



Department  
for Work &  
Pensions

**From the Permanent Secretary**

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*Dear Chair*

### **Employment and Support Allowance (ESA) Underpayments**

We promised to provide a further update on the progress DWP is making in delivering a number of the recommendations contained in your committee's report on ESA published in July 2018. I have also taken the opportunity to respond to your letter of 17 November requesting further detail on the two recommendations, 4b and 6b which we did not accept. I will address each point in turn starting with your recommendation regarding the Department's management culture.

***PAC Recommendation 2: The Department should, by the end of October 2018, write to update the Committee on the additional changes it has put in place to address a management culture which does not proactively and systematically act on intelligence from its front line and fully address mistakes when they first occur.***

The Department agreed with the Committee's recommendation and expects to have new processes and procedures in place by April 2019.

We are improving and re-launching the channels that enable frontline teams to ask questions, raise ideas and make suggestions. This feedback will be triaged and systematically considered, with frontline staff being told what will be done with their suggestion. The insight derived from this feedback will be regularly reviewed by senior managers and fed into Service Design teams.

As well as these feedback mechanisms, we are also working to develop the culture of the Department, so that colleagues feel encouraged to raise questions and concerns through their line management chain. To support this I am championing visible leadership, encouraging all leaders to be visible in front line operations, engaging with teams and discussing the work they do. This approach provides a direct line of feedback from frontline staff to senior leaders. It is replicated in the Department's new intranet, with elements of social media functionality that allows

frontline staff to engage directly with leaders across the Department. This more open way of working is further supported by networks of benefit specific Business Champions across Operations. Collectively, these direct lines of feedback will enable the Department to assess whether mistakes have been made, and if they have, set in place robust plans to address them; continually improving the service to the public.

A good example of how the Department has already altered its approach to acting on front line intelligence is by making staff feedback loops an integral part of the Universal Credit (UC) design process, which uses an iterative and participative process to bring frontline experience to the heart of design activity. If staff identify an issue, improvement idea or question that relates to the UC Full Service it is addressed by the site centre Service Innovation Lead (SIL). If the issue or improvement idea has not been raised previously, the SIL will feed it into the design process. SILs play an integral role in ensuring that the future changes to UC are based on the issues, improvements and questions identified by their colleagues.

To ensure that relevant information is fed back to front line staff, the team responsible for writing and reviewing benefit Decision Making guidance is expanding its work to share more information across the business about the current legal and policy challenges based on insight from Presenting Officers. They will also provide focused expert training, and encourage greater feedback on issues being raised by claimants and tribunals.

More broadly, the Department is undertaking work to explore any corporate behaviours and drivers of decision-making that may have contributed to previous issues resulting in errors and will be considering how it can address these to mitigate the risk of similar issues occurring in the future.

***PAC Recommendation 3: The Department should, by the end of October 2018, write to the Committee with details of how it will improve its processes for gathering and acting on concerns raised by stakeholders and how it will routinely measure and report its progress on this.***

The Department has a large and varied range of stakeholders and has agreed with the Committee that it is important we engage effectively with them and listen to their concerns. Following the Committee's hearing I commissioned one of the Department's Directors to review the approach to the Department's work with stakeholders. A number of workshops also took place over the summer with internal staff at all levels and a range of external stakeholders themselves to gain honest feedback about what is currently working well and where the Department could make improvements.

As a result, the Department has established a Stakeholder Board which is beginning to establish a more systematic approach to engagement and to raise the profile, expectations and standards of this work. We are setting up account management arrangements for key stakeholders. And we are working to coordinate the strong partnership arrangements which happen locally, for example through jobcentres. We will bring all this together into a Stakeholder Strategy, which is expected to be in place by April 2019.

Ahead of that, we are making sure that engagement with stakeholders becomes integral to how we do our work. For example, the Department is stepping up its engagement with partners as it designs the managed migration phase of the UC

programme. To this end, in October the Department launched an extensive and well-received consultative process with over 70 stakeholders and delivery partners to help co-design the processes which will safely move two million households onto UC.

***PAC Recommendation 4(a): The Department should calculate the total amount of money claimants have missed out on and report back to the Committee by end October 2018 on what it will do to ensure claimants receive appropriate remedies in line with Managing Public Money.***

The Department published an ad hoc statistical publication on 17 October setting out further detail on the progress it has made in processing cases, as well as revised estimates of the impacts of this exercise. This included details of the number of claimants due arrears and the amounts likely to be paid. This is available here: <https://www.gov.uk/government/publications/esa-underpayments-forecast-numbers-affected-forecast-expenditure-and-progress-on-checking>

In summary the Department expects to review around 570,000 cases, of which around 180,000 are likely to be due arrears amounting to £970m. Of the original cases identified it is now expected that 320,000 cases will need to be reviewed and around 105,000 are likely to be due arrears amounting to £810m. The announcement in July, to pay cases back to the point of conversion requires the Department to review an additional 250,000 cases, of which it is estimated that around 75,000 could be due arrears amounting to around £160m.

The Department now has a team of over 1200 staff working through these cases. This will enable it to complete this important activity at pace.

As of 15<sup>th</sup> October the Department had paid around £120m in arrears and will continue to publish quarterly updates on the progress it is making, with the next due in the new year.

The Department expects to complete the vast majority of the original 320,000 cases identified by April 2019, and the additional 250,000 cases throughout 2019.

***PAC Recommendation 4(b): The Department should calculate the total amount of money claimants have missed out, including passported benefits.***

I understand the strength of feeling on this issue and appreciate that some claimants affected by this exercise may have paid for services that are made available free of charge by other authorities for those in receipt of income related benefits. However, while the Department has sympathy with claimants on this issue, as set out in its original response, the Department does not consider it practical to implement this recommendation. Schemes that use entitlement to the Department's income-related benefits as one of their eligibility criteria are many and varied. The Department does not hold the information required to determine entitlement to these passported benefits, and this reflects the fact that responsibility for determining eligibility and accountability for passported benefits rests with a wide range of relevant authorities both within government and beyond, rather than with this Department.

Since the hearing my officials have been engaging with a number of the authorities who are responsible for passported benefits, to see if a way forward can be found. My officials will continue to provide support on this issue where possible.

***PAC Recommendation 5: The Department should review urgently: the clarity; accessibility; simplicity; and ease of reading of all its letters to claimants and report back to the committee by the end of November 2018 on the results and what steps it has taken to improve them.***

As the Committee are aware, I agree we could improve the clarity of some of our communication, and I would be keen to see specific examples that Committee members come across. The challenge is that a large proportion of the notifications we send out are generated by legacy IT systems, and for these cases we can only practically change the notifications as part of a wider refresh of our technology. The Department has started development of a new customer communications management (CCM) IT platform to replace existing, outdated technology, and we are working with key external stakeholders including other government departments that share customers with the Department.

The initial deployment of the new platform will be to support a transformed printed letter service and, by late 2019, the CCM platform will enable the Department to efficiently and easily modify and edit letters. It will also allow us to provide an improved customer experience to disabled claimants. The CCM will include functionality that will enable the Department to communicate with claimants through many more channels in addition to traditional mail (e.g. email, SMS, and Web Mail).

The Department is currently assessing an industry-standard CCM platform to establish its compatibility with other departmental IT systems and the speed with which it could enable improvements to be made. The Department is also producing an outline business case to support the delivery of the project and to secure development funding.

The Department has decided, based on its consultation with stakeholders, that it will prioritise the translation of two documents into easy-read. These are the PIP2 notes, which accompany the PIP2 questionnaire and provide guidance on completing it, and the notes booklet that accompanies the ESA50 Capability for Work questionnaire. The Department is working with internal and external stakeholders, including disability organisations, to develop potential prototypes. There will be a considerable amount of work, consultation and testing involved in translating these documents, but the Department expects to deliver on its PIP and ESA commitments by late Spring/early Summer 2019.

Other Easy Read products that the Department is developing for its customers include an overview of Access to Work, the 'Universal Credit and You' information booklet and two Support for Mortgage Interest (SMI) products – 'Guide to SMI' and 'How to Apply for SMI'.

The Department will continue to work with its stakeholders to establish whether other Personal Independence Payment and ESA products could be translated into Easy Read in the future. It is also investigating the top 10 most used forms in the Department to identify further potential Easy Read translations.

***PAC Recommendation 6(a): The department should, by the end of November 2018 publish statistics on how many claimants are affected by over and under payments.***

The Department agreed with the Committee's recommendation. Consultation on published statistics of Fraud and Error in the Benefit System was concluded in September 2018 and the response was published on 6 December 2018, alongside the most recent version of these National Statistics.

As you know, the Department already publishes information on the proportion of claims that have under or over payments on them for its continuously measured benefits (Housing Benefit, Employment and Support Allowance, Pension Credit, Jobseeker's Allowance, Universal Credit and Personal Independence Payment). It has reviewed the feasibility of producing a figure on the number of people affected by under and over payments. The Department has concluded that this would be extremely complex due to people being able to claim more than one benefit at a time; the caseload changes throughout the year; the fact that the Department carries out benefit reviews for fraud and error independently for each benefit; and that it does not continuously measure all benefits. The Department is therefore not currently able to produce robust figures on the number of claimants affected. When Universal Credit is in steady state the claimant base will be more stable, with less people claiming more than one benefit. The caseload will also fluctuate less, with people on UC having less need to move on and off benefits when their circumstances change. Once Universal Credit is fully rolled out the Department will consider whether it would be feasible to publish these figures.

***PAC Recommendation 6(b): The Department should by the end of November 2018 set and publish a realistic and more stretching target to significantly reduce the level of underpayments; and write to the Committee, with a plan setting out how it will achieve its new target over the next three years.***

In November, the Department published final underpayments statistics for 2017-18. The figure has increased to 1.1%, which is above our target of 0.9%. I would be reluctant to set more challenging targets before we have a clear plan to meet the target we have. The main driver for the increase was in PIP where our analysis to date suggests the cause is that some claimants are not letting us know if their condition is worsening. We are therefore developing plans to improve our communication with claimants, and to make it easier for them to report changes in their condition to the Department. I would be happy to keep the Committee updated on this and our wider work to bear down on the level of underpayments.

*Your sincerely*

*Peter Schofield*

Peter Schofield  
DWP Permanent Secretary

