

**Q67 Chair:** I think we haven't got the information. What the NAO Report says is that you do do those checks, but you don't go behind that to understand why you have an error. I can't remember where it is in the NAO Report—

**Sir Leigh Lewis:** No. No.

**Q68 Chair:**—perhaps I can get help on that. In fact, your own checking system isn't used to best effect to understand where the error comes from, so is it technical or is it real, and for you then to take the action.

**Sir Leigh Lewis:** I plead, if not completely guilty, at least semi-guilty to that, although I don't think you can have a plea of "semi-guilty".

**Amyas Morse:** "Not proven", I think you'll find.

**Sir Leigh Lewis:** Sorry?

**Amyas Morse:** "Not proven".

**Sir Leigh Lewis:** "Not proven". The Comptroller and Auditor General's helped me out.

**Mrs McGuire:** Good Scots verdict, not proven.

**Sir Leigh Lewis:** What is clear is that we collect masses and masses of data. Ruth has given you some indication, but we collect data in all sorts of ways. What is also clear is that in the past, we've not, if you like, tortured that data. We've not really got the last ounce of what it's got to tell us about where those errors are happening, why they're happening, etc.

I might almost look to John Oliver to say something. That is precisely why we have established the Fraud and Error Council. John has now the most senior directors in the Department, both operational and policy, around his table in a group that reports directly to me. The whole purpose of that, or one of its purposes—and John, would you like to say something about this?—is precisely, are we extracting all the relevant information from the data we've got?

**Q69 Chair:** When you come in, you can tell me when you were set up, and when you went from this absurd 607 different error categories down to your 60.

**John Oliver:** I've been in the role now for a year.

**Q70 Chair:** Then it should be reflected in the Report, if you were in for a year.

**John Oliver:** I think there was some acknowledgement of what we are doing in the future in the Report. The review of where we are, our new strategies and our new programmes are, I think, alluded to in the Report itself.

If I go to the error code debate, and then we can move forward to that, you won't be surprised to know that that's a debate that's very much alive in the Department full stop. From operational staff right through into the corporate centre, this debate is alive. When is an error not an error? When is it deemed? Is this fair? Should it be included? What we have done is then reviewed all our error codes. Just before I came into role, we came up with the new figure of 60 error

codes. However, we haven't stopped there, so we are now looking at reviewing them all again.

At this point, from our operational staff's point of view, it feels unfair that this deemed error doesn't reflect real error in the system, but is a procedural error—"Why does that reflect on me?" We're three-quarters of the way through a review, which we will be talking to our NAO colleagues about, about where we think we could redefine some of these error categories and some of these codes still further. What we want to do is take this debate still further in becoming a little bit more sophisticated about describing what an error is, what an official error is, within the system.

The problem is because we've got so many error codes, this is not just one error or one error code. We've been talking about hundreds of errors, because often there's no such thing as just one reason why a case may fall into error. You do have to reach a subjective judgment at times about what the basis of evidence is before you. That's why we had this whole system in the first place, the tick-box thing. What we're doing now is moving that on. Our review will begin debating, in the next few weeks and months, with the National Audit Office and within the Department, what we believe is a fairer and more accurate picture of what we deem to be error within the system. This will evolve.

**Q71 Dr Creasy:** You got 5,000 calls per month from staff seeking advice and clarification on how to handle specific claims.

**John Oliver:** Yes.

**Q72 Dr Creasy:** Last year you started to analyse the nature of those calls. What's the analysis going to tell you?

**John Oliver:** I'll hand over to Ruth, because that's a Jobcentre Plus-specific issue on what they are learning from their calls.

**Q73 Dr Creasy:** Presumably you're learning from Ruth? Presumably you've got Ruth's data in your Fraud and Error Council.

**Ruth Owen:** Yes.

**John Oliver:** A lot—we have lots of data.

**Q74 Dr Creasy:** So what are your staff telling you is the problem? If administrative error is as much the problem as claim error, what are they telling you they're struggling with?

**Ruth Owen:** Those calls to that advice line cover a real range of issues. "I'm sitting on the front line, I don't know how to process this claim." It can be, "I don't know how to use the IT system." It could be, "I don't understand the process I've got to follow."

We were specifically following up on the NAO recommendation about using that information. We've looked at what those calls are telling us in relation to guidance in particular, which is quite a small proportion of those calls. A key message that we've taken out—and I have followed up afterwards to talk to staff about—is about the clarity of the guidance that we have.

We have all our guidance on our systems, and you can type in and look at: "What do I have to do with this particular case, because it's complicated, it might have a particular type of mortgage, or something, and I want to know exactly what I've got to do." The staff are saying, "All the information is there, again, complex though it is. It's not very easy to navigate." The big headline I took out of the research into the calls for the feedback from the advice line was that navigation of our guidance isn't good enough to help our staff get the right answer.

**Q75 Dr Creasy:** How do you think that's going to be affected by bringing in another system for payment of benefits?

**Ruth Owen:** It removes quite a lot of the other guidance that we wouldn't need anymore.

**Q76 Dr Creasy:** But it means there'll be new guidance, with more additional components to it.

**Sir Leigh Lewis:** Yes.

**Q77 Dr Creasy:** What's your capacity as an organisation to learn and grow? What this data seems to be telling you is that you've got quite a substantial problem with your staff not understanding the systems that you're operating. What's your sense of your ability to be flexible and adapt to it?

**Sir Leigh Lewis:** I do think we have a problem with our staff not understanding the systems. That takes me right back to the complexity of what we're asking them to understand, and, in fairness to ourselves, what Governments and Parliament have asked them to understand, that huge wave of complexity. Without, again, putting forward universal credit as the answer to every issue, that will radically simplify; but, look, as you've said to me already, that's a long way away.

**Q78 Dr Creasy:** It's also got its own differentials within it, as well. It's not a completely singular service.

**Sir Leigh Lewis:** No. I absolutely accept that.

**Q79 Chair:** Local rent allowances, to raise something contentious.

**Sir Leigh Lewis:** There will always be complexities left in the system. On what we are doing in the here and now, Ruth's message is clear; there is an awful lot of guidance out there, but you have to go back to an individual member of staff seeing a customer, or talking to a customer on the telephone. These are busy and pressured jobs. What that member of staff wants to be able to do, if they don't understand what they should be doing, or they don't understand the rules, is to be able to find the piece of guidance quickly that tells them what they should do in these circumstances. That guidance is all there—it's all there somewhere—but it's not very easy to find at the moment, though we've made improvements. I'd like the opportunity to say this, in response to the NAO Report: I've commissioned—perhaps it is the last thing that I will commission—a review into our guidance, as a result of this Report, and asked it to report its conclusions to my successor—on how we can make our guidance clearer, easier to access and more user-friendly.

**Q80 Stephen Barclay:** Building on the same point, you've just said you've commissioned a review, but I assume you had a review three years ago. In the 2007 *Getting Welfare Right* document, you talk about reinvigorating performance: "effective organisations learn from their own performance. They also monitor staff performance proactively, and in order to align ourselves more closely with this model, the Department will go further than it has before to improve its performance."

You were talking about that three years ago, and yet this Report, as Stella was touching on, is saying that until you saw this Report, you were getting 5,000 queries a month from staff, saying that they did not understand something. Yet you weren't using that information whatsoever to design the IT platforms which they themselves are using.

**Sir Leigh Lewis:** We can talk about the IT, because I wouldn't go all the way. If what you're saying to me is that some of this you could have done earlier, harder, faster, and you could have put in even more effort, even more resources, even more commitment—yes. When you look back with hindsight, there's always something extra that you could have done.

Let me just take a couple of quotes from the report, in fairness to ourselves. The Report says: "The Department published its strategy *Getting Welfare Right: Tackling Error in the Benefit System* in 2007 and there has been a regular and constant management oversight of progress." In a different quote, "The Department and its senior officials are clearly committed to reducing the cost of administrative error". This is something that has been on my personal priority list for the last five years.

**Q81 Chair:** If I can just come back at you with one or two quotes, one from the 2007 document, one from the 2010. Stephen's probably got other ones. In the 2007 document, you said you would "pursue implementation of a system of formal accreditation of skills".

**Sir Leigh Lewis:** Yes.

**Chair:** In the 2010 one, it says DWP will run a system of accreditation of staff.

**Sir Leigh Lewis:** No, but actually, Chair, some real progress has been made since those two periods. We have launched a programme of accreditation for our decision-makers, in the Pension, Disability and Carers Service. Those are the people who have to take some of the most difficult decisions on those benefits, like attendance allowance, DLA, etc. We now have some 300 of those decision-makers fully accredited, under a programme that we have worked up and delivered with the University of Chester, and that is an accredited programme that has recognised qualifications at the end of it. Now we're moving further, but we have taken some big steps on accreditation.

**Q82 Stephen Barclay:** It puzzles me; it just feels a bit like "Groundhog Day". We're getting the same announcements as per several years ago. We've got 5,000 staff phoning up saying they've got a problem. We've got the Department having an IT system that's

not designed from the point of the user. Again, in 2007 you were saying, to quote, "we will strive to design new computer systems and business processes from the perspective of those who have to use them on a daily basis." And yet, on 29 November 2010 you are saying "By designing new systems from the perspective of the user, we will help to make sure that they prevent staff from making errors."

In your evidence earlier, you were saying to us that it's important to stop administrative errors from getting into the system, and I think we would all agree it's a lot easier to stop the problem than to solve it. But you've got this wealth of information from your own staff phoning up. The NAO is going in and finding issues such as that your staff think the training's inadequate, the guidance doesn't help them when they need it, support for staff is not readily available and they're working to conflicting targets. I just can't see what has changed between now and three years ago, when, with respect, you were saying pretty much the same things.

**Sir Leigh Lewis:** Let me give you some very specific examples on exactly what's changed in relation to the IT. I can go with you on training and guidance, and I can tell you what's changed there, because this has been a constant journey on which we have been taking action after action.

Two fundamental exercises, which we held around 2007 to explore how to tackle the top errors in income support and JSA, led specifically to two major IT enhancements, which we introduced at the end of 2007. These were to address major causes of error where the customer, the person claiming the benefit, is no longer a lone parent, or is no longer sick and their circumstances have changed. The enhancements now automatically issue a letter to the individual, telling them, in the case where a child is passing a certain age point, that their benefit is due to finish when the youngest child reaches that age. Having done that, the system then suspends the benefit automatically at that point, whereas previously it required human intervention to do that. Those are both examples, and I have others here which I could quote to you, of where we have been using our IT very rigorously to design error out of the system.

**Q83 Stephen Barclay:** So in terms of your major IT projects, how many of those are currently late or over budget?

**Sir Leigh Lewis:** Very few, actually. The Department has a very good track record of delivering its IT programmes successfully. The most recent example of that was the Employment and Support Allowance, which was delivered to time and to budget. The great majority of the Department's IT programmes have come in as planned and on budget.

**Q84 Stephen Barclay:** The 2008 Report that said that 19 IT projects at the Department of Work and Pensions were over budget and late was incorrect, was it?

**Sir Leigh Lewis:** Well, I haven't got the Report that you're quoting from there.

**Q85 Stephen Barclay:** This was from the Work and Pensions Select Committee, which identified, “Out of the 19 identified by the National Audit Office as being the most significant, nine are expected to be over-budget and ten are late.” This is an article in *Computer Weekly* on 19 November 2008.

**Sir Leigh Lewis:** With respect, I’d like to go away and check the *Computer Weekly* figures.

**Q86 Stephen Barclay:** Sure.

**Sir Leigh Lewis:** Not everything that *Computer Weekly* has ever published about Government IT systems has always been wholly accurate.

**Q87 Stephen Barclay:** I accept that, but you’re saying that the track record is very good. They’re saying that all the 19 big ones are over budget and late. It just seems there’s a big gap between the two.

**Sir Leigh Lewis:** Why don’t I drop the Committee a note on that one? It’s quite a way from today, but we do have a very good record.

**Q88 Jackie Doyle-Price:** I’d like to address Ruth, if I may, on some of the findings regarding your service. To be fair, I think you’ve moved quite a long way fairly quickly. You looked at the targeted checks, found they weren’t getting very much return, so by 2010, you’d actually moved on and refocused your efforts to find that most overpayments arise when processing changes in customer circumstances rather than new claims.

If you take a step back, that seems pretty obvious. It does raise the question as to whether we’re obsessing too much about data for a very small number of cases, when you need to challenge your overall systems more. I’d just like to invite your observations on how you got from those random checks to where you are now, and perhaps how you’re going to address what you have found in future.

**Ruth Owen:** You’re absolutely right. I think we first focused on new claims because of the data: to capture a new claim correctly you have to capture, particularly for a means-tested benefit, quite a large amount of information. Our assumption was that a lot of error could fall into the system at that stage, and our strategy was to keep the gateway to benefits quite tight, by being really rigorous about not letting error through at that stage.

You’re absolutely right, however. The more you dig into it, the more you realise that as benefits progress, either things don’t get corrected, or things don’t get uprated at the right amount, or customer information doesn’t flow through to us either continuously or accurately. As people are on benefits for a certain amount of time—people are on means-tested benefits, in particular, for several years—they can drift into inaccuracy either through official error or through customer error. We have definitely changed the way we target our checking regime to make sure we’re focused on the high areas of risk.

What I do now, every quarter, is look again at what our root cause analysis is telling us, to say: “Right, now what do we know?” Something drifts to the top of our top 10, we knock it off by doing an IT fix that Sir Leigh’s described, and something else rises to the

top. You then need to create a new checking regime, to say, “What is now the biggest cause of error that we should be focusing on?” Every quarter, my team now write out to the whole business to say, “Our latest top five errors that you really ought to be focused on are these, and this is where I want you to do the vast majority of the checking.”

**Q89 Jackie Doyle-Price:** What proportion of claims that you have to process are changes in circumstance as opposed to new claims?

**Ruth Owen:** Off the top of my head, it’s a ratio of about one to four, something like that. I can just think of the weekly figures that I see. Roughly, on a weekly basis, we do four changes for every new claim—something like that.

**Q90 Jackie Doyle-Price:** So you’ve then got to segment those, and obviously you’re going to be more effective at tackling error in the system if you’ve focused effort there.

**Ruth Owen:** The load, basically. We either look at the flow—how many things are coming into the system—or we focus on the load. Primarily what we’re saying now is focus on the load, both concerning change of circumstances but also on the “spend to save” investments that we’re talking about.

We can do “case cleansing”, as we call it—diving into the load of a particular benefit and making sure we check every single case with a particular set of risk categories. We will look at them, literally phone the customer up and say, “Are these still your circumstances?” and make sure that the case is still correct. That’s what a lot of that investment is to do.

**Q91 Ian Swales:** I’d like to return to something that Mr Barclay mentioned a few minutes ago, which was the items on page 23. At the bottom, there are a number of items about why errors occur. Clearly, we know that people are at the back of this. I must say I was very impressed with the people I met at my local Jobcentre Plus last week. Clearly those good people need to be enabled, and I particularly want to draw attention to the bottom two paragraphs, which are quite damaging, when you read them. “A belief that training is inadequate—learning and development for new staff was criticised for poor delivery; training facilitators lacked technical expertise; training packages were described as being out of date, incomplete and did not mirror the real work.”

That’s quite a damaging assessment of training. That’s one area. The other area is the issue about the guidance, but maybe I’ll talk about training first and just ask something about the guidance.

**Sir Leigh Lewis:** I’m going to say something about the training. We invest a huge amount in training, an absolutely vast amount in training. It’s not a lack of investment in training. Training is one of these things where probably you never get it entirely and totally right. I will give you some sense of the scale of what we do, and then perhaps I’ll ask Ruth to say a little bit more about the training that’s provided on benefit accuracy and benefit delivery.

This year, Jobcentre Plus will deliver about half a million training days. That’s about an average of five

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for every member of staff. Our other major business, the Pension Disability and Carers Service, will deliver over 100,000 training days. The way our training system works is that, for people newly coming into the organisation or moving from one specialism to another, there are accredited periods of initial training. They're normally then followed up by a period of consolidation, where people work with a more experienced member of staff, a buddy, and so on, and then there's a checking regime.

Our staff are not ecstatic about training, and that is the truth of it—the Report picks up what I pick up, what Ruth picks up, and John, as we go round. One of the reasons is that, like many other organisations, we've moved—not completely in any sense, but to quite a degree—away from the classic “chalk and talk” to e-learning. There is still a residual fondness for the chalk and talk in the organisation—taking people away and putting them in a classroom for a week, for two weeks. We still do an awful lot of that, but we do much more e-learning, and that isn't always the most popular.

**Q92 Ian Swales:** It's an impressive answer in terms of quantity, and ethos, if you like, but the comments are that training packages are incomplete, out of date and did not mirror the real work. That's inexcusable. It's even less excusable in an e-learning environment, where hopefully you can keep up to date in terms of the real jobs that people are having to do.

**Sir Leigh Lewis:** This is one—and then I will hand over to Ruth—where in one sense perceptions are everything. If that's what our staff are telling the NAO—it's a fairly small sample, in fairness, but nevertheless—you take that seriously. The truth is, that doesn't necessarily prove that all those things are true, or that those things aren't covered, or the training is out of date, etc. It is a perception. It is a perception at times when people are terribly busy and working terribly hard, and the Report gives us the credit, actually, for the way we cope with huge rises in volumes during the recession.

**Q93 Chair:** Before we come to Ruth, does the NAO want to come in on that? Is it your view that it's real or is it a perception?

**Phil Gibby:** It's very difficult; we do caveat it, because I do take the point that if you go and ask staff, to be honest, people will always complain about something, if you see what I mean. You need to temper it with a bit of caution. Why we've got it, and why we think it's important, is that with a lot of the error codes and things we're talking about, the analysis is by type of error. What you need to do is get to the underlying reasons why the mistake has arisen. If the wrong number has been put in on the computer system, is it because they felt under pressure and they didn't know what they should be doing? It's about trying to unpack and get to the bottom of it.

**Q94 Stephen Barclay:** How does this Department compare with other Whitehall Departments on these sorts of issues—training, staff morale? How do you benchmark them? That's another way of looking at it.

**Phil Gibby:** That is difficult to measure, to be honest. The Capability Review covers some elements of those, and I think the Department comes out well.

**Stephen Barclay:** There's a satisfaction survey, for example, that covers all Whitehall Departments.

**Sir Leigh Lewis:** I can give two pieces of information on that. Capability Reviews have been the most systematic process, whereby the Department has been assessed externally against a whole range of indicators. The Department has emerged very well indeed from those in relation to Whitehall Departments generally. There have been two rounds of reviews; they are all published on the Cabinet Office website. The Department has emerged very well. That measures the Department against a whole range of performance indicators.

**Q95 Mr Bacon:** From memory, it was 10 indicators across 17 Departments. Overall—I remember the figures—two-thirds of Departments were less than well-placed. You're saying the DWP was better than that. What proportion of your gradings were well-placed or better?

**Sir Leigh Lewis:** I just haven't got that in my head.

**Q96 Mr Bacon:** Could you send us a note?

**Sir Leigh Lewis:** Of course I can, and I'd actually be quite pleased to, because you'll see we emerged in the top two or three Whitehall Departments from those Capability Reviews. On the question about our engagement survey, this is absolutely a half-full or half-empty glass. Our engagement figures—and we participate in the annual Civil Service survey—are absolutely not figures to die for. The absolute levels are much lower than I would want, and that's, in part, a feature of very large organisations, which tend to have lower engagement scores than smaller organisations. Up until this year, we have been improving for four successive years. If you take almost every score, it's been going up, but from a low base.

**Q97 Chair:** Just to bring us back, Ruth, on the training.

**Ruth Owen:** Very briefly, then, I do recognise what the NAO has described here in anecdotal feedback, but I really don't think it's as dire as it's portrayed. If you think that we recruited 16,000 people over the last 18 months, during the recession, I went out every week of that year, talking to people. I heard lots of complaints, mostly about recruitment processes. I did not hear a single complaint from staff about training. We evaluate our training, and training satisfaction from our staff. Some 81% of staff said they're satisfied with the training that they get.

There is a genuine point about methodology of training, about people wanting classroom-based training. I suspect it's people like me; when I joined the organisation, I went for 26 weeks of endless training without going near a real case. I suspect a lot of people have a fondness for that method of training. What we do now is modular training. We get a couple of weeks on this particular benefit, then you go and sit with somebody and you consolidate on that with real cases, and then we grow you bit by bit. I don't

think it's fair to say either that the training was out of date or that it doesn't relate to the real world.

**Amyas Morse:** Can I just be sure that we don't pass this point by? We very carefully caveat this. We're not presenting it as being any stronger than it is. The question we asked was, "Why do you think official error occurs?" We didn't ask "Are you happy with your training?" That was not the question, if I may just make the point clear to you. The question was, "Why do you think official error occurs?" This is what they volunteered. We're suggesting it as indicative for further inquiry, which we very definitely think you need to make, because the figures aren't getting any better.

We're not arguing with whatever your satisfaction stats are, but it's not incredible that the effectiveness of training may be a factor in official error levels. I guess you'd agree. We're simply suggesting areas of inquiry.

**Sir Leigh Lewis:** I accept that, as you know. That just seems eminent good sense, and it's an area we should look at.

**Amyas Morse:** Thank you.

**Q98 Ian Swales:** Could I just make the other point about the guidance? Clearly, this is a complex area; I recognise that. Are you investing enough in what you might call internal IT, so that people are able to access this guidance, maybe even through intelligent systems that enable them to get to the answers they need quickly? I hope it's not literally hauling big books off shelves all the time. So, can you give us some confidence? Just picking up the NAO point, the comment at the foot of page 23, specifically about why errors are occurring, refers to the guidance.

**Sir Leigh Lewis:** I think guidance is really important in this because you can have all the guidance you like but if people can't access it and understand it then it might as well not exist. Just to give you some assurance and comfort, there are still some great volumes on shelves for decision makers—the really, deeply complex stuff—but the great bulk of our guidance is now on our internal intranet, as we call it, our internal IT systems.

We've brought, for example, all the Jobcentre Plus guidance together into a single location on that site; before, it was spread all over the place. You can now get to the top 15 areas of guidance that people most need from a single tab on the home page. I could go on, but I'd bore you to death. So we've made a huge amount of progress in trying to make our guidance successful, but we still get feedback that our guidance is hard to find, hard to locate and not always written in the simplest terms, which is why I've said that I'd like a review of that.

**Q99 Mr Bacon:** May I come in at this point, because you did say earlier that the answer is radical re-engineering? I'd like to come on to that specifically in a minute, because that presents all kinds of questions of its own. But it speaks to the question of the idea that better guidance isn't going to be enough, because it begs the question of what the guidance is about and if the thing that you're giving guidance

about is too complicated then plainly you're not going to get the answers that you want.

When he originally took over the Post Office, Allan Leighton went into work in a sorting branch. I remember hearing him interviewed on the radio afterwards and he said he wanted to do that to talk to people on the ground, because, he said, "Fundamental change is not something you do to people; it's something you do with people."

I wrote to you after a lady came to my surgery a few weeks ago who'd had 34 years' experience in the DWP, DSS, DHSS across all benefits, covering both a sink estate in North London and the more affluent areas of Norfolk and Suffolk. She'd got a lot of experience. You very kindly wrote back to me, and you dealt with the very specific issues that she raised in her meeting with me. But her letter more generally, which went into a lot more detail, is just replete with a sense of deep experience and frustration, which is the reason why I sent it to you.

When I was a journalist and when I used to represent the consulting industry, I used to write about turnaround in organisations. The most successful organisations, when they are changing fundamentally, most often do so most successfully by a higher level of staff engagement. Now, I'm not telling you anything that you don't know; I'm not telling you anything that expensive consultants haven't told you, but the question is how you actually do it. So can you speak to that a little bit? Then at some point before this hearing ends we ought also to come on to the whole question of the radical re-engineering you're talking about as well.

**Sir Leigh Lewis:** I remember the letter, because I remember writing the reply and thinking about it quite hard, having read your constituent's letter. So I absolutely remember that.

Two things: one, if you're entitled to be proud of anything, perhaps pride comes before a fall. One of the things that we have instituted to try and sort of get close to this—because there's always a terrible risk that those at the top of organisations are completely losing touch with what's going on at the coal face of the organisation—is probably the biggest back-to-the-floor programme of any in Government, if not actually in the private sector. We've asked every single member of what we call the Senior Civil Service—that's the top 300 people in the Department—to spend a week each year trying to do the job that our staff have to do in one of our customer-facing businesses.

Because you can't ask people to do it and not do it yourself, I've done that four times, in four successive weeks, including working for a week in York Jobcentre Plus, doing exactly that kind of job: signing people on as they came in every fortnight. Ruth and John will be able to tell you where they've been.

The really important thing is that almost everyone who goes out comes back with at least one frustration that we didn't know about and that the staff are fed up to the teeth with, and somehow in a large organisation no one has been listening. We use that learning to try and not just change those specifics but also find out generically what's going on.

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One other thing which I do think talks to this directly is that we've instituted in the last few years a major programme—it's a jargon word, I know and I was never very fond of it, but I'm a bit fonder now—of Lean.

**Q100 Mr Bacon:** Lean?

**Sir Leigh Lewis:** Lean. Lean engineering.

**Mr Bacon:** Oh, Lean.

**Sir Leigh Lewis:** It came out of the motor industry originally.

**Q101 Mr Bacon:** Kawasaki and all that?

**Sir Leigh Lewis:** Yes, absolutely.

**Mr Bacon:** Kawasaki for people, so to speak.

**Sir Leigh Lewis:** Toyota was the great originator of this. Stripping away all the jargon, Lean is basically very simple. You do need to give your staff the tools, the techniques and the training, but you ask them to look at the processes you're using from soup to nuts—from the very beginning to the very end. You invite them to tell you how those processes can be done much more effectively and efficiently.

Again, we've absolutely gone for that in a major way. We've got 1,000 of our staff trained as Lean assessors and we have introduced lots and lots of changes. You just find there's a process with 400 steps in it to get from this point to an outcome, and, as you look at it, in the end you realise that 150 of those steps are either adding no value whatsoever or are positively counter-productive. So absolutely, it's really hard in a big organisation to have your finger on the pulse out there, but we don't half try.

**Q102 Mrs McGuire:** Can I go back to these 5,000 calls a month that you get? What do you do with them?

**Ruth Owen:** What do we do with them?

**Q103 Mrs McGuire:** Yes, I think earlier on you said that you had 5,000 calls a month. I think I'm right. What happens with those individual members of staff who have made those calls? What do you do? What's the process?

**Ruth Owen:** The immediate thing is we solve the problem that they've called up about. So they phone up because they've got a particular problem. The vast majority actually relate to the Social Fund.

**Q104 Chair:** Do you use the information?

**Ruth Owen:** Yes we do—albeit belatedly, I think it says in the report. We've only been collecting management information since earlier this year, so we start to get more feedback from building up that management information. So on the types of calls we're getting, I can tell you that the vast majority are about the Social Fund rather than about what we're talking about today. But of those that are relevant to today, the analysis that was done was that the guidance was something that people were specifically ringing up about.

**Q105 Mrs McGuire:** Do you analyse where the calls are coming from? Are they from groups, clusters of offices or individuals, or whatever? Collecting

information is one thing and then using it to improve the quality of the service is another. What else do you do with it? You can tell me it's the Social Fund, fair enough.

**Ruth Owen:** Now, I don't think as far as I'm aware that we look at it in terms of where the calls are coming from. What we do is look at it in terms of who's got the solution, so we look at which parts of the Department cover that. Who's asking the question and therefore do we know what the problems are that are causing it?

**Q106 Chair:** I think the purpose of all this questioning is: are you using it?

**Sir Leigh Lewis:** Yes.

**Q107 Chair:** It's information that would be useful to understand what's going wrong, because these guys ring you because they can't cope.

**Sir Leigh Lewis:** Can I ask John to say something about this? One thing that we're doing now, in a way that we haven't done previously, is in John's group we're trying to do, benefit by benefit—and the first one we've taken is pension credit—something called a “diagnostic”. That is another slightly jargony word, but essentially it means taking in, in a really structured way, all the information we've got about what is happening in relation to a particular benefit. Testing, analysing and then coming up on the basis of that information with a plan of action, saying, “Right, these things need to be tackled.”

**John Oliver:** The reason why we call it a diagnostic is that what you find is you can have 101 different initiatives going on within each benefit—or within, indeed, the Department to look at problems within the benefit, whether it be error, fraud or whatever. What we are now doing is pulling together one work programme. The one work programme looks at all benefits and essentially is governed by the Fraud and Error Council, which I chair. The council is represented by directors across the Department, who can make decisions on where we are. Essentially, what we do and what we've done now is pull together all our investment across what we are doing to try to control, reduce, improve our performance on benefit fraud and error and then subject it to some challenge. So for us, what we're looking at is saying, “So, what is the business case?” because for every piece of activity we should have a return, and I think we've been rightly criticised in the past for not using enough feedback information to say, “So, is that the best thing that we should be doing?” Now we have one programme for every benefit.

**Q108 Chair:** So you use this information?

**John Oliver:** Exactly. Not just this information because we've got lots of change activity; lots of investment that we have made across the piece here. There are lots of things that we are trying to improve on—whether that be IT systems, retraining or dedicated resource. All those then find their way on to the programme. We can then look to the root cause. So what we are interested in is saying, “If we stand back from this benefit, if we look at it from an

independent point of view, are we addressing the fundamental problems?"

Now, the hotline is very specific detailed stuff. What I'm looking at from a strategic point of view is what the Department and our delivery agencies responses are to the big problems that we've got within each benefit, and are there then any gaps from within them. What we're then doing is subjecting that to regular challenge so that we can see if there are any gaps as we go through.

**Q109 Mrs McGuire:** What that might throw up is the strategic direction—

**John Oliver:** Indeed.

**Q110 Mrs McGuire:**—if you analyse the information. I suppose what we're trying to get at is what exactly do you do with this plethora of information that the DWP has, both internally and externally.

Can I just ask one follow-up question? On page 28 paragraph 3.11, the report indicates that two of the agencies, Jobcentre Plus and the Pension, Disability and Carers Service, have looked at different ways in which they can improve performance. I think it's quite interesting that under Jobcentre Plus it has indicated that there could be the potential to produce "perverse results with the more competent quality checker identifying more administrative errors than the less experienced," and identifying that "some staff may be reticent to identify errors". Then with the Pension, Disability and Carers Service, it says that their approach, which appears to operate independently, has produced more consistent results because of that independence.

What exchange of ideas has there been between Jobcentre Plus and the Pension, Disability and Carers Service if one model appears to be delivering a far more consistent product than the other?

**John Oliver:** Exactly. That's exactly what the council is about. It's about making sure that we share that best practice. For example, the recent strategy for fraud and error that we've just published is about benchmarking not just actually between PDCS and Jobcentre Plus but also the tax credits organisation and HMRC too.

**Q111 Chair:** So on that specific one, is Jobcentre Plus now doing its checking for people who are not in the Jobcentre Plus office now?

**Ruth Owen:** We are going to move to that model.

**Q112 Chair:** When?

**Ruth Owen:** As soon as we can.

**Q113 Chair:** When?

**Ruth Owen:** Within this operational year, I would move to that model. What I need to learn the lessons from is the PDCS, which has local checkers and independent checkers. At the moment I have local checkers and I have people who validate that separately.

**Q114 Chair:** So by April next year you will have independent checkers?

**Ruth Owen:** We will have some form of independent tier, yes.

**Q115 Chair:** Some form of?

**Ruth Owen:** Independent tier of checking.

**Q116 Chair:** What does that mean? Anne's point is a very good one. You're learning in one bit of your system that something works better. Why aren't you replicating it in another bit of your system?

**Ruth Owen:** What I'm saying is I want to learn from what the PDCS is doing and I've agreed to do that because I do think that having independence does address that perverse behaviour.

At the same time, there are also benefits to the process that we've been using, which is about local ownership and having that regular feedback loop. I was in a benefit centre this week talking to the checking team who talk to the team leaders on a daily basis about the feedback that they're getting on the ground. So there are pros and cons to each way; what I want to do is to try and achieve both within a resource. I don't know what I've got for next year yet.

**Q117 Mrs McGuire:** That doesn't detract from the fact that we have independent checking; you have consistency of performance. If I can remember correctly, the Pension, Disability and Carers Service used to have one of the highest satisfaction rates of any service. So the service has been delivered competently and effectively and yet they are still maintaining a more consistent result in terms of administrative error. I don't think the two are counter-productive, frankly.

**Sir Leigh Lewis:** I think you're on to a very good point, both you and the Chair. One of the things we've always struggled with in the Department—and, if I may say so, both of you will know this—is that we have separate agencies and they give you lots and lots of strengths, because they have an ethos, a belief, a commitment and a passion and they want to do their job well and they are doing different things.

But one of the downsides is that that is not invented here; that it can be, "Well, if we haven't thought of it ourselves, it can't be the right thing to do." That can spread more widely, even within agencies and within parts of the Department. What we're trying to do, very, very much indeed, is ensure that we really do share learning and we do share experience, and where something is working well in one part of the organisation and will transfer, we transfer it.

**Q118 Mrs McGuire:** Yes, but you lead together as a senior management team of directors. Frankly, with the greatest respect, to say that nobody's going to do it this way in this part of the organisation—I think it's taxing us just a wee bit to say that Jobcentre Plus or whatever other element of DWP is one organisation; you have said one organisation. Surely there should be a mechanism by which at a senior level they are encouraged to look at the good practice in other parts of the organisation?

**Sir Leigh Lewis:** Yes, absolutely. And come on, you know I didn't use the words that you just put back as if I had used those words.

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We absolutely spend as a senior team a huge amount of our time learning from experience on this and in all sorts of other areas. But it is nevertheless the case—it's just part of organisational cultures—that if you have organisations, they tend to live within their own frameworks and boundaries, and I think all organisations that operate on a federal basis struggle to ensure that best practice is identified and spread.

**Q119 Chair:** I don't think we got from Ruth Owen an unequivocal, "I'm going to do this."

**Ruth Owen:** No, I think you did.

**Q120 Chair:** I didn't hear it quite.

**Ruth Owen:** I will set up an independent tier of checking in Jobcentre Plus by April. Is that clear?

**Q121 Mr Bacon:** April of which year?

**Ruth Owen:** 2011.

**Sir Leigh Lewis:** Is there something about trust here?

**Q122 Matthew Hancock:** It's just good to get it in black and white. I want to press you on the Fraud and Error Council, which you've spoken about a couple of times. If you could turn to page 10 in the report, paragraph 22. You talked a lot about how the Fraud and Error Council is going to ensure that you're going to reduce the cost of administrative error. Do you recognise the second, third and fourth sentences of paragraph 22, specifically that "The Department... lacks the information needed... has yet to develop a consistent method... and lacks costing data," and "accordingly... does not have sufficient evidence to demonstrate that existing activities to reduce administrative error have been value for money"?

**Sir Leigh Lewis:** Let me say a word or two. We inevitably, as you do, discussed this report at some length with the National Audit Office and, in doing that, with the Comptroller and Auditor General. I think that overstates it by quite a margin. I do not think that we are in that position. What I do absolutely accept is that in each of those areas there is more and better to do.

**Q123 Matthew Hancock:** Okay, so Mr Oliver, your council has been in operation for a year?

**John Oliver:** Yes.

**Q124 Matthew Hancock:** Since which month?

**John Oliver:** January.

**Q125 Matthew Hancock:** Since January. However, do you still feel that you lack the information that you need to target initiatives effectively?

**John Oliver:** Yes and no, and I'll tell you why I give that answer on both. Yes, I think that the easiest thing in this world is to be able to say, "I can look at the gap. I can look at official error in income support and this is what it costs you." I can then start drilling that down and saying, "This is what we think the problems are," be it mortgage costs, earnings entitlement, signing on, or whatever it's going to be, according to the benefit.

If you then drill down further and further, which is where we get into a debate both within the

Department and indeed with the National Audit Office, then it gets more and more difficult to get more granular and granular about what it costs you and about what the response actually is. I think part of my job is to get the Department and get us better at being able to understand that far more definitively.

Where I think we can be criticised is at the moment I can say, "Yes, I understand how much we spend on improving one benefit." If you then said to me, "Let me go right down to the granular root cause," and say, "Yes, I really, really think I've cracked that," at Jobcentre Plus and PDCS level that's where I get into, yes. I think those delivery agencies will say, "Yes; yes, we do understand what the problems are." From a departmental point of view, from looking at it from my strategic hat, then I say no, there's more that we could do about becoming more sophisticated and understanding the return on that.

**Q126 Matthew Hancock:** That answer is perhaps not surprising, but if it were the case that you had the information that you needed, then wouldn't you therefore have managed to reduce administrative error more, or indeed reduce it as a proportion? It has gone up as a proportion by about 13%, from 0.6 to 0.7.

**John Oliver:** The important thing that I learned when I came into this role is that there is a time lag between investing and getting a return on your investment.

**Q127 Matthew Hancock:** Have you yet managed to develop a consistent method of assessing the cost effectiveness of your interventions?

**John Oliver:** Yes. I haven't got it so that I can produce to you now and say, "This is what it is", but I think that, yes, my analysts are coming up with a much more robust approach to being able to say "yes" to that question and being able to then put that before anyone—this Committee or the National Audit Office—and say, "This is our story."

**Q128 Matthew Hancock:** Obviously, these are the high-level conclusions.

**John Oliver:** Sure.

**Q129 Matthew Hancock:** In paragraph 16 on page 8, it says: "Jobcentre Plus reviewed nearly 541,000 transactions in 2008–09...but the information collected does not enable comparisons between different parts of the delivery chain." This is part of the reason that supports the conclusions that you don't have sufficient evidence to make comparisons of where the interventions are cost-effective. Has that changed since 2008–09?

**John Oliver:** Yes, I think our understanding has moved on since 2008–09 and I think that in our year of investment we do understand much more precisely what our return on investment is.

**Q130 Matthew Hancock:** You've said that about a broader point. The point raised in paragraph 16: does the information that you now collect enable you to compare between different parts of the delivery chain?

**John Oliver:** Yes. This is a specific Jobcentre Plus point and I know Ruth wants to make a point.

**Ruth Owen:** The answer is yes. We have three parts of our operation. We have contact centres, which collect information over the phone from customers. We have job centres, who are generally doing the face-to-face interventions with customers, and we have benefit centres. What that's trying to describe is: do we know which part of the business the error arose in?

The answer is now yes, we do do that. For every error that we look at, we try to find the root cause and we've introduced new checks into the contact centres and the job centres, because it's not all error manifesting in benefit centres. The benefit centres can look back and say, "Was that something that raised an error." As soon as that phone call was made, it's made its way all the way through the system, so we now know where the sources of error are, and I monitor that on a monthly basis.

**Q131 Matthew Hancock:** When did that happen?

**Ruth Owen:** Earlier this year. I couldn't put a month on it, sorry.

**Q132 Matthew Hancock:** Why in this report, which was agreed between you, presumably, Sir Leigh, and the NAO, does it say, "The information collected does not enable comparisons between different parts of the delivery chain"? I've just asked you, "Does the information allow these comparisons?" and you unequivocally said yes.

**Sir Leigh Lewis:** Let me take that and maybe the Comptroller and Auditor General might want to say something. Previous Comptrollers and Auditors General had a vision in which reports went on forever, if you see what I mean, through 47 different drafts, until everyone had signed up to the last comma and the last semi-colon. We are in a different world, and I do not complain about it, in which the Comptroller and Auditor General seeks views and then reaches a view. We exchanged quite robust comments about some aspects of this report.

**Phil Gibb:** If I could chip in. I think Sir Leigh's right; we did obviously have differences of interpretation in terms of conclusions on this. From our point of view, in particular, for example, on paragraph 16, it does relate back to the issue about having an independent checker in JCP. I take the point that you can get a division between the contact centres and the delivery centres, but actually you need that kind of rigorous level of information in order to start to work out where in particular the errors are arising.

I suppose the other point, more generally, about this conclusion is that, if I can refer you to the second bullet of paragraph 15, a lot of these exercises are now under way to be done by spring 2011. I think it's right; that will put the Department in a much better place, but I suppose we have obviously been assessing it on the performance we've seen to date.

**Chair:** Okay. Stephen, there's obviously been a fraudulent claim for heating in this room. We're being denied it; I don't know what you did. So Stephen and then I'm going to draw it to a close.

**Q133 Stephen Barclay:** Just following up on that to clarify something with Ruth Owen. This Committee recommended in 2008 that local offices with the

highest error rate should be identified and targeted for more training and compliance checks. Is that now in place? Is that happening?

**Ruth Owen:** Only partially, I think, is my answer on that one. I think the previous report said we didn't have information down to site level; therefore we weren't able even to compare sites. We do now have that information. I have site-by-site management information. But it goes back to where the source of the error is. So, I could look at a particular benefit centre and say, "That looks like they're at the bottom of the league table," as it were, in comparison, but it might not actually be the error made in that site; it might have been earlier in the process—the contact centres or the job centres.

What I have done though, in terms of targeting, is we found through that root cause analysis that a large number of our errors are made in the job centres, and we didn't have a very thorough checking regime in the job centres. So I put a lot more resource into targeting checking in the job centres, by having done that analysis, the comparative analysis, of where the errors occur in the system, and made sure that we're now much tighter in checking that. So I think the answer to the question is in business model terms, yes, but not at site level, because it's not as straightforward to associate an error with a site.

**Q134 Stephen Barclay:** Right. Well, your answer actually opens up another issue, which is the independence of those doing the checking, because I think in Jobcentre Plus those doing the checking are based in the local offices. Do they report into local management?

**Ruth Owen:** In job centres they're done at regional levels. They're not actually in the site; they're one tier away.

**Q135 Stephen Barclay:** So the quality assurance teams are fully independent of line management?

**Ruth Owen:** Of line management, yes.

**Q136 Stephen Barclay:** Right, okay. Just to clarify in terms of my first question, where the Report, paragraph 2.8, says, "The data held centrally are not in a format to enable the management team to draw out statistically reliable information on the performance of each of its local offices," what you're saying is that issue has now been resolved.

**Ruth Owen:** Has now been resolved, yes.

**Q137 Stephen Barclay:** Okay, thank you. Coming back to Mr Oliver, this relates to something earlier. In terms of the lack of information that you would need, my question is whether you're using, in terms of tackling fraud, all the information Government holds. That particularly relates to the way local authorities are using that information and the interplay with SOCA. What sort of amount of fraud would you expect to be identified as a result of information coming from SOCA?

**John Oliver:** I don't think we can give you an answer on SOCA referrals through to fraud. I think we can do you a note on what we believe. What I can assure you is that we don't just work closely with SOCA.

We work with most of the intelligence agencies and other Government Departments on sharing or on looking at best practice and between information and practice. If we're talking about fraud rather than official error, then we work very strongly with the likes of the National Fraud Authority and, indeed, the intelligence agencies on identifying serious fraud, which it sounds as if you're alluding to.

**Q138 Stephen Barclay:** No, I'm not actually; I think that's the misconception—that the information held by SOCA relates to really serious crime. Actually, SOCA sits on a massive database of information related to SARs reported by high-street banks.

**John Oliver:** Yes, I understand.

**Q139 Stephen Barclay:** There's a lot of information there. Now, the issue there is whether local authorities are contacting SOCA because they have a suspicion in the first place, or whether SOCA is just sitting on that information and local authorities have no incentive to get in touch with them in the first place, in which case is the Department looking at that in terms of its relationship?

**John Oliver:** We use SAR referrals. We also share that with local authorities. I can't pretend to give you the detail of that now. But I certainly know from our fraud investigative service that they do use SAR referrals as they come through. I don't know, Leigh, if you want to add to that.

**Sir Leigh Lewis:** We're quite a way from the subject matter of the report.

**Q140 Stephen Barclay:** It's 25% of the error rate, and I just wanted to use the opportunity, because what I'm driving at is not all banks provide the same information to SOCA. They're mandated in terms of certain SARs but not in terms of other things they're able to provide. The area in which they're not mandated relates specifically to certain data extracts they can gather on housing benefit and council benefit of accounts with high flows through them.

It just baffles me why SOCA sits on that information with no incentive for local authorities to get in touch with them, and the concern therefore is that one arm of Government is sitting on a lot of very useful information about potential fraud, which is exactly where investigators should be looking, but local authorities are not necessarily getting in touch with them in the first place.

**Sir Leigh Lewis:** Let me just say a couple of words on that. First of all, it picks up on the point that Anne McGuire was making. We have a single fraud investigation service for the entire Department, so it covers all of our business, all of our agencies. It has a very strong and good relationship with SOCA, and I think if there was a senior colleague here from SOCA, they would confirm that without equivocation. We work very much hand in glove within the fraud investigation service, and I recognise the point you're making is not just about serious crime. But we have both, if you will, the mainstream fraud investigation service and what we call the organised fraud investigation service—I've seen that myself at very close quarters—which is seeking to tackle those

people who are seeking to defraud us almost as an industry and to implement very major crimes. So we do work very closely with SOCA.

**John Oliver:** Just to add to that to reassure you. Our new strategic thinking is in the strategy that was published in October, where the Government announced the formation of a single fraud investigative service from 2013 that will pull together housing benefit, tax credit and DWP resource into the one service, and which will look at all the welfare and benefits.

**Q141 Chair:** Now, we're coming towards to the end. I just wanted really to question Ruth Owen and John Oliver. In answering the questions we've put to you today, every time we say there's a bit of action that you should have done, you're telling us you've done it—or you're doing it, or it'll be in by next April. Maybe I'll ask John Oliver first and then Ruth. Are you therefore confident that this 18 years of having to qualify the accounts because of the—let's just stick to the administrative error—£1.1 billion worth of administrative error, is that going to come down?

**John Oliver:** Chair, let me just say one thing. In the year that I've been in the role I've seen the biggest sea change of investment in this agenda from successive Governments that I think we've seen in the last decade. Some £450 million of investment, despite the fiscal climate, is a serious investment. We're looking at returns of up to £2 billion in the CSR period. That is significant investment. That translates to very serious investment in resource, where we're looking up to 1,400 resource looking just at data cleansing, cleaning out the dirty cases that we know are in our system, or proactively contacting customers about their change in circumstances.

**Q142 Chair:** Can you answer my question?

**John Oliver:** Yes.

**Q143 Chair:** By when?

**John Oliver:** Well, we're projecting that we'll begin to make returns on impact within the next financial year, but the problem that we've got with that is that the report lags; we've got 12 to 18 months before we see the results of our labours. But we're looking at significant improvements in our results within the next SR period.

**Q144 Chair:** So in 2011–12 we'll see an improvement, which, when those accounts get assessed in 2012–13, might lead to them not being qualified?

**John Oliver:** Well... oh, no.

**Q145 Chair:** Go on.

**John Oliver:** That's a different question.

**Q146 Chair:** Yes or no?

**John Oliver:** Could I answer on behalf of the National Audit Office on whether our accounts will ever be dequalified?

**Q147 Chair:** We know that the reason for the qualification is the fraud and error. We're talking here

about the administrative error. You would hope by 2011–12, so by the time those were audited in 2012–13—

**John Oliver:** Let me answer you in one way. I think the Department is absolutely fully focused on getting those accounts dequalified and having an even more systematic approach to reducing official error.

**Q148 Chair:** Ruth, do you want to add to that?

**Ruth Owen:** All I would say is that I think since the NAO came to see us about this, which was 2008–09, I've definitely seen us do more. I think we're doing much more to address official error and you've heard today that there are more things we can yet do, so I would be very disappointed if that didn't flow through into the figures.

**Q149 Chair:** In 2011–12. Sir Leigh, really to ask you, what else does your successor have to do ensure that those accounts stop being qualified?

**Sir Leigh Lewis:** Succeed where I failed, because I set myself a challenge on the first day to lift the qualification of the accounts and I failed. That qualification remains there. Actually, joking aside, that is, I think, the biggest single disappointment I will take away with me on 31 December—that I did not achieve that, because I committed myself in every way to do it and we've not achieved it.

This is very complicated. For a long period it was an impossible goal, because the NAO under previous leadership set a 1% threshold, so we would have had to have brought 2.1% as the total level of fraud and error down to below 1% to escape qualification. That is simply impossible and I wrote the longest letter I have ever written to any Committee, to your predecessor, Chair, on 13 March 2008: seven pages as to my view on the qualification. It may be symptomatic, but I never got a reply, so it may just have been slightly too difficult a letter to respond to. If I may say so, we've moved on a long way. I will not speak for the C&AG, who will speak for himself, but we are in a dialogue now that I believe has the real prospect of leading to the qualification being removed. I'll say one other thing, which is when you have had accounts qualified for 21 successive years it has lost any conceivable impact that you might want it to have. It has become a pure ritual that is of no use to anyone. We have to get to a point where there is a realistic prospect of this Department's accounts no longer being qualified.

**Q150 Chair:** Okay. Richard, do you want to ask your question?

**Amyas Morse:** Can I just say something about this?

**Q151 Chair:** Oh, go on. Sorry.

**Amyas Morse:** You're all interested in my decision. Okay, just very briefly then Chair, because I'm aware that we've pressing other business.

Leigh and I have talked about this quite a bit. We have taken a somewhat different position to my predecessors, which is to say if it's possible for us—and we're working quite hard to try and do this—to look at what best practice would be in applying the benefits—not what best practice for the Department

would be, but what objective outside best practice might be applied to a system of this complexity—if we can show that the Department's performance approaches that, then we think that probably would be enough for us to go forward.

**Chair:** Okay.

**Amyas Morse:** So that is a change of a significant nature. I don't mind saying we don't know if we can do it, but if we can that's where we'd go. So, there is some realistic prospect. It will require some significant further improvement from the Department as well as us developing something, which we hope to be able to do.

**Q152 Mrs McGuire:** Best practice in the banks did you say?

**Chair:** No, you mean internationally?

**Amyas Morse:** No, no. What we're going to do is take a number of institutions that do complex administrative tasks—

**Q153 Mrs McGuire:** And financial tasks?

**Amyas Morse:**—and we're going to break down what they do and find a way of carrying that across to apply it against the different things that the Department does. So it's not a question of just saying, "We'll take what the banks do and just apply that," because what they do is different, and in many cases somewhat simpler than what the Department's doing. It wouldn't be fair to apply it straightforwardly.

So if you can fragment that down into elements of information to be dealt with, elements of uncertainty to be accommodated and so forth, we may be able to do something in modelling terms that lets us come to a level there that would be reasonable; however well organised, nobody would get it below that level. That's what I'm trying to feel for. I don't want to base it on the Department's own performance; I don't think that's sufficiently objective for a regularity opinion. We're not talking true and fair; we're talking about regularity of use of public money.

**Q154 Chair:** Okay, now Sir Leigh, it's your last appearance.

**Sir Leigh Lewis:** My last hurrah.

**Q155 Chair:** I've had the pleasure of working with you both when you were at the old Department for Education and Employment and then in the DWP. Richard and I, before whom you've appeared innumerable times, want to ask: if you had a few words of wisdom to your successor, apart from getting these accounts out of qualification, what would they be? What would your advice to your successor be?

**Sir Leigh Lewis:** Can I say one thing about the discussion we've had? Perhaps it is a thing that you have the boldness to say on what is your last appearance with only nine working days of your Civil Service life ahead of you.

I think this has been a good, serious and sensible discussion, and it emphasises the point that there is more that we can do and should do on top of everything we have done, because we have not wanted, whatever else, for commitment. But madam Chair, I hope that as you come to write your Report

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on this hearing—I'll find it somewhere on your website—you will ask yourselves as well about the role of Parliament and successive Governments.

The NAO, in its report *Dealing with the Complexity of the Benefits System* in 2005, defined complexity as “complicated, involved, intricate; not easily analysed or disentangled,” and concluded, “The benefits system fits this definition.” Some of this has felt a bit like you're the passengers in the world's worst designed aeroplane and you're saying to the pilot, “It's a jolly bumpy ride,” and the pilot's saying, “Give me a break; I'm keeping it in the air.” With a system of this enormous complexity, I think that, while you can always do better, having official error at 0.7p in the pound is not a bad achievement, faced with a system of that complexity.

I think I only want to make one other reflection, if I may, and perhaps I'm just using the privilege of this occasion. I'd just like to say something about my Department's own staff, very finally to this Committee, because I've appeared in a sense on behalf of this Department's staff nearly 30 times. I've had the privilege to lead over 100,000 people for the last five years in the Department and before that in Jobcentre Plus. I've made a point of trying to go out and meet them and spend time with them every week. I haven't always achieved it on every week, but I've done it most weeks.

Overwhelmingly, I've met people who are hard-working, dedicated and committed, who don't earn a king's ransom and won't retire with a huge pension, but who are doing their very best, day in, day out, to serve the people of this country really well. Many of the jobs they do are tough, unrelenting and demanding. I'm very proud of what they do.

You should never let yourself as Permanent Secretary get irritated or cross, because it really doesn't do. The Permanent Secretary needs to be the one person who does calm, but if one thing does just occasionally irritate me, it's those caricatures that you continually read in parts of the media about Whitehall bunglers, pen-pushing bureaucrats and the like, and articles that almost assume that being a civil servant is somehow kind of synonymous with incompetence, laziness and the rest. I think that's a travesty. It's a travesty of what I've seen in the Department I've led and I think the commentators and journalists who write in those terms should think very hard before they do so again.

So, madam Chair, that's it; I'm not going to perhaps miss receiving those wonderfully, beautifully worded invitations to attend the PAC in future, but I think together we've been trying to do something quite important, and that's improve the government of this country.

**Chair:** Well, I think from my own perspective, and certainly of those of us who've worked with you, you will be sorely missed. I think your contribution to public service has been terrific, so thank you very much for that.

**Q156 Mr Bacon:** May I come in and just prolong your agony for a minute or two? I add my endorsement to what you've said about your civil servants. My own experience of Jobcentre Plus locally has been of very serious and committed public

servants who know what they're about, know why they're there, know why they're trying to do what they're trying to do and are coping with an extraordinarily difficult and complicated system. There is, of course, the underlying question of why it's complex, who made it complex and whether it's Ministers being insufficiently challenged when they come up with silly ideas or whether it's just the accretion over many, many years of trying to do the right thing.

It's very striking, looking at both Ruth Owen's and John Oliver's CVs, that you have sitting next to you two people who have come up from the very bottom: John Oliver as a direct entrant Executive Officer; and Ruth Owen, who started in the new model DSS office as a National Insurance inspector.

From listening to both of them, you get a deep sense of people who know what it's like on the inside from the bottom, and who know what it's like to have been at the bottom. I noticed, Ms Owen, you were in the design authority for the Jobcentre Plus—with Lesley Strathie, presumably, who also started at the bottom. That to me is a very important component of getting it right—having people who understand things from the bottom.

You now face a very, very big task; it won't be one for you, Sir Leigh, because you're leaving the Department, sadly. May I say, in parenthesis, how much I've enjoyed listening to you over the years. You've always managed to be both courteous and certainly give the impression of being tremendously candid, without, I think, ever saying anything you intended not to say. In some ways, you're the model of a modern Permanent Secretary.

**Chair:** I'm not sure about that.

**Q157 Mr Bacon:** The challenge, which you've identified, is to get rid of some of this complexity by radically re-engineering the whole benefits system, and the apparent answer is the universal credit. In the desktop research I've been doing while sitting here I've come across prices for that varying from £2 billion to £3 billion for the upfront costs of implementation.

Could you just say a little bit about that? Who's in charge? Who's the senior responsible owner? What is the proposed budget for implementation? Who's the computer contractor? How long is it expected to take? Why will it not fail in the way that other projects have often failed? What safeguards have been put in place to make sure that it comes in on budget and on time in the way that you've said some other projects have done? It is going to be tremendously important for the transformation of your Department, isn't it?

**Sir Leigh Lewis:** It most certainly is. Let me just give you what I hope is some reassurance, almost picking up on points you were making about John's CV and Ruth's CV. The person who is the senior responsible owner, and who has just been moved into that role, and who Anne McGuire will know very well from her time in the Department, is Terry Moran, who until very recently was the Chief Executive of the Pension, Disability and Carers Service.

He's one of the civil servants, I think anywhere in Whitehall, with the most delivery experience. He

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started as a 16-year-old; he started as a 16-year old in the Department and has worked his way up through every branch of its operations to the level of Director General. I think that does say something about the importance we attach to direct delivery experience.

Now, no one can ever say that a programme of this kind is without risk; of course it has risk in it, but absolutely we're putting in place a really strong governance structure. It is operating and will operate to a Permanent Secretary overseeing the process, with

very, very strong ministerial agreement, and the funding was announced as part of the overall spending review. So, of course this is going to be a huge challenge for my successor and my Department, but I am genuinely confident of our ability to deliver. I am genuinely confident of our ability to deliver.

**Q158 Chair:** Good. Thank you very much indeed and all the best for the future.

**Sir Leigh Lewis:** Thank you.

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**Tuesday 1 February 2011**

Members present:

Mrs Margaret Hodge (Chair)

|                  |                 |
|------------------|-----------------|
| Mr Richard Bacon | Austin Mitchell |
| Stephen Barclay  | Nick Smith      |
| Dr Stella Creasy | Ian Swales      |
| Matthew Hancock  | James Wharton   |

**Amyas Morse**, Comptroller and Auditor General, **Phil Gibby**, Director, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, gave evidence.

## **REPORT BY THE COMPTROLLER AND AUDITOR GENERAL**

### **Reducing losses in the benefits system caused by customers' mistakes (HC 704)**

#### **Examination of Witnesses**

*Witnesses:* **Mr Robert Devereux**, Permanent Secretary, Department for Work and Pensions, and **Mr John Oliver**, Director of Benefit Performance, Department for Work and Pensions, gave evidence.

**Q159 Chair:** Welcome to you both, and particularly welcome to Robert Devereux, with his new responsibilities in DWP.

**Robert Devereux:** Thank you.

**Q160 Chair:** I have no doubt that we will be seeing you even more frequently than we used to when you were at the Department for Transport. This is the second of the sessions we have done on fraud and error. We looked at administrative error a few weeks back, and we are looking today at customer error. We think that we can keep this as quite a tight evidence session, not taking too much of your time, I hope.

I am going to start with you, Robert Devereux. You are new in the job. You will know that the accounts have been qualified now for 20 years because of fraud and error. If you take out pensions, where there is not much fraud and error, that is about 3% of what is paid out. Your predecessor told us he regretted that. What about you? What are your ambitions, and how are you going to tackle the problem?

**Robert Devereux:** I have not been here long enough to regret it yet. Leigh left me with some quite strong places in which to potentially get to a good position on the accounts. I have had a conversation with the C&AG about the way in which he might approach this subject differently from the way he has done in the past, in order to demonstrate that we are doing everything that could be reasonably expected of us. That is quite a substantial challenge for the Department, as this Report already identifies. Let's start optimistically, however. I would like to remove those observations on the accounts, every bit as much as Leigh, during the time I am here.

**Q161 Chair:** Have you set yourself a personal target around it?

**Robert Devereux:** I have, actually.

**Q162 Chair:** Go on.

**Robert Devereux:** I have not yet declared how long I am going to be here, so let's see.

**Q163 Chair:** Sorry?

**Robert Devereux:** I have not declared how long I am going to be here, so let's see, shall we?

**Q164 Chair:** But the CSR set you a target of a 25% reduction in fraud and error over the next four years.

**Robert Devereux:** Yes.

**Q165 Chair:** Given the record to date, that seems to me pie in the sky. What sort of action plan or delivery plan have you got that will give us any confidence whatsoever that you have got a cat in hell's chance of achieving it?

**Robert Devereux:** I might argue with that a little bit. First of all, the reduction itself is not the thing that is going to make the C&AG not qualify the accounts.

**Q166 Chair:** Do you mind speaking up a little bit? The acoustics are really awful.

**Robert Devereux:** I am very sorry. Bringing the level of fraud and error down by 25% is not miraculously going to make the C&AG remove the qualification. He is going to be looking for a harder set of facts even than the level. As for whether we can do that, the reality is, as you observed with Leigh previously, and as this Report observes, for the last three or four years the performance has been essentially flat. We have not been getting better.

You can go back to an earlier period, and I remember giving evidence here on housing benefit fraud back in 1998, when I was doing essentially what John's doing now, when we started off with making out first-ever attempts to reduce the level of fraud and error in the benefits system. In the four or five years after 1998, it did indeed get a lot better. It has now plateaued.

Do I feel that we can improve on this? Absolutely. On the 25%, I understand, if you are just looking back at the last three or four years, you think, "Will he ever do it?", but if you look back over 10 years, there is every chance we might.

**Q167 Chair:** You are committed to it in the CSR. What is in your action plan that gives you the confidence that you could do it? What is different? What are you going to do that is different? One of the criticisms in the Report is that the Department is full of good intent, and there is not much clarity of action following that intent. What is different this time that gives us the confidence that you will achieve a clear objective from the CSR?

**Robert Devereux:** If I understand the criticism that the C&AG has made, we are very good at identifying the initiatives, and we are not bad at getting cash to do them, and many of them have some impact. The thing that I do not think we can say consistently that we know the answer to is: what collection of initiatives, pressed to their fullest extent, would deliver sustained reduction in fraud and error?

Can I just give you an example? Within this Report, there is a positive reference to an initiative that Jobcentre Plus is taking. On the back of some investment that we've secured in the Spending Review, we are going to employ of the order of 600 to 700 staff, who are on a risk basis going to ring up customers already in receipt of Income Support and Jobseeker's Allowance. The trial that we did for that suggested that for every £1 spent on salaries they would save £5 in benefit spend. That would produce of the order of 1 million checks during the course of each year. On the face of it, this is a perfectly good story and a perfectly good benefit-cost ratio.

The question that I have asked on arrival is, "Why is it only 1 million checks? Why is it not 2 million? What else are we doing to make the story complete?" My observation is that we have plenty of activity here, and the challenge that I would have brought, independently of the C&AG, is, "Just explain to me why those are the right things to do, and why they will produce sustained reductions." I am not interested in headlines and speeches, or things that I can point to. I want to know it is going to work. There is some evidence that some of the things we are about here have that sustained impact.

**Q168 Chair:** I am sorry to press you on this. I appreciate you have only just arrived, and that you are asking the perfectly proper questions of what the Department has been doing. What I am anxious to see, which the evidence before us suggests has not been there, would be a very clear plan of action, with numbers against it, as to how you will achieve the targets set in the CSR. If you cannot give that to us today, when can you? Give us a time frame in which the NAO, and then we, can be assured that you'll not just have a strategy and endless initiatives, but you will have a plan against which we can measure your performance.

**Robert Devereux:** The C&AG did his fieldwork about nine months ago. That was about nine months into the current creation of the Fraud Council—even before the fraud strategy was constructed. I am now sitting here with a table in front of me that shows, for each of the initiatives we are taking, how much we propose to spend. It shows what we expect the benefits to be in the year in question and, more particularly—and this is a critical thing, for the first time—the long-run

impact on the stock of fraud and error that goes with it. That is the thing that adds up to delivering a 25% reduction in the overall total.

That is what I have inherited. I cannot tell you I have been through every line, and that I am absolutely convinced it all works, but at least we are beginning to have the sort of thing that the C&AG was asking for: "Show me the map; show me that it is going to hang together, rather than just telling me that you are active." That is the difference between just having actions and having something that is coherent and produces known numbers for long-term effect.

I genuinely believe that we are on that course. We showed the C&AG even before Christmas the difference that had occurred since spring, and I can assure you that that is already better than it previously was. We are not there yet. I am not going to say everything is perfect, but I am seriously confident that if we approach it in this way, we will be able to deliver the saving that you referred to.

**Q169 Chair:** If I understand that rightly, there is an action plan. You may want to modify it in the light of your own observations on it, but the NAO could have that action plan now—

**Robert Devereux:** Yes.

**Q170 Chair:**—and, when we come to do our Report and conclusions, comment on how clear it is? Do you want to say something, Mr Gibby?

**Phil Gibby:** I was going to say that what the Department kindly gave us in December was a longer list of the initiatives that are getting under way—

**Robert Devereux:** That is not what I am talking about.

**Amyas Morse:** Is this something you did not give us?

**Robert Devereux:** I have been here four weeks. I have given you—

**Q171 Chair:** I understand that—

**Robert Devereux:**—all the things that I think are relevant—

**Q172 Chair:**—but John has been in post for some time.

**Robert Devereux:** Yes, but you are asking me. One of the things I asked for right at the start was, "Show me how this lot goes together." The chart that I have in my possession here is something that seeks to illustrate how each of those savings produces an effect on the stock of fraud and error in 2014/15, which is consistent with the 25% target. I am very happy for the NAO to look at that. As I say, this is a moving feast, because they were here nine months ago. Quite a lot has happened because of John.

**Amyas Morse:** I want to respond positively, if I may. What the Permanent Secretary is saying sounds like the right road to travel. I do not think we've seen something that quite answers the description yet, but we are very ready to see it. It sounds like the right way to go. You sum up what our concerns are very accurately. It is a perfectly fair summary of what we'd like to see, and I am glad that you share the view that that is what is necessary. So far, I am very positive about it, and I am genuinely very keen to work with the Department and understand, as soon as I can, how

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those plans are taking shape. There is nothing that I am hearing that I do not like the sound of.

**Q173 Chair:** It would be really helpful to have that document before we put our Report together. In the CSR, you have been given £450 million to help you achieve a 25% reduction in fraud and error. In that document, do you spell out, and do you know, how you are going to spend that money?

**Robert Devereux:** Yes.

**Q174 Chair:** Right. So that would be in there too. Have you done a cost-benefit on that?

**Robert Devereux:** One thing at a time. What I am talking about is a chart that is relatively simple, and it says, for everything for which I have money, what I propose to do and what the long-term impact will be. That is something that the NAO has not previously seen, but it was in the Department by the time they'd completed the Report. Remember, the strategy itself post-dated the NAO's fieldwork. Action is taking place here.

**Chair:** Good.

**Robert Devereux:** It is a slightly different question—I might say more of an A-level question—to say, “Is that the best you can do, Mr Devereux? Have you properly costed them all? Are you confident it is all going to happen?” That, if I might say, might take me more than four weeks to prove, but the direction of travel is very clear. This ends up with a column at the end that says: “This is what I hope to get towards my 25%.”

**Q175 Chair:** We'll come back to the initiatives. Just one final thing, because it struck me that previously your big fraud and error occurred in housing benefit. You have got very few actions taking place there, whereas less fraud and error occurs in pension credit, yet you are booming with actions taken there. Have you sorted out that inconsistency?

**Robert Devereux:** If you count things by way of initiative, you do not necessarily get to impact. The document refers, in one of the paragraphs, to an initiative that we are doing with local government. It is paragraph 2.16, and something called ATLAS. The gist of this is that, in the past, we have been doing what you might call data matching, where we run the local authority data against our data and find the mismatches, and then invite local government to change their data. The ATLAS system is about making automatic changes to their data consequent of our finding things out. We estimate that will actually generate of the order of £100 million of savings in housing benefit overpayment due to customer error. That is a material number on the housing benefit figures. It is only one initiative; it just happens to be a spectacularly good one.

**Q176 James Wharton:** I assume, like the rest of the Committee, it is reasonably reassuring to find that you are looking to set out a route map for where you want to go. What is the percentage saving that you are going to aim for? Are you going to just aim for the 25% that you need to, or has the process of looking at this unearthed some further savings you could make?

**Robert Devereux:** To be honest, the chance of getting the accounts not qualified while it is still at 25% reduction is quite low. It is possible that the C&AG will conclude that we are doing all we can, but I think possibly not. Let me go back to the example I gave you. In one sense it is trivial, but it is quite important. We managed to get enough money to get 1 million checks a year for the next couple of years, on the basis of an estimate that we would make a five-to-one return.

**Q177 Nick Smith:** Sorry, could you speak up? I could not quite hear that.

**Robert Devereux:** I am sorry. On the basis that when we did the pilot, we were making a five-to-one return on that investment. Just as a thought experiment, if I doubled the number of checks, do I imagine that I would then be at less than one-to-one return? No, I do not. I could be at four-to-one. At that point, you might ask the question, “Why don't I spend more on that? Why don't I do more of those checks?” The observation I am making to you is that, yes, I have a list of initiatives. Yes, it appears to add up to support the 25%, but if I put some effort behind it, are these the right things? Have I pushed it as far as I possibly can? Could I do better? I hope so.

**Q178 James Wharton:** Does it add up to exactly 25%? It just strikes me that you are embarking on an exercise to do a challenging thing, which previously the Department has failed to do for a variety of reasons, and you are targeting 25%—that is what you need to hit. Do your figures add up to 25%, or do they add up to 30%, so that you have a bit of leeway? What does this—

**Robert Devereux:** The figures I have inherited add up to 25%.

**Q179 James Wharton:** Right.

**Robert Devereux:** The reason why I think we will have to look at it to make sure that we have some extra in there to get to 25% is—

**Q180 James Wharton:** There is not a lot of leeway in it at the moment, but you'll be looking at it. If you are setting off down the track of implementing whatever measure it might be that you believe is going to eliminate so much fraud or customer error, in line with what you need to save, what measures do you have in place to ensure that you do not get to the end of the process and find that you have missed your targets? Are you monitoring some milestones throughout?

**Robert Devereux:** It is a perfectly fair question. Again, I am afraid that I am going to give you a “four week” answer. In four weeks I have managed to establish that these are the facts. In four weeks I have managed to establish that not all of these things go as far as they could conceptually go and still make a return for the taxpayer. That being the case, John and I will be having some fruitful conversations about what else we could do. I have no intention of missing the 25% target.

**Q181 James Wharton:** Have you inherited any milestones, or is this in such a basic form at the moment that there is no plan for monitoring this?

**Robert Devereux:** You are now asking a slightly different question. For each one of these individual items, there is a plan for what we are going to do. I know exactly what we are going to be doing on the rollout of Tell Us Once. I know exactly what we are going to be doing on the rollout of ATLAS. There are things that I can say about these plans. I would not want to say that they will be done in an absolutely consistent fashion, because, as the C&AG has observed, there is an element of bringing things together.

One of the things that is definitely happening with the Fraud Council that I do not think was happening previously is an attempt to systematise this, to ask the right questions about cost and return and long-term impact and how to track it. To be honest, I cannot see how I am going to run the Department if that is not the way we do it right across the spectrum, not just for fraud and error.

**Q182 Ian Swales:** If I can just build on the plans issue that you have. Your predecessor sat where you are, not very long ago, and talked about £1 billion as possibly some kind of irreducible minimum, given the complexity that he saw in the system. At para 2.13 in the Report, it says that most of your initiatives are “designed to detect, rather than to prevent, error.” Further on in the same paragraph, it talks about the Department not estimating “the value of overpayments or underpayments avoided by preventative work”.

I wanted to ask the systems question. In other words, what are you doing systemically to try to stop all this happening in the first place—and indeed, is there any way that you need help from other Departments or even politicians?

**Robert Devereux:** There are several questions in there. Let’s do them one at a time. In reference to when things go wrong, we have done some analysis, referred to in paragraph 2.5, about whether things are wrong at the start, when the claim is made, or whether it subsequently goes wrong.

Across the big four income-related benefits, the percentage of error that is coming in at the start is about 7%, and 93% of the estimated error is occurring after the claim has been made. Let’s not get into the habit of thinking that somehow or other this is a gateway problem. On this particular subject of customer error, the evidence is that the great majority of it occurs afterwards. Let’s be clear: I am not talking about fraud, which we can assume is fraud from the start. If you think about it, most customer error is pretty straightforward, because most of it is to do with changes of circumstances that have occurred after the event.

**Q183 Stephen Barclay:** But that is not what your Department’s 2010 fraud and error strategy is saying. That strategy is saying that we recognise commercial organisations make great use of predictive modelling, to pick up the point that Ian Swales was making. Belatedly, that is a point that you are exploring, so

surely you are exploring predictive modelling in order to address the point that has just been raised.

**Robert Devereux:** I am, but with the greatest respect, the document is on fraud and error, which covers all of it. It is certainly true that there are issues to do with the gateway that will certainly be improved by risk scoring.

**Q184 Stephen Barclay:** I am making that distinction, because you absolutely said, Mr Devereux, that it is a valid point for fraud but not for error. If I can take you to paragraph 3.10, it says: “This point is also recognised in the Department’s 2010 fraud and error strategy, which focuses on preventing customer error by using a wide range of data on customers”. This is in the whole section headed: “The Department recognises there is scope to do risk profiling to a greater extent”, and picks up on the point of previous PACs, going back to 2003, where you had risk scoring around housing benefit. For some reason, it has taken eight years, and the Department has still not fully expanded it out to all other benefits. I take the point that you have only been in post for four weeks, but why do you think the pace of change in the Department has been so slow?

**Robert Devereux:** Let me come back to the facts, first of all. I am quoting what the C&AG is recording in here about the level of error. Paragraph 2.5: “fewer than one in four errors were likely to have occurred when the customer originally applied for the benefit”. This is the Report I am working off.

In answer to the question of whether the Department could previously have done better, it is a very easy answer to say, “Of course.” I was not here. You have scrutinised my predecessor, I think, 30 times in total. As I am saying now, I have a commitment to get to a 25% reduction. I have explained to you how I intend to do that. That is where the action lies now. It is in the future.

**Q185 Ian Swales:** Going back to my question, what can you do to try and reduce that front-end problem? Obviously, one of the issues is the complexity of the whole process, and the forms, and so on. Even as a qualified accountant, I struggle with some of the claim forms that the DWP puts out to people. A lot of people need help with them. Is there nothing you can do to try to make this whole process work a lot more smoothly?

**Robert Devereux:** When the Welfare Reform Bill comes in front of the House, and there are—

**Q186 Chair:** Hang on a minute. Before we go to the Welfare Reform Bill, the start of implementation of the single benefit, which I think we all welcome, is 2013. You are committed to a 25% cut in fraud and error in this CSR. Let’s not go down that track. What we are looking at is your capability to achieve that in this CSR.

**Robert Devereux:** I have been asked a question about complexity, and in the course of this Parliament, part of the answer will be to change the level of complexity for all future generations of Permanent Secretaries in front of this Committee. That is the only point I was going to make.

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As for where we are now, clearly there are things that we can do. Let me tell you about one thing that is already happening at the gateway in respect of customer error. We are risk-profiling claims for pension credit right now. Those claims that we believe to be more risky than less risky are in receipt of a home visit in order to confirm things before we get a long way into making a claim that, in many cases, has a fixed-length period on it. We do understand what risk profiling is. I absolutely accept that we are not doing as much of it as we might do, and that is why, in these documents, it says that we should do more of it.

**Q187 Matthew Hancock:** Can I just push you on that a little bit more? One of the recommendations is that, because overpayments can only be recovered in some instances, preventing errors in the first place is very important. You talked about how only 7% are at the gateway for income-related payments. What about for non-income-related payments, where the changes in circumstances do not have such a big impact—for instance, disability payments?

**Robert Devereux:** I am afraid I do not have those figures with me. I would have to go back and find out whether we—

**Q188 Chair:** Maybe John Oliver can answer that.

**John Oliver:** There are a couple of points I was going to make on the prevention side. We do see prevention as absolutely key, and one of the foundational things that we want to change within what we do. For us, that then means we need to have better investment in data matching at the beginning of the claim, and throughout the life of the claim, which is quite new for us. We do a lot of data matching within the Department, and then with some other Government Departments, but we are limited in that.

**Q189 Matthew Hancock:** What have you been getting wrong in the past that you want to change?

**John Oliver:** I do not know if it is getting it wrong; I think it is doing it better, and learning from best practice both in the private sector and globally.

**Q190 Matthew Hancock:** Within disability allowance, what proportion of awards had a face-to-face visit before?

**John Oliver:** I do not know. We will need to note you on that figure.

**Q191 Matthew Hancock:** It would be good to have a note on that.

**Robert Devereux:** It will be very few, though.

**Q192 Matthew Hancock:** Very few have a face-to-face—?

**John Oliver:** It is a telephone claim process.

**Robert Devereux:** In disability allowance, it is largely paper-based, and with some telephone.

**Chair:** I am really sorry, but you are going to have to speak up. I know we keep saying this—

**Q193 Matthew Hancock:** So disability allowance claims are largely paper-based, and therefore an

assessment of the disability is not something that you undertake?

**Robert Devereux:** Oh, no. Let us be clear. Sorry. I thought you were talking about whether or not we were doing home visits. For a Disability Living Allowance, it is quite common for us to receive a GP's view of the claimant. It is not uncommon for us to ask our own doctor to check that. I was drawing a distinction between that and visiting in the rather more conventional sense.

**Matthew Hancock:** Right.

**Robert Devereux:** We are using professional medical expertise in reaching these judgments.

**Q194 Matthew Hancock:** How would you respond to the story in today's papers that a large amount of disability payment—£150 million was mentioned—is paid out to people with minor ailments?

**Robert Devereux:** How do I respond to that? We are trying to apply the rules that Parliament has set us in the way that we go about it now. You will know that the Government has already gone out to consultation on whether that is the right way to run DLA in the future. That is a consultation that is going on, and Ministers are trying to think about what is the best way to organise DLA.

**Q195 Nick Smith:** Mr Devereux, I was pleased to hear your remarks about coming forward with initiatives that work in a sustained way. We are all, I am sure, pleased to hear about these 600 staff that will do 1 million checks with a return of five-to-one. It feels like a no-brainer. How will you determine whether or not you are going to invest in more staff to do this particular initiative—sooner rather than later, to get a better return sooner rather than later?

**Robert Devereux:** In a sense by simply asking the question, "Explain to me what the level of return would be if I did more of this."

**Q196 Chair:** But you have a headcount constraint.

**Robert Devereux:** No, I have a budget constraint. Right now, as part of the settlement that we reached with the Treasury, they are interested in having a conversation with us about the right way to control the £6.5 billion that it costs to run the Department, as well as the £150 million—

**Q197 Chair:** So you do not have a headcount constraint?

**Robert Devereux:** Not an independent headcount constraint. Sorry. I am answering a narrow point. Occasionally, the Treasury thinks that things are so bad that they give me a headcount constraint, and a consultant constraint, and an everything-else constraint. Post Spending Review, I regard myself as having a budget constraint, which necessarily involves thinking about staff.

In this particular case, the point I am trying to make is that the cost of employing staff comes out of one bucket—the cost of running the Department. The savings they are making by having claims corrected comes out of another bucket. The Treasury is positively interested in a conversation with us about how the incentives and control mechanisms work for

the second bucket, so that I can say, "If I think I could make a four-to-one return by doubling the checks from 1 million to 2 million, from the taxpayer's perspective, that is the right thing to do." There is an artificial constraint in the way that the Treasury thinks about the make-up of public spending. That ought to be the thing that gives in respect of 2 million checks.

**Chair:** This is the old—

**Q198 Nick Smith:** We all get that, so how are you going to do it?

**Robert Devereux:** I have told you that I want to look at it. I have told you that the Treasury are prepared to look at it. When I have been here longer than four weeks, I will tell you the answer.

**Q199 Matthew Hancock:** Why is that artificial split there in the first place?

**Robert Devereux:** That is a question you might want to ask the Treasury. It is to do with a view about what is controllable by Departments. The view is that if you say to Mr Devereux, "You have a £6.5 billion budget," you have a plausible chance that, by the end of the year, he will not have spent more than £6.5 billion. I simply do not know what the actual outturn cost of Jobseeker's Allowance is going to be this year.

**Matthew Hancock:** Of course.

**Robert Devereux:** Because, guess what, it depends on the economy, which is not wholly under my control. That's the logic behind the AME/DEL.

**Q200 Chair:** This is really interesting, because some of us have been battling away for years to try to get some logic about investment to save. Are you telling us that the Treasury will allow you the benefit of the AME saving from an additional DEL investment?

**Robert Devereux:** Yes. I mean, what—

**Q201 Chair:** Is there a yes or a no?

**Robert Devereux:** Let me just be accurate, that is all. It has been the case for many a year—and it was even when I was doing this in 1998—that if you made a particular proposition to the Treasury for some extra spending that appeared to have some benefit savings, they might give that to you. That is what they call "spend to save" initiatives, and you will have seen that all over the place.

The question that the Treasury is asking is a rather more profound and systemic one. They are saying, "Coming to us one at a time does not seem to us entirely right. How would we have to understand your responsibilities, Mr Devereux, and my responsibilities, Mr Macpherson, in order to give you all the right incentives to make those judgments?"

If you think it is sensible for me to keep going back to the Treasury if I want to raise 1 million checks to 1.1 million checks, when on the face of it I appear to be accountable for the overall thing, then I am afraid I agree with you. The Treasury is asking, "Is there a more adult relationship to be had here?" There potentially is, but getting it right is quite important, because I do not want to find that I am back in front of you because I have overspent my budget, because the economy is not growing quite as fast as we

expected. Getting it right is quite important, but the conversation is a live conversation now.

**Q202 Chair:** Is that a conversation within this Comprehensive Spending Review period? Or is this for the next?

**Robert Devereux:** It is a conversation that was flagged as part of the settlement with a view to what can be changed in the course of this current Spending Review.

**Chair:** Okay. Nick, have you finished?

**Nick Smith:** Yes.

**Q203 Austin Mitchell:** You have introduced risk assessment for Housing Benefit and Income Support. We are told that that has more than doubled the success rate of interventions. Why has the risk assessment system not been introduced for other benefits?

**Chair:** Maybe John Oliver can answer that.

**Robert Devereux:** That would be helpful.

**Chair:** Rescue! Rescue!

**John Oliver:** Not at all. There are two things. One, it is complex, and we have large volumes, but what we are doing, and I think it is part of the No. 10 strategy, is we announced that we do want to do that for all our benefits. We want to have a system of data matching and risk assessment for all benefits in the future.

It sounds simple, but it is not, because it does involve IT change, and whenever we get into IT change, it costs and it takes time. What we have done is to incrementally move Housing Benefit, and then into Income Support and Jobseeker's Allowance, and are now extending that to our other benefits too. As we say, we will embed that within our new systems for universal credit—as you rightly say, that is longer term.

What we now want to do is expand that for all our benefits; create a central hub, if you like, which feeds all our benefit system. Along with HMRC, whom we are working with on this, we want to share our information and make sure that we are data matching and risk scoring across Departments and across benefits.

**Q204 Austin Mitchell:** What does it show, the error risk assessment system, about the balance between what could be deliberate fraud—in other words, omitting somebody from the household or omitting some fund of money they have—and what is accidental? Most of the people who came to me with problems say, "We did not know this," or, "They never told us that," or "Why should that be included?" What is the balance that you are finding?

**John Oliver:** You can see that in our stats, where effectively you have £1 billion apiece between customer error, official error, and fraud. You can see that through what we find in the cases that are referred through to us. You are right that the benefits system is complex. People do get confused, as Robert was saying earlier, especially when they want to change their circumstances, in Housing Benefit for example. It is confusing. We also have an issue about how many people we tell about a change in circumstances. If you are on one of our benefits, you are on tax benefits, and

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you are on Housing Benefit, then you are telling three different authorities about a potential change.

**Q205 Austin Mitchell:** Yes. They all say: "I told so-and-so. Why did they not know?"

**John Oliver:** Exactly. So, for example, the ATLAS project, which has been mentioned in the Report, and which Robert mentioned earlier, automatically tells local authorities when there is a change in the benefits system. Rather than seeing a very passive referral, it automatically changes the system in local authorities.

**Q206 Austin Mitchell:** So what is the balance between deliberate omission and fraud?

**John Oliver:** I would say 33/33/33. Our measurement system shows that it is roughly that kind of proportion.

**Q207 Austin Mitchell:** You are now going to require them to confirm that their circumstances are correct.

**John Oliver:** Yes.

**Q208 Austin Mitchell:** Would it not be better if all the forms were filled in with an official there to advise them?

**John Oliver:** Yes. As you know, that is expensive, because if you use a member of staff—

**Q209 Austin Mitchell:** But is it necessary?

**John Oliver:** What we would say is that we look at new ways of doing that. What we are looking at, as far as the declaration of change is concerned, is that we do make it an explicit part of making a claim and reporting a change of circumstance that a customer does know about their responsibilities, accepting the complexity that we allude to. But we are looking also at new developments, like our online processing, which make it easier for people to do that, so that we do not need to have someone walking through every claim. You can do that on the internet also.

**Q210 Austin Mitchell:** Just one final question. Tell us, do you have evidence on the geographical incidence of mistaken claims? There is the image of the scrounging Scouser—there are no Liverpool members present, are there?—and the honest, upright Yorkshireman.

**Robert Devereux:** If we can find those data, we'll send them to you.

**Q211 Austin Mitchell:** Can you supply us with any figures on the geographical incidence of mistakes?

**John Oliver:** I will make no comment on regional variation, but I am—

**Q212 Austin Mitchell:** Where are you from?

**John Oliver:** Guess. And I think we are very upright. What I would say, as part of the No. 10 strategy that we announced in October, is that we are looking at regional taskforce efforts. Effectively what we are looking at is establishing regional teams that go into particular areas, identified through data matching, where we know that there are problems, because we can identify where there are problems geographically.

**Robert Devereux:** But let's be clear. The chance that geography is the key determinant is, I think, relatively low. You asked a question at the beginning about risk scoring. If you want people to be right, then we have to take some better views about which people to put through which treatment.

**Q213 Chair:** I have to say, I do not entirely agree. If you look at benefit dependency, there is a geographical concentration, and if you looked at that you might get closer to intergenerational, third or fourth generation dependency on benefits, and I bet there is a correlation.

**Austin Mitchell:** It is also the educational levels in the area.

**Chair:** It is a bit of that, but I bet there is a correlation.

**Robert Devereux:** With respect, I suspect what you have there are other factors correlated with that geography. I would not want to say of Liverpudlians, or anybody else, that as a class they should be a risk variable.

**Chair:** No, but they get smarter at doing it.

**Q214 Matthew Hancock:** Does this new risk assessment mean that in the past you were too trusting of the information that came in, especially when there were no face-to-face meetings?

**Robert Devereux:** The difficulty that we face is this. If you run a big national organisation and you put everybody through the same process, you are not, as it were, tuning the process to reflect potentially known risks. You could look at Mr Devereux and decide that I have a particular characteristic, which, all history tells you, is highly correlated with customer error.

**Matthew Hancock:** Yes.

**Robert Devereux:** You might then say, "Let us have Mr Devereux in and speak to him face to face." Mr Oliver, on the other hand, may be associated with all kinds of upright Yorkshire arrangements, and we might conclude that online is perfectly good for him. That is what we would want to do. In the past, we have had more of a "one size fits all", just because we are a very large national organisation.

**Q215 Matthew Hancock:** So you have just trusted people's views more than you do now?

**Robert Devereux:** Yes, is the answer.

**Amyas Morse:** Just a point before we leave this point about "spend to save" and so forth. Do you remember that we had a discussion in HMRC investigations and so forth, where they had a high yield on money spent, last week? It strikes me that it might be a good thing to ask the Treasury Officer of Accounts to consider how we should enquire into that rather more fully. How does the Treasury make these decisions, working with the Departments, about what is an appropriate investment? We see some cases that really do look like quite strong cases for investment, and yet we hear about them again and we do not necessarily find that that investment has taken place to the full extent. Not to be too challenging about it, colleague, but it would be very interesting to hear just how you see that relationship running, and how you make those decisions. Do you have some guidance on that,

perhaps? Can you consider and come back to us with some ideas about that?

**Q216 Chair:** More than that, I think it would be a really interesting cross-Government exercise to do, because across Government you get Departments claiming an “invest to save” and an AME-DEL conflict and all this sort of stuff. It would be really, I think, very positive.

**Amyas Morse:** I know that’s not quite the line, but if the Committee is agreeable to that, we will certainly develop something with the Treasury.

**Marius Gallaher:** We would be very happy to provide some guidance on that. I would say that the Treasury every day is thinking about investing to save. Every day.

**Amyas Morse:** Every day. Including at the weekends.

**Chair:** They always did. They always did, but they never invested in the end. They were always too mean to invest.

**Q217 Stephen Barclay:** But also, in a similar area, Amyas, I have asked for the note, which is where there is an impact of cuts on one Department on spending in another. There is a working group on that, but we have not had from the Treasury the terms of reference for that Committee, how often it is meeting, who is on it, and the minutes of that. Perhaps that is something else that the Treasury can provide.

**Chair:** Urgently.

**Robert Devereux:** There is a relatively small number of Departments for whom there is an AME-DEL problem, because AME only includes a few things. Most Departments have their entire costs in DEL, and it is basically a matter for them to manage their spend to save. Let us not make the Treasury’s life too difficult. We and the revenue authorities—because that is not even spending—are in that territory. Many others are not.

**Q218 Mr Bacon:** The Chair has teed up very neatly the question I wanted to ask, because Mr Devereux, as an aficionado of the Department for Transport—indeed, its former Permanent Secretary—you will know more than most about the shared services of the Department for Transport and its agencies. This, of course, was designed to save £112 million while costing £55 million. It ended up costing £120 million, and according to the NAO, ended up saving a maximum of £40 million over 10 years, while spitting out messages in German and denying people annual leave to which they were entitled. It was not the unqualified success that the Department and its agencies had been hoping for.

My question, when you asked about the 1 million checks, was indeed, why 1 million, as you yourself asked? Why not a different number? But also, how robust was the pilot that led you to believe that you would save £5 for every £1 invested? How many people were involved? How severely was that pilot tested before you went out?

**Robert Devereux:** I may ask John to help me out with this, but I am trying to see whether I have—

**Q219 Chair:** If John Oliver can answer it, see if you can answer it.

**Robert Devereux:** I do not think I have the details of the size of it before we put it in. It is an interesting observation about the way that the policy is made. I do not think that we are particularly good at doing the really clinical expositions of actually what works and what does not.

**Chair:** Hear, hear. That is a theme running through this Report.

**Q220 Mr Bacon:** Do you think that is to do with the policy profession in the Civil Service?

**Robert Devereux:** Since you are about to then identify that I am in charge of it, obviously not.

**Q221 Mr Bacon:** I did not need to.

**Robert Devereux:** There is potentially quite a short gap between flash and bang. People think of something, and they want it announced, and we do it. Some of these things require quite a bit of testing. Let me give you an example that is in a slightly different space, but bear with me. You may know that I have been doing a lot of travelling. I have spent most of my life travelling round the country in the last four weeks. I visited the Jobcentre in Anniesland in Glasgow, where essentially we are giving them some freedom, some derogations from the bog-standard process, to see whether, just using natural skill and judgment and knowledge of the area, they can do better. They are very, very enthused by this, and they look at their off-flow rates from Jobseeker’s Allowance and have persuaded themselves that they are doing better than they used to. When I say, “Just demonstrate that to me,” they say, “Do not worry. We have other people in the Department, the economists, who have matched our labour market with a labour market in Birmingham as a control, and they have persuaded us that it is all a lot better.” To be honest, I am not entirely persuaded that that in itself is a good test.

I was thinking about what Americans typically do. They do a very substantial, randomised trial, in exactly the same labour market. I have yet to find a single randomised trial in the labour market in the four weeks I have been here, because, if you think about it, politically it is quite difficult. It means giving somebody a service that is not the one you are trying to trial. Yet that is, in truth, the only way of genuinely knowing.

I mention that point because it is all very well saying, “Let’s have a conversation with the Treasury about DEL and AME.” If they’re going to give me responsibility for AME, I have to be absolutely rock-solid certain that I know how to control it, and I cannot do that, with the greatest respect, by comparing Glasgow and Birmingham. I need to know what is going on at the micro-level. It just happens to be that the way the Americans operate, the way in which the legislature provides some of the money, is you only get the money if you have a decent test to prove it in the first place. That is not the way we do it here. That is the sort of view that I would like to bring into the Department.

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**Q222 Mr Bacon:** It comes back to something that Mr Swales was saying earlier: maybe you need some help from politicians.

**Robert Devereux:** It is always welcome.

**Q223 Mr Bacon:** The whole gap between the flash and the bang is an extremely interesting area—the whole point that Sir David Omand used to make about good policies being deliverable policies. Although this is, I know, slightly leaping ahead of ourselves, and certainly beyond the current CSR, your Department is embarking on an enormous reform in terms of the design of the benefits system.

You mentioned earlier that you had been asked a question about complexity, and you did not think you could really answer it without going forward and talking about the future. I have heard every Permanent Secretary of your Department—and you are the fourth one I have seen sitting here since I got on to this Committee—try to defend not so much the indefensible but an extant system, when it is the complexity itself that makes it impossible for you to do your job as an accounting officer and account accurately to Parliament for how public money is spent.

I have always said, and I have been saying it ever since Rachel Lomax was the Permanent Secretary, “Why don’t you then turn around to your Minister and say, ‘You are asking me to implement a policy that I cannot do and be loyal to my duties as an accounting officer in accounting to Parliament for how money is spent. Let’s work together to find a policy that I can fulfil my duties by implementing.’”

Are you satisfied that the changes—which are huge, and which carry huge risks—that the Department has now embarked on will make the system simpler, in a way that will make it easier for you to account to Parliament for public money?

**Robert Devereux:** That is a very good question. I genuinely think that the nature of the reforms that the Government is trying to put through at the moment are, fundamentally, of the simplifying variety. The very fact that, where at the moment I have four benefits, each of which has wholly different rates for some categories of individuals, it will turn into one, will simplify it. The reason why I mention the Welfare Reform Bill—I realise it is about the future—is that when that Bill comes into Parliament, all history tells me that people will put their hands up and say: “Yes, but this Bill is too simple, because it does not account for my constituent, who has this particular thing. Could I have a clause that would enable us to do this?”

The help that I would like from MPs, and I am going to be slightly cheeky, is that if the Public Accounts Committee has, for four generations of Permanent Secretaries, said that it is too complicated, when you are in these debates, and people are saying, “Yes, but my constituent...” if you could possibly speak up and say: “On the other hand, this is where complexity comes in and that is why we are losing this much money.” That is the tension.

It is perfectly understandable why people want to put special regimes in. I do not want to argue with any of them, but the reality is that they accrete over time.

The Bill coming in front of you for Universal Credit is, seriously, a once in a generation chance to change that, if Parliament holds its nerve and says: “Yes, that is what I want. I want simplification.” I can only work within the legislative—

**Chair:** I know that we will come back to these issues time and time again, so I am going to move on.

**Q224 Stephen Barclay:** I am focused on what Richard was asking. Do you see these as a step change in terms of addressing customer error, or just a continuation in the evolution of what has been done before?

**Robert Devereux:** I think it is a step change. We have not, in the arithmetic we have been trying to do at the moment, been able to get a handle on exactly how the behavioural change that goes with substantially greater conditionality works through. Universal Credit, remember, is not just a clever adding-up machine that pays a slightly different benefit. It comes with the fact that we will be talking to people of working age at various points—

**Stephen Barclay:** Yes. I was not meaning the Universal Credit. I mean the next couple of years.

**Chair:** Stephen, we have a lot to do, so can we focus really on customer fraud and error this morning? I know everybody is bringing in—

**Stephen Barclay:** That was what I was saying. With respect, I was saying, we are not dealing with 2013. I was focusing on what the Report says, Chair—

**Chair:** Okay. Good.

**Q225 Stephen Barclay:** —in paragraph 3.11, where it says that “current systems do not enable the Department to understand whether certain groups such as older people, or those suffering from ill health, are disproportionately more likely to make errors,” which strikes me as bizarre. There is the fact that at paragraph 3.13 it says, in essence, the attention of the Department has been focused on other issues, in particular fraud and official error, as opposed to customer error.

What is odd about that is that, if you look at the largest loss from customer mistakes, it is customer error. Customer error accounts for £1.9 billion, as opposed to fraud, which is £1 billion, and official error, which is £1.6 billion. The point, Chair, which goes to the heart of what this Report is addressing, is that within the three heads of loss, the area of largest loss identified here is customer error.

Yet the current systems—and this flows from Ian Swales’s earlier point about prevention—as it says in paragraph 3.11, do not pick up the areas where that is disproportionately more likely. Your senior management focus has been diverted on to other issues. From my point of view, why is it that current systems, first, do not address this? Do you see this as a cultural issue, particularly around the senior management team, that they have been distracted with other areas where perhaps there are lesser losses, instead of looking at the bigger area of loss?

**Robert Devereux:** I am not quite sure where you are getting your figures on the losses. In figure 1, basically, as John has already identified, fraud,

customer error and official error are each of the order of £1 billion overpayment.

**Q226 Stephen Barclay:** I was taking the figures from the first page of the Brief, which says £1.1 billion overpaid and £0.8 billion underpaid on customer error.

**Robert Devereux:** Yes. But you were making a comparison with the other arms of loss.

**Stephen Barclay:** Yes.

**Robert Devereux:** Official error overpayment is £1.1 billion; fraud overpayment is £1 billion. They are all too large, but they are actually equal. What the C&AG is identifying is that within three things, each of which we are overpaying £1 billion a year on, we would appear to have spent longer worrying about fraud and official error, instead of customer error.

**Stephen Barclay:** Absolutely.

**Robert Devereux:** So it is not that it is disproportionate, but we have not done as much on that. I have been trying to persuade the Committee today that the plan that I have inherited, and the steps I intend to make to implement it, give us a chance of doing better than that. I am not going to comment on how we come to be where we are. There are things in place that will make customer error better.

**Q227 Chair:** But there is an interesting issue arising out of what Stephen has just said. We have focused so far on overpayments. There is nearly £1 billion of underpayments, and that is poor people losing out on average, it says in the Report, on about a quarter of their income.

**Robert Devereux:** Yes.

**Chair:** It seems to me there is no work going on there to ensure that people get the monies to which they are entitled.

**Q228 Dr Creasy:** This is exactly the set of questions I wanted to get into. So far we have talked about the concept of how the CSR is putting pressure on you to reduce some of the costs that you have today in your budget. Obviously, reducing cost is not necessarily the same as value for money. One of the issues that we have is that value for money is also the effective passporting of benefits to the people who are entitled to them. I wonder if you could say a little bit more, to start with, about what you are doing within some of the systems you have talked about so far to correct some of that nearly £1 billion of underpayment?

**Robert Devereux:** Just to get the scales right here, overpayment, in aggregate, is of the order of £3.2 billion. Underpayment is of the order of £1 billion. The reason I talked the way I did is that we are way more overpaying than underpaying.

**Q229 Dr Creasy:** I appreciate that, but for us it is a value for money concern as well.

**Robert Devereux:** Yes, I understand. In respect of underpayment, let's be clear: some of the things that we are doing, systematically going through the cases, making checks and trying to see whether things are right, will work both ways. We are looking at cases that we know typically to have an error. We are not just looking at the ones we know typically to have

an overpayment. If you look at underpayments and overpayments, they are often the same thing.

**Q230 Chair:** Have you got a target for underpayments?

**Robert Devereux:** I do not think I have a target for underpayments. Do I have a target for underpayments?

**Q231 Chair:** You only have a target for overpayments?

**Robert Devereux:** I have a target for fraud and error reduction.

**Q232 Chair:** Does that include underpayments or just overpayments?

**John Oliver:** It does include it. We look at the underpayment and the overpayment, and look between the two, as far as our targets are concerned.

**Q233 Dr Creasy:** To put it another way, do you have a contingency budget for back payment?

**Robert Devereux:** Sorry, can I just check that I understand that answer, first of all? You are looking at the net figure that we are seeking to reduce?

**John Oliver:** Yes.

**Robert Devereux:** Okay. Fine. In so far as we reduce overpayments and increase underpayments simultaneously, that would be neutral towards the target.

**Chair:** But the targets—sorry, do you understand that?

**Q234 Dr Creasy:** That could imply that you are saying that you have to reduce overpayments in order to meet the underpayments that you also have to meet.

**Chair:** Quite. Yes.

**Robert Devereux:** Let me take you back to the fault line, which is the difference between my departmental budget and the cost of the benefits. This is not constrained. The cost of the benefits is whatever the cost of the benefits is. That is why it is annually managed, because it is difficult to do.

**Q235 Dr Creasy:** Do you have a contingency budget for back payments, then?

**Robert Devereux:** No, because there is no such concept of it, because annually managed expenditure is what it says on the tin. If the recession is better or worse, the annually managed expenditure will be up or down. Likewise, if we are very successful in improving our record on underpayments, that bill will be higher, and at the moment the Treasury has to take it on the chin, because that is what “annually managed” means.

**Q236 Dr Creasy:** Obviously you have got some data about the nature of the underpayments that you could be making here.

**Robert Devereux:** Yes.

**Dr Creasy:** It is broadly equivalent to the overpayments.

**Robert Devereux:** Yes.

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**Q237 Dr Creasy:** You have made no estimation, if the work that you are doing is effective, what additional funds you will need to cover that back payment? Is that what you are saying? You are saying essentially that you will end up going to the Treasury and saying: "Look, guys, we need some more money because we have been so effective at sorting out error."

**Robert Devereux:** Maybe we are talking at cross-purposes here.

**Q238 Dr Creasy:** We are trying to understand. Obviously, you have a very tough target with the CSR about reducing fraud and error in the system by 25%. Clearly, if some of the measures that you are taking will also increase the numbers of people who are caught having underpayments, that has a financial implication as well. I am trying to tease out what provision you have made within your own accounting for that, as well.

**Robert Devereux:** To which I am afraid I do not know the answer.

**John Oliver:** The interesting issue is that in our accounting, at a departmental level, we do not account for our AME spend. This is a Treasury domain. We are looking at optimising the benefit expenditure, whether it be overpayment or underpayment. I do not look at either as being better or worse. What we are trying to do is to get the right benefit to the right person at the right time. To me, we are not setting a budget that says: "You must optimise or underpay."

**Robert Devereux:** We are not cash constrained in dealing with those underpayments, if that is the question you are asking.

**Q239 Chair:** Can I get clear, because I am not—your 25% reduction is a reduction of cost to Government?

**Robert Devereux:** Yes.

**Q240 Chair:** Yes. So if you are successful in getting more people the benefit to which they are entitled and which they are not claiming, you will have to go over the 25% on reducing the error that gives people too much money.

**John Oliver:** On the overall scoresheet, the Treasury balance scorecard, I think your point is valid.

**Q241 Chair:** Where the hell are the incentives for you to ensure that people who at the moment do not get the benefit to which they are entitled—where are the incentives in that target from the Treasury for you to improve your performance?

**Robert Devereux:** Can I possibly just go away and check that we actually have that straight? When I went through this to find out what the arithmetic was, the arithmetic is as set out in paragraph 9. We are looking at a 25% reduction. The total stock is £5.2 billion of overpayments in DWP and HMRC. That is a thing for which I have a set of things that will reduce the overpayments by 25%. Could we just check, first of all, that we are talking about—

**Q242 Chair:** Absolutely. We would appreciate a quick return, because that is hugely worrying.

**Robert Devereux:** I quite agree. I had read this as being a target on the gross overpayment. Therefore I am not in the position of producing perverse incentives. If the Treasury had given me a net position, I would (a) be surprised, and (b) it would fall foul of your line of questioning. I suspect that, although I am newer than John, that that is actually a gross target.

**Q243 Dr Creasy:** So you will let us know if you have a target for reducing underpayments as well, and how those two marry together?

**Robert Devereux:** Yes. That is a fair question.

**Q244 Chair:** Do you know?

**Phil Gibby:** My understanding is that it is on the gross figure. That is what I think it is. For me, the logical thing would be that if it is the net of the two, then actually an increase in underpayments would help you meet the target.

**Chair:** Quite.

**Q245 Chair:** Okay. Come back to us as soon as you can, because then we can get our Report out. I call Ian, and then I think we will stop.

**Q246 Ian Swales:** I have a very quick point about the relationship between agencies. You are DWP; you have two agencies yourselves, Jobcentre Plus and the Pension, Disability and Carers Service. There is also HMRC with information. There are also local authorities with information. Are you entirely free to use all that information in dealing with clients? I ask this question because of a visit that I paid to HMRC, where they are constrained in using even some of their own information that has come in via a different route. They seem to be adopting a view about data protection that, to me, is completely over the top. In the relationship between a citizen and the state, you should be free to use all the data.

**Robert Devereux:** I will tell you what I think I know, and then try to expand on this. It has been the case that progressively over the years, the gateways between these Departments have opened up further and further. It is absolutely not the case that all the data they have, and all the data I have, and all the data local companies have, are just in some big box and we just swish it all around.

The reason why the gateways are only as far open as they are at the minute is because of judgments that have been reached, typically in law by Parliament, about what they want to be passed one way or another. To come back to the question, at what point is it a Big Brother, "I tell you, we are the State, we are going to know," and at what point is that not quite appropriate? For the moment, for example, I know that I am getting from my data matching whether or not you are in work. I am not getting how much you are earning. HMRC knows both of those questions, but is only telling me one of those.

**Q247 Ian Swales:** Should that change? Would this help if you had more transparency?

**Robert Devereux:** Fortunately, and I chose my example wisely, that is about to change, and we are

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going to get earnings, because we need earnings information from HMRC to make Universal Credit work. Your point is right. We are better off now than we were last time I was in the Department. I am sure there are more things we could do, some of which are already on the stocks. It is an interesting tension. Not everybody thinks that, just because you are some part of the state, the data should wash around. I have some sympathy for that view.

**Q248 Chair:** Thank you very much indeed. We have asked for a lot of notes in this Committee, and you have agreed to provide them. Can I just make the point that it would be extremely useful if we could have those within a week, with an explanation of why, if there is anything that is not there?

**Robert Devereux:** I think we have only promised you notes on things that I know that we know; it is just that I do not know them.

**Q249 Chair:** Then tell us what you do not know. Sometimes these notes take forever to come to us.

**Robert Devereux:** I will try my very best.

**Chair:** If we can start the new discipline of having them within a week, that will be very helpful. Many thanks, and we will produce one Report on the two sessions that we've had around both customer and administrative error. Thanks very much indeed.

**Robert Devereux:** Thank you very much.

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### Written evidence from the Department of Work and Pensions

#### FOLLOW UP NOTE TO PAC HEARING ON ADMINISTRATIVE ERRORS IN THE BENEFIT SYSTEM

1. At the PAC Hearing on 8 December, I promised to write in response to a number of the Committee's questions concerning Housing Benefit and Council Tax Benefit fraud figures, expenditure on Housing Benefit fraud investigation, incentives for local authorities to investigate fraud, overpayment recoveries, and links with SOCA. Also, more generally, I promised to provide some information in relation to the Computer Weekly article referred to at the hearing, which apparently stated that 19 of the DWP's IT Projects were over budget or late, and on how the Department scored in the most recent Capability Review.

2. Mr Barclay mentioned that fraud relating to Housing Benefit and Council Tax Benefit was 1.2% in both 2005/06 and 2009–10. In 2005/06 the figure for both Housing Benefit and Council Tax Benefit fraud was 1.0%. In 2009/10, the percentage had increased slightly to 1.3% in Housing Benefit and 1.1% in Council Tax Benefit. The monetary value over the same period increased from £180m (£140m in Housing Benefit and £40m in Council Tax Benefit) to £31 Om (260m Housing Benefit and £50m Council Tax Benefit).

3. Mr Barclay also referred to official error in Housing Benefit in 2009/10 as being £300 million. I have been unable to identify the source of that figure as my Department's published estimates show official error in 2009/10 to be £200m.

4. We estimate that it costs around £70m a year to investigate local authority benefit fraud. Around £350m in overpayments are recovered by local authorities each year. However, this includes overpayments arising not just from fraud but also from customer and official error.

5. Local authorities are incentivised to investigate fraud. Where Housing Benefit has been paid fraudulently, reimbursement from DWP to the local authority is reduced from 100% to 40%. This encourages the local authority concerned to pursue recovery. Where they recover the overpayment in full, they achieve 140% reimbursement when taken together with DWP subsidy. In addition, local authorities are further incentivised through being able to retain sums raised from administrative penalties and through the provision of free investigator training and prosecution services from DWP.

6. With regard to local authority links with SOCA, I can confirm that accredited financial investigators within local authorities can submit a request to SOCA to search the SARs database on their behalf for information relevant to their specific investigations.

7. In terms of the article in Computer Weekly that reported on the hearing of the Work and Pensions Select Committee on 19 November 2008 regarding DWP IT Procurement and that stated that "19 IT projects at DWP were over-budget or late", I can confirm that that these figures were not accurate.

8. The hearing was based on a National Audit Office (NAO) memorandum, commissioned by the Work and Pensions Select Committee: "Department for Work and Pensions: IT Programmes". The memorandum noted that seven of the Department's 19 most significant IT enabled projects were delivering at or below original budget and on time; two more were being delivered on time, although over their original budget, and another was under budget but over time.

9. Nine projects were at that time both over their original budget estimate and taking longer than originally anticipated to complete. However, the scope of five of these projects had been altered significantly to meet changing business needs, with consequent increases in budget and in the time required to deliver. All changes had been agreed by the Department's governance processes.

10. Since that hearing I am pleased to say that the vast majority of the projects that had not already been completed have been delivered successfully. They include the Pensions Reform Delivery Programme; the Data Centre Strategy; the Jobseekers Regime and Flexible New Deal; the Centralisation of Benefit Processing; the Fraud Referrals and Interventions Programme and the Provider Referrals and Payments project.

11. Interestingly, in his open letter to you as outgoing chairman of the Public Accounts Committee, Edward Leigh recognised, in respect of IT projects that: "there is a wealth of best practice, advice and good examples such as the Department for Work and Pensions' Pension Credit and Payment Modernisation Programme."

12. Finally, regarding how the Department fared in its last Capability Review, I can confirm that we last went through a full Capability Review exercise in June 2008. The Department was assessed as either well placed or strong in the following seven areas:

- Ignite passion, pace and drive;
  - Take responsibility for leading delivery and change;
  - Focus on outcomes;
  - Base choices on evidence;
  - Build common purpose;
  - Develop clear roles, responsibilities and delivery model(s); and
  - Manage performance.
- The following three areas were identified for further development:
- Set direction;
  - Build capability; and
  - Plan, resource and prioritise

13. The overall scores were an improvement on the Department's previous, 2006, Capability Review and saw the Department being assessed as one of the top scoring Government Departments overall.

14. Separately, but in relation to the discussion around the standards of training in the Department, it may be helpful to draw your attention to this year's peer review of Departmental performance against the Skills Strategy for Government. DWP came fourth out of all Government Departments. For the third year in succession we were in the top tranche of Departments and received a score of over 90%.

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### Supplementary evidence from the Department of Work and Pensions

#### FOLLOW UP NOTE ON CUSTOMER ERROR

1. At the PAC Hearing on Customer Error on 1 February, I agreed to write in response to questions from Mr Hancock and Ms Creasy on arrangements for visits to new claimants to Disability Living Allowance (DLA), and underpayments arising from customer error.

2. Mr Hancock asked whether customers making a new claim to DLA were routinely visited. We do not routinely visit customers at the new claim stage as DLA claims are based on a self-assessment by the customer. However, the decision maker can request a range of additional evidence to help assess a new claim, including information from the customer's health care professional (eg the GP, hospital). Decision makers are also able to request that a health care professional visits the customer to provide an independent medical opinion where appropriate. There is, though, provision for local services to visit customers at their request to help complete claim forms.

3. The Government's current consultation on DLA reform looks specifically at the assessment stage of a new claim, including the possibility—in the future—of a face-to-face meeting for all new claims.

4. While we estimate the amount of fraud and error in DLA, we do not presently estimate how much is attributable to the initial claim. However, I have asked analysts to consider how we might be able to develop that data for the future.

5. Separately, Ms Creasy asked if there was a target to reduce underpayments, and the budget to do so.

6. We do not have a separate target to reduce underpayments, although we do routinely measure (and set targets for) the accuracy of decisions. Of course, the initiatives we have in place to address customer error, along with those we will be introducing in the future as part of the fraud and error strategy (announced in 2010), identify and correct both over and underpayments of benefit. For example, between April and December last year, one initiative to reduce error in Pension Credit found weekly underpayments totalling £23,000.

7. Where underpayments are found they are rectified and arrears covering the whole period of the underpayment are paid to the customer as a matter of course. Since, as we discussed, benefit spending is treated by HM Treasury as Annually Managed Expenditure, such rectification of underpayments is not budget constrained.

8. On a related point, to clear any residual confusion, the target to reduce fraud and error by 25% by 2015 is to reduce overpayments from fraud and error. So there are no perverse incentives on the levels of underpayments.

9. Lastly, as promised, I have copied the costs and savings profile for the new fraud and error strategy to the National Audit Office.

*February 2011*

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| Funding Source         | Name  | Brief Description   | Delivery Business | Profited DEL Spend (£m) |         |         |         |         |       |         |         |         |         | Profited AME Savings (£m) |       |             |                |     |     |     |      |     |     | Customer Error MVEE Reduction |
|------------------------|---|---|-------------------|-------------------------|---------|---------|---------|---------|-------|---------|---------|---------|---------|---------------------------|-------|-------------|----------------|-----|-----|-----|------|-----|-----|-------------------------------|
|                        |   |   |                   | 2010-11                 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Total | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15                   | Total | AME Savings | MVEE Reduction |     |     |     |      |     |     |                               |
| Phase 1—agreed funding | Business Rules Engine                                   | Apply business rules at the point of claim to identify and prevent fraud and error from entering PC, IS and ISA.  | PDCS              | 5                       | 10      | 2       | 2       | 2       | 2     | 2       | 2       | 2       | 2       | 2                         | 21    | 3           | 12             | 21  | 29  | 29  | 29   | 94  | 26  | 7                             |
|                        | ATLAS   | Notify local authorities automatically when a Tax Credit (or a range of other benefits) is awarded or when there is a change to an existing award.  | WWG               | 13                      | 3       | 1       | 1       | 1       | 1     | 1       | 1       | 1       | 1       | 1                         | 20    | 0           | 85             | 100 | 100 | 100 | 75   | 360 | 130 | 81                            |
|                        | Pension Credit Case Cleanse                             | Reviewing complex pension credit cases to identify and correct error.   | PDCS              | 5                       | 0       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 5                         | 24    | 0           | 0              | 0   | 0   | 0   | 0    | 24  | 22  | 3                             |
|                        | Right Payment Programme                                 | Checking DLA cases outside of the usual checking cycle, focusing on those with the greatest propensity to change.   |                   | 1                       | 1       | 1       | 1       | 1       | 1     | 1       | 1       | 1       | 1       | 5                         | 1     | 4           | 8              | 12  | 12  | 12  | 12   | 37  | 11  | 5                             |
|                        | Additional Pension GMP Correction                       | Correcting known errors made in the calculation of Additional Pensions with a Guaranteed Minimum Pension (GMP).   |                   | 4                       | 4       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 9                         | 6     | 15          | 15             | 15  | 15  | 15  | 0    | 51  | 14  | 2                             |
|                        | JCP Call Cleanse—change of circumstances management     | Making outbound telephone calls to a target group of customers to identify changes of circumstances based on a risk model   | JCP               | 4                       | 24      | 16      | 16      | 16      | 16    | 16      | 16      | 16      | 16      | 63                        | 13    | 76          | 112            | 104 | 18  | 18  | 18   | 323 | 102 | 97                            |
|                        | JCP ESA Cleanse   | Case cleansing to prevent IB error being carried into ESA on migration (staff based)  |                   | 0                       | 0       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 1                         | 1     | 5           | 9              | 12  | 8   | 8   | 8    | 35  | 11  | 4                             |
|                        | JCP SDP   | Establish a link between the Disability Living Allowance Computer System and the Income Support Computer System that will allow information regarding DLA awards to be routed to "process management" software. |                   | 0                       | 0       | 1       | 1       | 1       | 1     | 1       | 1       | 1       | 3       | 1                         | 3     | 4           | 3              | 4   | 5   | 0   | 0    | 13  | 5   | 4                             |
|                        | Debt Management: Reduction in Customers Awaiting Action | Scaling up of business as usual activity to reduce outstanding debt cases.  | GFD               | 1                       | 1       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 2       | 3                         | 3     | 19          | 6              | 6   | 0   | 0   | 0    | 28  | 0   | 0                             |
|                        | Debt Management: Mining the Debt Stock                  | Investigating those customers that are neither in recovery or awaiting action.  |                   | 3                       | 5       | 1       | 0       | 0       | 0     | 0       | 0       | 0       | 9       | 6                         | 37    | 21          | 0              | 0   | 0   | 0   | 0    | 64  | 0   | 0                             |
|                        | Debt Management: Tracing "Gone Away" Customers          | Investing in systems and staff to integrate facilities with HMRC to trace customers who DWP has lost contact with.  |                   | 0                       | 1       | 1       | 0       | 0       | 0     | 0       | 0       | 2       | 0       | 2                         | 0     | 2           | 4              | 4   | 2   | 0   | 0    | 8   | 0   | 0                             |
|                        | Universal Credit Business Case—OBR/HMT yet to sign off  | <b>SUB-TOTAL</b>  | TBC               | 36                      | 50      | 24      | 22      | 22      | 22    | 22      | 22      | 22      | 8       | 139                       | 58    | 258         | 300            | 279 | 142 | 142 | 1037 | 321 | 199 |                               |
|                        | Universal Credit Business Case—OBR/HMT yet to sign off  | Single Fraud Investigation  | TBC               | 0                       | 7       | 20      | 6       | 6       | 6     | 6       | 6       | 6       | 6       | 44                        | 0     | 0           | 0              | 0   | 5   | 19  | 19   | 24  | 17  | 0                             |
|                        | IRIS Accreditation                                      | <b>SUB-TOTAL</b>  | TBC               | 0                       | 7       | 20      | 6       | 6       | 6     | 6       | 6       | 6       | 6       | 44                        | 0     | 0           | 0              | 0   | 5   | 19  | 19   | 24  | 17  | 0                             |
|                        | EASD  | Risk and Intelligence Staff Accreditation   | TBC               | 0                       | 31      | 76      | 38      | 38      | 38    | 38      | 38      | 38      | 38      | 221                       | 0     | 27          | 87             | 122 | 118 | 118 | 111  | 354 | 111 | 38                            |
|                        | PC Prompt   | IT Prompt   | PDCS              | 0                       | 1       | 0       | 2       | 2       | 2     | 2       | 2       | 2       | 2       | 9                         | 0     | 0           | 7              | 9   | 9   | 9   | 9    | 27  | 8   | 1                             |
|                        | Taskforce LA Data                                       | IT Prompt   | PDCS              | 0                       | 0       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 0                         | 0     | 0           | 2              | 2   | 3   | 3   | 3    | 8   | 3   | 1                             |
|                        | No. 10 Fraud and Error strategy—OBR/HMT yet sign off    | Fraud Hotline   | TBC               | 0                       | 0       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 0                         | 0     | 0           | 1              | 1   | 2   | 2   | 2    | 5   | 2   | 1                             |
|                        |   | Regional Targeting  | TBC               | 0                       | 9       | 9       | 9       | 9       | 9     | 9       | 9       | 9       | 9       | 46                        | 0     | 16          | 30             | 30  | 31  | 31  | 31   | 107 | 28  | 10                            |
|                        |   | Manual Case Cleanse   | TBC               | 6                       | 10      | 13      | 13      | 13      | 13    | 13      | 13      | 13      | 10      | 49                        | 24    | 56          | 101            | 147 | 57  | 57  | 57   | 384 | 134 | 19                            |
|                        |   | More Effective Recovery   | PDCS              | 0                       | 4       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 6                         | 0     | 0           | 18             | 45  | 70  | 70  | 70   | 132 | 0   | 0                             |
|                        |   | Increased Sanctions   | TBC               | 0                       | 4       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 6                         | 0     | 0           | 18             | 45  | 70  | 70  | 70   | 132 | 0   | 0                             |
|                        |   | Clearer Client Obligation   | TBC               | 0                       | 4       | 0       | 0       | 0       | 0     | 0       | 0       | 0       | 0       | 6                         | 0     | 0           | 18             | 45  | 70  | 70  | 70   | 132 | 0   | 0                             |

| Funding Source        | Name | Brief Description                       | Delivery Business | Profilled DEL Spend (£m) |         |         |         |         |       |         | Profilled AME Savings (£m) |         |         |         | Customer Error MVFE Reduction |                   |                |   |    |
|-----------------------|------|---|-------------------|--------------------------|---------|---------|---------|---------|-------|---------|----------------------------|---------|---------|---------|-------------------------------|-------------------|----------------|---|----|
|                       |      |   |                   | 2010-11                  | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Total | 2010-11 | 2011-12                    | 2012-13 | 2013-14 | 2014-15 |                               | Total AME Savings | MVFE Reduction |   |    |
| Comms Measurement PMO |      | Targeted Communications                 | TBC               |                          |         |         |         |         |       |         |                            |         |         |         |                               |                   |                |   |    |
|                       |      | Refine Measurement Programme Management | TBC               | 0                        | 55      | 98      | 62      | 59      | 333   | 24      | 102                        | 244     | 358     | 290     | 1017                          | 0                 | 0              | 0 | 69 |
|                       |      | <b>SUB-TOTAL</b>                        |                   | 36                       | 111     | 141     | 89      | 73      | 516   | 82      | 360                        | 544     | 642     | 451     | 2079                          | 287               | 625            |   |    |
|                       |      | <b>TOTAL</b>                            |                   |                          |         |         |         |         |       |         |                            |         |         |         |                               |                   |                |   |    |

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