



House of Commons  
Committee of Public Accounts

---

# Universal Credit: early progress

---

**Thirtieth Report of Session 2013–14**

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

*Ordered by the House of Commons  
to be printed 4 November 2013*

**HC 619**  
Published on 7 November 2013  
by authority of the House of Commons  
London: The Stationery Office Limited  
£12.00

## Committee of Public Accounts

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

### Current membership

Rt Hon Margaret Hodge (Labour, Barking) (Chair)  
Mr Richard Bacon (Conservative, South Norfolk)  
Stephen Barclay (Conservative, North East Cambridgeshire)  
Guto Bebb (Conservative, Aberconwy)  
Jackie Doyle-Price (Conservative, Thurrock)  
Chris Heaton-Harris (Conservative, Daventry)  
Meg Hillier (Labour, Hackney South and Shoreditch)  
Mr Stewart Jackson (Conservative, Peterborough)  
Fiona Mactaggart (Labour, Slough)  
Austin Mitchell (Labour, Great Grimsby)  
Nicky Morgan (Conservative, Loughborough)  
Nick Smith (Labour, Blaenau Gwent)  
Ian Swales (Liberal Democrats, Redcar)  
Justin Tomlinson (Conservative, North Swindon)

### Powers

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

### Publications

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](http://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 Adrian Jenner (Clerk), Claire Cozens (Committee Specialist), Sonia Draper (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

### Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee's email address is [pubaccom@parliament.uk](mailto:pubaccom@parliament.uk)

# Contents

---

|   |             |
|---|-------------|
| <b>Report</b>   | <i>Page</i> |
| <b>Summary</b>  | <b>3</b>    |
| <b>Conclusions and recommendations</b>                                  | <b>5</b>    |
| <b>1 Programme management</b>   | <b>9</b>    |
| <b>2 The future development of Universal Credit</b>                     | <b>12</b>   |
| <br>  |             |
| <b>Formal Minutes</b>   | <b>14</b>   |
| <b>Witnesses</b>  | <b>15</b>   |
| <b>List of printed written evidence</b>                                 | <b>15</b>   |
| <b>List of Reports from the Committee during the current Parliament</b> | <b>16</b>   |

## Summary

---

Since July 2010, we have published eight Reports on the reforms and finances of the Department for Work & Pensions (the Department). In those Reports we have recommended consistently that the Department should allocate clear responsibility for scrutinising the progress of the Welfare Reform Programme alongside cost reductions.

Universal Credit is an important programme with cross-party support. It is a business transformation programme, which aims to provide incentives and influence behaviours to get people into work. However, the Department lacked an overarching business transformation strategy, and focused its effort on the programme's IT aspects. The failure to develop a comprehensive plan which will deliver these important changes has led to substantial nugatory expenditure which has yet to be finally determined and extensive delays in the implementation of the programme.

The Department accepts that timescales have slipped and that value has not been secured from the £425 million invested so far. There has been a shocking absence of financial and other internal controls and we are not yet convinced that the Department has robust plans to overcome the problems that have impeded progress. Our recommendations are designed to help get the programme back on track. In particular the Department needs a robust plan on how to transform its business and what is required from the new IT systems it intends to use to support the transformation. If the Department is to secure the benefits it seeks, the new IT capabilities must enable more online operations, must address fraud risks, and result in a system capable of handling the real-world complexities of claimants' circumstances. The Department must be realistic and transparent about its expected costs and timescales, and the milestones against which we can hold it to account. We believe strongly that meeting any specific timetable from now on is less important than delivering the programme successfully.

## Conclusions and recommendations

---

1. The Department has stated that Universal Credit will simplify the benefits system by consolidating six means-tested working-age benefits into a single system intended to encourage claimants to start work or earn more. The Department expects to spend £2.4 billion up to April 2023 on implementing Universal Credit, and by April 2013 it had spent £425 million, mostly on IT development (£303 million). In February 2013 the Department ‘reset’ the programme following a Major Projects Authority review which expressed serious concerns about the programme lacking detailed plans. It is highly likely that a substantial part of the expenditure on IT development will have to be written off. Since then the Department has been working to address these concerns, but has yet to submit revised plans for approval by ministers, HM Treasury and the Cabinet Office.

2. **Management of the Universal Credit programme has been extraordinarily poor.** Oversight has been characterised by a failure to understand properly the nature and enormity of the task, a failure to monitor and challenge progress regularly, and a failure to intervene promptly when problems arose. Senior managers only became aware of problems through ad hoc reviews, mostly conducted by external reviewers, as inadequate management information and reporting arrangements had not alerted them that things were amiss. Given its huge importance to the Department, the Accounting Officer and his team should have been more alert to identifying and acting on early warning signs that things were going wrong with the programme.

**Recommendation:** *The Department should ensure that new governance arrangements provide robust oversight of progress and that these arrangements are agreed by the Major Projects Authority. Responsibilities for programme management and different levels of assurance should be set out clearly, with appropriate engagement of officials at the most senior level within the Department for Work & Pensions and the Cabinet Office.*

3. **The lack of oversight allowed the Department’s Universal Credit team to become isolated and defensive, undermining its ability to recognise the size of the problems the programme faced and to be candid when reporting progress.** The programme’s ambitious timescale and protected resources created the inevitable risk of a fortress culture developing. This risk should have been mitigated by robust management information and stronger monitoring by senior staff within the department which might have given clear and early insights into progress. Risk was not well managed and the divergence between planned and actual progress could and should have been spotted and acted upon earlier. The Department only reported good news and denied the problems that had emerged. The risk of a similarly blinkered culture remains as the Department will be working to tight timescales to get the programme back on track.

**Recommendation:** *The Department must ensure it has comprehensive, relevant and clear information to assess progress. Progress must be monitored at the most senior levels within the department and it is essential that staff feel able to raise concerns at an early stage if they identify difficulties.*

4. **It is extremely disappointing that the litany of problems in the Universal Credit Programme were often hidden by a culture prevalent in the Department which promoted only the telling of “good news”.** For example, officials were aware that a critical report highlighting many of these issues had been discussed internally for months. Indeed, there are real doubts over when officials became aware of these problems and it is difficult to conceive, based on the evidence we were presented with, that officials within the Department did not know of them before July 2012. This is a hugely important project which requires strong, consistent and unified leadership and management. This is essential to drive uncontroversial policy to successful implementation.
5. **There has been a shocking absence of control over suppliers with the Department neglecting to implement basic procedures for monitoring and authorising expenditure.** We saw evidence that purchase orders with a total value of £8.7 million were approved by a personal assistant to the Programme Director. In another case, two purchase orders, one for £22.6 million and one for £1.1 million, were approved by a personal assistant to the Programme Director whose delegated financial authority at the time of approvals was only £10 million. When the Department made individual payments to suppliers these could not be linked to particular pieces of work that had been delivered. Some of the IT assets that have been delivered cannot be used in the programme and so must be written-off; whilst initial estimates suggest the write-offs could amount to at least £140 million, we heard evidence that the precise extent is as yet unknown because the Department’s impairment review is not yet complete, relying so far on supplier self-assessment.

*Recommendation: The Department must: complete its own impairment review as a matter of urgency; implement suitable payment controls; and demonstrate that it is getting value for money through future negotiations with suppliers.*

6. **The pilot programme is inadequate as it does not deal with the key issues that Universal Credit must address: the volume of claims; their complexity; change in claimants’ circumstances; the need for claimants to meet conditions for continuing entitlement to benefit; and the security of information to prevent fraud.** The scope of Pathfinder is much narrower than originally planned. It is now restricted to only the simplest new claims of people who are single, have no dependants and would otherwise be seeking Jobseeker’s Allowance. The Pathfinder does not deal with most claimants’ circumstances or examine how the behaviour of different types of claimant might change with the introduction of Universal Credit. Pathfinder also includes limited IT functionality, with staff having to enter some information manually, and it lacks the identity assurance and anti-fraud components that the full system will need. While Pathfinder will provide some useful information, we are sceptical that it will adequately inform the full roll-out of Universal Credit.

*Recommendation: The Department should evaluate what benefit it can derive from the existing Pathfinder programme and ensure it introduces a revised pilot programme to help prepare for the full implementation of the policy.*

7. **We are not yet convinced that the Department is in a position to present revised plans for approval by ministers, the Cabinet Office and HM Treasury that resolve the problems of developing a secure system that can accommodate large numbers of claimants who have complex and changing circumstances and who will be expected to fulfil certain conditions.** When the Department presents its revised plans to these decision makers, it must clearly set out how it will: protect Universal Credit against fraud risks; establish the scope of secure online operations; determine how to confirm claimant identity; monitor whether the claimant fulfils the conditions of entitlement, and handle all the complexities and changes in circumstances for claimants. Universal Credit will not meet its current target of enrolling 184,000 claimants by April 2014, and the Department will need to accelerate the later stages of the programme if it still plans to meet a 2017 completion date which creates yet further risks. We believe that meeting any specific timetable is less important than delivering the programme successfully. There is still the potential for Universal Credit to deliver significant benefits, but there is no clarity yet on the amount of savings it will achieve.

*Recommendation: The Department's revised plans should set out:*

- *A range of deliverable options to present to ministers, the Cabinet Office and HM Treasury detailing the services, processes and systems for Universal Credit.*
  - *A clear strategy for IT development, demonstrating the best way forward for the programme and an accurate review of current investment which will not be needed in the long-term.*
  - *Realistic ambitions on timescales and the amount that can be delivered online, and the impact of these on the costs and benefits of the new system. While we recognise that timetables might need to be flexible, the Department should set out the milestones against which it can be held to account, such as: when each affected benefit will be replaced by Universal Credit; the migration of claimants onto the new system; and the availability of key services online.*
  - *The budget for the remainder of the programme and the net benefits it expects will be delivered, explaining how these have changed compared to previous plans.*
8. **It is important that HM Treasury and the Major Projects Authority have clear criteria against which to examine the Department's revised plans.** Both the Treasury and Major Projects Authority described to us the general principles they would expect the revised plans to address—such as affordability and the delivery of value for money—which could apply to any project. Given the scale of Universal Credit and the difficulties so far, we would expect Treasury and the Major Projects Authority to 'raise the bar' in order to give confidence that the programme can be brought back on track.

*Recommendation: HM Treasury and the Cabinet Office should outline the specific criteria they expect the Department to address in its revised plans for Universal Credit. In the light of the failures experienced by this programme, we recommend that the Major Projects Authority is given stronger powers to monitor and intervene.*





# 1 Programme management

---

1. On the basis of a Report by the Comptroller and Auditor General, we took evidence from the Department for Work and Pensions (the Department), the Cabinet Office's Major Projects Authority and HM Treasury on the progress in delivering Universal Credit and the problems there have been in implementing the programme.<sup>1</sup>

2. Universal Credit is the Department's biggest single programme, through which it plans to simplify the welfare system by consolidating six means-tested working-age benefits into a single payment. In 2012-13 the six benefits accounted for spending of £67 billion across 13 million claims. The government intends that Universal Credit will provide better incentives to get people back into employment, including allowing claimants to keep more of their earnings when they start work, and tougher job-search requirements managed through a 'claimant commitment'.<sup>2</sup> The Department has estimated that Universal Credit would deliver a net benefit of £38 billion over 12 years to 2022-23, and then an annual net benefit of £7 billion.<sup>3</sup>

3. The Department set out its plans for Universal Credit in a White Paper in November 2010, and it began design and build work in January 2011. The Department planned to have moved all claims onto the new system by October 2017. The Department expects to spend £2.4 billion up to April 2023 implementing the programme. By April 2013 it had spent £425 million, including £303 million with suppliers for IT development.<sup>4</sup>

4. The Department acknowledged that so far the programme has been poor value for money.<sup>5</sup> Universal Credit is a business transformation programme, which aims to provide incentives and influence behaviours to get people into work. However, the Department lacked an overarching business transformation strategy, and focused its effort on the programme's IT aspects.<sup>6</sup>

5. The Department initially adopted a piecemeal approach to delivering the programme. In 2011 it identified over a hundred different types of users for Universal Credit, and initially sought to design IT solutions for each set of circumstances individually. It was only in early 2012 that the Department decided to stand back and try to establish a clearer picture of what the programme's overall shape might look like.<sup>7</sup>

6. During the summer of 2012 the Department became aware of the problems that Universal Credit faced. It was first alerted by concerns raised in a supplier-led review, commissioned by the Secretary of State, which reported in July.<sup>8</sup> The Department

---

1 C&AG's Report, Universal Credit: early progress, HC 621 Session 2013-14, 5 September 2013

2 C&AG's Report, paragraphs 4, 2.11 and Figure 9

3 C&AG's Report, paragraph 3

4 C&AG's Report, paragraphs 4, 2.11 and Figure 9

5 Q166

6 Qq5, 90, 147-149

7 Q89

8 Qq87, 89, 168, 173

subsequently established that the programme's progress was stalling because there were a number of unresolved issues which had become intractable, particularly relating to the level of security needed for identity assurance and protection against fraud and error and cyber-attack.<sup>9</sup>

7. The Department had been previously unaware of the programme's difficulties because its internal lines of monitoring, intervention and defence, intended to identify and mitigate such problems, were not working properly. Governance arrangements were not remotely adequate, and the Accounting Officer discussed progress with the head of the Universal Credit programme only every two or three weeks.<sup>10</sup> The Department had inadequate performance information to scrutinise and challenge the programme's reports of its progress, so internal reporting arrangements did not flag up that things were amiss.<sup>11</sup> The Department's corporate finance undertook insufficient work to ensure there was an appropriate control environment in place, and the Department's process for ministers to sign-off higher-value contracts was weak.<sup>12</sup>

8. The Department's senior management had relied on ad hoc reviews, mostly conducted by external reviewers, which only provided an occasional snapshot of the programme, instead of ensuring effective internal systems were in place to monitor and challenge progress. However, during 2012 the problems surfaced more clearly as the Universal Credit team became unable to respond to recommendations made by such reviews.<sup>13</sup> In February 2013 the Major Projects Authority identified five key areas that needed urgent attention—developing a steady state solution, resolving security problems, ensuring the programme had the capabilities it needed, providing proper governance arrangements, and controlling suppliers and expenditure. These were all areas of on-going concern that both the Major Projects Authority and Internal Audit had raised with the Department between November 2011 and September 2012, but which the Department had not adequately addressed.<sup>14</sup>

9. The programme had also developed a flawed culture of reporting good news and denying that problems had emerged. This culture resulted from the desire of senior staff within the programme to show publically that they were able to push the programme forward, at the expense of ensuring that adequate controls were in place or listening to concerns raised about its delivery.<sup>15</sup> Although the Department has tried to tackle this culture, it gave misleading interviews to the press regarding progress after it became aware of difficulties with the programme, and as recently as July 2013 the Department denied that there were problems with the programme's IT when it gave evidence to the Work and Pensions Committee.<sup>16</sup>

---

9 Q89

10 Q92, 183-185, 194

11 Q167; C&AG's report, paragraph 3.28

12 Qq200-201

13 Q110 and Ev 31; C&AG's Report, paragraph 3.34

14 C&AG's Report, paragraph 3.35 and Figure 18

15 Qq109, 132, 165, 202

16 Q117. In September 2012 *Computer Weekly* reported that a Department spokesman had recently told it: 'The IT is already mostly built...It is being built and tested on time and on budget' ('How agile is Universal Credit?', *Computer Weekly*, 25 September 2013). In July 2013 the programme's senior responsible officer was asked by the Chair of the

10. The Department told us that it had taken remedial action. This included appointing a new senior responsible owner, programme director and IT director for the programme in September 2012.<sup>17</sup> The Department also said that the new senior responsible owner had begun to address many of the issues that were wrong with the programme before he died suddenly in December 2012. In February 2013 the Major Projects Authority expressed serious concerns about the programme's progress and its lack of a detailed 'blueprint' and transition plan, and recommended that the programme should be 'reset'. The Department told us that having lost two senior responsible owners in quick succession, it had not been surprised by this recommendation.<sup>18</sup>

11. The Department recognises its supplier management has been weak, risking value for money.<sup>19</sup> Four main suppliers—Accenture, IBM, Hewlett Packard and British Telecom—have provided IT systems for Universal Credit, and by March 2013 the Department had paid them £265 million out of the £303 million spent with suppliers on IT systems. In February 2013 the Major Projects Authority found no evidence of the Department actively managing its supplier contracts, resulting in suppliers being out of control and financial controls not being in place.<sup>20</sup> The Department has yet to provide a comprehensive assessment of how much of this expenditure has proved nugatory, although the Major Projects Authority believes it will be a substantial figure running into hundreds of millions of pounds.

12. PwC produced a report for the Department in 2013 which detailed a long list of problems with the Department's supplier management.<sup>21</sup> For example, when the Department made payments to suppliers it could not link these to particular pieces of work that had been delivered.<sup>22</sup> Furthermore, the Chair of the Strategic Design Authority delegated a personal assistant to complete the approval process for 15 purchase orders with a total value of £8.7 million—such delegation should not have happened, and the Department has found insufficient evidence to explain why it did.<sup>23</sup> The PwC report also highlighted that two purchase orders, one for £22.6 million and one for £1.1 million, were approved by a personal assistant to the programme director, whose delegated financial authority at the time of the approvals was only £10 million.<sup>24</sup>

---

Work and Pensions Committee 'So the rumours that there is a large chunk of the IT that simply did not work and has been dumped are not true?'; he answered 'No' (Work and Pensions Committee, Universal Credit: Follow-up, Uncorrected transcript of oral evidence to be published as HC 569-i, 10 July 2013, Q71)

17 Q89

18 Q87; C&AG's Report, paragraphs 11, 3.38

19 Q206

20 Q36; C&AG's Report, paragraphs 1.17, 3.25 and Figure 6

21 Q173; C&AG's Report, paragraph 3.26 and Figure 15

22 Qq178, 182

23 Qq175-177 and Ev 31

24 PwC : *Financial Management in Universal Credit* [Not printed]

## 2 The future development of Universal Credit

---

13. Since February 2013 the Department has revamped the entire structure of the Universal Credit team and has been working to address the extensive problems faced by the programme.<sup>25</sup> It expects to submit revised plans for approval by the Cabinet Office, HM Treasury and ministers in late 2013. The Department is developing these plans, and it continues to work to tight timescales as it still aims to meet a 2017 completion date.<sup>26</sup> The Treasury and the Major Projects Authority told us they plan to use the criteria they apply to all projects, such as affordability, deliverability within timescales and appropriate management arrangements, when reviewing these revised plans.<sup>27</sup>

14. The Department remains uncertain about key details of its final plans. It does not know how much can be delivered online, when this will be available, and what activities will continue to require face-to-face meetings.<sup>28</sup> The Department also does not know what the final cost of the IT will be, or the savings the programme is expected to deliver.<sup>29</sup> Nor does it know when it will close down the other benefits that Universal Credit will replace.<sup>30</sup>

15. The Department has a target of enrolling 184,000 claimants on Universal Credit by April 2014, and it launched a limited pilot scheme, called Pathfinder, at Ashton-under-Lyne in April 2013. The Department expanded Pathfinder to three further sites during July, and it will add six more in October 2013. The current rate of progress is significantly below target, however. Only around 2,500 claimants were registered at the time of our hearing in September, and the Department was unwilling to speculate what number will be enrolled by next April.<sup>31</sup>

16. Both the Department and Major Projects Authority expect the Pathfinder pilot to provide some information about how claimants might respond to the changes introduced by Universal Credit.<sup>32</sup> The Department is also using Pathfinder to ensure that new software systems can be linked effectively to those which it already has.<sup>33</sup> However, the scope of Pathfinder is much narrower than originally planned, it covers only the simplest new claims, includes very limited IT functionality and cannot be scaled up to deal with the number and complexity of claimants Universal Credit will ultimately need to accommodate.<sup>34</sup>

---

25 Q213

26 Q158; C&AG's Report, paragraphs 2.4-2.6

27 Qq84, 160

28 Qq152-157, 210-212, 225-227

29 Qq189-191, 215

30 Qq228-229

31 Qq220-221; C&AG's Report, paragraphs 12-13

32 Qq7, 54, 96

33 Qq7, 54, 95-96, 101

34 Qq3, 43

17. The Department will need an effective online system to handle more claimants and become fully operational, but the need for manual intervention in particular has limited the volume of claimants it can handle.<sup>35</sup> Pathfinder is restricted to single people, who are unemployed, who have no children and who would otherwise be claiming Job Seeker's Allowance. It can only handle changes in claimants' circumstances manually rather than through the IT systems it is using. It cannot handle the claimant conditionality imperatives the Government wants. Yet when in a steady state Universal Credit is expected to deal with 10 million people in about 7.5 million households, making 1.6 million changes in circumstances each month.<sup>36</sup>

18. A significant factor that has limited Pathfinder's IT functionality is that it lacks the identity assurance and anti-fraud components that the full system will need. The Department is aware that the system must include suitable security arrangements if Universal Credit is to operate effectively and deliver its intended benefits.<sup>37</sup> However, the Department has not yet finalised such a solution, and was unable to say when two key components—those countering fraud and error and confirming claimants' identity—would be completed.<sup>38</sup> The Department has found it particularly hard to establish the right balance between security and usability. The development of an effective security system has been hindered by security not being integral to the design of IT components from the outset, but instead being retro-fitted into systems, and suppliers working on different assumptions and to different standards. To address this, the Department told us it has now brought security issues together in one place, with one senior official responsible for overseeing this part of the programme.<sup>39</sup>

19. Some of the IT assets that have been delivered cannot be used in the programme. So far £34 million has been written-off, but this is based on an incomplete impairment review that relied on supplier self-assessment. The full extent of the final write-off was unknown at the time of our hearing, although during the reset the Major Projects Authority assessed that any write-off would be sizable, and told us that it could be at least £140 million.<sup>40</sup> The Department told us that it is using the majority of the IT developed so far in Pathfinder, and that it has established that suppliers have developed systems that were more advanced than those in use, but they had scaled them back because of the unresolved security issues. The Department is considering to what extent these systems are usable in the long term.<sup>41</sup> However, the Major Projects Authority advised that while the Department will want to salvage as much of its expenditure to date as possible by reusing systems developed so far, this should not be to the detriment of Universal Credit as a whole.<sup>42</sup>

---

35 Qq40, 223

36 Q3

37 Qq122, 130, 195

38 Qq12-13, 123, 161

39 Qq27, 128, 217-218

40 Qq16-20. Q53

41 Qq111-112, 118, 120-121, 135, 211

42 Qq21, 55

# Formal Minutes

---

**Monday 4 November 2013**

Members present:

Mrs Margaret Hodge, in the Chair

Mr Richard Bacon  
Stephen Barclay  
Guto Bebb  
Jackie Doyle-Price  
Chris Heaton-Harris  
Meg Hillier

Mr Stewart Jackson  
Fiona Mactaggart  
Austin Mitchell  
Nick Smith  
Justin Tomlinson

Draft Report (*Universal Credit: early progress*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 19 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

*Resolved*, That the Report be the Thirtieth Report of the Committee to the House.

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

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

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

[Adjourned till Wednesday 6 November at 2.00 pm]

## Witnesses

---

### Wednesday 11 September 2013

*Page*

**Dr Norma Wood**, Interim Director General, Major Projects Authority

Ev 1

**Robert Devereux**, Permanent Secretary, **Howard Shiplee**, Director General, Universal Credit, **Mike Driver**, Finance Director, Department for Work and Pensions, **Sharon White**, Director General Public Spending, HM Treasury and **Dr Norma Wood**, Interim Director General, Major Projects Authority

Ev 9

## List of printed written evidence

---

- |   |                                  |       |
|---|----------------------------------|-------|
| 1 | Citizens Advice Bureau           | Ev 28 |
| 2 | Department for Work and Pensions | Ev 31 |

## 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 2013–14

|                      |  |        |
|----------------------|--|--------|
| First Report         | Ministry of Defence: Equipment Plan 2012-2022 and Major Projects Report 2012                           | HC 53  |
| Second Report        | Early Action: landscape review   | HC 133 |
| Third Report         | Department for Communities and Local Government: Financial sustainability of local authorities         | HC 134 |
| Fourth Report        | HM Revenue & Customs: tax credits error and fraud  | HC 135 |
| Fifth Report         | Department for Work and Pensions: Responding to change in jobcentres                                   | HC 136 |
| Sixth Report         | Cabinet Office: Improving government procurement and the impact of government's ICT savings initiative | HC 137 |
| Seventh Report       | Charity Commission: the Cup Trust and tax avoidance  | HC 138 |
| Eighth Report        | Regulating Consumer Credit   | HC 165 |
| Ninth Report         | Tax Avoidance – Google   | HC 112 |
| Tenth Report         | Serious Fraud Office – redundancy and severance arrangements   | HC 360 |
| Eleventh Report      | Department of Health: managing hospital consultants  | HC 358 |
| Twelfth Report       | Department for Education: Capital funding for new school places  | HC 359 |
| Thirteenth Report    | Civil Service Reform   | HC 473 |
| Fourteenth Report    | Integration across government and Whole-Place Community Budgets  | HC 472 |
| Fifteenth Report     | The provision of the out-of-hours GP service in Cornwall   | HC 471 |
| Sixteenth Report     | FiRe Control   | HC 110 |
| Seventeenth Report   | Administering the Equitable Life Payment Scheme  | HC 111 |
| Eighteenth Report    | Carrier Strike: the 2012 reversion decision  | HC 113 |
| Nineteenth Report    | The dismantled National Programme for IT in the NHS  | HC 294 |
| Twentieth Report     | The BBC's move to Salford  | HC 293 |
| Twenty-first Report  | Police Procurement   | HC 115 |
| Twenty-second Report | High Speed 2: a review of early programme preparation  | HC 478 |
| Twenty-third Report  | HM Revenue & Customs: Progress in tackling tobacco smuggling   | HC 297 |
| Twenty-fourth Report | The rural broadband programme  | HC 474 |



# Oral evidence

---

## Taken before the Public Accounts Committee on Wednesday 11 September 2013

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon  
Stephen Barclay  
Guto Bebb  
Jackie Doyle-Price  
Chris Heaton-Harris  
Meg Hillier

Mr Stewart Jackson  
Fiona Mactaggart  
Nick Smith  
Ian Swales  
Justin Tomlinson

**Amyas Morse**, Comptroller and Auditor General, National Audit Office, **Ed Humpherson**, Assistant Auditor General, NAO, **Max Tse**, Director, NAO, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

### Examination of Witness

*Witness:* **Dr Norma Wood**, Interim Director General, Major Projects Authority, gave evidence.

**Q1 Chair:** Welcome. Thank you, Dr Wood, for agreeing to give evidence first. We have a lot to get through this afternoon in looking at the Report, so it would be very helpful if your answers could be direct and pretty short; then we can get through more. I think that this is the first time that you have given evidence to a Select Committee.

**Dr Norma Wood:** It is.

**Chair:** The purpose of hearing from you separately is to help to inform our questioning of the accounting officers. It is a case of trying to build on your brain and your experience. Can you tell us your role, so that everyone understands what role you have played?

**Dr Norma Wood:** Yes. I actually had three roles. The first was as the review team leader for the review that took place in February. I was then the transformation director for the reset. Then there was a gap from 17 May to 3 September, when I took on the role of interim director general of the Major Projects Authority.

**Q2 Chair:** And I am right in thinking that you are a consultant working for Government; you are not a civil servant.

**Dr Norma Wood:** Yes.

**Q3 Chair:** Okay. Can I go straight in? Were the pathfinders, when you looked at them, designed to meet the objectives of the new blueprint that we got when you went in in February? Were they fit for purpose for that reset that was decided in February—the new plan, blueprint or whatever you want to call it—or were they for some other purpose?

**Dr Norma Wood:** The pathfinder was actually designed before we did the reset. One of the reasons why we had to do the reset was that there were a number of issues. For example, the pathfinder could not handle changes of circumstance. It was very narrow in scope. It was only for single people who were unemployed, so there were no couples or any of the other arrangements. It did not cover changes of

circumstance, which had to be handled manually. When we designed the steady-state, we designed it for 10 million people—about 7.5 million households—and there are 1.6 million changes per month, so it was important that that was included.

The second point is that it wasn't—

**Q4 Mr Bacon:** Did you say 6 million?

**Dr Norma Wood:** It was for 10 million, but 1.6 million changes per month.

**Mr Bacon:** Changes of circumstance.

**Dr Norma Wood:** Well, changes of circumstances and impacts, and feeds into information—the RTI feed for example.

**Q5 Mr Bacon:** And the pathfinder can't handle any of that.

**Dr Norma Wood:** It could handle it manually at the time that we did the review, and at the time that we did the reset.

The second thing was that it did not include work services—that was a separate programme—

**Chair:** This is the conditionality.

**Dr Norma Wood:** This is the conditionality—what we call the to-do list, to try to keep it straightforward. This is where the claimant agrees to make a commitment to do certain things in response to benefits, so it is absolutely at the heart of the policy intent. We are putting more people into more work more often, and we put that up front and centre in the design. So that was not included.

There were also security issues with the pathfinder. It hadn't included elements that were really important. When I say security, I mean three things: fraud and error, cyber-security, and identity. We designed those into the design of the steady-state solution.

I guess the other thing to add—then I will pause—is that the programme was not conceived as a business transformation programme. It was very IT-driven, and this is a major change in business operations. That

was what we used as one of our main drivers in the steady-state solution.

**Q6 Chair:** That is a very helpful and good answer. On a scale of nought to 10, with nought being poor and 10 being excellent, where would you put the pathfinder, in terms of supporting the full implementation of universal credit for the country?

**Dr Norma Wood:** There are different time periods. At the time that we arrived, it was very unlikely that it would achieve full roll-out.

**Q7 Chair:** So nought.

**Dr Norma Wood:** One, maybe. In terms of the way in which it was subsequently rolled out, it has a much greater focus on that policy intent and on whether behaviour will be changed. I think it adds some value, so I would push it up the scale.

**Q8 Chair:** How far—three?

**Dr Norma Wood:** Three or four. If you are looking at where it stands today, I have not got visibility on that, but I think that it is an interesting question.

**Q9 Chair:** Okay, but my understanding is that these key elements—individuals' change of circumstances, responding to an individual claimant rather than a household claimant, the conditionality claimant commitment, the security around fraud and error—were not integrated. They could not be done through the IT system, and they had to be delivered manually in the pathfinder.

**Dr Norma Wood:** Yes.

**Q10 Chair:** That is still the case. The Report—I cannot remember the figures; somebody help me—shows that so far we have spent more than £300 million on IT.

**Max Tse:** That is right.

**Q11 Chair:** Which is the figure?

**Max Tse:** Figure 11 on page 27.

**Q12 Stephen Barclay:** While the Chair is checking that, I would like to clarify whether the security design has still not been approved by the Cabinet Office. Is that correct?

**Dr Norma Wood:** That is one of the figures.

**Q13 Stephen Barclay:** So the budget for the security design has not been signed off by the Treasury?

**Dr Norma Wood:** That is correct.

**Q14 Mr Bacon:** Do you think that the IT supplied by Accenture is capable of being reused?

**Dr Norma Wood:** I think that that is a difficult conundrum across the whole piece, because according to the Report, it looks as though there may well be an end-to-end solution for that narrow class of claimant. The question is whether that can be increased, in terms of functionality, to cover the things that we have just discussed. If it cannot be increased in functionality, then it cannot be increased in volume and scale.

**Q15 Mr Bacon:** What is your personal view of the likelihood of the IT that was supplied by Accenture being capable of being reused?

**Dr Norma Wood:** As I say, it is a really difficult question, because you clearly want to salvage whatever you can from the expenditure that has been made.

**Q16 Mr Bacon:** I am trying to quantify how much of it is nugatory, and plainly some of it is nugatory. Some of it has already been written off, and plainly some more will have to be. Plainly, the Department will have to do a full impairment review to get to the point where it fully understands this, but there are so-called IT assets and there is going to be further impairment, compared to what has been written off already. I am trying to get a rough handle on how much there will be. Your personal view on how likely it is that the Accenture stuff will be capable of being reused would be helpful.

**Dr Norma Wood:** My answer to that, in terms of time periods, is that at the time when we did the reset, and certainly at the time of the review, the prospects were very low. I think that there would be potential for a sizeable write-off, but—

**Q17 Mr Bacon:** Sorry, are you saying that the potential for reuse has now increased?

**Dr Norma Wood:** Yes, I think that the potential for reuse may well have increased, but I have not got visibility on that, because I have not been close enough to the programme.

**Q18 Mr Bacon:** What about Hewlett-Packard's IT?

**Dr Norma Wood:** Some of this is commercially sensitive, and I need to be careful how I answer that, but that tends to be much more in relation to the infrastructure and support, so it is probably less likely.

**Q19 Mr Bacon:** Less likely that it will be capable of being reused?

**Dr Norma Wood:** Less likely that some of it will be written off. There will be a different balance.

**Mr Bacon:** Less likely that it will be written off?

**Dr Norma Wood:** Less likely that it will be written off, and more likely that it will be reused.

**Q20 Mr Bacon:** So the Accenture IT is more likely to be written off, and the Hewlett-Packard IT is slightly less likely to be written off?

**Dr Norma Wood:** It depends on the front-end systems and how they are actually used, so since Accenture deals with the front-end systems, that is likely—

**Q21 Mr Bacon:** But a significant chunk of this, from both Accenture and Hewlett-Packard, will have to be written off at some point?

**Dr Norma Wood:** It depends. I think that this is a question for the SRO, because he has been reviewing—

**Chair:** What is your view?

**Dr Norma Wood:** My view is that, as I say, if it could be salvaged, that clearly would be important, but it is not to the detriment of the delivery of the UC programme.

---

11 September 2013 Major Projects Authority

---

**Q22 Chair:** Just give us an honest view. We are really trying, because we want to clear the deck and then be able to move forward. All of us around this table would like a universal credit system that worked. In that context, so far there has been spending of £300 million, of which Accenture got £125 million. You said that most of that is nugatory. IBM got £75 million. Is most of that nugatory?

**Dr Norma Wood:** As I say, I am not trying to prevaricate but it depends on whether there is any increase in the functionality. At the time when we did the review and the reset, that was not likely.

**Q23 Mr Bacon:** Which means that a significant chunk would be written off.

**Dr Norma Wood:** A significant chunk would be written off.

**Mr Bacon:** I mean, £50 million or £100 million or so.

**Dr Norma Wood:** I could not make an estimate of the figures, but—

**Q24 Mr Bacon:** Have you made an estimate of the figures? Have you expressed a view in writing about your likely estimate of the impairment?

**Dr Norma Wood:** I have expressed a view in handover notes to the current SRO, which was the responsible thing to do, because these are commercially sensitive issues and they did impact in terms of the delicate negotiations going forward.

**Q25 Mr Bacon:** And what was your view?

**Dr Norma Wood:** My view was that some of the front-end systems and some of the interfaces would be written off, but I could not give you a precise—

**Q26 Mr Bacon:** But we are looking at many millions of pounds, probably.

**Dr Norma Wood:** Probably.

**Q27 Meg Hillier:** May I ask about securities—you said there were concerns there? This is not the first Government IT system that has needed this. What went so wrong that it was procured without the relevant security given that other Government systems have been procured with high levels of security? It is not a new thing for Government to be secure about people's data and alert to cyber-security. Was that an issue with procurement or in the delivery by the IT contractors, both of which seem shocking? Perhaps you can give us a bit more.

**Dr Norma Wood:** I think the answer was both. The suppliers, when we went around and did the review, were working on different assumptions and to different standards, and they were producing different solutions, so it is difficult to see how they could be linked in. Security was being retro-fitted, rather than being designed in and fraud and error designed out.

**Q28 Stephen Barclay:** I do not think for a minute, Dr Wood, that you are prevaricating, but is it not the case that the reason we do not know the size of the write-off is because the design has not been approved by the Cabinet Office?

**Dr Norma Wood:** No, that is not the case. The design was produced at a high level, and the blueprints, so

there is a complete solution of what we call a level zero, which was then developed in detail for a level one with some clear business requirements, and which covered all the points that we have just discussed in terms of change of circumstances, handling couples and so on. There was a steady-state solution, but of course that needs to be refined—when you are at that level, you need to ensure that you have a proper level of granularity and a detailed plan to take it forward. That work is being done now, to my understanding, and it is likely to be visible to us in the business case coming forward hopefully this side of Christmas. So all of that will be looked at.

**Q29 Stephen Barclay:** A moment ago, you said that, for example, the ID assurance—its detail and scoping—has not been signed off by the Cabinet Office.

**Dr Norma Wood:** That is correct—not yet; it will not be until we look at the business case.

**Q30 Stephen Barclay:** Indeed. So if you do not know what the final requirement will be, how do you know how much of the existing technology will meet a so far undefined final requirement?

**Dr Norma Wood:** We would not sign off until we see the whole programme in this plan and make sure that it is fully integrated. That would be the point at which approval is recommended and granted by the Treasury.

**Q31 Stephen Barclay:** Indeed, but if we do not know what that final requirement is, it is hard to know how much we can reuse.

In terms of the assessment of the initial £34 million write-off, because DWP commissioned the work from the suppliers, were the suppliers assessing the usability of their own work?

**Dr Norma Wood:** Yes, they were.

**Q32 Stephen Barclay:** So they were marking their own homework.

**Dr Norma Wood:** Yes, they were.

**Q33 Stephen Barclay:** Does that not carry a conflict of interest?

**Dr Norma Wood:** Yes, it does.

**Q34 Stephen Barclay:** Does it concern you?

**Dr Norma Wood:** It did. Therefore, in the review we recommended an independent investigation.

**Q35 Stephen Barclay:** So, building on Mr Bacon's point, it is highly likely that the initial write-off, if they had been marking their own homework, carries the risk that the eventual figure will be bigger.

**Dr Norma Wood:** That is true.

**Q36 Chair:** There are two aspects to this. First, we invested £300 million, and so far £34 million has been written off. When we clear the decks, to see where we go forward, it would be really helpful to have had some sort of estimate from you as to whether the majority of that, for example, will be written off—I can understand the commercial confidentiality point.

Secondly, I was sent last night by the Department a PwC report on financial management in universal credit. To be honest, it almost reads—I am sorry that I have not shared it, but I literally only got it at the last minute—more shockingly than the NAO Report in terms of the lack of financial control.

On the write-offs, you end up at some point—if I can find it as it is a very long Report. There were incomplete contracts, incomplete evidence to support contracts, inappropriate authorisation, insufficient information supporting contract management and delegated authority was given to a personal assistant to authorise purchase orders on the behalf of the chair of the strategic design authority. This is a shambles. The fear that one has is that money was clearly paid out to the four big ones—Accenture, IBM, HP and BT—which they claimed on a time basis. It was not a tight contract; it was on a time-and-materials basis, which could well have paid out for no work being done.

**Dr Norma Wood:** I agree with you. The report that we did was only a five-day report. The PwC report came after our review. We were not able to be as thorough as the PwC report, but it is quite clear that suppliers were out of control and that financial controls were not in place. As we did the reset, we ensured that everything was properly negotiated and contracted for, so that is very tight in terms of the reset going forward, but there are definitely questions about how it was handled in the past.

**Q37 Mr Bacon:** Do you know the value of the 15 purchase orders that were signed off by the PA?

**Dr Norma Wood:** No. I am sorry, I don't.

**Q38 Chair:** Going back to my first question, which we lost in the second—I probably should have asked them separately; I apologise. Is the quantum that was signed off likely to be well over 50% of the existing spend?

**Dr Norma Wood:** There is a grey area, if I may explain that. In the steady-state solution, we put together a delivery approach that was twin-tracked. There is a piece that designs the interactive activity with the user and with the agents, and there is a part that uses existing systems, such as the payment system and the customer information system, but there are some 32 legacy systems in between, the utility of which we did not know at the time we completed the reset on 17 May.

Part of the transition plan was to investigate those and to look at the interfaces between the interactive approach, which is being developed largely with a multi-discipline team involving the Government Digital Service, and those legacy systems. It would not be possible for us to say precisely and specifically what those amounts were. However, you are right that if the front end, which is that interactive piece, is not going to be used, it will be sizeable.

**Chair:** It will be?

**Dr Norma Wood:** Sizeable.

**Q39 Nick Smith:** Can I just pick up on something? This system was supposed to be all singing and all dancing. It was supposed to save money. It was

supposed to be easier to use, both for staff and the users. The Chair has just probed you on the value of the pathfinders and you said that they were a value of, say, one out of 10 and may now be some a value of, say, three or four out of 10. There is lots of room for improvement, surely. When will the pathfinders be sufficiently ready to test the system properly?

**Dr Norma Wood:** That is a question for the SRO, because, as I have said, I have not been close enough to that, so I am not clear as to whether the pathfinder can be scaled and rolled out.

**Q40 Nick Smith:** Have you a best guess or is the pathfinder system, as it is, just a hopeless case?

**Dr Norma Wood:** It is not hopeless. As it was configured, there was a limit to the volume of claimants that it could handle because of the manual interfaces and manual support required. It could only handle a very limited number of cases with the confidence that robust security was in place.

**Q41 Fiona Mactaggart:** How many additional people were needed to make the pathfinder work? There was an amount of manual handling, but it was not clear from the NAO Report what that meant in terms of numbers of people in Wigan or wherever it was. How many extra people were there?

**Dr Norma Wood:** Do you mean in terms of agents or in terms of the number of claimants?

**Fiona Mactaggart:** No, I mean people processing claimants who had to make manual changes to claims for single people.

**Dr Norma Wood:** I do not think you could say that there were extra people because the front-line staff were already very keen to do that. There is a strong and powerful can-do mentality among the agents, which is impressive. The staff were available and ready; the question was whether they had all the equipment they needed to support the roll-out. While we were there during the reset, that was improved because of things like understanding customer journeys, the scripts they use and so on, that had not been ready but were got ready in time to make sure that it would work effectively as a manual system.

**Q42 Mr Bacon:** Have you described the pathfinder as having been so substantially de-scoped and compromised that it is not fit for purpose?

**Dr Norma Wood:** I think at the time we did the review, that was our conclusion.

**Q43 Mr Bacon:** Is it correct that the pathfinder technology platform will not support the universal credit, and that it is not scalable?

**Dr Norma Wood:** Unless it can handle the functionality that we have just described—the 1.6 million changes, putting work upfront and centre, and handling couples—I fail to see how it can be scalable.

**Mr Bacon:** Thank you.

**Q44 Stephen Barclay:** I assume that that is in part because you cannot do the fraud checks that you are currently doing on a thousand.

**Dr Norma Wood:** At every stage and every step in the steady-state solution, we have designed security in

---

11 September 2013 Major Projects Authority

---

and fraud and error out, so it is an integral part of the multidisciplinary approach that is being developed now, but that is not complete yet. It is at a level zero and needs much more work.

**Q45 Stephen Barclay:** You can't scale it out nationally unless you have those controls in place.

**Dr Norma Wood:** Absolutely.

**Q46 Stephen Barclay:** May I take you to figure 5 on page 18, which says that in the five-year budget plan as set out in May 2011, IT investment costs were £396 million, and a year later they had shifted and increased significantly to £637 million, which is perhaps an indication of the potential write-off figure and the difficulties you have experienced. The line below refers to migration costs, which magically seem to have gone down from £435 million to £175 million in the same period. Can I assume that those costs have simply been deferred to the next spending round, as opposed to being a natural cost reduction?

**Dr Norma Wood:** I wasn't party to the construction of these costs, but I think your interpretation is probably correct.

**Q47 Stephen Barclay:** So it is not that the total investment cost overall has stayed constant, but that we have simply pushed the migration costs into a future budget. Is that correct?

**Dr Norma Wood:** That's true, but in our work in setting a transition plan, we planned that we would have a complete system covering all the points mentioned earlier that would be available and de-risked. That could be available to new entrants by January 2015. At that point, we looked at several different migration scenarios. The point about that is twofold. One is that the migration scenarios we tested kept us within the affordability envelope, and the time scale meant that we could still reach 2017. I am not sure whether that is still the case and that needs to be tested, but that was doable.

To be absolutely clear and perhaps over-answer the question, the benefits that in all business cases had always been due to kick in in 2018 or 2019—the substantial benefits—would potentially be delayed further if the programme were delayed. That is a sizeable amount.

**Q48 Stephen Barclay:** Sure, although the benefits in the business case are reliant in no small part on fraud savings and we have still not designed how we will deliver those—we are currently doing them manually.

**Dr Norma Wood:** Exactly.

**Q49 Stephen Barclay:** Is the cap that currently applies purely for this five-year spending round?

**Dr Norma Wood:** I believe so, but it is probably better to check with the director of Treasury.

**Q50 Stephen Barclay:** And of course the Treasury wouldn't have approved any of the migration costs that have been deferred, would they?

**Dr Norma Wood:** No, they wouldn't—well, I am not sure what they have done historically because I wasn't there for the period prior to February. In the early

business cases, they may well have been. What we looked at was alternative scenarios, but I think the real answer is that they will be re-looked at and revisited in the business case this autumn.

**Q51 Stephen Barclay:** Are you concerned that, if there is pressure to deliver on time and on budget, there is a significant fraud risk, as claimants are transferred into the new system before adequate fraud controls are in place?

**Dr Norma Wood:** I think we have a competent and seasoned SRO in Howard Shiplee. I am sure that he wouldn't allow that to happen. The question of detailed time scales is one for his judgment. I am sure that he will make the right judgment.

**Chair:** I want to come to the future in a few minutes. Let's hold the future, because we are just looking at where we are to date. Then we want to hear your wise words on where we should go from here.

**Q52 Ian Swales:** I have two brief points. Paragraph 2.21 of the Report says that the Department values its current IT assets on this at £141 million less than has actually been spent. Would you say, given all the comments you have been making, that we are probably looking at something like a £200 million write-off of the £300 million that has been spent?

**Dr Norma Wood:** I think it will be substantial. I couldn't give you a figure, but I think it will be substantial.

**Q53 Ian Swales:** But given that the Department itself already says £140 million, would you imagine that it would be more than that?

**Dr Norma Wood:** It will be at least that, I would think.

**Q54 Ian Swales:** Okay. Obviously I am not going to press you for an exact figure at this juncture.

Figure 8 gives a truly shocking list of the de-scoping that has gone on with the pathfinder project. I would like you to comment on your view of two things: first, the decision making that went on around that de-scoping; and secondly, how you think that will impact on the delivery of the product and benefits on which this case was built originally.

**Dr Norma Wood:** I do not have visibility on the history before February this year, so it is difficult for me to answer that. In terms of the view that was taken during the reset, we wanted to be sure that what we were doing could be safely and professionally delivered. In limiting the number of locations, that was a sensible and prudent move to ensure that we could deliver the pathfinder and start to get an understanding of how claimants might behave in relation to this absolutely enormous shift in the way in which they would understand and use benefits. It was beneficial from that point of view.

**Q55 Ian Swales:** I can understand why you would limit the number of locations. In fact, if it works for one family, it works for the entire country. My question is not so much about the locations, but about the actual functionality, some of which you have referred to. There is a whole list of things that we

are now not going to include. The whole point about universal credit is that it is a fast-moving real-time approach to all these benefits and credits. In terms of what you are now doing—resetting and looking forward—what is the fact that the pathfinder is delivering such low functionality compared with what was originally planned telling us?

**Dr Norma Wood:** I think that that question needs to be tested. It is a very deep and difficult issue as to whether the functionality of that, from the state that I saw it in March, could be extended. That is the question that needs to be addressed. As I have said, clearly it will want to salvage much of the expenditure that has been made already, but not to the detriment of the success of universal credit.

**Q56 Ian Swales:** We have touched on the issue of suppliers. It is really like a broken record on this Committee that we have exactly the same names of suppliers failing to deliver on Government contracts—time after time, with poor specification, very vague penalties involved, and a sense that they almost have a vested interest in failure. Here we are again, sat around this table, discussing the same sort of thing. What can we learn from your expertise in what you have seen about this project? Why did we involve so many companies and make it so complicated right from the start?

**Dr Norma Wood:** I think there are some very important lessons to be learned. One is that this is not just a procurement exercise; this is actually a contract management exercise. It is really important that one understands what the business needs to deliver. That is why I stress that this was constituted not as a business transformation programme, but as an IT programme. It is important that the business drives the IT requirements and manages the contracts accordingly. What we are doing in the MPA, if I put my interim DG of MPA hat on, is taking senior responsible officers through the major projects academy. There is a substantial element of commercial capability being driven through that programme.

**Q57 Ian Swales:** I am sure people around the table agree: it is not the first time we have heard that kind of thing. Finally, it has been clear to me and everyone else that one of the issues with this project was likely to be that it cut across two Departments. Can you comment on the integration between HMRC and DWP on this project?

**Dr Norma Wood:** Yes. I appreciate that there are sometimes difficulties in cross-cutting projects in government. We have those in the private sector as well. One of the things that I instituted as part of the reset was the business partner council. Its objective was to understand the business drivers of each of what we would call the hard dependencies of the other Government Departments, like tax credits and RTI, to understand their business drivers, their financial constraints, the consequences of decisions we made and the consequences of decisions that they made. That proved very useful and helpful. I believe that is a good mechanism for making sure that you have proper integration and proper understanding.

**Ian Swales:** I think the fact that you had to do that tells its own tale.

**Q58 Meg Hillier:** Dr Wood, as you know, there have been many IT projects in government. There were some that were run quite well. There were people like Bill Crothers who did a good job on the procurement framework, contracts and so on. When you looked at this, what had gone wrong that meant people like that were not involved in drawing up this contract?

**Dr Norma Wood:** If you look at the history there have been a number of changes of SROs and of programme directors—some were for tragic reasons, as you know—but also, in IT, of CIOs. You mentioned Bill Crothers, the chief procurement officer. He was extremely helpful during the reset, because we had a combined team drawn from the Cabinet Office, from the Treasury and from the DWP. They have some good people within the team to make sure that the supplier negotiations went forward successfully. I think we should do more of that.

**Q59 Meg Hillier:** But we are hearing that there were issues around the suppliers—both the way they were procured and the way they were managed. I acknowledge that a lot of SROs and CIOs changed, but there was expertise within government that could have stopped that happening. From your experience of looking at it, was that expertise tapped into? If not, maybe I can't ask you why not, because you might not know the motivation for that, but do you see that there was a gap there?

**Dr Norma Wood:** Yes, definitely with capability. The capacity was not so much an issue, but there were capability and governance issues, which we have picked up already in the PwC report. Having Bill Crothers and Stephen Kelly working with us was extremely helpful. They brought the leverage of the cross-Government relationships that they had to bear, which was really helpful in getting a very solid result, a very good result for the reset programme.

**Q60 Meg Hillier:** One of the characteristics of the scheme, as with some other IT projects like this, is that there is a big imperative for the politicians, the Ministers, to drive something forward in the short time that they might be in office. Then there is the practical reality of dealing with it. In all the discussions and things the NAO uncovered about culture and governance, how much do you think was attributable to that tension between the delivery and the political mission? How much were politicians listening to the reality of what was possible in delivery terms, and how much were the deliverers changing their message to meet ministerial imperatives?

**Dr Norma Wood:** Political drivers will always be there and we will always have to live with them. It was less influential than you may think. We found that Ministers, through the ministerial oversight group, were very pragmatic about the way in which we looked at issues and time scales. They would not bind us to a particular time scale if it did not look as though it could be delivered. From that perspective, we have very good support from the ministerial oversight

---

11 September 2013 Major Projects Authority

---

group. I am sorry, but I missed the second part of your question.

**Meg Hillier:** I think it was a corollary to that, so that is fine.

**Q61 Guto Bebb:** Dr Wood, for clarity on one issue which I think I picked up in passing, you mentioned the fact that there were numerous examples of inappropriate authorisation of payments within Departments. Could you expand upon that and explain what the appropriate processes were, and how they were ignored?

**Dr Norma Wood:** In the five-day review that we did—it was only a five-day review—we were not able to pick up on the detail to do a really forensic analysis of what a properly robust and defensible financial management arrangement should be.

**Chair:** PwC does it.

**Dr Norma Wood:** PwC does indeed. We picked up points such as the control of suppliers. We could see that they were working both client side and supplier side at the same time they were doing user-acceptance testing, as the Chair previously mentioned, and the average daily rates were increasing—

**Q62 Mr Bacon:** What were the average daily rates increasing to?

**Dr Norma Wood:** From £500 to about £800, and we came back down to about £500, in round figures in the reset. That could mean that you have much greater quality, so one has to be careful. We didn't have an evidence base really to be able to probe this, which is why we recommended to the accounting officer that he undertake this investigation.

**Q63 Guto Bebb:** To clarify that in terms of the authorisation, where should that decision have been made compared with where it was made? You mentioned the PA signing off some payments. Where should that payment have been authorised?

**Dr Norma Wood:** As with any payment, it should have a proper audit trail and it should be properly governed. The proper governance would have been a programme board or a chief executive or the SRO. That would be the proper place, not necessarily for small amounts such as travel but certainly for the larger amounts, and they should have been properly contracted for. The contracts had exclusivity clauses, IPR clauses and a pricing mechanism that were not appropriate.

**Q64 Chair:** Let me draw this together. I think that we have learned so far that the pathfinders were not fit for purpose, given the strategy, direction and plan we now have for universal credit; that the IT did not meet the needs, in that it did not cover things such as change of circumstances, conditionality and fraud, and that that means that the write-off in relation to the investment in IT will probably be in excess of £200 million, as in your answer to Ian. I want to ask one last question on the companies involved, and then I want to move to your view of what should happen here.

**Ed Humpherson:** May I intervene on those numbers, just for the sake of clarity? The IT expenditure was

£303 million. Of that, £31 million was on software licences, so did not go through any of these suppliers; £50 million was for hardware and telephony costs; and around £26 million was expenditure for purchasing staff services from the contractors who filled in for the DWP team. The software development cost was about £206 million. Of that, £196 million was initially capitalised, and £34 million was written off so far.

**Q65 Chair:** What do you mean by initially capitalised? This is nugatory; they cannot capitalise it.

**Ed Humpherson:** When they were conducting the activities, they said that they expected that this type of expenditure would be capitalised. They are then conducting the impairment review, which will look at how much of that £196 million will remain as an asset and how much will be written off.

**Q66 Chair:** Frankly, I just want confirmation from the Comptroller and Auditor General that you cannot capitalise nugatory expenditure. This is wasted expenditure, and you cannot try to get rid of it in your accounts by capitalising it.

**Amyas Morse:** You can't get rid of anything by capitalising it, no. That's true, but on the other hand what Ed is saying, which is not actually contradictory, Margaret, to what you are trying to get to, is that if you propose to capitalise some expenditure, you have to look at it and ask whether it has enduring value and utility. If the answer to that is no, that will come out in the impairment review and it will be written off.

**Q67 Ian Swales:** Can you clarify the figures in paragraph 2.21, on the back of the figures you just quoted? Maybe I have misinterpreted it, but it talks about the IT assets being worth 53% of the amount spent.

**Ed Humpherson:** In the original budgets, the Department expected that of its total expenditure it would capitalise around 80%; so 80% of its expenditure would go towards creating what it expected to be assets that it would reuse. In practice, more of the expenditure was on ongoing staffing costs, and less on creating software. That is why it is only 53% in reality.

**Q68 Ian Swales:** So you can't difference the figures and say this is a write-off, then?

**Ed Humpherson:** Yes, that's right.

**Q69 Mr Bacon:** Dr Wood, it is correct, isn't it, that the software licences were overbought?

**Dr Norma Wood:** That was the information and the evidence we received when we did the review.

**Q70 Mr Bacon:** Therefore some of that is going to be nugatory as well.

**Dr Norma Wood:** Unless it can be used elsewhere across the Department.

**Q71 Mr Bacon:** But what if it is unlikely that it can be used elsewhere?

**Dr Norma Wood:** I don't have visibility on that.

**Mr Bacon:** Sorry, you don't have what on that? Visibility?

**Dr Norma Wood:** Visibility on the rest of the Department.

**Q72 Mr Bacon:** But isn't it correct that if it is unlikely to be able to be used elsewhere, then it too will be added to the nugatory pile?

**Dr Norma Wood:** That would be correct.

**Q73 Ian Swales:** Can I ask a question on software licences? There is one type, which is when we are using Microsoft, other packages or whatever to develop this. But there is another one, which says "We have already done this kind of thing, and you are buying a licence to a package that we have developed." Which, on balance, are we talking about here? Did we buy existing licensed systems that were then transposed, or were we buying completely raw software and just paying licences for the development tools?

**Dr Norma Wood:** If I understand the thrust of your question correctly, and please correct me if I am wrong, software licences are to use proprietary products—a Microsoft Office system, for example, although we are not talking specifically about that in this case. It is something that has been developed by a software provider. So, if I have got this correct, for anything that had been developed—that is, written as software for UC—the company concerned would own the intellectual property rights, but they would not charge a licence. What they tend to do is to give you what we call user rights, so that the products can be used freely. But where you are using something that is proprietary—Oracle seats for database use, and so on—that would be when you would see those licences. That means that any individual who uses them, depending on the deal that is done, has to have a licence to use them.

**Ian Swales:** Okay. You have answered my question. Thank you.

**Q74 Chair:** I want to move us on, because we have a lot to do. The conclusion you come to, give or take what the actual figure is, is that a large chunk of the IT just didn't work.

**Dr Norma Wood indicated assent.**

**Stephen Barclay:** Sorry, was that a yes, Dr Wood? A large chunk of the IT didn't work?

**Dr Norma Wood:** It didn't work.

**Q75 Chair:** Okay. In the relationship with those existing suppliers, are the contracts such that they will have to be given sweeteners for the Government to get out of those contracts, or are they contracts that are sufficiently rigorously written that the suppliers can't continue to rip us off, basically? I am trying to think of a polite way of putting it, but I think I will use "rip us off".

**Dr Norma Wood:** An exit strategy for any contract needs to be carefully considered. In doing that, one needs to take a forensic view of all the conversations and interactions that have taken place.

**Q76 Chair:** You haven't done that?

**Dr Norma Wood:** I personally haven't done it, and I am not sure that has been done. I haven't seen that.

**Q77 Chair:** Would you use the same contractors again?

**Dr Norma Wood:** Under proper control, why not? It depends on their capability and other controls that are used in what we would call an intelligent client. If we control and manage them properly, they should deliver properly.

**Q78 Mr Bacon:** Do you think there is a potential for counter-claims?

**Dr Norma Wood:** In any exit strategy there is a potential for counter-claims, and that is what I am saying about the strategy that will have to be understood and negotiated.

**Q79 Mr Bacon:** Is it not the case that typically what happens—this happened in NPfIT—is that the client side, particularly in Government, is poor at recording all the steps and obligations, and it turns out later that the supplier side is so good at doing that that the Government ends up taking legal advice and realising that it will probably come out quite badly? So sometimes it ends up paying suppliers potentially for doing nothing, and to avoid doing that tries to find ways of giving them more work. Would we be right to assume here, given the poor governance that we know about, that the recording of what has gone on from the client side has not been that good, and not good enough?

**Dr Norma Wood:** There is always a risk, and I think there is a substantial risk here, because, as we have said—

**Mr Bacon:** There is a substantial risk here?

**Dr Norma Wood:** The controls of supply were not there. However, a good negotiator will mitigate that risk, and given the leverage that has been brought to bear by people like Bill Crothers, I think there would be quite a strong probability of a good outcome.

**Q80 Chair:** Can I now ask you two or three questions about the future? Is there now—call it what you will—a blueprint, a plan or a strategy?

**Dr Norma Wood:** There is. There is a steady-state solution, as I said, to a level 2, with business requirements, that was handed over to the SRO on 17 May, so there is a complete design and there is a multidisciplinary team working that design through to the next level. There is also a delivery approach, which is twin-track. There is the interactive approach I mentioned in terms of developing the relationships with users—users interpret things differently from designers so it is really important to be close to them—and also a waterfall approach for the more conventional legacy systems that we talked about. So yes, there is a design, and it is a very good design.

**Q81 Chair:** Is it your view—I am looking at page 24, paragraph 2.15—that the Department should modify its requirements and not be as ambitious as it was initially?

**Dr Norma Wood:** This is a difficult one. Because I like to work at pace, I have a natural preference for



## 11 September 2013 Major Projects Authority

that, because it concentrates attention, but not to the point of being imprudent. I think that this is really a judgment for the SRO, but I believe that it is feasible to deliver this in the original time scales we talked about, so 2017 is still reasonable.

**Q82 Chair:** The whole thing, or less than that?

**Dr Norma Wood:** I think, for the whole thing, if properly constructed and following the blueprint principles that we adopted and being sure that the software and IT is developed, 2017 is still feasible.

**Q83 Chair:** So you would not scale back on the complexity or the ambition, you would not put less online, you would not change that?

**Dr Norma Wood:** No, you have to tackle the difficult issues up front. In terms of looking at the complexity, when something is big you have to have very clear objectives, which we set; look at where you can standardise; and recognise where you need human intervention. So of the 100 types of changes that are being made in the 1.6 million, about 60% of those can be automated in the final design and about 40% will always need human intervention. The system needs to be designed for both of those.

The digital—the online piece—is actually quite helpful in holding a claimant’s hand through that whole journey of doing some things online and some with agents. That is why it is extremely useful to be able to do that. It is a very important ingredient in the solution.

**Q84 Mr Bacon:** Can I ask you about the approvals, forthcoming and in the future, if this goes according to plan? Paragraph 1.15 says that the Department “will not have approval for further spending until after

November 2013 when it asks HM Treasury to approve a new business case.” And HM Treasury is not going to approve a new business case until the Major Projects Authority has given a green light.

**Dr Norma Wood:** Yes.

**Mr Bacon:** So can you set out the criteria you will apply to decide whether to give this a green light?

**Dr Norma Wood:** Yes. As you know, our reports are always evidence-based, and we will be looking to go through the same process in terms of gathering the evidence. The criteria will be always the same kinds of criteria: is the project going to be within the affordability envelope, is it going to provide value for money for the taxpayer, is it deliverable within the set time scales and does it have the appropriate management and management grip? Those are the broad headings that we—

**Q85 Mr Bacon:** If it does not meet those headings satisfactorily, then would approval not be given by the MPA?

**Dr Norma Wood:** The way in which the MPRG process works is that an independent panel will take a view of that. It has a range of options: everything from “this is fine, go ahead” with a green light, to “this programme must be stopped” and, more normally, several conditions being applied, is open to the panel to decide and recommend to Ministers.

**Q86 Mr Bacon:** To be clear, it is open to the MPA process, including the independent panel, to say “Enough, stop”. That is possible?

**Dr Norma Wood:** They can do that on any project, based on the evidence provided.

**Chair:** Thank you, that was very clear and comprehensive. Thank you for your time.

### Examination of Witnesses

*Witnesses:* **Robert Devereux**, Permanent Secretary, Department for Work and Pensions, **Howard Shiplee**, Director General, Universal Credit, Department for Work and Pensions, **Mike Driver**, Finance Director, Department for Work and Pensions, **Sharon White**, Director General, Public Spending, HM Treasury, chair of Major Projects Review Group for Universal Credit, and **Dr Norma Wood**, Interim Director General, Major Projects Authority, gave evidence.

**Q87 Chair:** Thank you all for coming this afternoon. We are going to spend some time on trying to understand what has happened to date, but also on what the Department has to do to get this back on track. I repeat, nobody is challenging the policy here. We want to be sure about getting it right going forward, and, to quote the Prime Minister yesterday, not being “religious” about time scales.

This is a damning Report. It is probably one of the worst I have seen in my time here. Richard has probably seen worse ones. To me as I read it, it felt that this project was out of control. Last night Mr Driver kindly sent me a copy of the PwC report, which is even more damning in my view, particularly on the blank cheque that you appear to have given to suppliers and the failure to keep Ministers properly informed.

The other general thing is the staff survey, which got some coverage in the press. I have worked in DWP,

so I know that it is a tough Department to work in, but I have never seen comments like these: “I have never worked somewhere where decision making is so poor at senior levels”; “after 29 years of service this has been the most soul-destroying work I have done;” “there is too much dishonesty and no one ever admits to making a mistake.” I do not know whether that is true or false, but that is what was quoted. In that context, the Secretary of State said on the “Today” programme that he could have written the NAO Report. Could you, Mr Devereux?

**Robert Devereux:** In so far as it is a Report about the last three years, which I have lived through, then absolutely, yes. Having heard the evidence to date I think we are going to spend some time going through some of the chronology and the choices that were made along the way, to get clear them to the Committee.

Were there things that became apparent, particularly to me and the Secretary of State, in the summer of 2012 about the programme management, including some of the things you implied in quoting from the staff survey, on which we needed to take action? Yes, and action was taken. As you know, I had recruited a quite brilliant chief information officer, who joined us in September and was beginning the work in July. He was in the process of putting right many of the things that NAO found to be wrong, before he died at Christmas. It is not a surprise to me as a consequence that having lost the SRO in September, and with this guy dying at Christmas, when the MPA report came in it said “now is the time to reset, because now is the time to look at it.”

My observation about the Report is that it is a reasonable set-out of the chronology. I need to make sure that we are clear about some of the things that were being said and chosen along the way. The Report and some of the conversation tend to read as if it is all one story, and all of a sudden the NAO has unveiled something. It did not feel like that to me, after actually living through it and managing it.

**Q88 Chair:** When did you receive your first internal warning that things were wrong? This is pretty basic; you did not have a business plan, you did not have a strategy. People did not know what they were doing. You were just introducing a little IT system on the side at the cost of £300 million, but there was no business strategy. It is right through the Report and right through everything that everybody has said. At the start this was a business transformation programme without a strategy. When did you personally, as accounting officer, have your first indication that you—and you must be accountable for this—had not set a proper policy framework and business strategy for this programme?

**Robert Devereux:** It is the case that the way the Report is written refers back to the blueprints. I think it is worth walking through what we were doing and when, because it did not feel to me as if the entire thing was happening without a plan. If I quote—

**Q89 Chair:** I am happy for you to do that, but I would be really grateful if you would answer the question. You may argue the evidence as to whether or not you had a blueprint, and we will come to that. But when were you, the accounting officer with the biggest project in your Department, first alerted to something going wrong? It was a 2010 major commitment, and here we are at the end of 2013.

**Robert Devereux:** When I came in front of this Committee back in June 2011, I described it being in the nature of virtually all programmes that there are complicated things to do, week in and week out. You get up in the morning and something’s happened, you need to fix it, and it goes on. I have in front of me a succession of MPA reports on this programme, and a parallel set of reports on—

**Chair:** Those are all external reports. When did you, internally, through your own internal management system—

**Robert Devereux:** Do bear with me in trying to get to the answer. The point is that complicated programmes

require consistent effort on a number of fronts simultaneously. The observation I make about the reports which I was getting internally and externally, consistently all the way through to about March 2012, is that there were a lot of things to do and a lot of things that had been done, and more things had to be done before we got to the next step.

The big decision point for me was the review which we commissioned internally, which the Secretary of State himself commissioned. It was run in July 2012 and essentially put down the marker that the cumulative set of things that were now unresolved were too great simply to carry on and push through with the “Let’s knock another week through” approach. That is a really important point. It is not the case all the way through that there is a clear point where we can simply say that this is fatal.

In 2011 or early 2012 there were a number of things, particularly to do with the target operating model, on which we were congratulated. In the March 2012 MPA report, we were congratulated for making progress on the first level of the target operating model. We were required to go on and do a second level, and that was repeated in the internal audit report. So the sense was, “Yes, you need to do more on what you are trying to do, which is to shape what is going on in the strategy space, but you should go on and do that”. It was not being written to me that actually the entire place was being run without a strategy.

We had a very clear White Paper about what we were trying to establish. When we began the programme in 2011, we identified the best part of 100 different sorts of user journeys that we knew we needed to work through in a business sense. That was what we were working through. When we got to November, December of 2011, the people doing that programme concluded that continuing to work through this user story by user story was not actually an efficient way of doing it. They did what they called a programme elaboration to try to establish the whole bounds of the programme that they were going to work through. In March 2012 the MPA came back and concluded—

**Mr Bacon:** Could you repeat that? They did what they called a what?

**Robert Devereux:** A programme elaboration. So I am making the distinction that the traditional, agile way starts with individuals. I have explained this before about the way we started. We will take a single person, we will take a couple, we will work with someone who is divorcing. You go through individual stories. That was what was happening in the programme, based on a sense of how many of those stories we had to work through. So I had some sense of what I was doing.

When I got to the Christmas, turn of the year ’11-’12, the decision made was to stand back a bit and ask, “Can we put a bigger shape around what we have going here, so we have a much clearer idea of the totality of what we are trying to do?” We were complimented on that in March 2012. But, roll on into June-July, the further working-through of that was not happening. We were finding that the bow wave of unresolved issues, including some of the security questions that your colleagues have already asked,

were simply becoming intractable. The message on that review in July, which was the critical thing for me and the Secretary of State—

**Chair:** July 2013?

**Robert Devereux:** 2012. The message on that report was that this could not just continue in a “grit our teeth and work our way through” way, which is what we do on all of our programmes; something needed to change. That something that was changed was that we ended up with a new SRO, a new programme director, a new IT director. Excuse my cough; I think there is something in the air.

**Chair:** Would you like another glass of water?

**Robert Devereux:** Unfortunately, I don't think the water is going to help, but never mind. Where is my story? You were asking me a specific question—when did I think we had a problem? The answer is that on all programmes you have problems week in, week out. When did I have an unresolvable problem on which management action had to be taken? The answer is July 2012.

**Q90 Chair:** Okay. Steve wants to come in on this, but having let you give that answer, without interruption, two things surprise me. One is that your approach seemed very piecemeal. The great criticism is that you did not have an overarching approach. We hear this so often here. This was a massive business transformation. It wasn't about doing little bits here and there. It was about having an overarching plan into which you then fit components and do the sensible thing of trying to give yourself milestones and all that. We all know about it.

Your approach, from what you said, was that bits were going all right; they were busying around, they were doing these 100 or so projects. But you didn't have it. The other thing I feel from the way in which you answered the questions—I have to say this to you—is that you yourself were not in sufficient day-to-day overall control of monitoring how this was processed. How often did you meet the SRO?

**Robert Devereux:** Every week. He is part of my senior management team. We are both at senior management meetings.

**Q91 Chair:** You had a weekly meeting on the development and implementation of universal credit.

**Robert Devereux:** No. You asked how often I met him. I met him every week; we had team management meetings. I saw him very frequently, many times a week.

**Q92 Chair:** So, you have answered that wrongly. Just answer it fairly. Maybe I should ask the question more specifically. How often did you have meetings with the SRO, responsible for universal credit implementation, to discuss the universal credit business plan and its implementation?

**Robert Devereux:** Every two or three weeks.

**Q93 Fiona Mactaggart:** One of the interesting things that emerged from recent questioning in Parliament about this was a difference between the remarks made by a former Secretary of State, Alistair Darling, and the present Secretary of State about what

they were told by civil servants at the beginning of this programme about the degree of deliverability. Alistair Darling was told that it would end up being very complicated and run over budget. I wonder whether you gave the Secretary of State sufficient challenge about the difficulty in delivering his ambition.

**Robert Devereux:** The Report records that in 2010, when the White Paper was being thought through and the spending review settled, that was the point at which my predecessor and colleagues talked to the Secretary of State about the time at which this would actually be running through. You can see that we had some difficulty in being crystal clear about exactly how long it would take. I do not recall it as being an impossible thing to say, because it is genuinely difficult at the start of a large programme to be absolutely clinical about how long something will take.

There is a degree of judgment in it, and the judgment that we were reaching was that this was a programme that was going to be much bigger than things we had done previously; but by the same token, it was one where we believed that the process that the Chair has described as working through it piecemeal—this agile approach—would none the less give us the ability to do some parallel processing and thus get to a decent time of three years. To give you an example, we delivered ESA and we delivered—

**Chair:** Can we stick to the universal credit? You tend to chat around it.

**Q94 Fiona Mactaggart:** I am concerned that you have described moving boats, as it were, in the original process. You started off doing an iterative process, which was looking at the stories through this, and then you decided to have a whole system process, and we have ended up in a pilot that can, as far as I can see from this Report, deal only with single people who do not have changes of circumstances. That is the opposite of the vision that was painted at the beginning of the universal credit.

**Robert Devereux:** Throughout the questioning in the previous session, it was almost as though the pathfinder was self-evidently a thing that was then going to do something else afterwards. When I talk about going through the chronology of events, what we have constructed in the pathfinder—

**Q95 Chair:** What was the point of the pathfinder, if it was not a pilot?

**Robert Devereux:** It is a pilot—

**Mr Bacon:** Presumably it is to find a path.

**Robert Devereux:** It is to find a path—correct.

**Mr Bacon:** But if it is not scalable—

**Chair:** And did not have the ingredients to meet the objectives—

**Robert Devereux:** Let me try to answer these questions that are being bandied around.

**Chair:** But you go round the houses. Answer them directly.

**Robert Devereux:** In the pathfinder, I have constructed something in which it is possible for a single person to make a claim for a universal credit and for it to be processed all the way through. By the

way, this thing is connected through to all our large legacy systems in order that it is properly supported. Those connections work perfectly well, whether one person is going through it or whether many people are going through it.

**Q96 Chair:** So you think the pathfinder is fit for purpose to enable you to do a national roll-out of universal credit, as envisaged in the White Paper or the Act?

**Robert Devereux:** We had a conscious choice to make when it became clear that it was difficult to get every single thing that we wanted to get. We had some conversations about security. So the choice goes something like this: do we make sure that something is put into the field, so that we have some feedback about how people will respond to universal credit—how agents and staff will work—and learn from that, or do we simply do nothing at all?

**Q97 Chair:** If I may say so, I think something was put in the field to make everybody think that everything was all right, but the thing that was put in the field was completely unfit for purpose.

**Robert Devereux:** I am afraid I am not going to agree with that. On the exam question, which you tasked Dr Wood with, I hope you are going to ask Mr Shiplee about that. How do you get from where we are through to something else? There is a big lesson. Mr Bacon said this is the worst thing he has ever seen—

**Chair:** You are not answering any of the questions. I do not mind a little bit of history and a little of what you want to say, but answer some of the questions.

**Robert Devereux:** Which one are we on?

**Q98 Chair:** Let us get to the pilot one. Do you think the pilot was fit for purpose? Yes or no?

**Robert Devereux:** The pathfinder is testing useful things as we speak.

**Q99 Chair:** Was it fit for purpose?

**Robert Devereux:** It is testing useful things.

**Q100 Chair:** Was it fit for the purpose?

**Robert Devereux:** What purpose did you have in mind?

**Chair:** No, you—

**Robert Devereux:** For my purpose, it has worked fine, thank you.

**Q101 Chair:** To do what?

**Robert Devereux:** To make sure that I can actually construct some brand-new software, to connect it to a—

**Chair:** Having spent £300 million.

**Robert Devereux:** To connect it to a very complicated legacy estate and demonstrate that all of those things went back. Let me give you one example; we will not get anywhere otherwise. I have sat in front of this Committee and we have talked about the Work programme. You have grilled me on the—

**Chair:** Please don't talk about the Work programme.

**Robert Devereux:** In that conversation—

**Chair:** Please talk about the pathfinder.

**Robert Devereux:** We had a long conversation about the system that we built to manage referrals to the Work programme for payments. You were anxious to make sure that we knew exactly who had been referred and that there were checks to make sure the payments were made. That system is part of the pathfinder today, along with 12 others, which we do not normally go through.

**Q102 Chair:** You have just had Fiona saying to you that the pathfinders can only deal with single people on JSA—

**Fiona Mactaggart:** Who have bank accounts.

**Chair:** That is the only group. So that is A1 who have bank accounts—it is dealing with one tiny group of claimants. Secondly, we had very clear evidence from Dr Wood that the IT on which you have spent £300 million and that you are testing in the pathfinders is unable to deal with changes of circumstance, unable to provide sufficient security to deal with fraud and error, unable to deal with a change if it is an individual in a household and unable to do the conditionality that you want. It is unable to meet a lot of the elements of the universal credit vision, which one would hope had been translated into a blueprint that you set yourself. And you are still telling me that it is fit for purpose.

**Robert Devereux:** That is because I have a view of major projects that says the following: if I do not want to create the sort of disaster that you have heard of before where whole systems are turned on nationally and rolled out and millions of people are suddenly suffering because it doesn't work, the only thing is to do it step by step. I do not regard the pathfinder as moving in one step from the limited scope—

**Chair:** You are the only man in the world who thinks they are all right.

**Q103 Mr Bacon:** The premise of what you have just said is that once you have taken a step using the pathfinder, it finds a path, and then using the path that you have found using the pathfinder, you can take a further step, and a step after that.

**Robert Devereux:** Correct.

**Q104 Mr Bacon:** But what we heard before is that the pathfinder cannot do that.

**Robert Devereux:** Okay. Well, that is the point that I think we might spend some time discussing this afternoon. If you want to do that at this point, we will.

**Q105 Mr Bacon:** You are saying that the pathfinder can find a path, and that step by step it can be rolled out and scaled up. That is what you are saying.

**Robert Devereux:** Let us just—

**Mr Bacon:** Yes?

**Robert Devereux:** I am saying that, but in this sense: the pathfinder was conceived in the period that ran up to and before the reset, right? In that sense, we were envisaging, and we consciously knew—the Secretary of State knew this. He signed off a successive set of roll-outs of functionality of universal credit in a thing called the phasing of automation back in 2012. That said, "Given where we are, we need to do this first, this second, this third—six months, six months, six

months.” So we would build up to deliver the full service.

**Q106 Chair:** Against a blueprint? Or just little step, little step, little step?

**Robert Devereux:** No, against a sense of what we were trying to achieve overall. With respect, the Committee seems to have the view that I can construct, ab initio, a complete and full set of software that I then immediately roll out everywhere else. All I am describing is that in this programme, as with every other programme that this Department has ever done, we have done release 1, release 2, release 3. The pathfinder is a start, and the exam question that Mr Bacon is asking me—“Is it a dead end? Is it going nowhere at all?”—is the exam question that Mr Shiplee is actually engaged with now. We have the benefit of there being, some months further on, the possibility that there might be other ways of supporting this. Balancing that together is what the Secretary of State described in July as meshing these two approaches together.

**Chair:** Right, I am going to see whether we can get progress where I have failed with other people asking questions. We’re going to go to Nick, Steve, Meg and Ian.

**Q107 Nick Smith:** Mr Devereux, you said that you wanted to go step by step and that you did not want another IT disaster. As I understand it, the method of working for this type of large IT project is that you can go either for something called waterfall or for something called agile. Waterfall is more step by step; agile is newer. I understand that agile had never really been done at this scale before. Dr Wood has told us that now, after they have come in through major projects, they have decided to go back to waterfall and put agile to one side. In effect, they have ripped it up and started again.

**Robert Devereux:** I don’t think that that is what she said, with respect.

**Nick Smith:** She said that she has gone back to using waterfall.

**Robert Devereux:** No, I think what she actually said was that she was doing two things—oh, she is still here. She said she was using agile for a lot of the user experience, but where it comes to these very large background legacy systems, she was using a rather more traditional waterfall. I think that that was she was saying.

**Dr Norma Wood:** Shall I confirm? We did take a twin-track approach. The interactive approach can be called agile, and the waterfall approach is for the more conventional systems. The important thing is to apply rigour and discipline as you go through those methodologies. It is not an issue of methodology; it is an issue of the rigour and discipline that is applied to those approaches.

**Nick Smith:** Do you think it was sensible to go for agile full-time, then, rather than—sorry, Chair, I am mixing up protocol here, aren’t I?

**Chair:** Yes.

**Q108 Nick Smith:** Sorry, I will not pursue this.

Mr Devereux, it seems to me that a lot of eggs were placed in the one basket of agile at the time. Would it have been better to have a dual approach earlier on, rather than having to rip it up and start again?

**Robert Devereux:** In practice, the way in which you make changes to the legacy systems has always been in a rather controlled, waterfall-type way. Part of the problem with something as complex as this—it is worth getting this clear—is that I am not building this in a greenfield site. If you expect me, reasonably I hope, to leverage the many millions of pounds that we have already invested in different systems, such as the payments and referrals system, I have got to build something that enables me to do the new things—the new design of universal credit, the new way of interacting with them—but at the same time make sure I leverage the assets I have already got.

So, for example, I need to know whether somebody is on disability benefit in order to do the calculations. I have got a system that records all the things that people are on, and so I go and talk to it. Throughout this process, the nature of the entity I am constructing is some core software that you might call universal credit, and the connections with a whole set of other systems that are feeding into it and back. Take the RTI as an example. A fundamental part of universal credit is the connection with HMRC, and that is a connection we have built.

**Chair:** To make this session work, can I plead with you to answer the questions without going off on a sideline? That would be really, really helpful. We will come to a discussion of the IT projects that we have bought and used so far in a minute, but let us just deal with this whole thing about the plan.

**Q109 Stephen Barclay:** We all accept that this is a difficult programme to deliver and that it is very complex, and it is a lot easier for us to ask the questions and to criticise than it is to deliver it. Can I just take you back to an answer to the Chair a moment ago, Mr Devereux? You said you realised there were unresolvable problems in July 2012. Is it fair to say that at that point, you recognised Dr Wood’s analysis that large chunks of the IT did not work?

**Robert Devereux:** No. That is not the position I reached. The review that the Secretary of State commissioned in July came back with three substantive findings. The first was that we should get ahead with the pathfinder in the form we were thinking about at the time, despite its limitations. The second was: the number of things that you currently do not know mean that you do not have stable plans for October ’13 onwards, and you need to put some serious effort into doing the planning for that. That is a planning question, although it is in part to do with the design. The third thing—this is the thing that comes through in the Report, and with which it is not possible to run a proper programme—is that the culture within the programme is wrong. Those are the three things that the review said, and it was that which caused me and the Secretary of State to decide, “Okay, this is the point at which management action must be taken.”

**Q110 Stephen Barclay:** Page 9, paragraph 20 of the Report says: “From mid-2012,”—just before you came to the conclusion that you did—“it became increasingly clear that the Department was failing to address recommendations from assurance reviews.” Were any of those assurance review recommendations relating to significant problems with the IT?

**Robert Devereux:** I am trying to remember. I cannot recall any IT, but I will have to check. If I come back to your question about the planning, to build on what I said earlier—

**Q111 Stephen Barclay:** I appreciate that sometimes it is difficult, and there are many different aspects. Dr Wood gave very clear and very impressive evidence, and she was very clear that large chunks of the IT did not work. That goes to Mr Bacon’s point about the write-off. At what point did you, as the accounting officer, realise that that problem was there?

**Robert Devereux:** Can we come back to this business about large chunks of the IT not working? It is the case that we have established now that there is stuff that we have paid for that we are not using. That is the nugatory work, and that is the nature of the write-off. The great majority of the stuff that we have paid for is currently in use.

**Q112 Chair:** Currently in use. That does not mean it will be relevant or appropriate.

**Robert Devereux:** The question I am answering is about when I realised it did not work, but it does work.

**Q113 Stephen Barclay:** What you are saying is that it is the Department’s view at the moment that the analysis of the Major Projects Authority is wrong when it says that large chunks of the IT do not work.

**Robert Devereux:** I fear we are ships passing in the night here. On the one hand I am being told that the pathfinder does not have a broad enough scope and that other things need to be added. I absolutely agree with that.

**Q114 Stephen Barclay:** The things that need to be added are things in your own business case, such as fraud, which is the financial rationale for doing it, and for which you have not designed the systems in place. It is not that this Committee is suddenly asking you to do additional things. They are the things you said you were going to do.

**Robert Devereux:** They are indeed. Perhaps I misunderstood the question. I know there are things I do not currently have, and by definition those things do not work—that is an odd way of using the phrase. The things I am using are working.

**Q115 Stephen Barclay:** Indeed. We had evidence a moment ago from Dr Wood, who said that large chunks of the IT do not work—I wrote that down. Do you reject that observation, or, if you accept it, at what point was that your realisation also?

**Robert Devereux:** My understanding of the software that we have built is that we have put it together and it is currently being used in the pathfinder.

**Q116 Stephen Barclay:** So you would reject Dr Wood’s analysis.

**Robert Devereux:** She said large chunks do not work—I don’t know what that means.

**Q117 Stephen Barclay:** It goes to the culture, which the NAO talked about, of a fortress mentality and denial. If you take the chronology, in July you said you realised there were all these other problems relating to things other than the IT, even though we had spent £300 million on the IT and were now writing it off. In September, your Department’s press officer told *Computer Weekly*, “The IT is already mostly built...It is built...on-time and on-budget.” Notwithstanding the fact that we were now saying that we were going to write it off, and we were getting the suppliers to mark their own homework.

Bringing it forward, even as recently as just before recess, in July 2013—not 2012—Mr Shiplee, whom I am sure we will come to, was asked by the Chair of the DWP Select Committee: “So the rumours that there is a large chunk of the IT that simply did not work and has been dumped are not true?” Mr Shiplee: “No.” I am sure Mr Shiplee will want to address that. I am struggling to understand this, Mr Devereux. We heard evidence today from the Major Projects Authority that large chunks of the IT do not work, but when the Chair of the DWP Select Committee asked that precise question to your officials in July, he was told that that is incorrect. Parliament seems to be getting told two different things.

**Robert Devereux:** I am sorry, can you read that—

**Stephen Barclay:** Anyone can verify this. “Q71 Chair: So the rumours that there is a large chunk of the IT that simply did not work and has been dumped are not true? Mr Shiplee: No.” The previous question, Q70: “Is it essentially that the original design of the IT does not really deliver what it was meant to deliver and you are actually going to be bringing in something completely new?” “No, that is not the case.” Yet Dr Woods’s evidence today seemed to suggest that is the case. Indeed, the NAO Report, which was dismissed as being historic and therefore incorrect, also suggested that was the case. That suggests a culture of denial.

**Chair:** Can we get Mr Shiplee to deal with that?

**Howard Shiplee:** There is clear confusion here. I have been involved with this programme for approaching 16 weeks. I spent the last 12 weeks of that period reviewing in great detail the situation with the IT suppliers. That is something that has not been done to this level before. I have met personally, over hours, with experts from within the DWP and with external experts, and we have reviewed in detail what has been produced, what works and where it has got to. I think there are a number of points to make. First, pathfinder has its faults.

**Q118 Stephen Barclay:** We will by all means give you time to explain your answer, but if you are saying that you have done further work that brings you to a different view, could you just clarify at what point you wrote to the Chairman of the DWP Committee to clarify that answer?

**Howard Shiplee:** I have not completed the work. In fact, during discussions with the National Audit Office, I explained that the work on which I was embarked would be completed by the end of this month, which is still the case. From that work, I already believe, supported by reports prepared in draft and now formally, that there is substantial utility in what has been produced to date.

**Q119 Fiona Mactaggart:** But there is also some inutility—to use your language.

**Howard Shiplee:** I used the word “substantial” and it would be inappropriate for me to start debating percentages. Substantial means “a lot”. The second point, which is very important, is—

**Q120 Chair:** So you reject the MPA conclusion.

**Howard Shiplee:** It is not appropriate to get into an argument. The issue here is that the MPA had a very limited amount of time in which to do their review. On the basis of what they did at the time, I am sure that they genuinely thought that their position was correct. I have spent weeks and hours with people. I have had a team working on this consistently for nearly three months because of its importance. This is so important because it is about certainty.

The blueprint that was produced is not an actual plan of how to do things. It is a set of principles. I wanted to look at what the risks are to this programme in moving forward. The use of the agile process is by itself very iterative and therefore, to a certain extent, it is potentially high risk. I therefore wanted to look at how we could de-risk this utilisation of agile. One way of doing that is to look at what we had already spent a great deal of money on and whether it was usable and would actually serve to de-risk the programme.

**Q121 Chair:** Let us just get this clear: the IT system cannot deal with changes in personal circumstances at the moment, right?

**Howard Shiplee:** No. If I may complete my answer, what I have discovered is that the pathfinder is not representative of the level of development work that has been undertaken by the suppliers. It is very substantially detuned backwards from where they had actually got to.

**Q122 Fiona Mactaggart:** Why?

**Howard Shiplee:** From what I understand, it was detuned mainly around security, and security considerations. I think people are ignoring some important facts here. The big issue that surrounded security is that this is a unique piece of work, in the sense that it is the only bank anywhere—it is effectively a bank—where the customers do not put money in and simply take money out. It is therefore attractive from all sorts of fraud points of view. Security is therefore very important. The key element of security is personal identification and the maintenance of a persona throughout the transactional processes. Nobody has yet found a way to do that effectively and totally online.

**Q123 Stephen Barclay:** That is why we are so worried about this and find it remarkable that the Department’s official proposals on ID assurance were rejected by the Cabinet Office. I think we are now on—the NAO will confirm this—the third iteration, which, as I understand it, is to be signed off in November, so it has still not been signed off.

**Howard Shiplee:** Again, can I help with that? The whole point of ID assurance online—this is a matter that the Cabinet Office is working on at the moment—is that we have looked at it. In terms of what we need for this programme, I personally do not believe—I think this is the view of GDS—that they will not be delivering that in the immediate future. I have reviewed this issue, and we have an answer, which has been agreed with the security services and with GCHQ, and has been socialised with major financial institutions. I do not wish to go into the details of the security arrangements, but I can assure you that we have an answer that we believe is deliverable and will underpin the programme.

**Q124 Stephen Barclay:** Can I just confirm with Ms White that the Treasury has not, as of today, signed off on the finance and the precise figure?

**Sharon White:** That is right. We are waiting for Howard’s work to be completed. We then have a series of tests to run before we approve.

**Robert Devereux:** May I make an observation about the comment you made earlier, Chair? You said that the IT cannot do changes of circumstances. To be really precise, it cannot do them online.

**Q125 Chair:** You can do them manually, of course.

**Robert Devereux:** No, they are not manual, because things have got to happen in the system. If somebody rings up and says, “I have a change of address”, processes have to be run.

**Chair:** Manually.

**Robert Devereux:** No, I am afraid not.

**Q126 Chair:** If you cannot do it online, it has to be manual.

**Robert Devereux:** No, I am afraid that is not the difference. The point I am trying to make is that my agents are sitting there not with quill pens and paper, writing down changes of addresses; they are going through, with software in front of them, the things that they need to say and do, the processes and all the rest of it. The difference is that it is not happening automatically.

**Q127 Chair:** You are muddling us. Let us be clear. Either I can put in that I have changed my address, or I cannot. At the moment, I cannot. Is that right?

**Robert Devereux:** You cannot do it online.

**Chair:** Thank you.

**Q128 Stephen Barclay:** The whole purpose of this is designing it as an online system. There is an inevitable tension; anyone knows that who has worked, for example, in a bank. If you take a bank that I worked for, Barclays, it had an exposure at one stage to online fraud. It brought in a particular little device that was sent out to everyone and you stick the card in. There

is an inevitable tension between the ease of customer use and the level of security fraud. It is remarkable that, as of today, the Treasury—and, as I understand it, the Cabinet—have not signed off on the detail of where that is going to conclude.

**Robert Devereux:** That is correct, and I, like you, wish that we had already cracked this a long time ago. You might imagine, given the first remark you made to me, that actually we are trying very hard to find a good solution to this. Finding the right balance between things that people will use and things that are secure is important. In this particular business, with taxpayers' money at stake, I am probably not wanting to be at the forefront of technology.

**Q129 Chair:** That is a general answer. Security is such an obviously key issue that right at the beginning of this project, in 2010—that is where I put you back at—you should have built it into your “things to do” list, instead of coming to it now, in 2013, with Mr Shiplee trying to—

**Robert Devereux:** Sorry, but we have not come to it in 2013. We had views about what we would have to build, which is why Mr Barclay can give me a list of the things that are not signed off.

**Q130 Stephen Barclay:** But the Cabinet Office said they were not fit for purpose and turned them down. The reason this matters so much, Mr Devereux, is that if there is an undertaking that it is going to be delivered on time and on budget, the obvious area of danger is scope. The tension that paragraph 2.17 on page 24 talks to is that, in order to meet your deadline, either you import the existing claimants into the new system without adequate checks—which, given that we know that the existing book is riddled with fraud and the whole business case is based on stripping that fraud out, is a risk—or you design the control. Until you design the control, you cannot scale it up, because at the moment we are doing those checks manually. That is absolutely critical to any commitment you are giving on being able to deliver on time and on budget, but within what you originally promised.

**Robert Devereux:** I agree. That is the work that Howard is doing now. It has proved a difficult thing to do, for the Department, over some years; but the proposition that the Department has at the moment is that I have brought Howard in to make sure that these multiple things are brought together and thought through.

**Q131 Stephen Barclay:** How long have you been involved, Mr Shiplee?

**Howard Shiplee:** Sixteen weeks.

**Q132 Mr Bacon:** Mr Devereux, I have just read Mr Shiplee's CV. If I may so, he looks reassuring. I have read about what you did on Hong Kong airport and the Olympics, and your experience in programme and project management. You are the sort of person I had hoped to have around on this. In the words of Scaramanga, I think it was, to James Bond, your reputation precedes you. Mr Devereux, I would like to know whether you do not think that it would have

been a good idea to have had somebody like Mr Shiplee around some time ago.

**Robert Devereux:** The programme director that we had working on this programme up to and including October 2012 was somebody appointed by the ex-head of BP's IT, who was then the Government CIO working for me. His view was that given, first, his past private sector experience and, secondly, his substantial experience in delivering programmes in my Department, including ESA, he had relevant experience. The man I had as my SRO was my top operational manager, who had been through many of these programmes. My view is that the people I put in place here had the experience and confidence to do this. The challenge they had was very large, and there came a point at which, in my judgment, they were no longer on top of it. That is my point about cumulative issues that need to be resolved. When the culture is not right, the critical thing—

**Mr Bacon:** Can you speak more slowly? Did you say they were no longer on top of it?

**Robert Devereux:** I said that when the cumulative bow wave of things that had not been resolved was being called out as not resolvable by just pushing on through, that is the point at which we decided to change, because it was also then that that the point the Chair made about a good news culture within the programme was crystallising. Those two things cannot work. I need people who will drive things through. Howard is very good at driving things through, but the person that drives things through and does not listen to anyone at all is not going to help me at all.

**Q133 Chair:** I have a list of people waiting. I wanted Mr Shiplee to finish on the question you have addressed. Are you telling us that the technology developed so far is capable of being scaled up for a national roll-out? What conditions have to be met to allow this?

**Howard Shiplee:** There are a number of questions there. As I have already said, I believe there is substantial utility in what has been done. I was at meetings with the Cabinet Office, GDS and senior officials only on Monday. We have now agreed to proceed over four weeks—I have set a deadline—when they, at a senior level, will be meeting with me and other officials.

**Q134 Chair:** You are telling me about meetings. Can you answer the question, please?

**Howard Shiplee:** I am trying to get to the answer, with the greatest respect. The answer is that at the end of that, I expect to have a firm and actual position on exactly what is—

**Q135 Chair:** So at the moment you cannot answer the question of whether the technology developed so far is capable of being scaled up to a national level?

**Howard Shiplee:** Yes, I can answer it. On the basis of what I have been told and what I have seen so far, I believe that it has been demonstrated that the suppliers have got the capability to scale this up. They have, for instance, dealt with couples. We have had discussions with the people currently involved in the blueprint process, at which the suppliers have explained where



they have got to. It is very interesting, because some of the challenges we are facing now, the suppliers have already faced, and have resolved. I am trying to make sure that we use all this for the best, and that we do not have to learn every lesson again. That is why I am doing this exercise.

**Q136 Chris Heaton-Harris:** When you reach that mark in four weeks' time, will you be able to write to us to give us the assurance that you are giving the Department?

**Howard Shiplee:** If that is a formal request, then subject to the accounting officer, of course.

**Robert Devereux:** If I may, this is important. What the Secretary of State said in Parliament in July was that we were going to make sure we understood what we already had. That is the work Howard has just described. We are also examining all the possibilities that are being developed by the team that Dr Wood talked about earlier. The test for the Secretary of State is how best to bring those two things together. What is the right balance between what is sitting over here and what we have already got to make a safe landing?

**Q137 Chair:** One would have liked to have thought that everything you have got over here is useable. Again, if you had had a proper business plan—I accept, of course, that a few things could go wrong—the extent of nugatory expenditure would be far less. A bit of mix and match is what you are now into.

**Mike Driver:** Can I add something? In terms of visibility and transparency, this will be picked up in our accounts, because at the point at which Howard and his team have completed their work, we shall have reached an impairment trigger and we shall do an impairment review. As you know, we have not published our accounts, but the NAO's Report highlights a proposal to impair or write off £34 million of code that has already been written. It is worth saying this: Dr Wood mentioned, under a bit of prodding from you, that we might have to write off £200 million. Can I just be clear that that is not the case at all? At the moment, we have a capital asset in place of £196 million. That is split between software and licences. We have £31 million of licences. The amount of money we have on our balance sheet in respect of IT licences and software under the course of construction is £161 million after our proposed impairment of £34 million. When we get to the next impairment review, we will work through the detail of that. We have agreed a methodology with the National Audit Office. That will actually determine what the full impairment will be.

**Q138 Mr Bacon:** But £161 million for the putative value on the balance sheet is far too high, isn't it?

**Mike Driver:** The £161 million assumes the impairment review that we have already done at the balance sheet event. When we work through the detail of this with Howard, we shall be able to determine whether there is a future use of those assets. At that point, we shall determine whether we need to impair any more. At the moment, we have not reached that impairment review.

**Q139 Chair:** "Future use"; could that be anywhere in Government, or anywhere in the Department, or on universal credit?

**Mike Driver:** It depends. Mr Bacon, you mentioned software licences in the earlier phase of the work. We have purchased £31 million of software licences. A large proportion of those are Oracle licences. About 82% are already in use at the moment. We had intended to put them all in use, but we have not, because we have not got to the larger migrations of cases on to the system. We will determine as we go through the impairment review whether we can use those licences within the Department. We will also test those licences to see whether there is wider use within the Department and across Government, of course, should there be an opportunity.

**Q140 Chair:** But why did you buy them if you were not clear? If you had had a plan, you might have bought the right ones.

**Mike Driver:** In actual fact, there was a plan here for the licences, because we bought licences on the basis of what we would need as a result of the then migration plan and the target operating model. As it happens, we did not get to the volumes that we required, but we do not feel that we have wasted those licences. We are not writing off any licences or impairing licences. What we are doing at the moment in the accounts is amortising those over the five-year value of those licences.

**Q141 Mr Bacon:** Can I just stop you? What is the answer to my question?

**Mike Driver:** Sorry?

**Mr Bacon:** The £161 million that you mentioned is far too high, isn't it?

**Mike Driver:** The £161 million is our best assessment at the moment, until Howard and his team have completed their work, so that we can then do another impairment review. We have done one impairment review already.

**Q142 Mr Bacon:** Yes, I know. So far the estimate is £34 million. My point is that there will have to be another impairment review, and the estimate of £161 million is far too high, isn't it?

**Mike Driver:** It is possible that we will have to impair more of our assets, but at the moment we are not in a position to do that, because we have not gone through all the detailed work, which is why we have agreed a methodology with the National Audit Office. I just want to mention the previous impairment review, because this came up in the discussion earlier as well. The impairment review that we did previously was audited by the National Audit Office. We had a process whereby the suppliers—I cannot remember which of the members of the Committee asked this—provided us with information. We, as finance, and our commercial colleagues went through that in detail and it was then audited. It was not a case of marking your own homework.

**Q143 Chair:** Was it audited by you? Just quickly, yes or no.

**Ed Humpherson:** We do not regard the impairment review as being completed, and we do not regard our audit as being completed.

**Mike Driver:** But that element was audited at the time.

**Robert Devereux:** Sorry, but we are talking at cross purposes.

**Q144 Chair:** What you are so good at is giving us a whole load of stuff that is completely irrelevant to what we are trying to get at. Let us see if we can make better progress.

**Mike Driver:** I do not think it is irrelevant to come back and to say—

**Q145 Chair:** What would be utterly delightful is if you simply answered the questions. Just answer the questions.

**Amyas Morse:** Just to be clear, as far as we are concerned, until the review at the end of your work, there is no impairment review. We do not regard there to have been an adequate impairment review.

**Chair:** Thank you. I have a really long list. We are going to have to keep it short. I have been as naughty as everyone.

**Q146 Meg Hillier:** Mr Devereux, 10 days ago, you came in front of us and you made quite a convincing case about business reform in the DWP around the use of telephone numbers. When Dr Wood spoke earlier, she said that the programme was not perceived as a business transformation programme, but as an IT system. Why was that?

**Robert Devereux:** If I am allowed to explain a little how—

**Chair:** No. Just answer the question, please.

**Robert Devereux:** We set off with a sense of what we were trying to do in this transformation. It is very clear that getting more people into work is what we are about. That definitely requires quite a lot of behavioural change, and a lot of action by colleagues of mine at jobcentres, eyeballing people and so on; let me be very clear about that. The observation that I think is being made that says that somehow or other we were not paying enough attention to that is fair only in one sense. At the moment, in the pathfinders, there is support for the front-line staff who bear the burden of doing the behavioural change work with the claimants in front of them.

**Chair:** Can you answer the question? Why is this all relevant? I just do not get where this is going. I am honestly trying to be really fair to you today. Ask the question again, Meg, and see if we can get an answer.

**Q147 Meg Hillier:** It is related to Dr Wood's assessment. I suppose the question is: do you agree with it? If so, why was it not a business transformation programme but an IT system? Did the IT just take over?

**Robert Devereux:** We did not set this up as an IT programme. I absolutely agree that in the course of the programme, it became more dominated by it, because there were too many things to worry about. When I got to the March 2012 MPA report, it observed that "for good reasons, the programme has

felt like an IT and legislative programme to date and it is now at tipping point"—this was March 2012—"where it has recognised the need to move into the transformation and business change phase." You are absolutely right: we did not set off to make this IT; it became IT—in the MPA's words, for good reasons. In March 2012, the effort to say, "Let us now ramp up the cultural aspects of this" was one of the key things to do. That is the answer.

**Meg Hillier:** Okay—

**Chair:** It is not okay; it does not answer the question.

**Q148 Meg Hillier:** Was it not a matter of policy for universal credit to be digital by default, which means that the IT system had to be part of the business transformation for both the user and your staff?

**Robert Devereux:** This is worth discussing. The critical benefit of universal credit comes from getting people into work, getting them to earn more and creating the cultural arrangements in which that takes place.

**Q149 Meg Hillier:** That is the policy, which the bit that we are looking at is trying to deliver.

**Robert Devereux:** Yes. The vast majority—

**Chair:** Saving money was another objective.

**Robert Devereux:** Let me finish. The vast majority of all the economic benefits that stacked up in the business case are all to do with having those behaviours and incentives in place and having the money flowing. There is some utility in the business case from the automation that goes with online. There is some advantage to us in having things online, in that they can support things to do with behaviour, but to be perfectly honest, the big element to do with getting people in and out of work is to ensure that they are absolutely clear what their obligations are to the state—that is what the claimant commitment is all about—and what the money is that could be safely paid.

**Q150 Meg Hillier:** Can I be absolutely clear? Was it a policy to be digital by default?

**Robert Devereux:** It was a policy to be digital by default. When you say, "Is that the absolutely central part of universal credit?", I would say it is not. It is concurrent to the things we were trying to do. It could have been supportive both on cost and on supporting behavioural change, but it is not the central part of delivering universal credit.

**Q151 Meg Hillier:** We have already heard that if your circumstances change, things have to be entered manually, partly for security and partly because of resistance—

**Robert Devereux:** In the pathfinder.

**Q152 Meg Hillier:** Okay. So when will it be possible in the pathfinder to do that online, if at all? What is the plan for the full roll-out of making these changes online?

**Robert Devereux:** I am afraid that the answer to that question is that that is what Howard is working through at the moment, to be absolutely confident that it is the safest way to deliver the principal benefits

---

11 September 2013 Department for Work and Pensions, HM Treasury and Major Projects Authority

---

that I have just listed. In the process, if I can secure the additional benefits that go with being online, I will, but I do not know the answer to your question, because that is what Howard is working through.

**Q153 Meg Hillier:** We already have a Government digital portal. Lots of things can be done: you can renew your driving licence online; and there was a proposal to do a certain aspect of passports, but leaving the last bit to be done not online, because of the security side. Identity cards were a huge secure project, using biometrics, which is another security possibility, so it is not new to look at this.

I cannot really gauge how easy it will be for my constituents who will be going through this—49% of people living in Hackney are affected by welfare change, so it is a lot of people. When they go online, what will they be able to do, and for what will they still need to go to a jobcentre to have an interaction? In a way, it is not a problem which one it is; they just need to know, and I need to be clear, so that I can go back to them and tell them what the policy of Ministers is, and what you will deliver on Ministers' behalf.

**Robert Devereux:** I do understand that. I wish I could give you the definitive answer now. I am afraid that—

**Q154 Meg Hillier:** Does it matter to you? In a way, is that the key issue?

**Robert Devereux:** It is a key, to be clear; absolutely.

**Q155 Meg Hillier:** If people are to be told that they can do it online, and then they cannot, that is a failure. If we are hearing today that it might not be done online, and might be done manually because of security or of all sorts of reasons—because it is better to deal with some of my constituents face to face—

**Robert Devereux:** Let me make a rather critical observation. With regard to all those people who are currently out of work and are going to be supported by universal credit, I will want to see them in the jobcentre. I am trying to ensure that—in eyeballing my agents, in signing the claimant commitment and in understanding their obligations—there is going to be some human contact.

**Q156 Meg Hillier:** My recollection from Ministers—obviously the Secretary of State has talked about this quite a lot in the House of Commons—is that going online was quite a big mission of Ministers.

**Robert Devereux:** It is.

**Meg Hillier:** Are you saying, “Actually, I have some sympathy with people who want seeing face to face. Being online is very useful in lots of ways but physical face to face is important too”? Are you saying that that is not now a policy, or that it is still a policy of Ministers, but you are advising Ministers that it is not doable?

**Robert Devereux:** No, no. I am afraid that the answer is complicated. It has always been and remains the policy, going up the Treasury, that working with people who are currently out of work has substantial optimising if we are meeting people face to face. It is also the case that the Government more generally do not want to waste time doing things face to face that

could be done online. In so far as I can do things online that are appropriate to be done online, I would like to do it. But I am only prepared to do that if I can do it securely. At the moment we are having some difficulty in sorting out how to do that securely.

Since it is the case that, for all the people who are out of work, I need them to be physically present, I can at the moment—as I am doing with the pathfinder—leverage that; because they are going to be there anyway, I can do things with them that I don't then have to do online. My challenge will be when I get to the world of tax credits and people who are in work, whom I am not proposing to drag into the jobcentre.

**Q157 Meg Hillier:** What date do you or Mr Shiplee have in mind for when as much as possible will be online?

**Robert Devereux:** I am afraid the answer to that is when Howard has had the chance to finish the work he is currently doing. I know that is unsatisfactory—I really do, and I feel it myself—but I can't give you an answer till he has finished the work.

**Q158 Meg Hillier:** That brings me to my final question. Dr Wood was actually quite optimistic that, with a fair wind and lots of hard work, it could still be delivered by 2017, which, having read the Report, I have to say was a bit surprising to me, given the problems. Is it still your assessment that it can actually go, and go online, even though you are still waiting for Mr Shiplee's full analysis?

**Robert Devereux:** My assessment remains that if both the reset team, with Dr Wood, say that 2017 is possible and Howard's ex ante view is that 2017 sounds possible, I am in exactly the same place as the Secretary of State and the Prime Minister: we are shooting for 2017.

**Q159 Meg Hillier:** I think the Prime Minister said it was still achievable but we should not be religious about it.

**Robert Devereux:** You asked me whether it could be done and the answer is yes.

**Q160 Chair:** Sharon, are you being religious about 2017?

**Sharon White:** From our point of view, from the information we have, 2017 is achievable, but we are absolutely waiting to see where we are on affordability, value for money, labour market commitments: there is a whole bunch of things that the Treasury is always interested in, in the business case, before committing to that.

**Chair:** What date will it go live?

**Q161 Stephen Barclay:** ID assurance and IRIS are two of your core functions. What date will they go live?

**Howard Shiplee:** I am not going to make any commitment until I finish the work that I am doing. That is what we have said.

**Mr Bacon:** Very wise.

**Q162 Fiona Mactaggart:** I want to follow up the point you've been making, Mr Devereux, about things

that you need to change as a result of Mr Shiplee's evidence, and the value of seeing people in a jobcentre. One of my anxieties about universal credit is the fact that only one person in the family is going to get income as a result of it, and so there is going to be a bunch of people who don't have to go into the jobcentre, who aren't going to get rewards. It is usually going to be the mums, who have traditionally got money for children. What advice have you given to Ministers about the consequences of that?

**Robert Devereux:** Sorry, you are on a policy question, about payments to households.

**Fiona Mactaggart:** I am indeed, but I think there is a value-for-money question in that about whether money for children goes to children.

**Chair:** Just to keep things going, let's stick to the questions.

**Q163 Fiona Mactaggart:** Okay. Let's look at paragraph 19, which says that one of the real problems is the lack of transparency and challenge within the Department, which has led to a "fortress" and "good news" approach in that team. That says that management of this process is beginning to fail. What have you done to change that failure and that unwillingness to challenge stuff that was invented at the beginning, and say, "Actually, this is going to be hard"?

**Robert Devereux:** First, as you observe, that is a statement being made in respect of precisely the period I described to the Chair, in mid-2012. I have changed the senior managers who, in my view, consistently shape the culture of an organisation.

**Chair:** Let's just be clear: you have your fifth SRO now.

**Q164 Mr Bacon:** Don't you shape the culture of the organisation, as the permanent secretary? You are the leader of this organisation.

**Robert Devereux:** I do, as it happens. You recall that I had the largest single increase in staff engagement in any Whitehall Department last year, and I intend to have it higher still. In this particular case, for a number of reasons, this particular programme turned out to have this culture. It is not a culture that I find in the other programmes. The Secretary of State said as much himself. We see all these programmes, time in, time out.

**Q165 Fiona Mactaggart:** So why was it in this one?

**Robert Devereux:** Why was it? Let me hypothesise. It is a combination. I made the remark earlier that some of the people you put in charge of programmes have a "let's punch through" mentality, because you need to get stuff done. You can't spend for ever talking about things. Quiz Howard about that. There comes a point, though, when "I'm just going to carry on" becomes the wrong answer, because you are not being adequately sensitive to the conversations going on.

**Q166 Chair:** Mr Devereux, you are in charge. This is the biggest programme in DWP. Turning to my Conservative and Liberal Democrat colleagues, it is the biggest political commitment that they have. You

can't just say, "Oh, we had an SRO who was a bully—I don't know—who set up a fortress." You can't do that. You are the accounting officer.

**Robert Devereux:** I am the accounting officer. Let's be very clear: I am the accounting officer and only I can take responsibility for the poor value for money that we have had in this Report. Absolutely get that down. This is poor value for money so far on a programme that is running up to 2017. My intent as accounting officer is to deliver the value in this programme, which the NAO says I can deliver.

I am running a very large organisation and I put people in charge of—

**Chair:** This is the most important programme. Were I Minister in there, I wouldn't be meeting once every three weeks, for example.

**Q167 Mr Bacon:** Could you finish your sentence? You put people in there.

**Robert Devereux:** Okay. I put people in who were the best I had available and had requisite track experience of doing this. The reality is that, if then the culture starts to permeate good news, I don't know until I find some way of detecting that. That is the essence of a good-news culture. At the point at which it was clear that this was the wrong thing, we took some action.

**Q168 Mr Bacon:** Right. This is very interesting. We need to get to the question of what kind of challenge there was and when it was. Am I right in thinking that the supplier-led review was initiated in the summer of 2012—July or August—and it reported at the end of the summer, September?

**Robert Devereux:** July.

**Mr Bacon:** It actually reported in July. That is the red team; that's the same thing, isn't it? When did the Secretary of State ask for the supplier-led review, the red team, to be set up?

**Robert Devereux:** I believe the Secretary of State had asked Terry Moran for a review earlier than July.

**Q169 Mr Bacon:** When did the Secretary of State ask for the red team to be set up?

**Robert Devereux:** I don't know.

**Q170 Mr Bacon:** You don't know. My information is that it was May 2011, and that there were many, many requests asking where the supplier-led review was. Is it not correct that it took more than a year for it to get going? That is correct?

**Robert Devereux:** With respect, you are now quoting a set of requests. I was seeing the Secretary of State weekly. I don't think I had detected something that was that old, in terms of things that had got to be done. Forgive me if that is the case, but that is the honest truth.

**Q171 Mr Bacon:** Is it true that, in February 2012, Hilary Reynolds recommended that the red team review be closed down, before it had even got going?

**Robert Devereux:** Hilary Reynolds wasn't in the programme in February 2012.

**Q172 Mr Bacon:** I didn't say she was in the programme; I said she recommended that it be closed

down. She was an official in the Department, wasn't she?

**Robert Devereux:** She was, but I don't know by what process she would be making that sort of observation.

**Q173 Mr Bacon:** What is extraordinary is that when you look at figure 15, the litany of problems there is frankly one of the worst I have ever seen: "Limited line of sight on cost of delivery...Poorly managed and documented financial governance...Limited IT capability...Limited cost control...Inadequate internal challenge of purchase decisions...Unclear financial reporting...Insufficient challenge of supplier-driven changes in costs...Inappropriate contractual mechanisms...Inadequate controls over what would be supplied...Over-reliance on performance information that was provided by suppliers without Department validation...Weak contractual relationships with supplier."

Are you saying that you were unaware of any of that? This is the biggest programme going on in your Department. You were the accounting officer for it and there is this litany of failure. Are you saying that you were unaware of all this until the supplier-led review reported?

**Robert Devereux:** I am saying that the point at which it became apparent to me that action needed to be taken was when the supplier-led review—

**Mr Bacon:** Sorry, could you say that again? I didn't hear it.

**Robert Devereux:** Yes. When the supplier-led review reported, that was the point at which this became apparent to me.

**Q174 Mr Bacon:** That is extraordinary. I would have thought that, given how much there is there, some of it would have become apparent earlier. In the PwC report, one of the things it said was that there was a personal assistant who was able to authorise purchase orders and did so in 15 cases. What was the value of the purchase orders that were authorised by a PA?

**Mike Driver:** I cannot answer your exact question in terms of the numbers—

**Mr Bacon:** That is what I am after.

**Mike Driver:** What I can do is just put this into context. The PA in question did not authorise those orders.

**Q175 Mr Bacon:** That is what it says.

**Mike Driver:** May I just finish my answer? What they actually did was put those purchase orders on to the Department's Oracle system. The authorisation process can be conducted only through a sequence that involves IT, supplier, management and finance. Where we did have a weakness was that, in this case, a PA put those orders on to the system—after that process had gone through—and pressed the authorise button. That should not have happened; it should have been done by the individual who had the authority to do that. You will see from the PwC report in the annexe that we provided to Mrs Hodge yesterday that we have actually taken action on that specific point.

**Q176 Mr Bacon:** Can you write to us with the value?

**Mike Driver:** Of course I can.

**Q177 Chair:** You are saying that it shouldn't have happened; the truth is that it did happen.

**Mike Driver:** What I am saying is that the PA in question should not have put those things on to the Oracle system and they should not have authorised them.

**Chair:** But they did.

**Mike Driver:** There was a process before that which had looked at each of those orders and made sure that they were appropriate orders before that happened. I am not saying that the end bit of the process was right—in fact, it was wrong, and we have taken steps to deal with that in future.

**Q178 Mr Bacon:** One thing the PwC supplier-led review says, under the heading "Limited cost control", was that there was "ineffective end-to-end accounts payable processing, with limited control over receipting against purchase orders. Two contractors, Accenture and IBM, account for almost 65% of total IT supplier spend, as at February 2013." It does not say what the value is, and I would like to know that, so perhaps you could write to us with that as well.

The report goes on: "Purchase orders for Accenture and IBM do not allow for granular verification of expenditure as they are raised and approved by value only. Thus, they cannot be linked to individual delivery and grades of staff use. Receipting is completed by reference to time sheets. However, this confirmation is not complete and/or accurate as the majority of those individuals receipting do not have the capability and capacity to verify all time recording. This constraint has resulted in expenditure being approved with a nil return in many cases. As a result, payments may be made with no verification."

After all the history that we have had of IT projects going wrong, how can this extraordinarily loose control—it is probably wrong to use the word "control"—how can this extraordinarily loose arrangement exist?

**Robert Devereux:** I will try at least to explain what was going on. Let me take you back to the process that we were operating. The process we were operating was seeking to work through, in the space of a four-week period—

**Chair:** You are doing it again, Mr Devereux.

**Robert Devereux:** I am afraid that I cannot answer the question without giving some facts.

**Q179 Chair:** So is PwC wrong?

**Robert Devereux:** No, no. PwC is correct, but I am about to explain what else was going on. I have just had a long set of sessions with PwC, who as we speak, are doing further work for me to establish one particular, critical thing that you will want to know, which is that other things were being checked in the background here that enabled PwC to go back and do some ex post calculations about exactly how much was being paid for each of the outputs we had. It is absolutely right to say—

**Q180 Mr Bacon:** That is very interesting, although is it not utterly elementary that when you are paying a supplier for having given you something, you know

what it is you are paying and what you are getting for it? This is basic!

**Robert Devereux:** Okay. In that case, forgive me if I have to give you a long answer. We were asking, on a Friday at the end of each four weeks, for a certain set of things to be done, IT-wise, with a set of acceptance criteria. When that work came back it was tested against the acceptance criteria. Good.

Secondly, we were not able to do the contracting process at that time—we were not contracting on a Friday for work that started on a Monday; we were contracting in advance. The contracting was to say, “I have got all this work that is going to come along, and I want to make sure I have appropriately skilled people in place who know about the project.” What people were trying to do was to make a judgment call—

**Q181 Chair:** Who is “people”?

**Robert Devereux:** These are my IT professional staff, making a judgment call to say—

**Chair:** Approved before they had done the work?

**Robert Devereux:** Let me finish, please. Based on modelling the plan for work through, based on working out exactly what that might constitute, we had the resource plan agreed with Accenture.

**Q182 Chair:** What has that got to do with the approvals of the work done?

**Robert Devereux:** It has got this to do with it: the contract for the size of the factor in any one month was being based on that calculation of how much work we were likely to put into it in advance.

**Chair:** But your approval systems were not in place.

**Robert Devereux:** Then the signing off of invoices was indeed based on looking at monthly time sheets. I agree with you that that is not a satisfactory position.

**Q183 Mr Bacon:** What is amazing is that you said you did not know any of this until the supplier-led review brought it to you in the summer of 2012. This had been going on for quite a while. There was apparently nothing going on in the Department that was flagging this up. Internal assurance, internal audit—where was it?

**Robert Devereux:** I am afraid when you get to a chart that is as difficult as that chart is to read, we must conclude—I conclude this, and it is my responsibility—that more than one line of defence has gone wrong. We have talked so far about whether the programme was properly managing itself.

**Q184 Mr Bacon:** This is extraordinary, and it is horribly familiar. You will remember in the case of C-NOMIS that, basically, there were eight common causes of project failure, and the Department certified that they—

**Robert Devereux:** I have read the book.

**Mr Bacon:** I think the same was true in the case of the west coast main line. There were five lines of defence. Surely, the whole purpose of having these things is to provide defence, and surely therefore it is absolutely central to your job as accounting officer to be sure that you have got lines of defence that are operating effectively. That is part of your job, isn't it?

**Robert Devereux:** It is part of my job.

**Q185 Mr Bacon:** So to be surprised by this is an extraordinary admission, is it not?

**Robert Devereux:** I can only be surprised by this if I am not getting signals from my second line of defence—my financial controllers—that they are worried about what is going on.

**Q186 Mr Bacon:** You do sound as though you are blaming everybody underneath you, I am afraid.

**Robert Devereux:** I do not intend to do that, but you are asking me what I knew and what I didn't know. I am trying to take you through the process by which I am aware of things, and the action I have taken on them.

**Q187 Mr Bacon:** But my point is that it was your job to know. It is your job to manage this. You are effectively the chief executive of the DWP.

**Robert Devereux:** I am the chief executive of the DWP, I am the accounting officer, and I am accountable for it, correct.

**Mr Bacon:** But you didn't know, did you?

**Robert Devereux:** I didn't know on this, no.

**Q188 Ian Swales:** Mr Devereux, you said very early on that the policy intent here was very clear. Accepting that your Department is complex, can you just say when you were doing the IT contracting whether you think the IT companies had a financial incentive to keep this simple and do it as quickly as possible, or have they actually got a financial incentive to make this as complex as they can and take as long as possible?

**Robert Devereux:** I do not believe that we put them in a position where they had an incentive to make it as complex as possible, having gone through the answers we have just given. The truth is that we are using partners that we have used for a long time to do complex things.

**Q189 Ian Swales:** Figure 5 states that the IT investment costs are now planned to be £241 million higher than the previous plan. How much of that £241 million goes to outside companies?

**Robert Devereux:** That is the estimate made in 2012 for the totality of the spend on this programme. It was made in December '12, just at the point at which Philip Langsdale, who was then the SRO, was bearing down on these costs. My expectation is that when the business case is refreshed under Howard, it will not be that number.

**Ian Swales:** This is the figure in the National Audit Office Report.

**Robert Devereux:** Yes, and it is a fair reflection of a fact that was true in December '12. All I am observing is that if you are asking, “Where is that money going?” I am expecting that that number will be considerably lower.

**Q190 Ian Swales:** It is £241 million in the Report. What do you think it would be if you assessed it today—the extra IT investment?

---

11 September 2013 Department for Work and Pensions, HM Treasury and Major Projects Authority

---

**Robert Devereux:** I know that this is going to be irritating, but the answer to that question is that it depends on the plan that Howard constructs. I am not expecting it to be as large as that 2012 estimate.

**Q191 Ian Swales:** Would it be true to say that external IT contractors are going to get significantly more money out of this project than was originally envisaged?

**Robert Devereux:** I am not prepared to say that, because we have spent £300 million to date and the original budget was £400 million. Howard is working through how it will work now. I have no desire at all to get into the numbers that you are quoting.

**Q192 Ian Swales:** Okay. I think we are all pretty cynical, but let us hope that you are right.

Figure 23 shows that this project has had 19 reviews since November 2011, so the idea that some of these things come as a surprise or that Dr Wood would recently have to come in and discover things both go back to the point about how closely connected the departmental management were to everything that was going on. What was going on in your Department when all those reviews were coming in to try to get a grip of the situation?

**Robert Devereux:** The governance of the programme was run through a programme board that was chaired by the SRO. It contained members from across the Department, including senior members of my team, and it looked at the evidence that was there. People commented positively about the improved governance of the process in the middle of March 2012. I have to say when you read that and then read the subsequent reports, you can see daylight between them, but, at certain points, the suggestions that are being made internally and externally about improving governance are being taken on board.

**Q193 Chair:** I have to say that if governance was okay, we would not have seen a report in August from PwC that was so damning of your controls.

**Robert Devereux:** I can only point to—I know you are going to say that it is external, but you put a lot of weight on the other external. In March 2012, the MPA said that the programme had much improved its overall—

**Q194 Chair:** Are you going to ignore the PwC report? I am going to make sure that all Committee members get it.

**Robert Devereux:** No. You are asking—

**Chair:** PwC is damning. Part of governance is good controls. PwC basically, as Richard showed, damned your control system. I gather that you sat on that for six months to get it agreed. I know how these things work. There is an endless to-ing and fro-ing with PwC, because they are probably harsher at the beginning and you calm it down a bit. It is a damning indictment. It really is. You cannot then say, “Our governance was actually okay.”

**Robert Devereux:** I did not and I apologise if I gave that impression. I am absolutely agreeing with you and Richard that this standard is not remotely acceptable.

**Q195 Ian Swales:** I have two more quick points. We are hearing about fraud, error, cyber-security and identity being issues, but the idea that this is the first organisation in the world ever to do this kind of thing must be a nonsense. As both Stephen and Meg have said, it has happened in the world of banking and even in your own systems. My wife has just triggered her state pension online through your system, so we know it can be done. How many of these experts in the IT companies and so on have worked in banking and have a lot of experience in security? Why is this being treated as if it is absolutely unique?

**Robert Devereux:** With respect, I do not think that we are treating it as though it is absolutely unique. I also expect that the thing that your wife just triggered is something that we invited her to trigger, so it is a different sort of transaction.

**Ian Swales:** She still had to do an identity check as part of the process.

**Robert Devereux:** When I have someone who I know is approaching retirement age, it is relatively easier to be confident who is coming through and to put that payment into that person. All I can say is that the security systems that we need to run this operation are quite large, not least because I do not have the ability, as many banks do, to choose customers who actually have a good hinterland in the credit reference agency world. A characteristic of many of my people means that it is not like that.

The second characteristic of many claimants is that their circumstances change very rapidly. The challenge that I have on the security front is, I would assert, rather larger than some other people have to manage. My and your appetites for risk, because I have to come here to explain it, are much lower. Consequently, the technique for solving this will not just be that because somebody else has done it over in a bank we can buy it and plug it in here. The banks do not tell you what they lose.

**Q196 Ian Swales:** I accept that. We accept that it is complex.

My final question is for Sharon White. As was said at the start, the policy intent of this is clear. The intent is that there is a seamless join between HMRC systems and DWP systems, because the business benefits can only be derived if pay and tax credit information and so on are merged with benefit information.

I have been talking to one of the sub-suppliers of this system since late 2010, and the expression “a turf war” between the two Departments was first used to me two years ago by somebody working inside this development. Given that it seems that HMRC and DWP are working quite separately on their different parts of this, what is your comment about whether the business benefits will be delivered?

**Sharon White:** My personal observation is that the relationship has actually improved a lot in recent months. One of the things you see in the pathfinder is that real-time information, where lots of people had worried about the practical application, has actually worked reasonably well. The things we would be worried about as a Treasury department are just as you say: the impact on people getting jobs and earning

more. Part of that is about the relationship with HMRC, and part of it is going to be cultural. If you are in work at the moment, one of the big new things about universal credit is that the state is going to be more on your case to raise your hours, so—

**Q197 Ian Swales:** The policy intent is absolutely clear. It is not for the Treasury to decide whether that is the policy or not, is it? Why did Dr Wood say that it is good news that there is now a business partner council? Why wasn't there one at the start of this?

**Sharon White:** We have talked a bit about the timeline. In my own observation, and I have been personally involved in this since the beginning of 2012, this has had a difficult mix of history. The relationships—certainly the ones across Whitehall—are not perfect but they are much more solid than they were previously, including within HMRC.

**Q198 Ian Swales:** I have asked this question around this table before. Are you both standing on your toes? Are you not looking at some more joint management structures, at work and so on, to deal with this universal credit system? After all, it is supposed to cut across the two Departments. Otherwise, as suppliers have indicated to me, there will be another phase: trying much later to nail together the two separate parts of this.

**Robert Devereux:** Perhaps I can check what we are talking about here. One of the many sub-systems which has been delivered is that we now have live feeds of real-time earnings on the desks of my staff. So real people have come into job centres and said that they are not working, but we have looked at the data and proved that they are working. That system is actually working. Whatever the history of poor working, this system is working.

**Q199 Chair:** Is that a universal credit system?

**Robert Devereux:** In universal credit, yes. A brand new system—

**Q200 Chair:** Can I ask about one more partnership issue which Ian raised? I wanted to ask about the other partner, which is of course Ministers. One of the conclusions of the PwC report was that there was inadequate ministerial approval. For the benefit of those who have not had a chance to see the report, there was a lack of evidence to support ministerial sign-off of contracts. PwC tested 25 contracts over £25,000, and only 11 could be traced with approval. Furthermore, evidence of value for money provided to the Minister was limited in some cases. Consideration of value for money was not evident before ministerial approval stage, which is in the later stages of the process. It is not possible to confirm whether consideration of value for money was too late or approval of value for money was too late. You have read the report in more detail than I have, but basically it found that you failed to consult properly with Ministers in signing off the IT contracts.

**Mike Driver:** Can I answer that?

**Robert Devereux:** Yes.

**Mike Driver:** I think we had a weakness in the process that was operating. The NAO may have a view on this

in relation to some other things about the evidence that PwC was able to find. It has not always been possible to find all of the paper evidence to confirm a decision. We hold our hands up; we need to improve that.

We have now significantly improved the control arrangements that operate within the Department ahead of ministerial sign-off. We have also significantly improved the arrangements that apply to any sign-off with the Cabinet Office. I personally chair what is called a star chamber group, which looks at all contracts before we seek authority from the Cabinet Office to go forward. We do detailed work and ensure that we are happy with the work going across.

I know you don't like deflection, but, for example, on child maintenance work, we did not have benchmarked evidence to show the value of what we were getting. We went out and sought Atkins's support to do the benchmarking for us before we did that. So I do think there was a weakness in our processes—we put our hands up to that—but they have been significantly strengthened.

**Q201 Chair:** One of the things that could have been avoided was nugatory expenditure.

**Mike Driver:** I do not doubt that. Let me say something about the PwC report. You will not have had time to read it, but there is an annexe in there that goes through all the recommendations made by PwC. It sets out what the management response is, and also sets out our action plan and timeline for doing something about that. We would be very happy—separately, if you wish—to take you through that. We have not sat on our hands, in terms of the criticism that has been laid on the Department. We have taken action, and we are bringing in auditors in October to test whether we have delivered on all those actions.

**Amyas Morse:** May I just deal with something for clarity, to make sure we keep things straight? You have had drafts of the Report for quite a long time; I know that. If I understand it rightly, you set up the star chamber things after you received the reset document.

**Mike Driver:** No, that is not true. We started the star chamber approach because it was something that Philip Langsdale put in place before Christmas 2012.

**Amyas Morse:** What I want to be clear about—this is not a difficult question—is whether you are saying that when you first saw the early PwC recommendations, you immediately took action on them.

**Mike Driver:** Yes, we started taking action. One of the things that we have to acknowledge, as corporate finance, is that we were probably looking at things such as the business case, the funding models and those sorts of things. We should have been doing more work around the control environment. We have fixed those things. For example, we have issued detailed guidance to every programme within the Department to say exactly how the financial controls should operate. That guidance is being monitored by the finance business partners in every one of our programmes. As I said, we are auditing the approach that we put in place and the effectiveness of the controls that we are operating.



**Q202 Jackie Doyle-Price:** I want to come in on that, because that is the point that upsets me most of all. As the Chair said, we know it is an ambitious project and we know it is a flagship project. We also know how much passion and commitment Ministers have to deliver it. What I cannot understand is why that was not fed through the whole organisation, and why everyone was not conscious of how important it was for Ministers. The idea that the financial controls were breaking down and things were happening low down in the organisation is not acceptable. Do you think you did enough to communicate the urgency and importance, to ensure that you had a good line of sight for everything that was happening, and to ensure that everyone knew that they should be glued together in delivering it?

**Robert Devereux:** Given what is put in this Report, I cannot possibly say that I am happy with everything that we have done—that is not the case—but it was clear to everybody from day one how important this project is. I do not think there is any question about that. I worry, to some extent, that the need to make progress got people caught up with making progress rather than worrying about the controls. That is a failure, and we cannot have that. That is what the Report has exposed.

**Q203 Jackie Doyle-Price:** If I were in your position, Mr Devereux, the whole project would have been giving me sleepless nights. I would have been all over it, and I would have made sure that I was confident that what I was telling Ministers when I reassured them that it was on track was completely accurate.

**Robert Devereux:** I agree with that, and I point to every one of the 12 large programmes we have, and to the people who are running the business. What they are supposed to be doing is clearly delegated to those people; they have conversations about what they are doing.

I am hung if I do and hung if I don't in this conversation. I am not running the programme, but I am indeed the accounting officer, so I am trying—

**Chair:** It is your biggest programme. We have to keep saying that it is your biggest programme.

**Robert Devereux:** You do have to say that, but I also need to say that I am currently up £7.5 billion in savings from running this Department over this Parliament.

**Q204 Chair:** It is still your biggest programme.

**Robert Devereux:** It is my biggest programme, and as I say, I am trying to get to a reasonable place on this. I am not resiling from the fact that, as accounting officer, I must be all over this, but I did have somebody who I actually believed was capable of dealing with this. I had systems in place, which are running in all of the rest of the Department, which are properly contracting and doing things. We did not find anything in the PwC report that suggested that it was not—

**Chair:** It is your biggest programme. I am going to keep saying that.

**Q205 Chris Heaton-Harris:** I do not have as much experience of this as many others in the room. Richard has written a book about IT procurement—

**Mr Bacon:** It is available from all good remaining bookshops.

**Chris Heaton-Harris:** It is just a bit too expensive. Wait until it is discounted.

**Robert Devereux:** It is very good.

**Chris Heaton-Harris:** There is form in your Department on schemes like this. In 2006, the then Government cancelled a similar plan to streamline payments through the benefit processing replacement scheme, but only after having spent £140 million on IT for that key strategic initiative, and having spent an extra £10 million on the programme after it was cancelled.

Margaret was the Minister in charge of that programme at the time, which is probably why she is so cross that this is happening now. All the lessons from that really should have been learned by now. The fact is that you were not being reported to, as Jackie said, on a key project for the Government—a big-ticket issue with cross-party political agreement on the need to do something along these lines. The culture seemed to be not to report up. In fact, there were issues about making sure that if you reported up, you reported only good news. Don't you think there is something wrong within the culture of your Department if that is happening?

**Robert Devereux:** It is in the culture of that programme. I will keep coming back to the same thing that the Secretary of State said. We have had in front of us, together, over the last 12 months or so, programme after programme, working through difficult issues. I have had Noel Shanahan in front of me for child maintenance. I have had Christine Goodfellow in front of me for PIP. In each of those cases, we have made decisions, we have got transparency and we have moved on. What this Report is saying is that the cumulative effect of some of the complexity that they were trying to deal with while still carrying on eventually overwhelmed them. That is—

**Q206 Chris Heaton-Harris:** Excuse me, Mr Devereux. This Committee did a report, which Mr Swales was waving around a bit earlier, about IT procurement in general in Government. We highlighted—not that we had great foresight; it was just blindingly obvious—that there would be issues in Government-procured IT systems.

**Ian Swales:** This was in May 2011.

**Chris Heaton-Harris:** Some of the things that we have discussed today we already paraphrased in a Report we did two-and-a-half years ago. Okay, you might have an overrun of some sort; will there be penalties for suppliers that are not delivering what they are meant to in this programme?

**Robert Devereux:** The work that I was trying to describe to the Chair earlier, which PwC is doing now, is to establish whether the risks we have been running, given this lack of control, have actually materialised into cash that should not have been spent. That is the thing that would enable me to answer that question. In the event that there is evidence of that, we will go

back to the suppliers, obviously. I do not want to run this argument too hard, but there is a set of control weaknesses here which gives rise to a risk of loss of value for money. I accept that.

**Q207 Ian Swales:** Is it not actually more the case that, as the Chair said near the start, the suppliers have in effect a blank cheque, because we were so poor at specifying what we wanted them to do, and that this will just run and run?

**Robert Devereux:** I do not believe that is the case. Let me try to explain why. In arriving at the sort of the money that we were prepared to pay them, we were looking at the work that we needed to do and the likely cost of doing that sort of work. This is not—

**Q208 Chair:** I wanted to ask Mr Shiplee this: are you happy with the contracts as they are written?

**Howard Shiplee:** The contracts have a lot of flexibility in them. Going forward, we are looking at how we would best approach a contracting strategy that would focus on a number of things. We have touched on this already with the suppliers. Within the current frameworks, I believe that we would probably move to a set of approaches that would be about setting value first of all, very clearly. Secondly, looking at either fixed-price elements that we could—

**Q209 Chair:** So you will renegotiate the contract?

**Howard Shiplee:** We do not need to renegotiate it. The current framework contracts allow for this to be done. We would therefore move to that process. The alternative, which proved incredibly successful on the Olympic programme, where we had many hundreds of contracts, were effectively target cost contracts, where there are certain unknowns and the route is not clear. You have pain and gain mechanisms, so there is a sanction, but you are also paying for value if it is created. We have not finalised anything. These are debates that we will have when I have finished the current piece of work, but that is where I am minded to go and would recommend that we go.

**Q210 Nick Smith:** Mr Shiplee, I am glad you are on board. Let us hope that you can be the DWP's lifeboat here. Everyone agrees that changing circumstances are critical for our constituents and their benefits. If my constituents get it wrong, they could go to jail. What we have heard here is that you cannot give us a date. I am not even sure whether customers will be able to report a change in circumstances online. We are sort of halfway between the 2010 and 2017 period, and I am really surprised that we are this far into the programme and you have not cracked that key feature. It will be a real concern to my constituents in Blaenau Gwent. Do you want to comment on that?

**Howard Shiplee:** Yes, I do. I do not think anyone has said that we cannot do changed circumstances. In fact, change of circumstance online is an intrinsic part of going forward. There are certain changes of circumstance that I would recommend. I had discussions on security, and there are changes that it is recommended we do not do. For instance, we would not allow changes of bank accounts. That would be a normal thing. The intention is, as far as possible—

**Q211 Chair:** The intention is to allow change of circumstances, but the current IT system does not deliver.

**Howard Shiplee:** Correct, but the intention remains, and all the comments I have made today are on the basis that I have seen clear evidence that the capability of the IT that has been built, but not yet deployed, will address changes of circumstances, couples, and other circumstances.

**Q212 Nick Smith:** When do you think that the modified change of circumstances that you have talked about can be introduced online for customers?

**Howard Shiplee:** Within the overall time scale that we have already set, 2017. I am not prepared at this stage, for the reasons that I made plain before, to give throwaway dates. We want to work towards effective dates in which we can have confidence, and then I will be happy to provide those dates, because we need them as well.

**Q213 Nick Smith:** Okay. You have been through your 100-day planning period, and you are close to writing your report. Broadly, how has that helped you to get on top of this car crash so far?

**Howard Shiplee:** I cannot comment on the car crash. The 100-day plan was intended to get us to a position of stability with clarity going forward. First, the entire structure of the organisation has been changed. We have reduced the number of staff. We have created directorates within the structure to deal with specific issues. One of them, for instance, is the issue of “into work”, which is the core element. One of the important appointments that I have made is a transitions director who will handle the business transformation. There is also the work with claimants on how we transform the way they react and work. We have also put in place a director-level post to deal with commercial matters, which I think is particularly important. We have established a programme management office to deal with programming. Most importantly in much of this debate, I have also established a programme assurance office, which is independent of the rest of the programme. The head of assurance, who is very experienced in these fields, is not a DWP person; they have come in from outside. They provide the second line of defence, and that organisation effectively keeps me legal and allows me to say that when I pass information to the permanent secretary or the Secretary of State, I can be assured that that information is correct.

**Chair:** Can we have very short answers? There is a vote shortly.

**Q214 Nick Smith:** I had a bunch of questions, but I will park those. I will just go to Sharon White. The Department says that there is an estimated net benefit from universal credit of £38 billion over the 12 years to 2022–23. Does the Treasury think that those net benefit changes of £38 billion will be met?

**Sharon White:** We expect the net benefits to be substantial, but we shall not sign off a specific number until we see the final business case.

**Nick Smith:** So no.

**Sharon White:** I mean the £38 billion is not a number that the Treasury has absolutely signed up, but we expect the number to be large.

**Q215 Nick Smith:** Mr Devereux, do you still think you will make those £38 billion savings?

**Robert Devereux:** The £38 billion is based on the information at the time we did the business case, so we are working through now how this works. The migration affects it.

**Q216 Stephen Barclay:** Can I clarify who the individual responsible for delivering ID assurance is?

**Howard Shiplee:** ID assurance is done by a face-to-face arrangement, so it is not an online arrangement.

**Q217 Stephen Barclay:** The development of the software. There is a discussion between the Cabinet Office and the Department, and I am just trying to clarify who the individual is.

**Howard Shiplee:** I am so sorry. We have a head of security who is specifically responsible for all issues to do with security. We have brought all security issues together in one place. We have a person specifically responsible.

**Q218 Stephen Barclay:** And who is that? Is that an individual in your Department, not in the Cabinet Office?

**Howard Shiplee:** Yes, absolutely. A senior official.

**Mike Driver:** The IDA programme was originally within universal credit. The responsibility for that programme is now with the Cabinet Office. As part of that transfer, we have transferred funds to the Cabinet Office in order to take that work forward.

**Q219 Stephen Barclay:** So it is being run from the Cabinet Office. Thank you. How many claimants will be using universal credit by April 2014? Your target was 184,000 by April 2014. What is your current estimate?

**Robert Devereux:** It would be whatever estimates Howard constructs when he has finished his work.

**Q220 Stephen Barclay:** The run rate, if you take the first four months, was 250 a month, which would suggest that to get to your target of 184,000, you need to go from 250 to over 20,000 a month, which is clearly not going to happen.

**Robert Devereux:** Just to remind us, what dates are you quoting, with regard to when we made that prediction?

**Stephen Barclay:** Under “Key facts”, the Report says, “184,000: projected number of Universal Credit claimants by April 2014, from the 2012 business case”. In last year’s business case, you were saying that we were going to have 184,000. What I am asking is, on that milestone, what is your current estimate? Your run rate at the moment is 250 a month.

**Robert Devereux:** It is not 250 a month, because that was what it was when I only had the one jobcentre and it was only doing 250 a month. We have already doubled that, so there are more than 2,500 people on universal credit already. I rolled this out to six further ones, and the numbers will go up, too. I am afraid I

have not checked which particular migration strategy underpins that particular number.

**Q221 Chair:** Mr Shiplee, will you beat that? You won’t, is the honest truth. Try to be honest about it. You won’t meet it.

**Howard Shiplee:** I am not going to speculate until I have finished planning.

**Q222 Stephen Barclay:** Isn’t one of the difficulties with meeting it that if you are doing a manual check at the load stage and then a further manual recheck, you have two manual interventions? That is very expensive.

**Robert Devereux:** Manual check at what stage, sorry?

**Stephen Barclay:** The NAO might want to clarify.

**Max Tse:** There is manual intervention in the original calculation and process for this, and there is also the operational control centre, which is a process for checking how the pathfinders work.

**Q223 Ian Swales:** Whatever number we do hit by 2014, because of these checks and so on, it is going to be a very different scope, isn’t it? So we are kidding ourselves. Even if you did hit that number, it would not be the scope defined in the 2012 business case, would it?

**Robert Devereux:** As for the extent to which we are trying to be online, the plan for doing that is what Howard is delivering now, so you are absolutely right about getting to higher numbers, unless I can get better ways of doing this. Let us be really clear: I already run a system that deals with changes of circumstances over the phone. I do not want to have to do it over the phone. If I have to, I will do.

**Q224 Stephen Barclay:** You are not addressing my point, Mr Devereux. My point is this. The numbers at the moment are incredibly modest against your target last year. You are delivering that very modest target on the base of an expensive manual process, in order to address some of the security concerns. You are not able to give us any assurance as to the date when you have the ID assurance in place. We have not touched on IRIS, which is the security that you will need in place, in terms of picking up irregular behaviour once you are in the system. The scalability to hit your initial target and then take it up nationally is not there, and you are not able to tell us when the start date is. Whatever programme you originally had, you will have to catch up a hell of a lot of ground at the end, so you are back-loading your programme very significantly.

**Robert Devereux:** Okay, so it must be the case that if the blueprint that Dr Wood leaves me needs further work, which is what Howard is doing—I can’t answer that question any better at the moment—you are right to conclude that there is more work to be done later on in the period. However, you have heard that both the MPA and Howard believe that there will be ways through this. We have to find the detailed plan to underpin that, before you or I will believe in it, but that is the work we are doing.

In the meantime—let us be very clear—some of the behavioural things come right back to, “What am I

trying to do?" We have deliberately decided to make sure that every jobcentre in the country is using the claimant commitment, even on JSA, so that when the universal credit benefit payment turns up, it is not unfamiliar to them, and I am not expecting them to do 35 hours' work without the sanctions being right. That is important.

**Q225 Chair:** May I ask two other questions? Are you developing options that would change the original parameters at all?

**Howard Shiplee:** No, we are not changing the original parameters. What we are looking at is options for delivery.

**Q226 Chair:** Will that mean different amounts through the IT system?

**Howard Shiplee:** It could do. We have been asked specifically by the Treasury to provide costed options with a view to reducing risk.

**Q227 Chair:** Okay. And if less is online, does the cost-benefit analysis change?

**Howard Shiplee:** Yes.

**Q228 Chair:** The other thing is this: at the moment, you are planning to close down new applications for tax credits in April 2014.

**Robert Devereux:** The answers, documented at the back of the Report, that Ministers have given do say—and some of the earlier answers said—that that is what we are hoping to do. The answer to when we will

close tax credits down is connected with what the safe way to roll that out is. Ministers have not repeated, recently, the date of April 2014.

**Mr Bacon:** Can you say that last bit again? Ministers have not recently repeated—

**Robert Devereux:** A date in April 2014.

**Chair:** They have not repeated that?

**Q229 Mr Bacon:** Would it be fair to say that you are not being too religious about the timetables for closing down these other benefits?

**Robert Devereux:** I think—I am going to come back to this—that we are absolutely determined that we are only going to do stuff that I know to be safe. Whatever else we have talked about today, we have not repeated the thing that has filled up 20 to 70 pages of your book—that is, the crises that are caused by people just blithely ploughing on with programmes when it is not safe. If you tell us, in your book, that these things are inherently untestable until you try them, my view is that I have started with the pathfinder. I know you are disappointed by its scope, but I am pleased that something is actually starting. I can learn from this and I can make this go. That is what we intend to do.

**Q230 Chair:** I hope you do learn from this, Mr Devereux. Mr Driver, you very kindly sent me the report yesterday. Can you send it to all members of the Committee? You sent a hard copy only to me.

**Mike Driver:** Of course.

**Chair:** That will be very helpful. Thank you very much; we will return.

### Written evidence from Citizens Advice Bureau

#### RECOMMENDATIONS

*Citizens Advice's proposals for what steps the Department for Work and Pensions (DWP) needs to take to improve the implementation of universal credit (UC)*

- Provide clear information on how many people they expect will need support moving onto universal credit and flag up when it will be introduced so that organisations like Citizens Advice can make provisions to support people.
- Ensure every aspect of UC is tested before it is rolled out and not rush to meet the 2017 deadline if it means putting its project in danger
- Commit sufficient resources to the Local Support Services Framework (LSSF) to help people prepare for UC, make their claims on-line and manage their money better.
- Allow people the right to decide whether they want their benefits paid fortnightly for at least the first year as they move to UC.
- Allow people the right to decide if they want their rent paid directly to their landlord for at least the first year as they move to UC.

#### SUMMARY

In the year to April 2013, Citizens Advice Bureaux helped people with 2.3 million problems with benefits and 1.9 million problems with debt and related financial support needs. When 8 million households are told by the Government that their benefits are going to be stopped and they need to apply for UC we are therefore likely to be the first place they turn to for help.

The National Audit Office (NAO) report is worrying reading because it is our clients who will suffer if the rollout of UC does not go smoothly.

However, UC is too important a project to abandon just because it has hit difficulties. Citizens Advice has long called for a simpler system for claimants and a benefits system which really makes work pay. We believe that if the Government takes this opportunity to look again at the structure of the new benefit and the support people get moving onto it, then UC could go a long way towards achieving these aims.

Citizens Advice surveyed over 1,700 of our clients who will start to receive Universal Credit from October and asked them whether they felt they would be able to cope with five possible problem areas—budgeting, monthly payments, banking, staying informed and internet access.<sup>1</sup>

We found that 92% of future Universal Credit recipients said they felt unprepared for the new system in at least one area. 38% will need support with all of the possible problem areas. This is just the first stage of a pilot we are carrying out in three areas (Birmingham, Ynys Mon, North Dorset) to test out how we can support people with these changes.

One big concern is that the planned delay in the start of the national rollout means that more complex cases may be back-loaded and rushed onto UC in time for a 2017 deadline. So far the Government has not announced when they are going to be testing the system on anyone but single people who have no children and do not have any housing costs to pay. These are the people who the system is likely to be simplest for so it would be a mistake for the Government to take too much confidence from finding that 90% of new claims from this group are started online.

The Government has taken the right decision to reassess the rollout of the early stages of UC. It should take its time to reassess how UC is structured and what support people will need. The Government should make sure that every aspect of UC is tested before it is rolled out and not rush to meet the 2017 deadline if it means putting its project in danger.

#### SPECIFIC COMMENTS

##### *Lessons from the Pathfinders*

The only people who have been moved on to UC so far are single people who have no children and do not have any housing costs to pay. They are likely to need the least support and be the simplest for people to manage. It would therefore be a mistake for the Government to take too much confidence from finding that 90% of new claims from this group are started online.

Our survey of our clients has shown that 9 out of 10 of those moving onto UC will need some level of support with 66% needing some support claiming on line.<sup>2</sup>

We are running pilots in three areas to test how prepared people are for UC and how successful our interventions are to help them prepare. We have included the first findings in this brief and will update the committee when more findings come out of the pilots.

According to NAO report the Government is also yet to test many of the computer systems needed for UC to work. We believe that it is vital that both the systems and the more complex cases are tested before a full national rollout.

To be able to pilot more complex cases on the actual real UC IT system will take time. There is a danger that to meet the 2017 deadline the Government will either not test the system properly or backload all the more complex cases into 2017, overloading support services as people struggle to cope with the demand.

##### *The Local Support Services Framework*

The Government recognises that some vulnerable people will have difficulties with these changes and has committed to support claimants through Local Support Services Frameworks (LSSF).

The original plan was to publish the framework in October, this was meant to set out how claimants will be supported locally. DWP have said that they will fund these local partnerships to support vulnerable claimants and it is vital that they put in sufficient resources so that everyone who needs help can get it.

The LSSF has now been pushed back and the Government are going to publish a more limited update in October and a fuller framework in Autumn 2014.

CABs will be keen to be part of these partnerships as they already have a successful track record of advising vulnerable people and working with councils and job centres. Bureaux can build on existing partnerships with their local councils, health providers and job centres to prepare for the role out of UC. To be a success, it is vital that Citizens Advice knows what level of support we are expected to provide and when it will be needed in plenty of time to make the necessary preparations.

Getting the support right as people are moving onto the new system will be more cost effective than intervening later once they have got into debt. It would be even more cost effective for the Government to allow people to choose how they receive their benefits so they do not get forced into a position where they get into debt.

<sup>1</sup> [http://www.citizensadvice.org.uk/index/policy/policy\\_publications/er\\_benefitsandtaxcredits/universal\\_credit\\_managing\\_migration.htm](http://www.citizensadvice.org.uk/index/policy/policy_publications/er_benefitsandtaxcredits/universal_credit_managing_migration.htm)

<sup>2</sup> [http://www.citizensadvice.org.uk/index/policy/policy\\_publications/er\\_benefitsandtaxcredits/universal\\_credit\\_managing\\_migration.htm](http://www.citizensadvice.org.uk/index/policy/policy_publications/er_benefitsandtaxcredits/universal_credit_managing_migration.htm)

*Cost effective ways of simplifying the system for claimants and reducing demand for support*

This pressure could easily be reduced by allowing claimants to choose whether or not they want to receive their benefit payment more frequently than monthly or have their housing costs paid directly to their landlord. With sufficient support this will only be a temporary measure for most claimants as they are given help to cope with managing under the new model.

*Impact of Direct Payments*

- Our survey of claimants showed that 78% of people on benefits who come to their local CAB are not ready to manage changes in the money they receive.
- The Direct Payment Demonstration Projects found that asking people to manage their own rent led to a significant increase in arrears.
- Around a quarter of surveyed housing association tenants said they would need support to manage with payment changes. 43% of these wanted a great deal of support, and 70% wanted face to face support.<sup>3</sup>
- The same survey showed that housing association tenants most commonly sought advice about money management, bank accounts or debt problems from CAB. No other source of advice came close.
- Despite picking only people who had bank accounts, who were therefore more likely to cope with direct payments, over 20% of those in the housing demonstration projects had to switch back to having their rent paid for them.
- Lord Freud said the most “interesting” finding is that it is going to be “quite resource intensive to support tenants”.
- When direct payments were introduced to the Private Rental Sector between 2007–2011 people reported to Citizens Advice a significant increase in the number of problems with paying their arrears to private landlords.

| <i>Type of problem</i>            | <i>Increase from 2007–08 to 2008–09</i> | <i>Increase from 2007–08 to 2009–10</i> | <i>Increase from 2007–08 to 2010–11</i> |
|-----------------------------------|---|---|---|
| Rent arrears to private landlords | 17%                                     | 48%                                     | 64%                                     |
| Housing Benefit                   | 10%                                     | 31%                                     | 34%                                     |

*Impact of monthly payments*

- Our survey showed that 74% of people on benefits who come to their local CAB are not ready to keep track of their money on a monthly basis.
- DWP’s own survey showed that 41% of all claimants thought getting benefits paid monthly would make budgeting harder, 10% said it would be easier, 40% said it would be no different.<sup>4</sup>
- Initial evidence from pilots that CABs have been involved in suggest that well designed local support can help people manage their money monthly.

*The need to help people make their claims on-line*

- Our survey showed that 66% of people on benefits who come to their local CAB are not ready to get online to manage a UC account.
- According to the Secretary of State for Work and Pensions, 30% of current claimants would be able to make online claims without support, 33% with some support and 37% would need significant support.<sup>5</sup>
- Tameside is a good example of where a CAB is working closely with their local council to deliver help to get people on line.
- Already in some areas CABs are reporting that those claiming Job Seekers Allowance are being told they have to apply on-line even when they lack access to computers and/or computer skills.
- Currently the online system for UC does not allow people to save in mid claim. This would cause real problems if this is not fixed before a wider roll out.

*Jonathan Blay*

*September 2013*

<sup>3</sup> Sources: RR 822 Direct Payments Demonstration Projects: Findings from a baseline survey of tenants in five project areas in England and Wales.  
<sup>4</sup> RR 800 Work and the welfare system: a survey of benefits and tax credits recipients.  
<sup>5</sup> <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/576/120917.htm>

## Written Evidence from the Department for Work and Pensions

### UNIVERSAL CREDIT: SUPPLEMENTARY INFORMATION

During the Public Accounts Committee hearing on Universal Credit on 11 September, members requested some additional information about the value of specific purchase orders and about the IT recommendations from assurance reports prior to mid-2012. Please find attached a note on each.

*Mike Driver*

### Annex A

#### PURCHASE ORDERS (Q176)

The PwC report on Universal Credit financial management looked at over 1,000 purchase orders with a total value of £258m that were approved over the course of 2011–12 and 2012–13.

15 of these purchase orders, with a total value of £8.7m, were authorised and approved by the relevant programme authority (the Chair of Strategic Design Authority) but a Personal Assistant completed the final approval action on his behalf on the department's Resource Management system.

As the PwC report says, the department's systems contain an audit trail of approval by the chair of the Strategic Design Authority and delegation. There was, however, insufficient evidence of why authorisation was delegated.

We have strengthened our financial controls subsequently: all purchase orders are signed off by the person with the relevant delegated financial approval.

PwC also looked at the process of ministerial approval for a sample of contracts. In some cases, however, PwC found an incomplete audit trail of the information provided to Ministers. To be clear, that is not to say that the contracts were not approved by Ministers.

Since March the newly created Commercial Assurance Group, with senior representatives from the department's commercial, finance and IT teams, scrutinises and challenges every contract over £25k before it is submitted to Ministers for approval. There are clear processes in place for documenting and tracking each of those contracts.

### Annex B

#### RECOMMENDATIONS ABOUT IT FROM ASSURANCE REVIEWS PRIOR TO MID 2012 (Q110)

Two internal audit reports and two Major Projects Authority (MPA) reports were issued in the period up to mid-2012 that considered—among other things—the design, development and delivery of the Universal Credit IT.

The first internal audit report, issued in November 2011, included two recommendations directly related to IT design and development:

- building from the existing business architecture, a comprehensive solution architecture should be defined and agreed, to include business data, technical and application architectures; and
- programme testing arrangements were enhanced.

The first MPA report issued in November 2011 made a recommendation that IT issues be reviewed by the next Programme Assurance Review in March/April 2012. In March 2012, the MPA subsequently reported that they did not have time to undertake the recommended “deepdive” into the IT issues, but recommended that:

- the programme rigorously oversees the embedding of the new assurance regime for product specification, design, delivery and testing.

The second internal audit report issued in April 2012 reflected that the November 2011 recommendations had been partially implemented, in that the Programme had re-evaluated and confirmed the level of automation required for Pathfinder and “go-live”, but reflected that there remained a need to complete the overall design specification and target operating model, eliminate gaps in the solution architecture and elaborate security requirements. The need to conclude this work was reflected in further recommendations that:

- the overall solution architecture was developed, from the perspective of the Business and IT solution;
- the Programme should prioritise and elaborate the security stories to ensure security requirements are embedded in the solution; and
- the test strategy should be reviewed and updated.

These recommendations were accepted by the Programme for implementation by June 2012. Following the “Red Team” review in July a series of remedial actions were taken and significant changes were made in respect of the Programme.

Today there is an independent assurance team in the programme, reporting directly to Howard Shiplee. As well as driving and tracking all recommendations from internal and external assurance reports, this team have reviewed previous reports to consolidate and apply lessons learned from the past.

*27 September 2013*

---