House of Commons

Committee of Public Accounts

Reducing Costs in the Department for Work and Pensions

Forty-seventh Report of Session 2010–12

Report, together with formal minutes, oral and written evidence

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Committee of Public Accounts

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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via 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 www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Additional written evidence may be published on the internet only.

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).

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Contents

Summary

As part of the Government's target to reduce the budget deficit, the Department for Work and Pensions (the Department) has to reduce its running costs by £2.7 billion by March 2015. The Department intends to achieve over half of this reduction in 2011-12. It is important that the reductions in the £7.8 billion running costs do not lead to an increase in expenditure on benefits and pensions (currently estimated at £156 billion). We are concerned that the Department lacks a clear plan to deliver these savings.

While the Department aims to improve value for money through fundamental reform, it faces a considerable challenge in doing so at the same time as implementing savings. The Department told us that it was confident it could deliver all these changes effectively, but we have real concerns about its ability to do so. For example, the introduction of Universal Credit is dependent upon the successful implementation of new IT, and this requires effective resourcing of the IT back office support services in the Department. Furthermore, the Department is assuming running costs reductions from an optimistic expectation that most customers will communicate online with the Department. Both of these areas are high risk, and any delays are likely to impact on planned cost reductions. There are insufficient contingencies in place and services could be adversely affected if things do not go to plan. Too often this Committee has highlighted examples in other government departments where IT systems or projects have gone off track and emerging problems have gone unchallenged by staff.

Spending cuts of this magnitude necessitate fundamental reform to generate sustained efficiency savings – as plans are developed, more focus needs to be on the cost and value of activities so that short term benefits are not prioritised above long term efficiency savings. On the one hand, the Department closed the Future Jobs Fund, based on early analysis of its value for money, but on the other hand it will not have a full evaluation until 2012. Work is underway to streamline the corporate functions in the Department and to reduce staff numbers in Jobcentre Plus, but it is not clear how the Department will operate as a result. The Department is currently unable to reconcile its proposals for reducing costs, for example by improvements in administrative efficiency, with the spending cuts required for the Spending Review (£1.45 billion in 2011-12). The absence of a clear model of how the Department will operate in future creates uncertainty and risks unsettling staff whose morale is already low, and we expect the Department to provide us with detailed plans as soon as possible.

On the basis of a report from the Comptroller and Auditor General,[1] we took evidence from the Department on its plans for reducing costs and reforming its services.

1 C&AG's Report, *Reducing costs in the Department for Work and Pensions*, Session 2010-12, HC 1089

Conclusions and recommendations

1. **Faced with reductions of £2.7 billion in its running costs, the Department has been slow to determine how it will operate in future.** Cuts of this magnitude require major re-organisation if they are to generate sustained efficiency savings. The Department's plans for headcount reductions, or how services will be maintained, lack clarity. The Department should develop a clear, fully-costed model of how it expects to operate in future. It should keep staff informed of plans to achieve its model, in particular the extent and timing of planned headcount reductions.

2. **The running cost reductions depend to a significant extent on optimistic assumptions that 80% of Jobcentre Plus customers will deal with their claims online.** Currently only 17% deal with their claims online and 31% of the poorest in society never use IT. The Department could not explain the basis of the 80% target at the hearing. Subsequent written evidence from the Department stated that 86% of JSA customers already use the internet and 67% have access in their homes, while just over 40% are "ready, willing and able" to use online JSA services. The Department should test the realism of the plans by Jobcentre Plus to process 80% of Jobseekers Allowance claims online and prepare a detailed plan for what it can achieve. It must also spell out alternative actions if the assumed savings from customers using services online are not achieved.

3. **The Department admits that there are substantial risks attached to implementing major welfare reforms while at the same time reducing its costs.** The successful transition to Universal Credit, for example, will depend heavily on the development of a new IT system with HM Revenue and Customs to a very tight timetable. We have often seen problems with delivering new IT to time, budget and specification. The Department should allocate clear responsibility for scrutinising progress of the welfare reforms alongside cost reductions, develop a clear understanding of the risks to each and how they will be managed and encourage staff to report any emerging problems early.

4. **The plans for spending and cost reductions are not transparent.** The Department was not able to reconcile its planned savings in 2011-12, for example by improving administrative efficiency, with the reductions required in the 2010 Spending Review (£1.45 billion in 2011-12). The additional sums available for Universal Credit and other welfare reforms cannot be used to hide the need for efficiency savings during the Spending Review. For each business unit, such as Jobcentre Plus, the Department should publish baseline costs and regular updates on progress in securing cost reductions each year, including outturn against plans for key projects that contribute to the savings, such as the implementation of Universal Credit.

5. **It is not fully clear what the impact of running cost reductions is likely to be on the cost of benefits and pensions. Nor is it clear which department bears the cost of any such impact.** Although the running costs of £7.8 billion are relatively small in comparison to the £156 billion on benefits and pensions, any reorganisation risks impacting on welfare costs if they are not managed appropriately. The Department could not quantify the impact of its 2010-11 cost reductions on service delivery in

sufficient detail to measure efficiency savings. As many of the reductions planned for 2011-12 are similar, it is important that this is remedied quickly. The Department should develop and apply a methodology for measuring the impact of running cost reductions on benefits and pensions expenditure. The Department and the Treasury should clarify how any variances in the cost of benefits and pensions would be funded.

6. **While we welcome the contingencies that are in place, the National Audit Office believes that they are insufficient and the Department has little flexibility to adjust its plans if expected savings do not materialise.** It is imperative that reductions secure sustained efficiency gains rather than short term cuts that adversely affect services. The consequences of failure fall to the taxpayer and welfare recipients. Some parts of the Department have included contingencies in their plans but this prudence is not widespread and the Department does not have a clear back-up plan. The Committee will regularly hold the Accounting Officer to account for progress. As a first step, by October 2011 the Department should review the main risks to securing efficiency savings in 2011-12 and the adequacy of the contingencies it has available.

1 Planned reductions in running costs

1. The June 2010 Budget and the October Spending Review announced plans for significant reductions in the budget deficit over the course of the Parliament. A large part of the reduction is to come from public spending reductions. Cost reductions in public spending will only generate long term sustainable savings if they are part of a fundamental structural reform of existing work practices, involving, for example, the removal of administrative layers by a review of protocol, or a culture change in the behaviour of those working in the organization so that cost cutting becomes a top priority.[2]

2. The Department for Work and Pensions (the Department) has to secure a £2.7 billion reduction in its running costs by March 2015 in order to meet its 2010 Spending Review Settlement, of which £1.45 billion is to be achieved in 2011-12.[3]. The Department has outlined a number of proposals, for example the rationalisation of corporate services such as Finance, Legal Services and Human Resources, and also reductions of 8,000 in headcount in Jobcentre Plus. However it is not clear how its planned savings for 2011-12 map on to the required savings figure of £1.45 billion and the £2.7 billion in total required by March 2015.

3. The Department's cash settlement for running costs remains broadly static at around £7.8 billion each year, but this is because of additional temporary funding for the recession and for new policy initiatives.[4] The Department has reduced running costs in 2010-11, and expects its baseline running costs to reduce further from £6.2 billion in 2011-12 to £5.5 billion in 2014-15 (Figure 1).[5] The extra funding the Department received to respond to the recession will also reduce by £1.4 billion over the same period.[6] However, the total running costs remain around £7.8 billion because of extra funding for new policy initiatives, such as the Universal Credit and activities to reduce overpayments due to fraud and error.[7]

2 C&AG's report, paras 1 and 7

3 C&AG's report, para 1.3

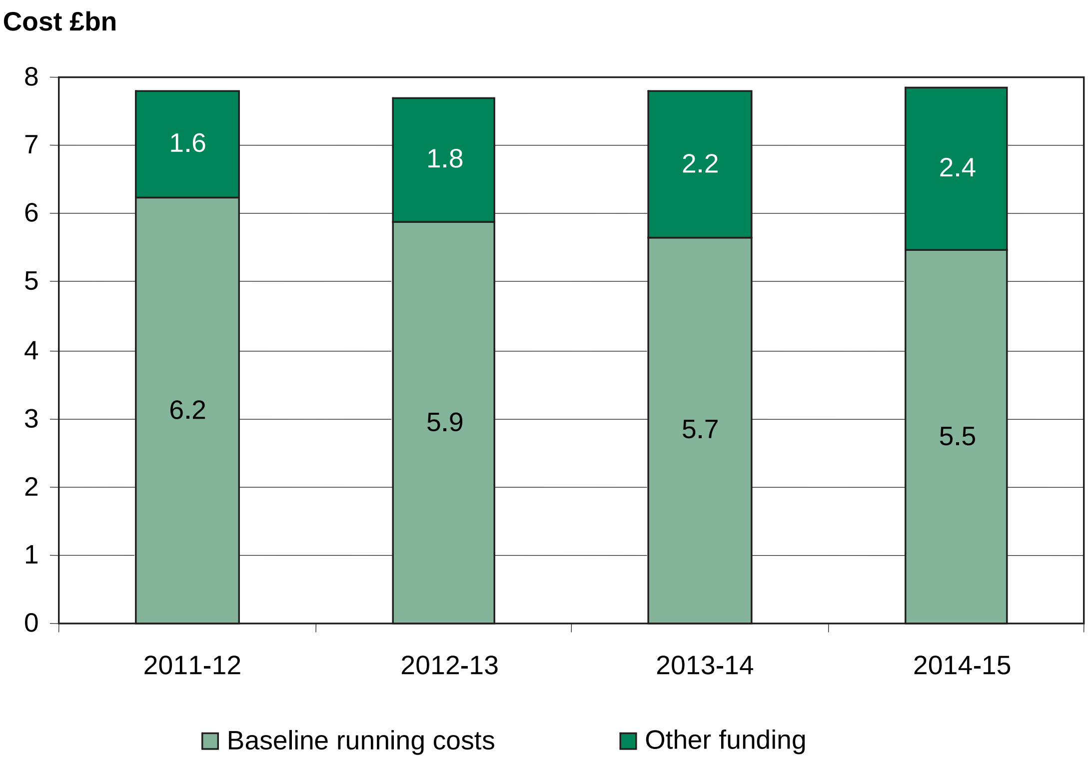
4 Qq 6, 29

5 Qq 13-17; C&AG's report, para 1.7

6 Q 29; C&AG's report, Figure 3

7 Q 6; C&AG's report, para 1.7

Figure 1: The Department's running costs 2011-12 to 2014-15



NOTES

1 The figures are rounded and do not take into account the level of forecast inflation.

2 Other funding includes funding for Universal Credit, extra resources to cope with the recession and funding to reduce the cost of overpayments due to fraud and error.

Source: C&AG's report, Figure 4

4. Major reorganisation is required to generate sustained efficiency savings.[8] The Department has to co-ordinate the cost reduction plans for its corporate functions and business units. However, the Department has been slow to bring together the distinct cost reduction plans.[9] It is still not clear how the plans for each part of the overall business will interrelate with each other, raising the risk of inconsistencies and duplications for example, inconsistent approaches to the necessary levels of IT support or expenditure on office accommodation.[10]

5. Staff morale in the Department is already too low, and while staff want to do their job well, they do not feel listened to or involved in the major changes happening in the Department.[11] The lack of a clear plan for how the Department will operate in future is

8 C&AG's report, para 7

9 C&AG's report, para 17

10 Qq 10, 116-117

11 Q 126, Department's survey results, http://www.dwp.gov.uk/docs/dwp-people-survey-results-autumn-2010.pdf

likely to increase uncertainty and further affect morale. Jobcentre Plus expects its staff numbers to fall from 73,000 full time equivalents in March 2011 to 65,000 by March 2012. It is not yet clear where these cuts will be, although the reduction is likely to be broadly similar for each grade. The Department has not yet established its future headcount requirements for the corporate centre, as its staffing review is not yet complete.[12] The Department told us it intends to remove some layers of management, resulting in fewer senior staff with new roles and responsibilities.[13] The Accounting Officer planned to undertake a series of face-to-face briefings for corporate staff from Summer 2011 in order to update them on progress.[14]

6. One key way in which the Department intends to achieve cost reductions in Jobcentre Plus (which makes up over half of the Department's business) involves encouraging 80% of customers to make their claim for Jobseekers Allowance online. Jobcentre Plus plans to become a smaller, leaner organisation and to rationalise its existing offices to correspond with the increase in online applications. The Department's Business Plan specifies that the 80% target should be achieved by September 2013. However, by April 2011, 20 months after the option became available, only 17% of new claims for Jobseeker's Allowance were made online. Other parts of government, such as the Driver and Vehicle Licensing Agency, did increase the use of online services, but the Department for Work and Pensions is dealing with a different client group. Data published by the Office for National Statistics in August 2010 found that 31% of the poorest in society currently do not use the internet, and they will be the Department's clients.[15] The Department could not explain the basis of the 80% target at the hearing. Subsequent written evidence from the Department stated that 86% of JSA customers already use the internet and 67% have access in their homes, while just over 40% are "ready, willing and able" to use online JSA services..[16]

7. The Department acknowledged that they had set a challenging target, but did not have a clear plan on how to reach 80%.[17] Without a detailed plan for meeting the target it is not clear that this initiative will generate sufficient efficiency savings and there is a real risk that either the cost reductions won't be achieved or the service to customers will deteriorate. The Department was unable to explain what the level of additional cost would be if it does not achieve its target of 80%.[18]

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12 Qq 101, 135; C&AG's report, para 17

13 Qq 126, 136-137

14 C&AG's report, para 4.8

15 ONS statistical bulletin, 27 August 2010, http://www.statistics.gov.uk/pdfdir/iahi0810.pdf

16 Ev 20

17 Qq 118-123

18 Qq 105-107, 134

2 Managing cost reductions

8. The scale of the challenge facing the Department is particularly difficult because it has to implement significant welfare reforms at the same time as reducing its costs.[19]

9. At the time of the hearing, the Department had not put in place adequate risk management arrangements. There are substantial risks to implementing Universal Credit to a very tight timetable while reducing running costs. However, the likelihood or impact of these risks has not been identified or assessed.[20] Despite this, the Accounting Officer assured us that the Department would achieve its cost reductions and implement the welfare reforms on time.[21]

10. The Department is developing the IT for Universal Credit using a software development process that improves on the current software in small incremental steps. This approach does not require a lengthy and detailed planning phase before delivery starts, and aims to simplify the change process and reduce the risk of missing deadlines. However, it is likely to have introduced other, as yet unquantified, risks.[22]

11. Universal Credit requires real time data on the earnings of every adult, so the transition to Universal Credit requires the Department to develop a new IT system in parallel with HM Revenue and Customs developing its own IT system to provide data on earnings to the DWP.[23] The Department and HM Revenue and Customs intend to have the Universal Credit IT system delivered for testing by April 2013 prior to implementation six months later. Failure to meet this timetable could increase costs and have a knock-on effect on other budgets and cost reduction plans.[24]

12. Government departments all too often fail to deliver changes in business processes to plan. We have reported previously, for example, on the difficulties with the introduction of new information systems, such as the new PAYE system, the Single Payment Scheme for farmers and electronic patient records in the NHS.[25]

13. The Department's additional funds secured from the Spending Review, such as £2 billion for the introduction of Universal Credit, cannot be used to offset cuts elsewhere. The Department told us that staff no longer required in their existing work may be redeployed to work on Universal Credit.[26] Approximately £628 million of the £2 billion set aside for Universal Credit is capital expenditure and a further £400 million is to cover the

19 Qq 1-2; C&AG's report, para 24

20 Qq 58-59, 67; C&AG's report, para 23

21 Qq 1-9

22 Q 52; C&AG's report, para 2.1

23 Q 52, 55, 60

24 Q 55; C&AG's report, para 5

25 Committee of Public Accounts: *A second progress update on the administration of the Single Payment Scheme by the Rural Payment Agency, First Report of Session 2009-10, HC 98; Committee of Public Accounts: The National Programme for IT in the NHS: an update on the delivery of detailed care records systems, Forty-Fifth Report of Session 2010-11. HC 1070; Committee of Public Accounts: The Customer First Programme: Delivery of Student Finance*, Eighth Report of Session 2010-11, HC 424

26 Qq, 6, 68, 90

increased benefits some customers will receive. So less than half of the funds for Universal Credit will be available for staff costs, although the Department has not yet published figures on the breakdown of the Universal Credit funding.[27]

14. Reductions in running costs have the potential to impact on the much larger expenditure of £156 billion on benefits and pensions. While responsibility for the expenditure on benefits and pensions rests largely with the Treasury, this does not absolve the Department of responsibility.[28] The estimated spend on benefits is largely dependent on the economic forecasts prepared by the Treasury, but the cuts implemented by the Department could, if not well thought through, add to the expenditure on benefits.[29]

15. The Department did not measure the impact of the running cost reductions in 2010-11 on benefits and pension expenditure.[30] £370 million of the savings reported in that year were from the termination of the Future Jobs Fund and other similar employment programmes.[31] The Department's decision to close the Future Jobs Fund was based on the high unit cost of £6,500 per person compared to an average cost of £1,500 per person for other similar programmes. However, unit cost calculations do not have regard to subsequent increases in Jobseeker's Allowance claims if young people experience difficulty moving into employment without the support from the programme. The Department expects to complete a review of the benefits of the Fund in early 2012, two years after the Department closed it.[32]

16. Only some parts of the Department, such as Jobcentre Plus, have put contingencies in place in case the initial plans for cost reductions in 2011-12 are insufficient. Jobcentre Plus has built a 20% contingency into its planned headcount reductions. The Department as a whole has not developed appropriate contingencies to mitigate against risks and uncertainties.[33] The low level of contingencies increases the risk that the Department will need to make unplanned cuts to meet its Spending Review settlement, and quickly executed cuts are less likely to reflect the best value for money.

27 Qq 94-99

28 Qq 48-49, 83

29 Q 82; C&AG's report, para 5

30 C&AG's report, para 13

31 Q 28; C&AG's report, para 13

32 Ev 20

33 Q 51; C&AG's report, para 18

Formal Minutes

Monday 5 September 2011

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon	Mrs Anne McGuire
Mr Stephen Barclay	Austin Mitchell
Dr. Stella Creasy	Nick Smith
Jackie Doyle-Price	Ian Swales
Matthew Hancock	James Wharton

Draft Report (*Reducing costs in the Department for Work and Pensions)* proposed by the Chair, brought up and read.

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

Paragraphs 1 to 16 read and agreed to.

Conclusions and recommendations 1 to 6 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Forty-sixth 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 placing in the Library and Parliamentary Archives.

[Adjourned till Wednesday 7 September at 3.00pm

Witnesses

List of printed written evidence

List of Reports from the Committee during the current Parliament

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

Session 2010–12

First Report	Support to incapacity benefits claimants through Pathways to Work	HC 404
Second Report	Delivering Mulit-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
Tenth Report	Managing the defence budget and estate	HC 503
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 Report	Reducing errors in the benefit system	HC 668
Twenty-sixth Report	Management of NHS hospital productivity	HC 741
Twenty-seventh Report	HM Revenue and Customs: Managing civil tax investigations	HC 765
Twenty-eighth Report	Accountability for Public Money	HC 740
Twenty-ninth Report	The BBC's management of its Digital Media Initiative	HC 808
Thirtieth Report	Management of the Typhoon project	HC 860
Thirty-first Report	HM Treasury: The Asset Protection Scheme	HC 785
Thirty-second Report	Maintaining financial stability of UK banks: update on the support schemes	HC 973
Thirty-third Report	National Health Service Landscape Review	HC 764
Thirty-fourth Report	Immigration: the Points Based System – Work Routes	HC 913
Thirty-fifth Report	The procurement of consumables by National Health Service acute and Foundation Trusts	HC 875
Thirty-seventh Report	Departmental Business Planning	HC 650
Thirty-eighth Report	The impact of the 2007-08 changes to public service pensions	HC 833
Thirty-ninth Report	Department for Transport: The InterCity East Coast Passenger Rail Franchise	HC 1035
Fortieth Report	Information and Communications Technology in government	HC 1050
Forty-first Report	Office of Rail Regulation: Regulating Network Rail's efficiency	HC 1036
Forty-fifth Report	The National Programme for IT in the NHS: an update on the delivery of detailed care records	HC 1070
Forty-sixth Report	Reducing costs in the Department for Work and pensions	HC 1351

Oral evidence

Taken before the Committee of Public Accounts

on Monday 27 June 2011

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Stella Creasy
Jackie Doyle-Price
Matthew Hancock
Mrs Anne McGuire
Austin Mitchell
Nick Smith
Ian Swales

Amyas Morse, Comptroller and Auditor General, **Phil Gibby**, Director, **National Audit Office,** and **Marius Gallagher**, **HM Treasury**, Alternate Treasury Officer of Accounts, gave evidence. **Ed Humpherson**, Assistant Auditor General, NAO, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Reducing Costs in the Department for Work and Pensions (HC 1089)

Examination of Witnesses

Witnesses: **Robert Devereux**, Permanent Secretary, Department for Work and Pensions, and **Mike Driver**, Finance Director, Jobcentre Plus, gave evidence.

Q1 Chair: Welcome to the Committee, on a hot and sultry afternoon. I just want us to stand back a minute, because you are confronted with a tremendous challenge. There are two of us who are ex-DWP Ministers here, so we know something of the way in which the Department works. You are being asked to identify running cost savings of £2.66 billion. There are various changes and cuts in benefits that you are having to administer; that is your £17 billion cuts there. You are having an enormous reform programme—probably the biggest reform programme in Government, I would have thought—with Universal Benefit at the top of the tree, but you are also looking at pension reform, Work programme, CSA et al. I think I have probably missed out a few. Then on page 11, paragraph 24, there is a good quote, which said, "there is some way to go before the Department can demonstrate it has a strategic and structured approach to its cost reductions." This feels to me like a train crash. I think there is just too much happening. This feels like a train crash waiting to happen, and I wonder if you could talk through what you think are your greatest risks.

Robert Devereux: Certainly. Perhaps I can make an observation about the Report to start with though, if I may. This is a Report that deliberately talks about the totality of the savings we are making and then writes many, many pages, effectively, about how I am running the Department and its administrative costs. So some of the phrases you are reading out in terms of absence of a strategic approach I am afraid I simply do not recognise when it comes to the very large savings that we are talking about in terms of welfare reform. Let me just illustrate that. You know as well as I do the breadth of the canvas that Ministers have set out.

Q2 Chair: I do just have to stop you there, because this is where we were last time. These Reports are agreed with the Department. I have just got to say that, if you want to change your mind now; these Reports are agreed. That is my understanding. I always look for where the NAO would have gone tougher when I look at them to decide how to question you.

Robert Devereux: With respect, you are talking about the conclusion on value for money, which I think is the C&AG's. I have agreed the facts.

Q3 Chair: Amyas, is this not all agreed with the Department?

Amyas Morse: The convention says that we must agree the facts with the Department and a fair presentation of the facts.

Robert Devereux: If I continue, maybe I can illustrate the point. There are very significant welfare reform savings put into the Government's plan to reduce the deficit. You are perfectly familiar with the fact that many of those have already been legislated for: things to do with uprating and the CPI, for example, and roughly half of the housing benefit stuff is done by regulation. By my calculation, around 40% of the cumulative savings that we have to make on welfare reform have already been through the House and are now law. So when people say to me that I do not have a strategic approach, I would like to bank that fact first and secondly say that all of the rest of them are in the Welfare Reform Bill, and three months into the spending review period, that Bill is through the Commons. It now has to go to the Lords. The progress we are making in order to deliver these savings is in my view very substantial. The way in which this has been written, collecting together thoughts about the changes in the Department as well as the Welfare

Reform Bill, is something I think should be teased out to make sure we are in the right space. So I do not recognise the car crash.

Q4 Chair: Having said that, can you then move to my question, which is about the fact that you are facing a huge, challenging agenda. You are responsible for one in five pounds of taxpayers' money spent by Government. It feels to me like a potential train crash impending. What are the greatest risks?
Robert Devereux: I come back to what I have already said. There are always risks taking through legislation, which is quite important.

Q5 Chair: I do not see those as risks to you in achieving. What might happen is the legislation may change something that you then have to deliver. Maybe I should rephrase that and say, what are the risks for delivery by the Department?
Robert Devereux: The risks to delivering the savings or the risks to delivering day-to-day services? Which are we talking about?
Chair: Cuts. We will come to the impact on services. The cuts.
Robert Devereux: I am sorry to be pedantic about the savings, but as I already described, there is a risk to savings, which is the passage of legislation, but so far, so good and I think we now need to see what happens in the House of Lords. The risks within the running of the Department—this is the spending of the £7.8 billion of the administrative costs of the Department—are profound. Ministers have made a conscious choice both to seek efficiencies in the day-to-day operations of the organisation—and we do have one of the largest ones in Whitehall—and to take 40% out of the cost of the corporate centre. I would be foolish to say that that is a walk in the park.

Q6 Chair: Can you do that and implement this? Particularly, let us say, the Universal Credit, which I think is something supported by all but being implemented at a time when you are being asked to take £2.66 billion out of your running costs; can you do it?
Robert Devereux: Perhaps I can take you to Figure 4, then, which rather carefully explains two different things. One is that I have a reducing budget in terms of today's operations; that is the dark green colour. Then you will see a rising light green colour, which is the ring-fenced funds that the Treasury has made available for welfare reform. Surprisingly—and this was not true in my previous Department and is not true of any other Government Department in my tour—the aggregate total of the cost of the Department is £7.8 billion statically right across the piece. Effectively, the transformational change for me is to continue to drive efficiencies—and I am sure we will discuss this afternoon our track record in doing that—in order to release staff who I must then in due course redeploy to make Universal Credit work. I am not seeking to deliver Universal Credit on a reducing quantum of resource; I am seeking to make today's operations cheaper. That is where the darker green boxes are concerned. I must then free staff up within a constant amount to end up doing more work on Universal Credit by the end of the Parliament.

Q7 Chair: These are the general questions before we get to specifics. You are feeling that, despite this massive reform agenda at the same time as eking out what we will want to see are real efficiency savings to the tune of £2.66 billion, you can do it. Last time you came here, you were new. This time you are here talking directly to us. We and you will be here in two years' time to see whether what you say today happens in practice.
Robert Devereux: Well, I am looking forward to two years' time. It is a good job; I am highly motivated. I reckon I have the best job in Government, and I look forward to coming back.

Q8 Chair: You have not answered my question. I will come back to it. Do you think this is achievable? It feels like a train crash to me. Do you think it is achievable? What are the biggest risks?
Robert Devereux: I guess the biggest risk is in doing multiple things simultaneously. The Government has consciously chosen to make the reforms that you outlined. The ones you left off were reforming the basic state pension, auto-enrolling millions of people.
Chair: I said pension reforms.
Robert Devereux: Doing that when you are at the same time trying to transform the nature of the Department is difficult. As the Report makes perfectly clear on several occasions, I have arrived in this Department and not been satisfied to simply string out the changes to the Department over the space of the four years. I inherited a programme that essentially would have taken out 10% a year over four years, which essentially means you are constantly rearranging the deckchairs to change the organisation. My conscious choice on arrival was to say we are not going to do that. We will make one substantive change in the course of the current financial year, put ourselves in a structure that stands a chance of delivering all of this and then put that change behind us. Now I regard that as being an appropriate action to take to reduce the risk to delivery further on. I do not think that increases the risk; I think that reduces risk. It is none the less hard. We are spending a long time making sure that we are selecting the best people in the right roles to deliver all of this.

Q9 Chair: It sounds from that you are pretty confident you will be sitting in front of us in two years' time not having had a train crash and having delivered.
Robert Devereux: My hunch is that if we had a train crash then I would not be sitting here. So I am going to be confident I am sitting here.
Chair: You have evaded the answer every time.
Robert Devereux: Let me say I am confident then. The enormity of this challenge is one that I am living with every waking moment of my life. I have got a very good team. We have done major change. We will no doubt go through why it is this Department has probably got a better track record of doing some change than many others. I am building on quite a rich heritage. We happen to be asked an even more

demanding thing, in my view, than has been asked in previous years.

Q10 Chair: To focus now on your running costs, if we go to year one, 2011–12, where out of your £2.66 billion you are taking out £1.4 billion, what the NAO says on page 7, paragraph 11, is that your business plan for 2011–12 when they did this Report—which I imagine was a month or so ago—was "not sufficiently developed to enable us to confirm…any inconsistencies and duplications". So having given us that explanation that you are so in control, you are taking it all out and you are going to have this fantastic new structure, the NAO then comes in and finds it cannot measure anything.

Robert Devereux: Did you say paragraph 7 or page 7?

Mrs McGuire: Page 7, paragraph 11.

Chair: Page 7, paragraph 11. End of that paragraph: "At the time of our audit, the plans for each business area were not sufficiently developed to enable us to confirm that any inconsistencies and duplications had been resolved."

Robert Devereux: I do regard that as a wonderful phrase. I think the Perm Sec that sits in front of you with an organisation of 100,000 people and £158 billion of benefit spending and then says "There is no inconsistency anywhere in my plan" would be a brave person.

Q11 Chair: Nobody is expecting you to do that, but within your very big Department, it is worrying to us that the NAO find, in the year that you say is your transformational year in terms of your organisation, when you are trying to take out the most money, that you have not got a business plan that is sufficiently developed to be able to see whether it will work, in effect.

Robert Devereux: No, with the greatest respect, I do get a bit tired with having to go through every single one of these sentences trying to work out whether you are going to tell me it is a fact or an interpretation. What it says is that the National Audit Office was unable to confirm that any inconsistency or duplication had been resolved. I can point to this plan—I asked for it in my third week and I have brought it with me; what is the plan that Jobcentre Plus has got?

Chair: I think Jobcentre Plus we are happier with than the Department.

Robert Devereux: With the greatest respect, Jobcentre Plus is the lion's share of the Department, so forgive me if I refer to it, because it is material to delivering these savings. I asked and received for each of these major agencies their outline plans for all four years in the Department, including 2011–12. I am not going to pretend to you that every single thing at the point at which the NAO came and did their study had been tied down. I do not know what yardstick the NAO was using for this purpose, but I am not sitting here thinking that I have not tied it down. Let me give you an example. Mike has brought with him the personal letter he has had from his chief executive telling him exactly how much money he has got to spend, and exactly what his headcount is, and that is replicated across his organisation. I do not want to be hung up on semantics here, but I think I am being done for a failure to have absolutely every jot and tittle.

Q12 Chair: Phil, do you want to come in on it?

Phil Gibby: Where we are coming from on this is that each part of the organisation does have plans; it is how they interrelate. For example, whether there are reductions in the support functions in somewhere like Jobcentre Plus and how that interacts with the corporate service functions within the Department. Just to give you a little example, which we refer to in 4.4, about the idea of moratoria on IT and consultancy; if you introduce something like that, what sort of impact does that have on the rest of the organisation?

Q13 Chair: Let me drill down and have one more go at this. You again said at the beginning, Mr Devereux, that 2011–12 was your strategic year of change. What I read in this Report, in paragraph 13 and elsewhere, is that you have taken short-term decisions. You have cut consultancy; you have cut IT projects; it could well be that you have deferred and displaced expenditure elsewhere. There are two questions I put to you, one which I think people probably want to talk a little bit about, which is the Future Jobs Fund, but let me take another one. Elsewhere in the Report, we have seen that you have had a moratorium on consultancy, which has delayed the programme on self-service delivery of benefits, which is one of the ways in which you are going to increase your efficiency. Is that true? I suppose there are three questions. One, how many of these are short-term cuts? Some of them could therefore be deferrals. Two, an example of that is this IT stuff to get the online filling-in of benefits programme going. Three, I want to talk about the Future Jobs Fund, because that appears to me to not be real savings; you have just cut a programme out rather than making real efficiency savings within the organisation.

Robert Devereux: First of all, the paragraph you quoted is about 2010–11; it is about the savings that we have already made and whether or not NAO believe that they were short-term in nature. Let me just tell you what the figures are. We ended up with a budget in 2010–11 of £10.3 billion. Our outturn, which we are going to publish shortly, will be £9 billion.

Q14 Chair: That is because you, again with knowledge of the Department, underspend. That is not an efficiency saving. What was the underspend out of that? What was the underspend?

Robert Devereux: That is the underspend by definition: £9 billion against £10.3 billion.

Q15 Chair: What was an unplanned underspend?

Robert Devereux: Let me compare it with 2009–10, if you prefer; I have brought those figures too. For 2009–10, we have reduced the amount we are spending on our administrative budget by £474 million in £6 billion.

Q16 Chair: You have reduced by what?

Robert Devereux: £474 million in £6 billion.

Chair: £474 million on £6 billion?
Robert Devereux: Yes. It is an 8% reduction on the previous year.

Q17 Chair: On your admin costs?
Robert Devereux: On my admin costs. So even if you think that the last budget set by the previous Government was too inflated, then comparing the previous year's outturn with that, we have spent less than that. I regard that as being real savings. Now you asked me the question how much of this is just moratorium. I think that is overdone. It must be the case—I am not going to disagree with you—that if a Government arrives and concludes that there is so much that needs to be changed quickly, they will necessarily put in place a series of interventions to make sure certain things stop. One of the things in that area was a moratorium on IT projects. The judgment was we cannot just let all this continue—

Q18 Chair: We know why they did it. We are asking the impact on you. According to page 29, paragraph 4.4, the moratorium delayed the programme on self-service delivery of benefits. Did it?
Robert Devereux: It has delayed it.
Chair: It has delayed it. Thank you.
Robert Devereux: But can I come back to the point I am trying to make? Throughout this period we have been making substantial and sustainable savings. You are right to say, in addition, that some of the things—but only some of the things—to do with whether or not we have a moratorium will have a knock-on consequence. However, let us just think what the alternative is. The alternative is that the Government washes its hands of everything—

Q19 Chair: Don't divert us onto that. Let us look at the substantial difficulties. You were asked in 2010–11 to save £535 million extra. Out of that, £370 million was not really a saving; it was a cut of the Future Jobs Fund programme, and associated Programmes—£370[1] million of the £535 million. That is not a fantastic efficiency saving; you stopped doing something. You stopped doing the Future Jobs Fund and associated Programmes. We are not challenging the policy decision; we are just asking about the facts, to try to get underneath that to the efficiency. £535 million, £370 million, Future Jobs Fund and associated Programmes.
Robert Devereux: I am afraid you have compared an apple with a pear there, with my apologies, but we were asked to save £535 million. At the end of the day—
Chair: You were asked to save £535 million.
Robert Devereux: £535 million. Is that not what you just said to me?
Chair: Yes, yes.
Robert Devereux: At the end of the day, we reduced the administrative spend alone, which is nothing to do with the Future Jobs Fund, by £474 million. So that is a—

Q20 Chair: Please don't be devious with us. I know that in 2010–11, the previous Government, in its CSR, had asked you to save something like £1.2 billion or £1.3 billion; I cannot remember the figure. £1.2 billion. The new Government came in; they added to that £535 million. You would have got your admin savings, because you would have had to get them, because you got £2 billion over the previous CSR.
Robert Devereux: No, with the greatest respect, that is completely wrong.

Q21 Chair: You would have got it anyway. You were asked for an additional £535 million, of which £370 million was the Future Jobs Fund.
Robert Devereux: I am afraid that is completely wrong. The budget that was set for 2010–11 by the previous Government was already net of the savings that we were required to make, otherwise they would not have to set the budget. So you should assume that the £10.3 billion budget that I had going into 2010–11—

Q22 Chair: Yes, but you still had to find the savings to get there.
Robert Devereux: But that is the budget that had been set. That budget was set.

Q23 Chair: But you had to find the savings to get there. It was less than the year before because they were assuming admin savings.
Robert Devereux: We had more budget than the year before.

Q24 Chair: Yes. You had a challenge in 2010–11 set through the previous CSR to find—tell me—£1.2 billion? Am I right? In 2010–11. Am I right?
Robert Devereux: So that our budget would otherwise have been £11.5 billion. It was not; it was £10.3 billion.

Q25 Chair: Yes. So you had to find £1.2 billion and you then were asked to find another £535 million. Right?
Robert Devereux: Yes.

Q26 Chair: 1.7 something. Out of that £1.7 billion, you found 400 and something.
Robert Devereux: No. I am sorry, but you are confusing; whatever billion you think a previous Government wanted us to save in 2010–11 had already been removed before I got to my estimate of £10.3 billion.

Q27 Chair: I know. It was obviously removed off the budget line; it does not mean it had been saved within the organisation.
Robert Devereux: But none the less I am now telling you what I have saved below the £10.3 billion. So whatever I am getting to, it is a lower number even than the previous Government could have imagined.

Q28 Chair: Did you take £370 million out on the Future Jobs Fund?

[1] £370 includes associated programmes. The Future Jobs Fund element is £290m.

Robert Devereux: On the Future Jobs Fund, that is about the right number, yes.

Q29 Chair: Final question, then I will shut up, because I have been hogging it a bit, but just trying to get some clarity. There is a figure somewhere. Page 15, Figure 3. There, on the left hand side, 2011–12, you have £915 million expected savings due to recovery from the recession. What was that?
Robert Devereux: What was it in terms of—
Chair: What is it?
Robert Devereux: What is it? Okay, fine. How will I explain this? This is the line of ring-fenced funding that the previous Government put in place in order to respond to the recession. So this is over and above our baseline funding. We had additional cash provided in 2010–11 to deal with the consequences of the recession. The additional cash provided for 2011–12 was—

Q30 Chair: Can you just answer the question, Mr Devereux? What is the £915 million?
Robert Devereux: It is the difference between £778 million and £1,693 million.

Q31 Chair: What is it? What was cut?
Robert Devereux: I am trying to explain. The £1,693 million comprises £600 million of JSA claims handling. We saved £183 million against that expected spend.

Q32 Chair: There was a cut in JSA numbers?
Robert Devereux: JSA claims handling, yes. The number of people we are expecting to claim JSA will be lower in 2011–12 than it was in 2010–11.

Q33 Chair: It is not. I have got the JSA claimant count figures. In June 2010 they were 1,438,795. They went up, and they are still 1,500,190. So it is an increase of 4.3.
Robert Devereux: We are only in June. I am talking to you about the Budget that has been set by this Government for the whole of 2011–12.

Q34 Chair: Okay, so what is your assumption on the cut in unemployment by the end of the period? Claimant count.
Robert Devereux: As published by the Treasury in the Budget report. I have not brought it with me; I am sorry.

Q35 Stella Creasy: That is fascinating, because looking at the Office for Budget Responsibility's predictions, they are looking at an increase in the number of claimants. But you are suggesting that there is going to be quite a substantial decrease by the end of this financial year.
Robert Devereux: I am talking about a reduction in the ring-fenced additional funding we have got, okay?

Q36 Chair: But you said you had cut it because you assumed a cut in claimant count. That is not happening.
Robert Devereux: Well, let me find out what document you are quoting.

Mike Driver: The way in which these figures have been worked through with the Treasury, they are based on the numbers from the OBR, of course, and over the whole period of the spending review, the JSA claimant count is expected to reduce to about 1.1 million by the end of the period. Importantly, what we have done through this period is build in efficiencies in the way in which we deliver the services that we have. So there is not a direct correlation between the claimant count and the actual unit cost of reducing that, because we expect the unit cost to reduce over time.

Q37 Stella Creasy: It is a slightly different question though, isn't it? Are you predicting the number of people who will be unemployed is going to fall? Because the OBR is predicting they are going to rise and has to reassess their assessments every week.
Mike Driver: We do not forecast unemployment; we work on the basis of the OBR assumptions, which are modelled between us and the Treasury to determine the amount of additional money we receive.

Q38 Stella Creasy: But you have a model there about the cost reductions that you are going to make and as you said, it is based on the presumption that the numbers of people who will be claiming JSA will fall.
Matthew Hancock: I can understand the reason for this, and that is because your budget was set at the spending review, right?
Robert Devereux: Correct.
Matthew Hancock: And the spending review will have been based on the OBR forecasts for the previous year's Budget, which was for unemployment to fall every year. As it happened, unemployment fell faster in the first year—in 2010–11—and therefore, because they did not revise down the forecast for unemployment in the subsequent years, it looks like there is an increase. But compared to when their Budget was set, it has actually fallen.
Mrs McGuire: It must be the first time a member of the PAC has come to the rescue of a civil servant.
Chair: I will come to you, Matt, but what you said does not hold with the figures. I don't know what month you are up to. I have got both the JSA claimant count and the ILO figures, and none of them show a trend to go down; they all show a trend to go up.
Stella Creasy: If the assessment that they have made is that they are going to save money because the numbers of people claiming will fall in any case, then actually, the fact the numbers are rising and the fact that this changes the prediction on which that model is based is all the more troubling, isn't it, because it means that the ability to achieve the savings set in this document are even more of an ask.
Matthew Hancock: No, but I was just setting out an explanation for the contradiction.
Stella Creasy: I understand that bit, but I am looking at the forward figures because that is the thing that matters here, isn't it?
Matthew Hancock: It depends where it is compared to the baseline.

Q39 Chair: Mr Devereux, just answer me the £915 million. Part of it is you assumed a lower JSA count.

Robert Devereux: No, part of it is I had less money. Let me offer you a note to try to explain how the different facts combine, but it is absolutely true—incontrovertible—I have less money to the tune of £183 million. That is part of my £915 million. I have less money to the tune of the order of £600 million to £700 million in employment programmes.

Q40 Chair: And what are they?
Robert Devereux: Things like changes to the Future Jobs Fund and the ending of some of the other contracts that we have.

Q41 Nick Smith: How much did you save on the Future Jobs Fund that year?
Robert Devereux: I do wish life wasn't so complicated. We are talking about a ring-fenced additional amount of money.

Q42 Chair: How much are you saving? It is quite a simple number.
Robert Devereux: There is no money in the Budget in 2011–12 for the Future Jobs Fund.

Q43 Chair: I assume that was taken out of the £915 million. How much?
Robert Devereux: But I am afraid that doesn't—
Phil Gibby: I think it is about £500 million.

Q44 Nick Smith: Is that right, £500 million?
Robert Devereux: The provision in the ring-fenced funding for the Young Persons Guarantee is reduced by just over £500 million. The reason I am just pausing, rather than mislead you, is that I cannot remember how much is in the baseline provision for the Young Persons Guarantee and therefore if you want to know the true number about what has changed, you have got to look at the baseline and that together.
Chair: Okay, provide us a note.
Robert Devereux: If you ask about £915 million, I have got to only answer about the ring-fenced—

Q45 Chair: I am just going to get to the bottom of this, because the more specific we are, the quicker. 135 or something thereabouts, half a billion on programmes. What is the rest?
Robert Devereux: Well I must not be adding my numbers up right. £183 million for JSA claims handling; £531 million for Young Persons Guarantee; another £170 million to £180 million for other employment programmes.

Q46 Chair: For what?
Robert Devereux: Other employment programmes.

Q47 Chair: Which are what?
Robert Devereux: The Six Month Offer, £55 million; exit costs of Flexible New Deal, £120 million; other programmes, £17 million.

Q48 Mrs McGuire: I will take us away from figures for a moment. I appreciate that you must find this conversation a bit tedious if we don't, or you feel that we don't, understand you. Could I ask, therefore, if the costs of benefits and pensions rise above what you have anticipated, who is it that is going to meet any shortfall? Is it the DWP or will it be the Treasury?
Robert Devereux: Well I am going to go back to the answer I gave to the Chair earlier on. It is a defining point of this Government that they intend to reduce the deficit, and we have been working very closely on this settlement with the Chancellor, the Prime Minister and the Deputy Prime Minister. We have got to deliver these savings; I don't think there is any way of getting away from that. If the numbers that we are forecasting change—and this is a forecast; the economy will change in different ways—then we will have to do other things. But we cannot ride away from the obligation to find the savings on the benefit bill, otherwise the national arithmetic won't add up.

Q49 Mrs McGuire: So regardless of what happens in the wider economic profile out there, you have to deliver what you have got to deliver within the budget that you have currently agreed, and there is no going back to the Treasury if other economic factors impact on, for example, unemployment? We are all hoping that they don't.
Robert Devereux: I am going to be stuck either way here.
Mrs McGuire: That is why you are a permanent secretary.
Robert Devereux: I know. I enjoy it, actually. I am either going to be stuck because I will take responsibility with my Secretary of State for delivering these savings and you then say, "Well what happens if we have the greatest crash since some other time?", or alternatively I say, "No, I shrug my shoulders; I will go straight back to the Treasury." Neither of those courses of action are very straightforward. In practice, we have serious grown-ups trying to work out the best way to reduce the deficit. This is the current plan; if it needs to change, we will have to come back and change it. But is the defining characteristic reducing the deficit? Yes. If it is not this, it will have to be something else.

Q50 Mrs McGuire: I appreciate that, in your previous jobs, trains run in straight lines, and the DWP might offer a slightly more flexible response than what you are used to.
Robert Devereux: If only they did.
Mrs McGuire: Could I then ask you specifically, given the various agencies or parts of the Department, what action are you taking to ensure that they deliver and what remedies will you impose if they don't—
Robert Devereux: Deliver their efficiencies?
Mrs McGuire: If they don't deliver their part of the deal. You have got the strategic figure to deliver; each of them will be apportioned an element of those savings to deliver to you. What action would you take or will you take? Have you considered any action to encourage them to make sure that they meet their part of the deal? Or is that all on the Chief Operating Officer's shoulders?
Robert Devereux: No, it is a perfectly reasonable question.
Mrs McGuire: I am so glad.

Robert Devereux: You have made perfectly clear what the size of the challenge is here. What I have been trying to describe is a process through which we have both allocated out the available funds across those different arms of the businesses that you have just been describing and ensured, as I have already referred to, that within these big business we have given people clear accountability for what they are supposed to be doing in the current year. We have been writing into the objectives of senior civil servants this year, in a sharper fashion than has been there previously, their responsibility to deliver their budgets. So from a 2011–12 perspective—we are already in 2011–12—we have got that, in my view, tied down. That comes down to a straightforward "That is what I am paying Mike to do, what he is paying his people to do." Beyond 2011–12, I think we are into a slightly different position of planning, because, as the Report makes perfectly clear, there are some quite big variables still to settle down, for example exactly what the roll-out path will be for Universal Credit, which makes a material difference to some of the costs.

Q51 Mrs McGuire: We have been there; we have had previous experience of welfare reform Bills. If the Welfare Reform Bill on which the Government is setting great store does not deliver, for example, the decrease in Employment and Support Allowance claimants that is anticipated—I cannot remember off the top of my head the figures for the reduction—if, for example, more and more people win their appeals going after their assessment, what provision is there to force that part of your Department to meet those targets if people are winning their appeals, for example, against the reduction in ESA?

Robert Devereux: It is a multiply complicated Department and so lots of different things have moved like that.

Mrs McGuire: Yes, we know that.

Robert Devereux: Maybe I can ask Mike to explain what he was running through to me just yesterday around what contingency is in the figure work, because we haven't simply gone with a point estimate that assumes that everything goes well.

Mike Driver: In Jobcentre Plus, we expect to reduce our expenditure to £2,914 million in 2011–12, from £3,020 million in 2010–11. In order to do that, we have got a programme of activity, some of which is around productivity and efficiency; some of which is around, as the Chair has said, automation of services, because the piece of work that was delayed is now moving forward; and some of that is around implementing parts of the overall DWP change programme. So we have a plan and the National Audit Office have seen that and they have seen how it works on a multi-year basis. In order to build some contingency into that we have assumed 20% within our figures, so we have downscaled the delivery of the efficiencies by 20% because we feel that that is a prudent thing to do because more often than not change activities within the Civil Service in particular are overestimated at the point at which they are calculated. So we do believe that we have some efficiency there. We are also looking to see where we can drive allocative choices through our organisations, so where we can make other changes in policy, should that be required over the period. Overall, if you were to ask me whether or not in Jobcentre Plus I feel we can deliver the efficiencies that we have been asked to deliver in 2011–12, I am very confident that we can, in actual fact. In fact, I am reasonably confident we may be able to go slightly beyond that so that we can start getting ahead for 2012–13 and beyond.

Q52 Ian Swales: I would just like to explore the idea of the overall change programme you have got and the fact that you are having to manage this alongside all the day-to-day work. You were asked earlier by the Chair about the risks that you have going forward and we have managed to get to 35 minutes of the hearing without mentioning IT at all. I am really surprised that we have not spoken about the IT project: the need to make it work in probably record time for a scheme of this nature and the fact that Universal Credit essentially cannot be delivered until this IT system is in place. Can you fill us with confidence that you have got a close enough oversight of this and are close to it? The Report itself says, for example, "The Department will have to strengthen its oversight of progress if it is to maximise sustainable reductions". In other words, the Report is suggesting that maybe the Department is not close enough to these big change activities.

Robert Devereux: I don't think that is what that sentence was talking about. It was not talking about Universal Credit. The points that we have made in the Report go like this. If you give me two seconds, I will come back to the IT question. As a Department, we have quite a long and, in my view, reasonably distinguished track record of delivering change as asked. The things that the Chair was talking about previously, we have done time after time after time. In my mind's eye there is a more A-level question right now, if you forgive me using old language, which is: each of these may be properly governed, but do I have my arms round the portfolio of change, do I know exactly what the collective amount of risk is, and do Ministers and I have a method for thinking about that? When you see references throughout this document to the Portfolio Management Unit, which sometimes gets attributed to the wrong sort of thing, that is what that is about. We are very deliberately putting some of our most senior people, experienced in both the running and the finance of programmes, to say, "I need some advice; does this all hang together?" So even if the Universal Credit person, the IB/ESA person and the DLA person are happy, does it all stack together? Because at the end of the day you have only got one budget, one set of staff, and so on. That I regard as being a sensible improvement on the governance structures we have, but I say that as an addition to something that at the moment, in my view, is being well run. In Universal Credit, I have got my most senior people working on that and I have, just in the last few weeks, sorted out how to materially strengthen that programme, because it has gone through the start-up phase—I hope you have seen we went through the starting gate with a very good write-up on the part of the reviewers—and it now needs to accelerate. So we have put more resources in, more senior management in.

On the specifics of the IT, I would be foolish to sit here and say it is a walk in the park. However, let us just observe what is different about this that was not true previously, for which we have had some credit. When the Institute for Government looked at this recently, they went out of their way to single out what we were doing. If I characterise what we are doing—this thing that you refer to as Agile—in the old world, we would have spent about a year trying to work out what we want, spent about a year running a competition to find somebody and, about two years in, somebody would start to do something. In essence, the Agile process is to try to shortcut that by starting with bits you can bite off and do something with and test and see. So both the Secretary of State and the Lords Minister for Welfare Reform have been up to Warrington, where we are doing this. They have both come back very singly impressed by what is going on there, because they have policy people, IT people and people from the operational space. I have got actual customers on tap looking at these screens. This is a different way of doing it. Now it would be foolish to say it is without risk, because if you do it this way round, you introduce different sorts of risk, but it strikes me that I am giving myself a platform that admits of more possibilities than the simple binary pass/fail that you are used to in big national public sector procurements. Typically either the system works or it fails on day one. If I am building it this way, I have some choices about what I do for roll-out. I am expecting to get all the way to the end, but I am managing it differently and I am approaching it in a completely different way. So I am not allowing, as it were, Ministers simply to make policy choices over here, only to find later on it is difficult to code; I am forcing that together now.

Q53 Chair: So the reports in the press that say the IT suppliers are very concerned over the deadlines for the systems, which is what I think Ian was referring to—particularly the interface with HMRC—are wrong, are they?

Robert Devereux: Well, I don't know what report you are talking about, and when you introduce HMRC we are now talking about a different system, so for the benefit of those who have not followed it—

Q54 Chair: You are content with the progress on your IT project? You do not have the concerns that Ian expressed or that we have seen reported in the press about the capability of your Department to deliver an IT programme on time to ensure the Universal Credit goes live in 2013?

Robert Devereux: What I have described is all the steps I am taking to make this as deliverable as I possibly can, and I am therefore content that those are the right steps at the moment.

Q55 Chair: You are still confident that 2013 will be met?

Robert Devereux: I am. But can I just make an observation, because you have introduced a different programme, the HMRC one?

Chair: No, the HMRC interface is absolutely critical to the Universal Credit delivery.

Robert Devereux: I am going on to it. I just want to be clear that the answer I have just given is in respect of the DWP's Universal Credit machine. That machine is being built in parallel with an HMRC thing to make sure that, month in, month out, every employer in the country reports every individual's earnings and tax deductions. The intention is that this is delivered by April 2013 so that I have a system that I can be using for six months by way of trial before I get anywhere near October 2013, in order to simplify it. Just remember what the size of the prize is here. At the moment, tax credits are predicated on you making a guess for the next six months of your earnings; almost always those are wrong.

Q56 Chair: Are you confident that that is on time and you are in control, so that the IT suppliers who expressed concern in the press are wrong?

Robert Devereux: This is like do I beat my wife, isn't it? I am not sure what answer I can give other than every step—

Q57 Mr Bacon: No, do I beat my wife is yes or no. The question is have you stopped beating your wife, which implies there is only one thing that you were doing at some point or other. You could actually just say, "No, I don't beat my wife,"; "It is not risky." Is it risky?

Robert Devereux: It is absolutely not—sorry.

Mr Bacon: Absolutely not risky?

Robert Devereux: No, I got the wrong prepositions. My apologies. We are doing a very large change, both to Universal Credit and to HMRC.

Q58 Mr Bacon: How risky is it?

Robert Devereux: There is substantial risk in it.

Q59 Mr Bacon: What is the risk score? Whatever your analysis came up to, on a scale of whatever it was, how risky?

Robert Devereux: We do not have in front of us the detailed information on Universal Credit that would support a proper conversation. I will happily write to you about that. However, let me be very clear. Some of the investments that this Department has already made in its IT are substantially reusable in the Universal Credit world, so please don't make the mistake of thinking that I have a basket case of existing IT and I am going to do everything from fresh. I have already created various payments structures that I can use again.

Q60 Ian Swales: Could I just have one more bite at this? I think my question was really about governance. If we take the HMRC point, are you going to get surprised, or is your Department working so closely with HMRC that you know exactly where their project is and how it interfaces?

Robert Devereux: Let me just explain this; this is really important. My senior person sits on their programme board; their senior person sits on my programme board. My Secretary of State chairs a Ministerial committee that involves Treasury

Ministers and HMRC officials. We are very, very clear, both Departments and both Ministers, all the way up the chain to Prime Minister, that these two things work together. We are not developing ours in one tent and theirs in another country.

Q61 Stephen Barclay: Who is the Senior Responsible Owner?
Robert Devereux: Terry Moran.

Q62 Stephen Barclay: And he has got this day-to-day?
Robert Devereux: Correct.

Q63 Stephen Barclay: He is an IT specialist, is he?
Robert Devereux: He is my top operational person, because at the end of the day operational people have to operate.

Q64 Chair: Is he in post, Mr Devereux?
Robert Devereux: Terry Moran is, yes.

Q65 Stephen Barclay: And who is the SRO in the HMRC IT?
Robert Devereux: I want to say Stephen Banyard, but could I just check that is correct?
Stephen Barclay: Sure. It is just you would have thought the number one person delivering this critical issue would be well-known. Related to that, I fully understand the point that you were making around the portfolio risk and then having individual risk and the programmes for those. Could you just clarify how the appraisals for delivering those individual programmes have been changed?
Robert Devereux: I'm sorry, could you expand on that?
Stephen Barclay: The appraisals for these major change programmes that are within your remit as accountable officer. How have their appraisals been changed in light of previous PAC findings to ensure that financial responsibility is uppermost in their appraisals? Or have they not been changed?
Robert Devereux: I am just trying to check what has changed recently. We are, I think, the only Government Department that is allowed to, for our smaller programmes, do the gateway reviews that you need every time a project progresses and you appraise it. That is because we have learned from some of the lessons we had previously about what needs to be done to make a project successful. I am afraid to say I am not sure I am on the same wavelength as you—my apologies.

Q66 Stephen Barclay: I was just going from the Treasury minutes earlier in the year that wanted to make senior civil servant appraisals so that individual members of SCS are more financially accountable. One of the issues that repeatedly comes up, as I am sure you are well aware, is how failure to deliver on major change programmes is linked into individual accountability. One of the earlier PAC findings is to say we need to change appraisals. What I am asking you is to what extent is this something that is still a work in progress and has not happened, or have they changed, and if so, how, so that we in two years' time can look at that when we come to reappraise?
Robert Devereux: From memory, the minute you are reading is about the health of our financial management right across the piece and it reflects back on the conversation I have already had about the fact we have now put into this year's Senior Civil Service objectives a much sharper perspective about their responsibility for their own budget areas. So if it was implied previously, it is explicit now.

Q67 Matthew Hancock: One more question on this before I want to move on a little bit. The SRO that you mentioned within your Department, will he be in place at launch in October 2013?
Robert Devereux: Yes. Let me just explain this, because this is really quite important. You will have read that I have already made changes to my senior team. I don't think it is credible to take 40% out of an organisation and leave the senior team at 10. In arriving at that, I have deliberately chosen Terry as my Chief Operating Officer, precisely because, while there is a large quantity of work to do just to deliver the project, I need to make sure that the person who is going to live with this in 2014, 2015, 2016 and 2017 is the person that is worrying about whether this is fit for purpose. So I have used absolutely classic programme governance structures to say you should expect the Senior Responsible Owner to be the person who has to live with it. That is what the SRO role is. For the avoidance of doubt, I have in addition a Programme Director, who is spending day in, day out making sure this programme operates with all the other staff underneath it. So just to be clear about that, the SRO is the person I have announced will be my Chief Operating Officer from 3 October and, God willing, he will still be with us in 2017. That is the role he is going to do.

Q68 Matthew Hancock: I just wanted to come back to the question of the savings that you have to make given that there is a change programme, because I think this is one of the key conundrums. You have made the point that in nominal terms, the total budget—£7.8 billion—is flat, rather than falling. Is the boundary between what is an increasing chunk for delivering Universal Credit and a falling amount for delivering all of the existing services flexible? Because that has an impact on how effectively you can stick to the £7.8 billion and the impact it might have on savings on the AME side.
Robert Devereux: Yes, I understand. The settlement that we have from the Treasury is pretty crystal clear. They have only found the £2 billion to invest in Universal Credit to invest in Universal Credit; it is not supposed to be some sort of slosh fund so that if I fail to deliver the efficiencies I will just put my hand across the road and take a bit more cash. It is the combination of all those different slices that makes a static thing, but they are not available to me just to teem and lade if I find I am in difficulty.

Q69 Matthew Hancock: In terms of delivering savings in administration in the future, your predecessor was very clear before this Committee that

he thought Universal Credit would help deliver savings. In terms of that interface, as well as there being difficulties of doing lots of things at once, he said that there is a net benefit in terms of administration in the future. Would you say that the savings on the administration side are supported by the AME policy changes or are they made more difficult?
Robert Devereux: No, I think, like him, that they are supportive. You can imagine how complicated it is and therefore what cost is involved in running the multiplicity of benefits we have at the moment and the fact that most people do not understand which one they should be on and ask endless questions and the rules are all different. So just in a hand waving way, you could see that a single straightforward benefit you do not have to keep changing in and out of work should save money. We have also put into the £1.4 billion of reduction in fraud and error that we signed up to £200 million flowing directly from the simplification that flows from Universal Credit.

Q70 Matthew Hancock: This brings me to contingencies in case those sorts of savings do not accrue. You were saying before you have put in place a 20% contingency in case the necessary savings cannot be delivered or you need some mitigation within what is a huge change programme.
Mike Driver: In Jobcentre Plus, that is.
Matthew Hancock: In JCP. On page 9, paragraph 18, the NAO say, "We consider that it is prudent to plan for an extra 50% of the value of cost reductions". Why do you think you can live with 20% when they propose 50%?
Robert Devereux: Why do I think I can live with 20%? Remember again that this is a remark, I believe, addressed at the running cost of the Department, so we are on the £7.8 billion here. I think the answer to the reason why Ministers have not identified another £10 billion of welfare reform when we are dealing with real people's lives is why would you do that? We will take through the savings we have got. In respect of the £7.8 billion, what we have got here is a set of plans; the 20%s that we are talking about here are part of that delivery of the efficiency saving. Should I aim for 50%? To be honest, I have inherited a 20% contingency in JCP. When I have had a bit more exposure to how far that has got, I might think about it, but it is not immediately clear to me just because the NAO read a textbook that 50% is the right answer.

Q71 Matthew Hancock: Just pushing on this a bit more, you say that you inherited the 20%, but you have changed the way that you are delivering the efficiencies to bring them forward in a big bang rather than a gradual reduction.
Robert Devereux: I have.
Matthew Hancock: I can entirely see the management practice behind that decision and I applaud it, but will that not have an impact on your contingency, trying to do that all in one go?
Robert Devereux: No, hang on a minute. Just think about this. If I have inherited a budget that declines by 10% per year to get to 40% and I choose to take of the order of one-third out in the first year, I have generated contingency.
Matthew Hancock: Right, because you have generated more space.
Robert Devereux: Because the curve slopes down more sharply. There are consequential costs, let us be clear, because some people will end up having to be paid to go in a way that they would not if they just drifted away. Nonetheless, our very best assessment is not only is it the right thing to do just for morale and for leading a big organisation; it is the right thing to do to generate additional headroom that I would not previously have had.

Q72 Nick Smith: I want to turn to Figure 3 on page 15 and the second point about expected savings due to recovery from recession required each year. What we found out is about £600 million is just a cut in employment programmes, £500 million of which is Future Jobs Fund.
Robert Devereux: No, not quite. I think the Chair said £370 million.
Chair: Well £370 million in year one—2010–11.
Robert Devereux: For the Future Jobs Fund. I quoted £500 million for all of the savings you are making on the Young Persons Guarantee. In terms of whether or not it is a cut, essentially, in order to derive some savings, here is a programme I am not spending money on.
Chair: You have stopped a programme.
Nick Smith: Yes, it says here recovery from recession, but actually it is a cut in employment programmes, most of which is for young people, most of which is on the Future Jobs Fund.
Robert Devereux: Correct.

Q73 Nick Smith: In my constituency in Blaenau Gwent in South Wales, about 500 people benefited from Future Jobs Fund in the last year. They tell me there are no other jobs for them to go to, so I would expect there to be an increase in JSA for young people that were on Future Jobs Fund. What is your estimate across the country for the unemployment of young people for this year and what savings are you going to make on JSA for those young people this year? Because if I look again at Figure 3, it says at the bottom, "Total pension and benefit savings: 455". How much of that is for young people and JSA?
Robert Devereux: Can I do one question at a time? I don't think you should elide the change in one programme with the consequence of that necessarily meaning that they are going to be out of work. Let me just give you some figures and you will understand why the Future Jobs Fund was selected. The Future Jobs Fund was working out at the order of about £6,500 a place. Some of our other interventions: the training option was out at £2,000-odd a place; the community taskforce was working out at £1,200 a place. What Ministers are trying to do is to say, consistent where they are designed—

Q74 Nick Smith: If I can interrupt you, the unemployment rate this time last year was 7.1% for young people; the unemployment rate for young people this time this year is 7.1%. It is the same rate.

So if the Future Jobs Fund goes, unemployment will go up.
Robert Devereux: If the Future Jobs Fund goes we should not assume there is no help for young people. The Young Persons Guarantee has got a number of things in it. Ministers made a choice in a world in which they have prioritised deficit reduction to take out a programme that is, in some cases, five times more expensive than some of the alternatives.

Q75 Stella Creasy: On that point, the Work and Pensions Select Committee criticised the Department for making it as a decision on the relative cost effectiveness of the programmes, did it not? It said you do not have the figures to be able to make that assessment.
Robert Devereux: We have had to make decisions about what to do to deliver the savings that the Chair was asking me about earlier on.

Q76 Stella Creasy: But earlier you quoted the figures about the supposed cost of the Future Jobs Fund in comparison to other figures and the DWP Select Committee picked you up on that, did they not, and said, "Well sorry, you do not have the figures to be able to do that and the assessments that you have made are not made on accurate information"?
Robert Devereux: Well I am pointing out good information about the costings of the programmes.

Q77 Stella Creasy: "It is our view that insufficient information was available to allow the Department to make a decision to terminate the FJF if this decision was based on its relative cost effectiveness. It is important that the DWP carries out cost comparisons for welfare-to-work programmes on a like-for-like basis."
Robert Devereux: In the Report you will see that the assessment—
Stella Creasy: Sorry, but does that not worry you? They looked at the way in which you conducted this value for money exercise about the Future Jobs Fund and said, actually, you do not have the evidence to stack that up. Is that not a problem for knowing whether it was the right decision to make?
Robert Devereux: I understand that is the Select Committee's view. Ministers try to make a choice where actually—

Q78 Stella Creasy: But do you have that information?
Robert Devereux: Sorry?
Stella Creasy: What they say is that you did not have the information about the cost of the Future Jobs Fund places and you did not compare the cost of alternative programmes for young people if you were to use the Future Jobs Fund. So as a value for money assessment, which is what we care about on this Committee, and your ability to generate the savings from cutting that programme, that calls that into question, does it not?
Robert Devereux: Why don't I respond to you at the same time as I respond to the Select Committee?

Q79 Stella Creasy: How about now?
Robert Devereux: Because I have not come with all that information and I don't want to tell you things that are wrong.

Q80 Nick Smith: Can I ask again, what savings do you think you will make on JSA for young people for this year?
Robert Devereux: I certainly have not brought that information with me. I am not sure that we forecast it at the level that you are asking. I would need to go and check.

Q81 Chair: Can Treasury help?
Robert Devereux: Well, the Treasury don't do the forecasts.

Q82 Chair: I am just looking to our Treasury spokesperson.
Robert Devereux: We do their forecasts for them.
Marius Gallagher: We rely on them.
Chair: But do they have forecasts?
Robert Devereux: They rely on us, thank you.

Q83 Chair: It is an AME figure, so it is their figure; it is not yours.
Robert Devereux: It's their responsibility shared with me. It's my figure. The point I am making is trying to project both the level of savings and the allocation of people out of work to JSA and other benefits is quite difficult. We do it at an aggregate level; there is definitely a projection for working age benefits. I am just not sure sitting here that I would separately indicate how much I expect to spend on young people. But I will check for you.

Q84 Nick Smith: Could you? Because in Figure 3 you talk about saving £455 million. I am interested in the estimate for JSA savings for young people for this year.
Robert Devereux: Well in that item there are none. The £455 million is the collection of all the measures that Ministers have either already taken through regulation or are in the Welfare Reform Bill. We have not, looking at them quickly, singled out things that differentially affect young people.

Q85 Nick Smith: Could you do that please?
Robert Devereux: If it is possible to do it, I will do that. I just reserve the question; I don't know whether technically it is possible to forecast at that level of disaggregation.
Phil Gibby: Can I just clarify the £455 million refers to the specific measures that were listed in the June 2010 Budget and in the spending review, so these do not relate to the closure of the Future Jobs Fund. These are around some of the other initiatives that are in place or will be in place.

Q86 Nick Smith: In that case, I go back to my original question: what do you think will happen to JSA for those people who were on Future Jobs Fund? What is the estimate of the effect on the closure of the Future Jobs Fund for young people on JSA?
Robert Devereux: I have already offered to get back to your colleague on this, so let me go and see.

Q87 Austin Mitchell: You have told us there is going to be a reduction in spending for Jobcentre Plus of £219 million. How many jobs will be lost in Jobcentre Plus? What reduction in your workforce are you expecting?
Robert Devereux: At the risk of being told off for being obscure, let me just point you back to Figure 2. Figure 2 tells me that in the end of this period I will have £7.8 billion to spend; that is exactly the same as what I am spending now. In terms of the total amount of the workforce, I would expect to have fewer people doing today's business and more people doing tomorrow's business, with the consequence that the total amount of resource I have got to spend in the final year is the same as it is now. I have not completed all the detailed analysis of exactly how we will take on the transition.

Q88 Austin Mitchell: You must have a figure of how many jobs you are going to lose: 10,000, 20,000, whatever.
Robert Devereux: I know how many jobs I will have to save in order to deliver the efficiency challenge.

Q89 Austin Mitchell: Save? That is assuming unemployment does not go up.
Robert Devereux: Yes, I am assuming that.

Q90 Austin Mitchell: Well how many jobs are you going to save, then?
Robert Devereux: The reason I am not being very clear is I am trying to distinguish between a number that we have to save in order to live with the declining baseline budget—that was the dark green in Figure 4, the number I will ask Mike to talk about in a minute—and then the other factor of how many jobs will there be funded out of the extra funds we have for the Universal Credit? I am observing, but since I have not completed the detailed planning of that, I don't know what the additional headcount will be. What I do know is what my aggregate budget is; it is the same as it is today. So to a first approximation, I am going to end up with the same amount of staff now as I had previously.

Q91 Ian Swales: Can I just add to Mr Mitchell, how much of the light green area is IT cost? It must be very significant with this new system. How much of that is IT cost rather than people costs in each of those years? You've got this big system to deliver; presumably that is costing significant amounts of money, which presumably you have to pay for out of this light green amount.
Robert Devereux: That is correct. The aggregate budget across the Parliament for the delivery of the Universal Credit is £2 billion, the great majority of which is because Universal Credit is a more generous benefit, given the transitional protection Ministers have asked for, than its predecessor. So largely, this is an increase in benefit spend.

Q92 Chair: But you would not spend that this Parliament. So it is not setting up costs, it is the actual increase in benefit?
Robert Devereux: £2 billion is the budget that Ministers put on one side to deliver and operate Universal Credit.

Q93 Chair: Of which how much is on increasing benefits?
Robert Devereux: I have not brought that with me; I am sorry.

Q94 Ian Swales: Hold on. Sorry to interrupt Mr Mitchell, but Figure 4 is your Department's running costs. We are not talking about generosity of benefits here; we are talking about your running costs. Mr Mitchell's question was about headcount, and I was just saying some of this must surely be IT costs and therefore your headcount cannot be staying the same, which is what you were implying.
Robert Devereux: The way in which Universal Credit is accounted for is even more complicated than all the questions you have already asked me. Let me observe one thing. Within that row there, the amount of capital—
Mike Driver: £628 million of the roughly £2 billion for Universal Credit is capital over the period, and approximately £1.4 billion is DEL resource.

Q95 Chair: So how much is increased benefit?
Mike Driver: Within the figures, probably around £400 million.

Q96 Chair: So of the £2 billion, £600-whatever million is IT, £400 million is better benefit regime and £1 billion is implementation costs?
Mike Driver: It is effectively to cover the transition costs as you move people across.
Chair: I did not get what the £1 billion is.

Q97 Stella Creasy: That doesn't add up to £2 billion. You've got £628 million on capital spend, and £1.4 billion on DEL resource, of which £400 million is benefit.
Mike Driver: The way in which the settlement was done is that effectively all of the money was made as either DEL resource or capital within the settlement.

Q98 Ian Swales: Can we just come back to Mr Mitchell's question, because as I understand it, two of the items of the three you have just mentioned will not be in Figure 4, because you will not have capital expenditure, presumably, in your running costs.
Mike Driver: Yes we do.
Ian Swales: Do you?
Mike Driver: Yes.

Q99 Ian Swales: So this includes capital? Okay. Why would you have differential amounts of benefit shown in your running costs here? That seems a strange way of accounting for it.
Robert Devereux: The short answer to that is because Ministers have agreed an envelope for Universal Credit of £2 billion including all these different things, for the details of which will have to wait until we have finished the roll-out plan. Because you can see that, depending on how that is rolled out, which way you do it, you can get different answers. So rather

than end up with some small number lost in the rounding of £160 billion benefit spend, they have put it all in one place and said, "£2 billion. You deliver it for that".

Q100 Austin Mitchell: But at the end of all that, which was all very illuminating, you cannot say to lads and lasses in your Department—Jobcentre Plus—where morale is fairly low at the moment, because they are facing increasing problems, "There will 14,000 less of you in a year's time." You cannot put a figure on the number of people who are going to lose their jobs at Jobcentre Plus.
Mike Driver: We can tell you how many staff we expect to have at the end of the year.

Q101 Stella Creasy: So how many do you expect not to have?
Mike Driver: Well, let me just give you a few figures. At the end of March 2011, we had approximately 73,000 whole-time equivalents working for the Department. At the end of 2011–12, so at 31 March 2012, we would expect to have approximately 65,500 staff. So that is a reduction of roughly 8,000 people.

Q102 Austin Mitchell: And what is to come?
Mike Driver: I will come on to that in a moment, but I think it is important to say that that is split, and if you go back to Figure 4, which you have been talking to us about, some of that is in relation to our baseline—the underlying efficiencies that we would have to find as an organisation—and some of it is to do with the additional money that we received when the recession began and which was announced in the PBR thereafter. So in terms of our baseline, I would expect our staffing to reduce by about 5,300, and in relation to the non-baseline elements, I would expect our staffing to reduce by about 3,600.

Q103 Stephen Barclay: Are you changing your grade mix?
Robert Devereux: Let me say one thing first. We don't have an entirely permanent staff, because when we were given temporary money for a temporary recession, we took on fixed-term contractors. As a consequence, a lot of this reduction is the run-off of well-planned temporary contracts. So the answer to the question how many of my people are leaving, if what you mean is long-term DWP people, what we are actually talking about is the aggregate totals are going down.

Q104 Austin Mitchell: It is amazing how you can magic the staff reduction away, isn't it? What about the year after, and the year after that? This is going to go on.
Mike Driver: As the period goes on, we do have plans, but we have to take into account different assumptions then, because as an organisation we are being asked to do more and more. The Chair, for example, referred to ESA migration. We would expect to take more staff on to deal with that. The time limiting of ESA would add to our problems. So as we go into 2012–13, we would expect to see our staffing reductions slow down quite significantly. If I could just build on the point about fixed-term contracts, because I think that is an important one, in May of this year the number of staff in Jobcentre Plus reduced by approximately 1,300. Of that 1,300, 1,100 were fixed-term contracts when people came to the natural end of their contract, and about 200 of those staff were permanent.

Q105 Austin Mitchell: At a time of what is going to be for you unprecedented change—major new development—when there could well be rising unemployment or certainly a jobless recovery, of which there is no sign yet, you are going to reduce the number of staff. This is going to mean that the service you are providing is going to be more impersonal, more mechanical, more distant, less local, less friendly and less welcoming. I have seen on page 25 you are going to have a "single virtual contact centre". What is a virtual contact?
Mike Driver: We already have that.
Robert Devereux: We already have it and I am not going to—

Q106 Austin Mitchell: But how do you make virtual contact with me?
Stella Creasy: Carefully.
Robert Devereux: I wish I had thought of that. I have 30-odd contact centres around the country. If you ring me up now, your individual call could be sent to any one of those, depending on where I have got the best available agent. It is virtual only in the sense that I match a real human who will speak to you in English down a real telephone line—

Q107 Austin Mitchell: It is going to be more impersonal and less satisfactory for the person who is out of work.
Robert Devereux: This is going to be an interesting debate, because if this Committee is interested in productivity, which I guess you are, then we need to find the most effective way—

Q108 Austin Mitchell: You are going to deal with 80% of telephone enquiries at the first point of contact. You are not going to do that, are you, because it is going to be more complicated, you have to have interface with the Treasury, you have to be able to tell them far more, and it is only done over the telephone?
Robert Devereux: No, I am sorry. We may not have adequately explained our business. An awful lot of people ring us up and ask incredibly straightforward questions that can be answered very efficiently via a virtual call centre. It is actually very inefficient to interrupt people in the middle of benefit processing. So I am afraid I don't accept this premise. It is neither impersonal nor is it inappropriate.

Q109 Chair: Mr Devereux, I am going to try to move you on. If we can get on to the productivity, one of your aims is to get 80% of claimants online. There is a figure attached to that, is there not? I don't know how much you are going to save on that. Do not stop with a big long answer, but what is the figure you want to save out of that? What is the projected savings target?

Robert Devereux: I don't think I have it. That assumption is part of why Universal Credit is £2 billion, not a more expensive product.

Q110 Chair: Have either of you got a figure for that?
Robert Devereux: Not on me.
Chair: I am going to come back to figures in a minute.
Phil Gibby: It's difficult to split out the figure, because more people going online means you need less elsewhere, so the savings will come from what you can take from elsewhere.

Q111 Chair: You want to get 80% online. At the moment, I think something like 13% are online. Am I right about that? Yes?
Robert Devereux: Mmm hmm.

Q112 Chair: We also know that, out of the poorest in our community—those with an income below £10,500-£10,800—30% never use IT. They are your claimants.
Robert Devereux: Mmm hmm.

Q113 Chair: Is this a realistic target? If not, what impact on your cuts?
Robert Devereux: We are now going to have a conversation about the difference between transformational and incremental. When I was in the Department for Transport, as you know, the DVLA had a really good system. It has been going up bit by bit basically without too much marketing. To get to Universal Credit at 80%, we simply cannot just assume that past trends are a good guide to the future; we will have to fundamentally reengineer the nature of the conversations between us and people claiming benefits and the methods by which they can then access online activity. So I am not sitting here assuming that every benefit claimant has got an internet provision at home. We are looking at what is the best way in which, in their local area, be it through the Post Office, who I have spoken to, whether it is through the libraries, whatever mechanism it is, we can change this.

Q114 Chair: Again, are you confident? I am just not confident you can get from 13% to 80% in five years.
Robert Devereux: Well let us think about levels of ambition then. I could either set myself an 80% target based on working through this in the way I have talked about it or I end up with something that is clearly going to be, certainly viewed by the perspective of history, not enough effort put into this. We have put 80% in there in the recognition that we have an awful lot of heavy lifting to do.

Q115 Matthew Hancock: Are you learning from other examples where big changes like this have happened; for instance in DVLA, where there has been a huge spike in the amount of processing online and which has also reduced costs and improved customer satisfaction. Of course it is a different group of people and there are differences, but there are examples of where this has been very successfully done before. Are you learning from those?
Robert Devereux: Yes, of course we are.

Q116 Chair: I don't agree with that analogy, actually, because I think it is such a different bunch of people. On that, you have set yourself a target, you are going to put a load of effort into it; I accept all that. We all want you to achieve it. Have you got a contingency in there?
Robert Devereux: We are still at the relatively early stages of planning this. When I said we went through the starting gate, that is the word I meant: starting gate. We went through it two months ago. We are trying to make rapid progress; we are trying to make sure we have by the autumn a plan for how we are going to roll this out and how we do it. Forgive me, but this thing was only agreed in the spending review at the end of November. We have mobilised a team and we have got started on this process. There are things you can get—

Q117 Chair: Have you got a contingency plan, Mr Driver?
Mike Driver: Not for Universal Credit.
Chair: No, for getting 80% online.
Robert Devereux: You are working on the basis that I already have a very, very detailed plan that I can then build a contingency into. I am building the plan as we speak.

Q118 Stella Creasy: Where did 80% come from then?
Robert Devereux: Where did 80% come from? That is a very good question. I think it came from—and it was before I arrived—our judgment about what was an achievable target.

Q119 Stella Creasy: The DVLA example. I have to say I am a non-driver, so I have not applied for a licence, but how many permutations are there to apply for online versus the permutations that you will have in the Universal Credit system? The more complex it is, the more chance people will enter the data wrongly, and that is going to create a cost for you, isn't it, because you will have to reassess them?
Robert Devereux: There are also material problems when everybody tries to fill in forms they don't understand and then somebody else transcribes them and all the rest of it. So don't make the assumption that just because people are directly inputting it it is going to be more inaccurate. The more problematic thing is making sure people feel confident they can do this, and the design of the system is such that it encourages them. If all I do is to replicate benefit forms on a website, I can guarantee we will not succeed. That is not our intent. The people we are putting into this programme right now in senior roles to make sure that we have thought about how this is essentially marketed and developed are thinking about precisely that. This is not just a techy programme to do with IT in the organisation.

Q120 Stella Creasy: I agree with you, because I think all of us recognise that inputting forms has been a challenge for the DWP. But I think the concern all of us have is that you have made an assessment that

you will save money on the basis that 80% of people get online, and you cannot say where 80% has come from, because you don't have the evidence or the pilot schemes to know how people are going to respond to the schemes and what will make a more user friendly system. That is quite a gamble, isn't it? Do you accept there is quite a high risk? You could get closer to, say, 40%, and that might be quite good, going from 13%. Do you accept that it is a gamble to go to 80%?
Robert Devereux: No. What we are discussing is whether I am personally ignorant of how the Department did it or whether or not they have got no plans.

Q121 Stella Creasy: Mr Devereux, this is nothing about your personal ignorance; it is about where 80% came from, and you said you can't even tell yourself.
Robert Devereux: No. What I said was I don't know. There are a number of facts that I have managed to master in the last six months. One of them is not how we arrived at 80%.

Q122 Stella Creasy: But that is quite a big part of your budget to get right, isn't it, to get to the 80%?
Robert Devereux: But I also have very competent staff, and if the NAO had written a Report that wanted to explain about Universal Credit, we could have had this discussion. What they wrote about was almost entirely about operating inside the administrative budget.

Q123 Stella Creasy: But you have just said that one of the things is that you are dependent on your staff to tell you where the 80% came from, and then you are equally concerned that the NAO is saying, "Look, we are not sure how these strategic objectives have been set".
Robert Devereux: No, I think you are making mischief here. All I have said is that we have clearly made an assessment about 80%. I would be delighted to go and tell you on what basis that assessment was made. It is me that doesn't know it, not that the Department doesn't have a view.

Q124 Nick Smith: Five minutes ago you said people could access this through post offices or libraries. Have you spoken to the Post Office or local authorities about using those places?
Robert Devereux: I had the Managing Director of the Post Office in my office six weeks ago, and she was making me precisely that offer.

Q125 Nick Smith: So you think that online access will go up towards 80% in part through working with post offices?
Robert Devereux: No, what I have said consistently is that we have set ourselves a very challenging aspiration here; I am now trying to work out how to facilitate it. One obvious element of it is where people will physically access the internet. There are some obvious choices, of which the Post Office is one, and the Post Office would be keen to do it.
Chair: Well, we wish you well but we are sceptical.
Matthew Hancock: You're sceptical. Our Committee isn't sceptical. I think that has been a perfectly clear explanation.

Q126 Chair: Comptroller and Auditor General, and then Jackie.
Amyas Morse: Since Mr Devereux has been talking about the central functions of the Department and pointing out that we treat those, among other things, in our Report, can I ask him a little bit about that? In other words, this is a significant change programme in its own right in the way the Department runs itself and its central administration. If we are going to three years down the line, can you just describe how it is going to be significantly different? There are lots of different pieces that are very interestingly significantly different to the way the Department has run itself. Can you just characterise it overall as to what you are creating?
Robert Devereux: First of all, just in terms of risk, I have been through this process before. You did not invite me to come and talk about the Department for Transport but we took one-third out of the cost of the Department for Transport in exactly the same way. It is much bigger, I know, but been there a little bit. What is it going to feel like? One of my observations about the Department I have inherited is that it has got a very large corporate centre. I am not surprised that the incoming Government has decided that it ex cathedra is going to announce a 40% reduction. One of the consequences of a large corporate centre is you end up with quite a lot of people with overlapping roles or lack of clear responsibility. So the reason why I have pressed the button to accelerate this process and make one conscious organisational redesign is to make sure I am designing an organisation that gives people clear levels of autonomy about what they are responsible for without the fog that goes with saying, "I wonder whether that is what Jobcentre Plus is doing or the Pension Service or somebody else". So the changes I have made about my senior team are to simplify and clarify the fact that at the end of the day there is only one Secretary of State, there is only one Permanent Secretary, there is only one budget and we will jolly well make sure that we are clear what is contributing to the aggregate happiness and we are not going to have potentially lots of different things going on underneath us that are not clear. At the moment, for example, many choices about what to invest in are being taken one level down, which in my view, in a world where I have very little cash, leads potentially to suboptimal answers. I want to make sure they are happening at the most senior level. It is inconceivable that the non-executives that the Government has chosen to join us—Ian Cheshire is our lead non-executive—are going to expect me to be doing anything else. How else could you run an organisation of this size?
If I could add one other thing about how it feels, at the risk of drawing attention to facts that don't help me, the figures you have got in here about the staff survey and what people think of leaders are low. I think they are too low. I have done a lot of travelling; I have done 40 offices, I think, in the last six months. One of the characteristics of that is you will find

consistently staff who want to do a good job, staff who will change what they are doing locally where they are in control of it; and we have done a lot of work on Lean that helps all of that stuff. The thing that is not consistently happening is where things have to change that require bigger changes—to the rules, to the IT, to the estate—those are not things that the grassroots staff feel is being listened to. One of the problems in that is just the number of layers. I am trying to construct an organisation where I know that the improvements are going to come from people lower down who see how this is all working and I am trying to wire up a culture and a way of working that makes sure all of that comes up towards the top. We simply cannot afford to run the place on the basis that Mike and I know best.

Q127 Jackie Doyle-Price: I just want to pick your brain on how it is working with the Efficiency and Reform Group in the Cabinet Office, because we are talking about a level of change that really does require changing how you do things. With that in mind, I think your aspiration about delivering more online services is perfectly part of that. But we did see in paragraph 4.4 that the moratorium delayed the IT spend on being able to deliver more services in that way. It is quite clear that the scale of the challenge across Government is such that the Treasury and the Cabinet Office are going to be taking a closer interest in how Departments are performing. Historically the DWP has been better than others, so in some ways it needs less meddling rather than more, and perhaps other Departments require more challenge. I would just like to see how that is working in practice. Is there going to be a confusion of ownership in delivering against these challenging targets?
Robert Devereux: First of all, personally I think it is good that the Cabinet Office has got a grip of things that go across Government. It was a pretty loose affiliation with the Cabinet Office prior to this Government; they have put some serious people in there, Ian Watmore and the like, trying to drive out consistent savings right across the piece, whether that is IT, whether it is major projects, whether it is contracting—all that sort of stuff. So I am not against that in principle. The other thing I would observe is that you will have noticed that two of my most senior staff are now working for Ian Watmore part-time to make sure that the cross-Government approach is the best it possibly can be. It is my Chief Information Officer who is now the Government Chief Information Officer; it is my HR Director General that is now coordinating HR work across Government. So my expectation is, since I know those people and they are very good and since Ian Watmore is a reasonable person, that they will find ways of operating that I hope start to reflect what you might call earned autonomy. So if they think that they can expect DWP to get on with that, they will pursue the course you have suggested and look elsewhere. But I do not think it is a surprise that given the Government's diagnosis of how much money was not being well spent, you would not have a central resource doing this. I do not personally object to them spending the first year being very, very tight about it. The question is, how does that progress? If I have got good quality staff, which I believe past evidence suggests, it only doubles the time if I do this now. One of the things that we have done, for example: I talked earlier on about the governance structure of the Universal Credit; we have asked Ian Watmore to be on that board. So deliberately trying to make sure that Terry Moran, who has got a really difficult job to do, is not asked questions by every single person under the sun just because they come with a Central Government badge on, but we dovetail all of that. That is working reasonably well so far; that is one of the things that I regard myself as having to protect him from.

Q128 Jackie Doyle-Price: I suppose what I am really looking for is satisfaction that the involvement of the Cabinet Office is not going to slow anything down, particularly with regard to Universal Credit, because this is going to be transformational in terms of how you do things and how you deliver services going forward.
Robert Devereux: All I can tell you is that we have designed governance structures that seek to buy the Cabinet Office into the steering board itself. We are not writing them letters after the fact; they are sitting there looking at the same information I have got.

Q129 Mr Bacon: Are you, like Ian Watmore, in favour of putting up the gateways publicly so that everyone can see how it is going and where the pitfalls are, where the successes are, where there are urgent areas, where there are development areas and where there are huge, great big red flags in the way? Or do you like the idea of keeping it secret?
Robert Devereux: I think you just have to ask yourself about the incentives in the system. One of the reasons I believe the current gateway system works as a private report to the SRO is that people tell the truth. If you tell everybody that everything you say is about to be published, there is a risk people will tell you the things you want to hear. That will give you very good gateway reviews and transparently it will look very well and nothing will happen at the end of the day.

Q130 Mr Bacon: I am interested in you saying the gateway review process works. I take your point completely; I have heard people say that many, many times about doing it privately meaning that there is more likely to be candour. But our experience of the gateway process on this Committee has been red flag after red flag after red flag and people don't even put the brakes on, let alone stop; they just keep ploughing on. The Rural Payments Agency is only the most famous example of that, but that has happened across Government. Are you saying there has been a sea change?
Robert Devereux: No, I was answering the question you asked me. In my own personal view—and Ian is probably going to have the last word on this—in respect of whether candour is better than pretence, I would rather go for candour. In terms of where I think this has got to, let me come back to the Portfolio Management Unit and the fact we have now got boards with serious non-executives on. I am not expecting to have conversations with Ministers that

do not ask that hard question. If it comes up with a red, it is red for a purpose.

Q131 Mr Bacon: Yes, but their behaviour: you say they are more likely to be candid in private; I have heard many people say this. The reason is because they think what is going to happen to them if they tell the truth. Alan Mulally had exactly the same in Ford: when he had a worldwide meeting and there were greens all over the entire business, he said, "I have only got one question. If it is all green and it is all doing so well, why are we about to post losses of $17 billion?" He had a meeting the following week and it was like a Christmas tree; there were different colours everywhere, and the people who had problems got help. But the first thing you have to do is to have the people who have got problems know that there is help available and that they won't get hit on the head if there is a problem, they will get help. That is the culture you are after. My point is, you are more likely to get that if they know that, if they are honest that they have got a problem, and if they talk about it, they will get helped rather than hit. That is what you are after, isn't it?

Robert Devereux: Yes indeed. I might observe that you could have that with or without it being published. The question you are asking is the cultural question. If my senior manager tells me, "I think there is a real problem with this" he should get some support. That is absolutely correct. I am not at all sure if it just becomes the tittle tattle for today's media: "Shock horror, drama, Universal Credit gets a red". I can guarantee you Universal Credit will go through having some reds. It must do; any project of that size must. If at that point the collective political discussion is, "Shock horror, drama, it is never going to happen", that would be completely to misunderstand the nature of reds and programme management.

Q132 Mr Bacon: Correct me if I am wrong, but I think I understood you to say the reason it is going to be, as it were, "only" £2 billion is because of the aspiration to get from, I think, 13% to 80% doing it online. Is that correct?

Robert Devereux: No. That is a factor in the costing. The other thing—you have heard the numbers from Mike—is that quite a lot of this cost is in establishing it in the first place and making sure we have trained staff and so on. It is an important factor; it is not the only one.

Q133 Mr Bacon: I was coming on to ask just how important. If the number of people online stayed the same as it is now, what would the £2 billion figure be? You must know that.

Robert Devereux: Well the answer is £2 billion, because—

Q134 Mr Bacon: No, I am sorry, what would the additional cost be that you cannot afford? Is it an extra 1.4? You must know, because you must know what the saving is. As incrementally you get more people online, it must produce a certain level of saving.

Robert Devereux: Since I have already offered to write a note about precisely this, I am going to offer the same note, because it is one and the same question.

Chair: Within a week, if you can.

Q135 Stephen Barclay: Could I come back to the points that were raised about staffing earlier? Could you give us a sense as to what changes there might be in grade mix within Jobcentre Plus in 12 months' time?

Mike Driver: In line with the review that is going on within the corporate centre, we would expect the number of senior civil servants to reduce and for the other grades we would expect a relatively proportionate effect. We have already reduced the number of districts that we have down to 37, so the number of district managers that we have is reducing over time, reducing quite significantly the central functions of Jobcentre Plus, in actual fact, which has probably a disproportionate effect on the number of senior staff affected. I do not know exactly what it would be in percentage terms. I would be very happy to provide you with a note on that.

Stephen Barclay: Yes, it would be useful to know.

Mike Driver: I think in actual fact it would probably be fairly uniform, but I would probably expect at the lowest end—at the administrative assistant end of the business—for there to be far fewer of those as we move to different types of work and in middle to senior management a relatively higher proportion reducing.

Q136 Stephen Barclay: It interplays with putting things online, which is very sensible to do in many respects, but it plays on Mr Mitchell's question, which concerns the fact that in the past, as I understand it, the Department has increased people in grade and there has been grade inflation as a proportion compared to admin staff.

Mike Driver: We do not expect grade inflation.

Robert Devereux: You are perfectly right. I have inherited a Department where, if you look at how many senior civil servants there were about five years ago and how many we have got now, it is many, many more. The effect of taking 40% out of the corporate centre is essentially to put all that back to a structure where if you are at a certain level of seniority you are doing what I was doing when I was there eight years ago, not some sort of grade-inflated view. There are almost two different populations in this Department: a very large number of administrative grades, for whom, by the way we have not generally run any voluntary severance arrangements because we know we have large quantities of work to do one way or another through this period; and then more senior staff, who are being reduced in total.

Q137 Stephen Barclay: That is absolutely the right aspiration, and it is reassuring to hear that. What I am saying is, how do we appraise whether you have delivered that successfully in terms of whether this is going to be set out in a plan? What we know is staff costs have gone up because, for example, the number of grade 7s in Departments has gone up exponentially. What you are saying is, "Our aim in terms of reducing

that staff cost is to do that through admin, but less as a proportion than through the senior grades." How do we measure that in 12 months' time?
Robert Devereux: I think you could do a lot worse than simply look at the grade mix of the Department. In 12 months' time, if we have reduced the corporate centre by one third, since by and large they are all far more senior than EOs, which is where most of my staff are, the grade mix will have changed for the better.

Q138 Matthew Hancock: Can I ask a question in a similar space but about property rather than staff? Both within DWP itself and within JCP, if you are looking to reduce headcount, what savings are you going to make out of saving on property costs?
Robert Devereux: What savings am I going to make on property costs? Let me start by saying we are the only Department currently that meets the space standard of 10 square metres set by the ODC. We are the Department with the lowest price per occupied square metre of any Government Department.
Chair: Because you are not in London.
Robert Devereux: Nor is HMRC or the Ministry of Justice. I deliberately looked those figures up because I knew you would ask me that question. We are better than both of those. We are one third less than HMRC and MoJ on space occupancy, and one third less than them on cost of space occupied. They are both national organisations. In 2010–11 we closed 18 sites, vacated space in four, saved ourselves 25,000 square metres and saved £12.4 million. In 2011–12, we have already given notice on 25 properties and moved out of seven, saving £20 million. For 2012–13, we have already given notice on another £20 million-odd. There is £50 million worth of savings on properties happening from actions we have already taken in the spending review.

Q139 Matthew Hancock: Of course in closing spaces you have fewer localities. Are you doing any work with other public sector providers in order to be able to use your property more efficiently by working with people from outside the DWP sphere to get efficiencies across the public sector?
Mike Driver: We are, in actual fact. Just to give you an example of that, in Dunstable Jobcentre Plus is looking to co-locate its services with the local authority. So one of the things that we are trying to do and we will need to do over time, in actual fact, is think about the way in which Jobcentre Plus services are more effectively delivered with other Government organisations. Just to give another example, we are allowing The Prince's Trust to use some of our offices so they can provide some of their services from within our estate in order to drive efficiency more broadly across the voluntary and the public service.

Q140 Matthew Hancock: How do you ensure that when you are doing that you are getting best value for money?
Mike Driver: Government accounting requires us to recover the full cost for the space that we provide, so we work on a full cost recovery basis.

Q141 Ian Swales: Can I just ask a question about future error? We have heard from HMRC in this room that chaos is not too strong a word to describe what has happened there through all their changes. Your figures for overpayments were £3.3 billion in 2009–10. How did you get on in 2010–11 and what do you expect to happen in 2011–12?
Robert Devereux: The Department has just published its first estimate of fraud and error in 2010–11, based on sampling up to October 2010. The percentage rate of fraud and error in every single category is exactly the same as it was in the previous year. If only I could find the bit of paper I would tell you what it is.
Chair: It is probably £3 billion or thereabouts.
Robert Devereux: It is 2.2%. The proposals that we have for improving fraud and error are, on our best assessments, going to reduce that 2.2% rate of fraud and error to 1.7% by 2014–15.

Q142 Ian Swales: That is fine for 2014. What do you expect to happen in this year, 2011–12, and 2012–13, while all this change is going on? Clearly if there is poor morale and lots of change, we could see those figures go into reverse. As we know, these numbers are very high.
Robert Devereux: Our projection at the moment is that we are going to have a lower number than 2.2% in 2011–12. Let us call it 2% in rounded numbers. The reason why I think you might have some confidence on that is because we have already put in place 1,000 staff, rising to 1,700 this year alone, who are engaged in checking cases across the country. They have saved already in 2012–11 £31 million of benefit spend and already £12 million in the current quarter. So those sorts of actions are not prospective, strategy type stuff; I have got real humans in real buildings saving real money today.

Q143 Chair: In answer both to Stella Creasy's question and when we were talking about going online, there is an underlying problem, which I think you recognised last time you came, about a lack of real understanding in the Department of the relationship of activities to costs and therefore how you are going to accrue your savings. This is littered through the Report; it was part of the capability review; when we had our previous reports we homed in on that. How are you tackling that? You will really only get us value for money when you understand what you spend and what you get for it.
Robert Devereux: I am glad you reminded me that was in the Report, because I did have several things to say about that.
Chair: There is loads of it in the Report. Do you want me to give you the quotes?
Robert Devereux: No.
Chair: You don't have a productivity strategy; you don't have blah, blah, blah. It goes on.
Robert Devereux: All of which, if we go through them one at a time, I will explain. Let me take you somewhere else. At 2.10, you will find that the NAO acknowledges that we have an accredited methodology for measuring productivity. Oddly enough, the NAO did not choose to report what that accredited methodology has actually shown the

Department has done, so shall I tell you? What it tells us is that since 2004 productivity as measured has increased by 45%, which for you is 6% per annum every year for six years. If you ask the Office for National Statistics which is the only area that has got a substantial increase in productivity across the entire public service, the answer is the social security administration. Some of the things that are being said about whether we have productivity plans or not, I find have been written in quite careful language. It is the case that, within the plans that Mike has already told you about, there are substantial headcount reductions, predicated against improvements in productivity.

Q144 Chair: To be fair, let us take what happened this afternoon. We had Stella Creasy's questioning around the Future Jobs Fund and whether or not you have done proper assessment of value on that. We have then had a lot of questioning around online and the extent to which going online will save you money, which you may be able to answer in a written answer for us, but despite, I am sure, a few days of preparation, you were not able to answer to us verbally this afternoon.
Robert Devereux: With respect, the first is not a productivity question. This first is a value for money question. You can ask me about that, but the charges you are making—

Q145 Chair: My general thing is there is a lack of understanding in the Department of the value and cost of activities and the value of activities in relation to their costs. That has been a general criticism throughout. Are you not accepting it?
Robert Devereux: I am not accepting it in the way you are putting it. You are making it sound as if we are floundering around making savings where we can.

Q146 Chair: Other reports have said it, though.
Robert Devereux: Please let me answer. The Report is very complimentary about an activity-based measure of costing in this Department. If you go and look at what is inside Jobcentre Plus and the Pension Service, you will find that we know how to put costs against all of these processes and indeed the individual plans that they have got for delivering savings across this period are dominated by plans to improve productivity. What the Report correctly says is that when we come to set the budgets and when we think about this, we do not routinely at the highest level aggregate all that up and make conscious choices about the productivity. What we have effectively done is to set some budgets and then Mike and his colleagues have become more productive. The evidence is this Department is substantially more productive than it was previously and the evidence is this Department is the only one that you can say that for. Against that background, I don't accept that we don't do productivity.

Q147 Chair: I have to say to you—we can have a long conversation about it—you have reduced the number of Jobcentre Plus staff and you have done that well. I think Jobcentre Plus have done a good job. Whether that has increased productivity or impacted on services you don't have a clue.
Robert Devereux: That is simply not fair. The National Audit Office Report is recording our accredited methodology. I have quoted you the figures. I do hope in the press release you will say, "6% per annum cumulative for six years productivity improvement".

Q148 Chair: It is a funny definition of productivity.
Robert Devereux: Well no, I am sorry, it is the ONS measure of productivity. It is a proper measure of productivity. I am not pulling this out of a hat. I am surprised, personally, that in a Report that is so long on productivity, the National Audit Office chose not to tell you the facts. They showed you the methodology; they didn't tell you the answer. I regard that as unsatisfactory.
Phil Gibby: I was just going to add that the reason we did not put it in is because it covers social security administration, so it covers HMRC as well. That is why we did not put it in.
Robert Devereux: I am sorry, that is incorrect, as it happens. The productivity measure that is a 45% increase is actually the DWP's internal metric. When I went on to talk about social security administration for ONS, that is indeed part of what I do and part of HMRC. 6% per annum every year for six years is what my Department has delivered and I assure you you cannot do that if you are apparently as at sea on productivity as you would believe.

Q149 Chair: But you might do it better and more if you understood your cost base better and then took more rational decisions and were able to answer the sorts of questions we have asked you.
Robert Devereux: The two questions you have asked have not been about productivity.
Chair: They have been about value for money.
Robert Devereux: I acknowledged I did not know the answer to a technical question about the 80%. I wish I had done, but this is not to do with whether we have good productivity.

Q150 Chair: And you didn't know about the value.
Robert Devereux: That is a value for money question. The reason I want to nail this productivity is because I am interested in what your report is going to say.

Q151 Chair: When you came to see us in February and we were talking, I think, about—
Robert Devereux: Fraud and error.
Chair: You said, "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'". Do you understand that now, four months on?
Robert Devereux: We were discussing fraud and error. We were discussing lists of initiatives to do with fraud and error.

Q152 Chair: Just answer the question. Do you understand it now? Do you understand what works? What we got out of that Report was there is a whole load of action being taken; we did not know what works. You agreed with us that it would be better to understand what works and therefore where to concentrate your resources.

Robert Devereux: What I told you—because I remember very carefully what I told you—was that the person who is doing this now, who is sat beside me for the hearing, had been working through very diligently, making sure we absolutely understand what the cost and benefit of all of those measures are, rather than simply assert that so long as there is activity we must be doing good things on fraud and error.

Q153 Chair: Do you have that information now?

Robert Devereux: Yes, he has populated a large part of that since we last met.

Phil Gibby: We have been discussing this and taking it forward.

Chair: Thank you very much indeed.

Robert Devereux: You are very welcome.

Written evidence from the Permanent Secretary, Department for Work and Pensions

Follow-up Note on Reducing Cost in the Department for Work and Pensions

1. At the PAC Hearing on Reducing Cost in the Department for Work and Pensions on 27 June, I agreed to provide notes on:

— the value for money of the Future Jobs Fund and savings on the Future Jobs Fund in 2011–12;

— our reasoning behind our target of achieving 80% of JSA claimants online as published in our Business Plan; and

— the relationship between projections of unemployment and the reduction in the funding for Jobcentre Plus due to the recovery from recession.

2. I attach separate notes on all three (annexes 1–3)

3. I thought you might also want to see the evidence I described of the Department's increase in productivity. I attach (annex 4) the Department's Productivity graph based on our 'accredited methodology' (paragraph 2.10 page 23) for measuring productivity. This shows our estimates of productivity growth: on average 6% increase per year, over each of the last six years. While the NAO report notes that we could do more, I trust that your report will reflect both our achievements to date, and the systems already in place to deliver those achievements.

4. If I may, I'd like to record one further point. Other than my own remarks about the extent of AME savings for which legislation has already been made (or is in the process of being made through the Welfare Reform Bill) neither the report nor our discussion went into any substantive assessment of the plans to deliver the £20 billion AME savings. Employment programmes and Universal Credit (both of which we did discuss at length) are scored within DEL.

5. I would, of course, be happy to give evidence another time, should the NAO choose to assess those plans in detail. In the meantime, I hope we can avoid a further round of headlines about the £20 billion savings, when the £17 billion AME has simply not been assessed by the NAO.

8 July 2011

Annex 1

Mr Smith asked what review had been done on the value for money of the Future Jobs Fund (FJF), how it compares to other young persons employment programmes, and the savings that would arise in 2011–12 from stopping this Programme.

I explained during the hearing that the Future Jobs Fund (FJF) had a significantly high gross cost, and was considerably more expensive than comparable interventions. As the table below shows, it was the largest and most expensive element within the Young Person's Guarantee:

YOUNG PERSON'S GUARANTEE UNIT COSTS (PER PERSON)

Future Jobs Fund	£6,500
Routes into Work	£1,200
Work Focussed Training	£2,310
Community Task Force[1]	£1,200
Care First Careers	£1,500

Given the Government's determination to find savings, this gross cost, and the continued availability of alternative support, were important factors in the decision to close the FJF to new bids (while honouring existing commitments to March 2011).

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[1] Average cost, including cost of those failing to complete YPG options making up the remainder of time on the Community Task Force.

The Committee pressed me on the parallel question of the effectiveness of the FJF, and hence its vfm, recording comments by the Work and Pensions Select Committee. The Department has recently started the formal impact assessment to estimate the difference that the policy has made to participants' employment and benefit receipt outcomes. To enable a sufficiently sized cohort of participants' outcomes to be tracked for a year, findings will be published early in 2012, subject to an external peer review. This will inform a cost-benefit assessment based on benefit, fiscal and economic savings.

But our early analysis indicates that nearly 50% of FJF employees were on benefits eight months after they started FJF. If we assume the other 50% were in work then the cost per unsubsidised job could be closer to £13,000. By comparison, the New Deal for Young People was assessed as having a net cost per job of £3,480 in 2004–05 terms. This does suggest that the high cost of the FJF is related to poorer vfm; but we cannot say anything more about the value for money of FJF until the formal evaluation comes out in 2012.

In terms of savings, the decision to close the Fund to new bids saved £290 million in 2010–11. There had been a proposed extension of FJF into 2011–12, costing £360 million in 2010–11 although this was pending a Spending Review Settlement in October 2010. Ministers decided that getting the Work Programme in place was a more appropriate response to the unemployment situation and the priority for funding, while seeking to ensure there was no gap in provision for young people. In reaching this decision, Ministers took account of the potential resource impacts elsewhere and concluded that the Department would be able to continue to provide support to young people without creating additional cost.

As all elements of the guarantee were below profile and the Community Task Force (CTF) cost less than budgeted, we were able to reprioritise within the existing spend to keep the Guarantee in place, either from the other Guarantee elements or as part of New Deal for Young People until the end of April 2011.

The Government has now put in place a comprehensive package of support for unemployed people which, for 18–24 year olds, replaces the Young Persons Guarantee and includes measures designed to help young people specifically.

From October 2010, as part of Get Britain Working, we introduced Work Clubs and Work Together. In January 2011, we introduced Work Experience and started to trailblaze the New Enterprise Allowance. In June, we have rolled-out the Work Programme and later this year will be launching sector-based work academies.

Young people have priority access to the Work Programme after nine months. The most disadvantaged young people will enter the Work Programme earlier after three months of unemployment. Government will expand early entry to include any young person aged 18 who made a claim to Jobseeker’s Allowance while they were aged 16 or 17.

The Government has committed significant additional capacity to help young people into employment. Work Experience and Apprenticeships are central to improving the prospects of young unemployed people and the Government is providing funding for up to 250,000 more Apprenticeships over the next four years and funding for 100,000 Work Experience placements over the next two years. Work Experience placements offer the 18–24 age group a period of valuable work experience lasting between two and eight weeks, and eligibility is being opened up to also include 16 and 17 year olds in receipt of Jobseeker’s Allowance. In strengthening the links between Work Experience and Apprenticeships later this year work placements will be extended by up to four weeks where employers make a firm offer of an Apprenticeship.

We are also strengthening the range of support available to some of the most vulnerable young people, providing additional Jobcentre Plus support for 16 and 17 year old Jobseeker’s Allowance claimants.

We are putting in place a new £10 million per annum Innovation Fund that will give delivery organisations, in particular those in the voluntary and community sector, a real chance to develop innovative solutions to help disadvantaged people. This will focus on young people who are not in employment, education or training or who are at risk of becoming so.

Annex 2

Ms Creasy asked about the digitalisation of our services and our target for achieving 80% of JSA claims online as stated in our Business Plan. During initial development of our online strategy, we believed that getting 80% of JSA customers to do their business with us online was a challenging but realistic objective, based on:

- what we already knew about our own customers from previous experience within DWP, such as the Payment Modernisation Programme (to phase out order books); and
- the experiences of other organisations who had moved towards encouraging customers to use online services.

Detailed customer insight has supported this. Our customer insight showed that 86% of the JSA customers we surveyed were using the internet and 67% had home internet access.

That is an encouraging starting point. A significant number of customers—just over 40%—are "ready, willing and able" to use JSA online services. We believe we can get them to do so by delivering everything as planned, the service being fully functional, and informing this group that the online service is available.

In order to get to the 80% figure, however, we will need to do much more in terms of activities to address the barriers some customers have to using online services, as well as doing more to communicate the benefits of online services and encouraging customers to use the service. Different groups of customers will need different types of support and encouragement and we are developing appropriate plans and activities to do this. Activity will range from providing assurances about safety and security to those customers who may be nervous about using online services, to helping arrange training and access to appropriate IT equipment for those who have never used the internet before.

Having access and skills to use online services increases claimants' ability to look for work and increases their employability. The drive to get JSA claimants online therefore has broader benefits in helping them move into work as well as accessing JCP services online.

JSA is the first DWP service that is aiming to meet the Government's objective of services being 'digital by default'. It is an important precursor to the introduction of Universal Credit to a much broader claimant base as a digital by default service. In DWP what we mean by that is that, while we will continue to support claimants who are unable to use digital services, for the vast majority, we will position digital services as how we do normal business. Achieving that requires a transformational target that forces a radical change in culture (of staff and claimants) and of the delivery model. The intention of the 80% target is in part about driving that change of business model, as well as delivering administrative savings. We are in no doubt as to the challenge of achieving such a target: we need to design services that are simple to understand and easy to use which is why Universal Credit is being developed with continual user input; we need to find a remote authentication mechanism that balances security and usability which we are working with the Cabinet Office to achieve; and our staff need to be advocates of the online services, which is why we are developing the digital champion roles and connecting with the Government's initiatives to encourage people online.

Annex 3

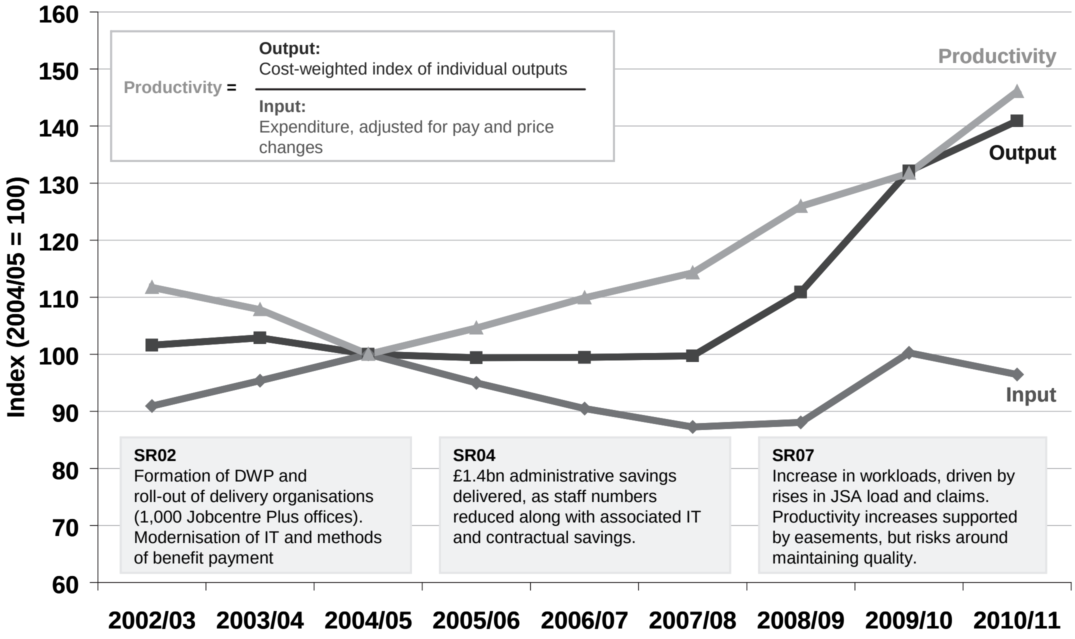
1. The £915 million saving 'due to recovery from the recession' (Figure 3, page 15) includes a saving of almost £200 million in the cost of Jobcentre Plus handling claims to JSA, with the balance reflecting savings on employment and related programmes.

2. These savings are, in turn, predicated in part on an underlying reduction in JSA volumes through 2011–12, as the economy recovers. However, at the same time, reflecting changes to Income Support conditionality and the reassessment of Incapacity Benefit claims, there is some transfer from those benefits into JSA.

3. As a result, published estimates of the JSA caseload in Great Britain falls during 2011–12 from 1.50 million in the first quarter of 2011–12 to 1.48 million in the final quarter of 2011–12. These figures are consistent with the UK projections published by the Office for Budget Responsibility. Within this, the projected caseload for JSA in Great Britain for young persons (aged 16–24) in 2011–12 is 378,000 compared to a figure of 405,000 in 2010–11.

4. The £200 million savings also include, in addition to the underlying fall in JSA volumes, savings from further Jobcentre Plus efficiency savings of £81 million. These will be delivered from increased productivity and other enablers, which will be reflected in lower staffing within Jobcentre Plus.

Annex 4



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