Dear Frank

Many thanks for your letter of 31 October 2018.

Please find responses to each of your points, in turn below.

Meeting the 2019-20 Departmental Expenditure Limit.

*Might you please commit to update the Committee in January on whether you will meet the 2019-20 target, and to provide us with details of any further efficiency savings you have identified at that point?*

Yes, The Department will update the Committee at the end of January 2019.

Fraud and error

Modern slavery

2. *In the paper, could you please provide the Committee with details on the findings of your fraud investigators on modern slavery and the outcomes of your work?*

DWP staff have instructions on how to alert DWP’s Serious Organised Crime (SOC) Team to potential cases of modern slavery. SOC works with the National Crime Agency, the Home Office and a wide range of operational partners from the law-enforcement community to investigate concerns relating to modern slavery where there is a potential DWP benefit interest. This involvement can include tactical operational deployment of SOC investigators on multi-agency days of action, or in the provision of remote real-time support to partner operations.
SOC involvement can give rise to specific criminal offences being identified in relation to the exploitation of victims for benefit purposes. DWP have been involved in operations where vulnerable people have been brought to the UK by Organised Crime Groups (OCGs) to work or where OCGs control bank accounts of people they have brought into the country.

In addition, DWP ensures victims of modern slavery receive support from the benefit system if they have an entitlement. Partnership Managers have strengthened the relationship between Home Office-funded safe-houses and their local jobcentres, and for those victims needing additional help to make a claim to benefits, DWP has worked closely with the Home Office and The Salvation Army to develop a supported handover.

Where a claimant indicates that they are a victim of crime (including trafficking or modern slavery) and they feel that this will adversely affect their ability to meet the conditions of entitlement to benefits, they are supported by the same Jobcentre Plus adviser or Work Coach for each appointment. As each victim will be affected in a different way, advisers and Work Coaches use their discretion to tailor support based on individual conversations they have had with the claimant.

We will provide a more detailed paper on these and other cases by 30 November 2018.

**Carer's Allowance overpayments**

3. **At the start of their claim, what information are carers provided with in terms of:**

   a. *How to calculate whether a change in their earnings goes above the threshold?*
   b. *What happens if their earnings go above the threshold?*
   c. *Could you also provide details of how this information has changed over the five-year period?*

DWP is committed to ensuring claimants are aware of their responsibility to provide the correct information when making a benefit claim and reporting any changes of circumstance which may affect their claim. By reporting their changes we can pay benefit correctly and prevent overpayments from occurring. We make sure claimants know why keeping us up to date is so important during the initial claim-making stage.

The on-going requirement to report relevant change of circumstances is clear in decision notifications and within the uprating notifications issued to all Carer's Allowance customers annually. This includes a requirement to report earnings and employment.
The information provided has not changed over the past 5 years. However, in the last year we have introduced an additional method of obtaining employment information via the Verifying Earnings and Pensions initiative. This highlights claimants who have not reported that they are working or that their earnings have changed.

This new approach will increasingly help reduce the requirement to detect payment errors after they have occurred. Preventing overpayments in this way is good for both the Department and claimants alike.

4. When looking at overpayments made to recipients of Carer’s Allowance, what account does the Department take of the amount and clarity of information provided to claimants about the rules?

   a. What information and support are claimants given while their claim is ongoing?

DWP takes every care to explain claimants’ responsibilities when claiming Carer’s Allowance. This includes the need to report changes on time. Our annual notifications help remind claimants how important this is. We also provide information on Gov.UK. Where a claimant needs additional advice, they can contact the Carer’s Allowance Unit for further information.

If a claimant fails to declare a change on time, DWP will seek to recover the resulting overpayment. However, once a claimant has disclosed details of their employment to the office responsible for the payment of their benefit, they have fulfilled their obligations of disclosure and any subsequent associated overpayment would be non-recoverable.

5. You told the Committee that the threshold for wage increases claimants can register, before being penalised for overpayments, had been increased to 3.4%.

   a. Might you please let us have a detailed note about how this change was communicated to claimants?

As stated, we inform claimants about the need to report changes in earnings via the annual uprating notification. Claimants are informed about the current earnings limit on GOV.UK. They can also contact the Carers Allowance Unit for advice.

The 3.4% is not a threshold but represents instead the increase in the Carer’s Allowance Earnings Limit (CAEL) that took place in April 2018 (from £116 to £120).

If the Committee requires more detail we will provide a note.
6. Would a tapered threshold make it easier to avoid the high levels of fraud and error that have been estimated in Carer’s Allowance?

a. What effect would this have on fraud and error estimates in Carer’s Allowance?

DWP is constantly looking at how to prevent fraud and error from occurring. Introducing an earnings taper in Carer’s Allowance would potentially generate an upper and lower earnings threshold. This would require claimants to report any changes to earnings between those amounts. It would also require Carer’s Allowance to be adjusted more frequently in order to reflect earnings changes.

A taper would complicate the claiming process for people who are potentially already experiencing difficulties, and a balance needs to be struck between ensuring people can claim the right benefit and protecting the public purse. Making earnings rules more complicated could lead to more fraud and error.

Fraud and error resources

7. Could you please provide clarification as far as possible on the proportion of resources you spend on a) underpayments, b) overpayments?

The departmental staff who work in operational benefit delivery will all be focused on paying benefit correctly. Correcting entitlement, calculating overpayments and where appropriate paying arrears where underpayments are identified, is not a discrete job role but is instead part of a wider job set, so it is not possible to break it down in the way the Committee is asking.

Alongside the core business operation the Department also has also had some distinct resources (currently 848 Full Time Equivalent staff, although the number can change as more people join) dedicated to responding to the potential underpayments identified in the Employment and Support Allowance Legal Entitlements and Administrative Practices (LEAP) exercise.

We also have dedicated colleagues who work on fraud and error including around 3,000 staff engaged in Investigations, Compliance, Telephone Interventions and Intelligence Gathering. They will look for error in the form of overpayments and underpayments.
Fraud and error statistics for self-employed

8. Can you confirm whether you will be able to look specifically at the underpayments to self-employed people in the fraud and error data you will publish in May?

DWP will not be in a position to say how many self-employed people had benefit underpayments and how many employed people had underpayments as we do not record information in this way.

Universal Credit impact assessments

9. When do you plan to publish a full impact assessment and equalities impact assessment of Universal Credit?

As the then Secretary of State made clear in her response to the Social Security Advisory Committee’s recommendations on the managed Migration Regulations, the Department will publish its analysis on the impact of managed migration.

Universal Credit system updates

10. Might you please let us have a note on the progress of these changes?

The committee modified its request for information to ask for an update on what you have termed an “automation queue” and split payments.

As the Committee will know from our letter of 15 May, split payments are likely to prove to be very challenging to implement and we will want to be certain other payments are not disrupted by their implementation. We expect we will need to move carefully and gradually but we will be able to confirm the timetable when the Scottish Government have set out their policy on split payments.

The programme of development work for Universal Credit is set for phases, the next phase is from the end of December to October 2019. In this phase we need to balance three competing pressures. First, the need to scale the service. Over this period the number of people claiming UC will grow from around 1.5m towards 3m, so work is needed on systems so that we can deliver services at volume, such as the automation of cold weather payments we introduced last week. Second, there are the features that allow the system to be run on the available resources, essentially efficiency improvements such as allowing case managers and work coaches to support more claimants - allowing claimants to upload documents is an example of this. Third, there are the policy changes such as the gateway for cases with the severe disability premium, the transitional protection features and the restoration of the housing element to all 18-21 year olds. Overall the plan is in balance and features are being produced at the necessary time.
Executive Pay

Neil Couling’s bonus

11. Could you explain to us in more detail how the decision to award this bonus was reached, and what exactly it was for?

   a. Could you explain to us why Neil Couling told the Committee that he did not receive a bonus linked to Universal Credit or any performance-related payment linked to Universal Credit delivery last year?

In the course of the Select Committee hearing on 27 June Neil Coyle asked Mr Couling whether he was paid any increments or bonuses linked to Universal Credit delivery (see exchanges at Q316 and Q317).

Mr Coyle went on to ask whether there is any performance-related element linked to UC delivery.

Within the Civil Service remuneration system there is provision, in exceptional cases, for a Pivotal Role Allowance which can be paid to retain officials in leadership roles on major projects. These allowances were developed in response to concerns from the NAO and PAC that there was too rapid a turnover of SROs and Programme Directors on major Government Programmes. Pivotal Role Allowances are typically linked to milestones. I can confirm that Mr Couling has not been in receipt of a Pivotal Role Allowance in respect of his responsibilities for Universal Credit.

However, in his reply Mr Couling also pointed out that he is within the standard arrangements for the senior civil service (Q317). As part of the appraisal system for senior civil servants, non-consolidated awards can be made to the top 25% of performers, taking into account their overall performance in their post and wider contribution to leadership in the Civil Service. For Directors General, decisions on these are proposed by the Permanent Secretary and agreed by Non-Executive Directors.

Exit packages

12. What were the payments for and why were they considered to be value for money?

The payments were voluntary redundancy payments, which were a direct result of DWP’s estates realisation programme (Building For Our Future). Redundancy schemes are governed by the Cabinet Office Protocol 2016 and are paid under the Civil Service Compensation Scheme (CSCS) terms 2010.

The individuals were identified as being in the unit of redundancy and at direct risk of compulsory redundancy if they were unable to be redeployed and declined the voluntary redundancy offer.
CSCS guidance for employers’ states:
- Employers **must** offer the standard tariff - one months’ pay for each year of service, up to a maximum of 21 months’ pay for those under scheme pension age.
- There is a maximum of 6 months’ pay for those over scheme pension age.
- Tapering of compensation will apply where the employee is close to scheme pension age.
- Employers must apply the protection for lower paid staff and the restriction on pay for the highest paid.
- Employers **must** top up the compensation payment for those who are over age 50 and wish to use their compensation payment to buy out the reduction in their pension benefits related to current service.
- An offer of voluntary redundancy **must** be made before compulsory redundancy activity can commence.

The cases met the Cabinet Office criteria for redundancy. The redundancies were a last resort as the individuals were unable to be redeployed to another DWP role or transferred to another Government department within reasonable daily travel. For redundancy payments, under CSCS 2010 terms, there is no opportunity for discretion, which means that DWP are obliged to pay both the standard tariff and the top up to pension.

Following internal scrutiny of the cases by the HR Director General, DWP submitted 14 high value cases to Cabinet Office for approval: 3 under £100,000 and 11 over. All these cases were high value due to the requirement to offer employer funded top up to pension.

The Minister for the Cabinet Office approved the 14 cases. The MCO expects that employers have considered three broad criteria; value for money, overall cost and retention of key skills. The MCO noted that for one case that it was particularly high value but was content to approve given the particular circumstances for that individual and the other high value exits approved earlier as part of the same scheme.

The 11 individual members who received redundancy packages exceeding £100k are receiving their full pension; not a cash compensation payment. The average pay back period for the redundancy costs is 35 months. Although the Government has expressed its intention to limit redundancy payments to a maximum of £95,000 they have not yet legislated this requirement. Therefore DWP are unable to limit costs of redundancy payments, as the "intention" does not supersede the legislated CSCS terms that we are obliged to comply with.

Yours sincerely,

[Signature]

Peter Schofield

DWP Permanent Secretary