



House of Commons
Committee of Public Accounts

Tackling the complexity of the benefits system

Thirty–sixth Report of
Session 2005–06



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**Thirty–sixth Report of
Session 2005–06**

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

*Ordered by The House of Commons
to be printed 27 March 2006*

HC 765
Published on 27 April 2006
by authority of the House of Commons
London: The Stationery Office Limited
£10.00

The Committee of Public Accounts

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Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Emma Sawyer (Committee Assistant), Ronnie Jefferson (Secretary), and Luke Robinson (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.

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Summary

The complexity of the benefit system is a key factor affecting the performance of the Department for Work and Pensions (the Department).¹ Much complexity is intentional and some is also inevitable, and allows the Department to tailor the regulations to the varied needs and characteristics of the population, administer it cost-effectively and protect public funds against abuse.

The system has grown over many decades. There are few forces working against additional complexity, and the well-established processes of consultation and scrutiny of legislation do not act as a brake. Between 2000 and 2004, there were 364 statutory instruments, although not all of them of course added to complexity. Since 1990–91, the Child Poverty Action Group's guide to welfare benefits has nearly quadrupled in size.

The consequences of complexity include high levels of error by staff and customers. It also helps create a climate in which fraud against the benefit system can more easily take place and go undetected. Fraud in key benefits has reduced since 1997–98, but levels of error have increased recently, in part because of the organisational change within the Department. In 2004–05 fraud and error still stood at £2.6 billion. Complexity is also a factor deterring the take-up of benefits by groups such as pensioners, and in contributing to decision-making errors, which result in 250,000 appeals a year. The Pensions Commission has identified that complexity in the pension system — state and private combined — is an important factor in discouraging millions of people from considering their future pensions arrangements. Complexity also affects the ability of staff to administer benefits efficiently, and the ability of many customers to understand easily what is expected of them.

The Department recognises that complexity is a problem and has taken opportunities to reduce it, for instance in the design of Pension Credit, in systematically removing anomalies from Housing Benefit, simplifying claim processes for several benefits, better sharing of information with local authorities, and using technology to protect customers from complexity. However, these are rather piecemeal developments and it is difficult to tell whether the system as a whole has become more or less complex as there is currently no objective way of measuring it.

Some of the steps taken to simplify processes for customers are a way of managing complexity, rather than eliminating it. Managing complexity requires well-trained staff supported by accessible guidance and assistance and efficient information technology systems. There is evidence that some staff are reluctant to offer information as they fear misleading customers. Yet the number of people who seek help in dealing with their benefit claims each year – 1.3 million go to Citizens Advice alone – shows the scale of assistance needed. The Department should also improve its written communications with customers, which appear to have improved little in six years.

The Department has made a number of commitments for further action and intends to

1 C&AG's Report, *Dealing with the complexity of the benefits system* (HC 592, Session 2005–06)

give greater priority to tackling complexity. It will report to Parliament annually on actions taken and is setting up a small Benefit Simplification Unit to act as a further internal counterweight to increasing complexity. The Unit will, amongst other things, look to develop a way of measuring complexity.

Conclusions and recommendations

Some complexity in the benefits system results from seeking to meet the needs of people in a wide range of circumstances, in line with the Department's policy objectives. There is, however, a balance to be struck in making the system detailed enough to meet the varied needs, while keeping it straightforward enough to be run efficiently. This equilibrium has not yet been reached and we recommend a number of further actions to reverse the drift towards greater complexity.

Reducing complexity

1. **The Department intends to explore the scope for further benefit simplification, but not as a top-level objective.** The Department needs to make its intentions clearer, and its 2006 Annual Report would be an opportunity to start to do this, for example, by specifying what actions it will take to chip away at difficult regulations, harmonise administrative rules and manage complexity through better use of IT. Progress in achieving simplification should be considered regularly by the Department's senior management board and also reviewed independently by the Audit Committee as part of its consideration of the department's accounts.
2. **Actions being taken to tackle complexity point the way forward, but they are piecemeal and do not amount to a strategy.** The Department should have a strategy for simplification which covers the system as a whole. It should be supported by specific targets for removing particularly problematic regulations which lead to confusion amongst citizens and staff.
3. **A simplification team is a step in the right direction and could act as a counterweight to growing complexity if it has sufficient influence.** The unit should help develop the simplification strategy, and be able to challenge policy proposals constructively on grounds of complexity. The involvement of a departmental board member as team champion is valuable, but should not lead to simplification being seen as the responsibility of that person alone, rather than the whole board. An annual summary of the unit's activities and accomplishments should be published.

Managing complexity

4. **The Department cannot manage the complexity of the system without having skilled staff.** Even if 6.5 days of training per person per year was adequate in the past, it will not be in future, especially if staff need to know about linkages between benefits and take on more demanding work. The reduction in the size of its workforce by 30,000 by 2008 is an opportunity to increase the amount of training per head in order to enhance productivity and improve standards of customer service.
5. **Some customers do not get enough help to deal with the benefits system, especially where they need to know about more than one benefit.** Staff should be helped to give complete and accurate factual information. Our recent report on the Social Fund said staff should routinely draw attention to benefits where claimants are

not aware of them,² especially where there are linkages between benefits, so that those entitled to one ought to be eligible for another. The Department should consider introducing a statutory duty to advise claimants. The Department's 'mystery shopping' programmes should test staff knowledge of linkages between benefits, which should also be an important feature of staff training.

6. **Insufficient work has been done to improve the standard of the Department's written communication with customers.** Despite past promises on improving written communication following our report on *Improving Service Quality: Action in Response to the Inherited SERPS Problem*, unintelligible letters are still produced.³ The Department should set a timetable to eliminate all written communications which do not meet Plain English standards.

Assessing complexity

7. **The Department is committed to reporting annually on progress in tackling complexity, but there are no ways of measuring it objectively.** The new simplification unit should develop an agreed set of measures of progress for publication in its 2007 Annual Report. The measure of complexity needs to be easy to understand, and might take account of the length of regulations, and the extent to which a regulation is connected to others. Measures could also focus on the effects of complexity, for instance on error, benefit take-up, and accessibility of information.
8. **Currently, the scrutiny of new legislation does little to prevent increasing complexity, or to assess the wider consequences of new pieces of legislation on the system as a whole.** The Department should provide more information to Parliament on the impact of legislative proposals, covering costs, benefits and effects on the system as a whole. Such assessments should include the likely costs for customers, employers, local authorities and the voluntary sector, and the results should be published, following the example of Regulatory Impact Assessments.

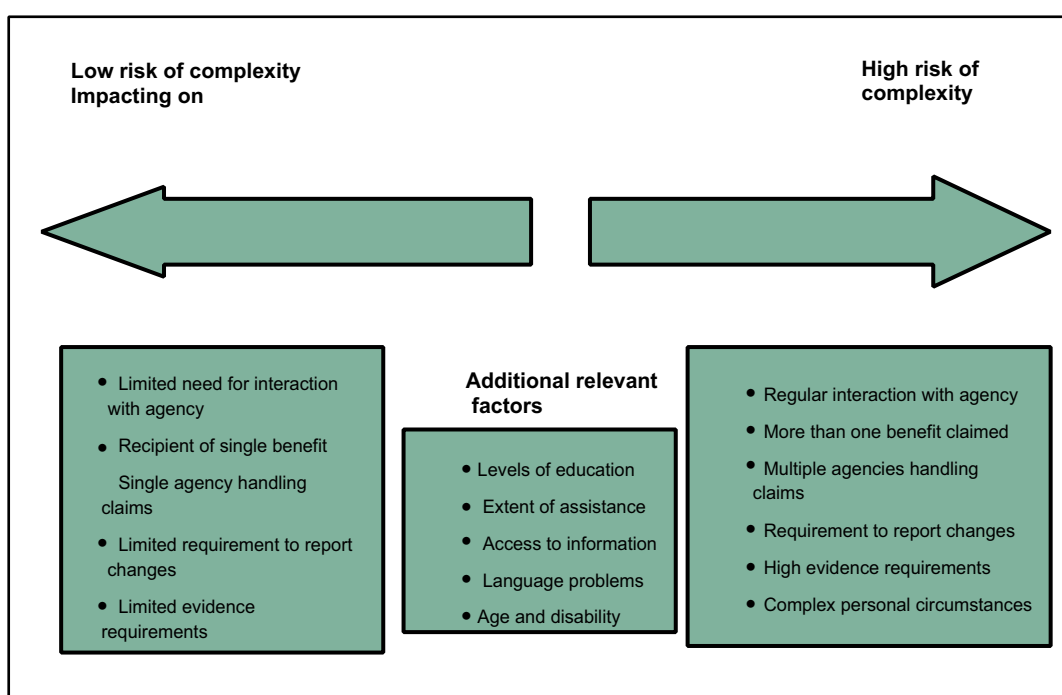
2 12th Report from the Committee of Public Accounts, *Helping those in financial hardship: the running of the Social Fund* (HC 601, Session 2005–06)

3 36th Report from the Committee of Public Accounts, *Improving service quality: Action in response to the Inherited SERPS problem* (HC 616, Session 2002–03)

1 Complexity in the benefits system

1. The current benefits system is the result of years of legislative change. Primary legislation and supporting regulations are inherently detailed, for example, to meet the needs of people in varying circumstances and to create incentives in line with government policy. Benefits are also highly interconnected; for example, there are 30 linkages between 22 working age benefits. Many customers have straightforward dealings with the system, but it can be problematic for others (**Figure 1**).

Figure 1: Factors affecting customers' experiences of complexity



Source: National Audit Office

2. The system has also become increasingly complex and unwieldy over time as it is refined to take account of many complicated social circumstances and the implications of other legislation. It is hard to quantify how much the system has grown but the authoritative Child Poverty Action Group guide to welfare benefits, which is widely used by welfare rights advisers, has grown from 432 pages in 1990–91 to 1,546 pages in 2004–05.⁴ Legislators, policy-makers and the officials who draft legislation all bear some responsibility for the growth of complexity.⁵ The Comptroller and Auditor General's Report identified five factors which cause the system to be complex (**Figure 2**).⁶

3. This Committee, along with the Work and Pensions Select Committee and successive governments have recognised the need for the system to be simplified for a long time. As far back as 1984, the Comptroller and Auditor General commented on the complexity of

4 Qq 3, 28–29, 53, 76; C&AG's Report, Figure 1, paras 1.11, 3 and Figure 3

5 Qq 6, 102; Child Poverty Action Group, *Welfare Benefits Handbook* (1990) and *Welfare Benefits and Tax Credits Handbook* (2004)

6 C&AG's Report, paras 2.2–2.33 and Figure 4

Housing Benefit. In the last five years, at least seven Reports by the Committee have highlighted its concerns. Government statements have identified complexity as a factor increasing its vulnerability to mistakes, leading to delays, making administration difficult and deterring claims for some benefits.⁷

Figure 2: Summary of different types of interaction in the benefits system

Type of interaction	Examples
Design changes – substantial developments in the benefits system which may occur to meet changing socio-economic circumstances or to pursue particular policy objectives.	<ul style="list-style-type: none"> • Introduction of Jobseeker’s Allowance in 1996 • Introduction of Pension Credit in 2003 • The piloting of Local Housing Allowances as a simplification of Housing Benefit.
Patchwork changes – more minor changes occur when there is a need for regulations to be adapted to changing circumstances or priorities.	<ul style="list-style-type: none"> • Separate Housing Benefit rules for under-25s • New regulations for Disability Living Allowance to deal with complexity arising from judicial decisions.
Horizontal links or interfaces – exist between benefits and/or between different agencies administering benefits or other forms of support such as tax credits.	<ul style="list-style-type: none"> • Different paydays for different benefits • Changes of circumstances needing to be reported at different times for benefits and tax credits, reflecting the different periods for which payment is assessed • Housing Benefit and tax credits treating income and capital differently
Vertical interfaces – exist between different layers of the Department and its agencies. Vertical interfaces can involve creating greater detail to tailor general rules to the more specific needs of lower levels in the organisation.	<ul style="list-style-type: none"> • Day-to-day benefit administration governed by voluminous guidance interpreting legislation and regulations e.g. 48 chapters in the Decision-Makers' Guide • Housing Benefit administered to widely varying standards by local authorities with decisions reflecting local circumstances
Delivery interactions – exist between the Department and the individual customer, and include filling out forms, reporting requirements, interviews, and the transfer of money. The Department has the responsibility for delivery.	<ul style="list-style-type: none"> • Many customers consider claim forms hard to complete • Customers may be unclear what changes of circumstances they need to report and to whom

Source: National Audit Office

4. There is widespread recognition that complexity is a problem, but simplification is not an easy option. Radical reform is costly, time-consuming and potentially controversial. Simplification involves trade-offs with affordability, fairness and the desire to target benefits at those who need them most.⁸ Traditionally, governments have sought to avoid creating ‘losers’ which is likely with any significant reform.

5. Nevertheless, the Department recognises that it needs to give greater attention to tackling complexity. The new Secretary of State has told the Work and Pensions Select Committee that he thought the Department should be more ambitious on simplification. The new Permanent Secretary also assured us it was one of his top priorities, if not necessarily the highest.⁹ Even if simplification cannot be the top priority, it must not be treated as a residual matter to be dealt with after other concerns have been addressed. The Department’s 2005 Five Year Strategy¹⁰ refers to “actively considering the possibilities for

7 C&AG’s Report, paras 1.12–1.15 and Figure 7, Appendix 3

8 *ibid*, para 4.2, Qq 22, 26, 103–104

9 Qq 5, 18–20

10 Department for Work and Pensions, *Opportunity and security throughout life* (Cm 6447), January 2005

future benefit simplification” but complexity does not appear as a core concern in this document. Nor is it explicit in the PSA targets, although reducing complexity should assist in reaching the target to reduce fraud and error.¹¹ The examples of action taken given in the Comptroller and Auditor General’s report are rather piecemeal and relate only to some parts of the Department. There is currently no clear strategy for taking systematic simplifying action across the range of benefits.¹²

6. To be able to develop a strategy the Department needs to have a clearer idea of the scale of the problem it faces. The benefits system appears to be getting more complex but there is currently no way of measuring the degree of complexity. Some of the factors influenced by complexity, such as customer satisfaction, error rates, benefit take-up and accessibility of customer services, can be measured and could form part of a composite indicator. Other elements to take into account might be the length of secondary legislation, and the number of linkages with existing regulations.¹³

11 C&AG’s Report, para 4.2; Qq 37–44

12 C&AG’s Report, para 4.11; Q 112

13 Qq 3, 15, 53–57, 93, 110–111

2 Tackling the consequences of complexity

7. The complexity of the benefits system has a range of consequences for the Department and its customers (**Figure 3**). Complexity is a factor contributing to the high rates of errors in benefits, as well as a creating a climate in which fraud may occur more easily. Together, these are estimated at £2.6 billion in 2004–05.¹⁴ A mistake of some kind is made in 20% of benefit decisions, often because of the complex processes involved. Mistakes generate appeals, 230,000 of which were received by the Appeals Service in 2003, and 45% of which were successful.¹⁵

Figure 3: The consequences of complexity

Incorrect and inconsistent decisions
Error
Fraud
Lower uptake
Appeals
Inconsistency in decision making
Administrative burden
Heavy requirements on staff
Heavy requirements on administrative systems
Possible poor performance
Service levels
Inadequate communication
Delays in processing and payment
Difficulty in claiming and maintaining benefit
Government policy objectives
Negative impact on work incentives, pension savings behaviour, and child support

8. The Department recognises that it needs to focus more on error rates, which have grown during a period of organisational churn.¹⁶ The main areas where staff make mistakes are closely related to the main causes of complexity, including misunderstanding of fundamental entitlement, incorrect award of premiums and problems with the interfaces between benefits, as well as arithmetical and transcription errors. The Department has

14 Department for Work and Pensions Resource Account 2004–05, January 2006

15 C&AG's Report, paras 3.3–3.4, 3.16–3.17; Q 8

16 C&AG's Report, paras 3.7–3.9; Qq 95, 99

directed increased training effort to offices known to have high error rates, and is introducing standard models for benefit processing. It now believes it needs to find new ways of motivating staff to reduce error rates to help towards removing the qualification of its accounts, which has now occurred for the last 16 years. It has still to implement a strategy with long and short term measures to go beyond the steps already taken.¹⁷

9. Complexity is a factor leading to errors by customers. Some may be confused about what information to declare and what changes of circumstances to report. This is an issue even if the initial claim process has been made easier. The Department has made some changes, for instance requiring pensioners to report changes of circumstances less often and abolishing the need to make a new claim for Housing Benefit annually. But improving forms and alerting people to requirements has not worked, and the Department has commissioned research into the particular difficulties people have in understanding what is required.¹⁸

10. The link between complexity and fraud is less clear cut but it seems likely that complexity creates an environment in which it is easier for customers not to provide information, or to delay providing it, and makes it more difficult to verify the information submitted. The Department has managed to reduce fraud in Income Support, Jobseeker's Allowance and Pension Credit from 5.9% of benefit expenditure in 1997–98 to 2.6% in 2003–04 according to its own estimates.

11. Complexity also contributes to low take-up of benefits such as Pension Credit or Housing Benefit among pensioners. It makes it difficult for some customers to understand their entitlements and for staff to provide clear and accurate information to them. The Department has been making efforts to improve take-up, in part by reducing the complexity of the claim process for pensioner benefits, and by offering Pension Credit claimants the opportunity to complete Council Tax Benefit claim forms over the telephone.¹⁹ The Pensions Commission's work shows that the complexity of the state pension system and its interaction with private pension regulations have played a part in deterring saving for retirement.²⁰

12. The replacement of paper-based processes for many benefits with arrangements for forms to be completed by telephone has the potential to make claiming benefits easier for some customers. Telephone claim processes are now available for retirement pension, Pension Credit and the benefits administered by Jobcentre Plus, including Housing Benefit, where they will collect the information and forward it to the local authority. The Department has also shortened the claim form and reduced information requirements for many benefits; harmonised rules, for instance between Jobseekers Allowance, Income Support, Housing Benefit and Council Tax Benefit; and improved data sharing.²¹

17 C&AG's Report, para 3.5; Qq 35, 101, 113–114

18 C&AG's Report, para 3.6; Qq 31–32, 70

19 Qq 33–34, 45; C&AG's Report, para 3.10

20 Qq 46–51, 62–63; 2nd Report of the Pension Commission, *A new pension settlement for the Twenty-first Century*, 2005

21 C&AG's Report, Annex 1; Qq 3, 60, 80–81, 98

13. However, there is still some way to go in making claiming benefits simple. Disability Living Allowance, one of the most complex benefits, still requires completion of a long application form.²² Many people have had difficulties getting through to contact centres. People who cannot easily claim by telephone need other routes to be available, and the paper forms for some benefits are still lengthy. Although Jobcentre Plus customers have access to financial assessors, and The Pension Service local service should be available to people who are unable or unwilling to use the phone, in County Durham at least this service is not widely known either to pensioners or to the local Citizens Advice service.²³

14. The Department faces a major challenge to deliver a high standard of service at the same time as reducing its staff by 30,000. Furthermore, the organisational changes mean staff are moving around and between agencies and the Department acknowledged that organisation churn was having an effect on the quality of service. It also has to deal with high levels of staff sickness absence.²⁴ Delivering these changes without reducing customer service can only be achieved by developing more efficient processes, supported by better use of information technology. But the Department has had well-publicised difficulties introducing new systems to support new processes, including problems with the child support system and the Customer Management System within Jobcentre Plus.²⁵

15. Providing better information to customers also requires well trained staff with easy access to necessary information. The Department gives an average of 6.5 days of staff training a year. The Department has made the huge volumes of guidance required on benefits more accessible to staff by providing it electronically and putting in place a telephone support line.²⁶ But although two thirds of staff feel confident that they have the training and knowledge they need, one third do not. Some are reluctant to give advice for fear of misleading customers, yet the 1.3 million benefit-related cases a year dealt with by Citizen's Advice alone show the scale of the need for assistance.²⁷

16. The Department also needs to communicate clearly with the public in its letters, forms and leaflets. It has made improvements to forms and leaflets, some of which have a Plain English campaign Crystalmark. However, the Comptroller and Auditor General's Report included examples of letters which were incomprehensible to the Department's management, let alone the recipient. There appears to have been limited progress since promises were made to this Committee in 2003 and since Ministers expressed concerns about the standards of letters in 1999.²⁸

22 Qq 82–83

23 Qq 69, 71–72, 79–80, 97

24 Qq 8–9, 108–109

25 Q 11; C&AG's Report, para 4.17

26 Qq 10, 35, 65–68

27 Qq 58–59, 78, 94

28 Qq 12–13, 15–17, 73–75, 36th Report from the Committee of Public Accounts, *Improving service quality: Action in response to the Inherited SERPS problem* (HC 616, Session 2002–03)

3 Responsibility for tackling complexity

17. The apparent tendency for the complexity of the system to increase means it is crucial that there are factors working in the other direction. Internally, small teams within the Department have been working on the simplification of areas of the system, for instance in the Housing Benefit and Pension Credit areas. Externally, the independent Social Security Advisory Committee considers and reports on proposals for regulations, and gives advice to the Secretary of State on social security issues. It also scrutinises some of the Department's information products. The Committee's 2004 Annual Report highlighted the effects of complexity, for instance in making the system opaque to many customers.²⁹

18. The Department has, however, recognised that it needs to provide more of a counterweight to increasing complexity and announced it would set up a small benefit simplification unit, covering all the benefits. It would report to the Director General of Work, Welfare and Equality, and have a direct reporting line to a Minister. The team will take into account the experiences of staff in the front line, but it is not clear how effective the unit will be given the pressures pushing against simplification unless it has the ability to constructively challenge policy proposals from across the Department on grounds of complexity.³⁰

19. The Department has agreed to comment in its Annual Report on action to reduce complexity, and the National Audit Office will include reference to complexity in its report on the Department's resource accounts, which will be produced as long as the Department's accounts are qualified. The Department will report on the extent of complexity in quantified terms if suitable measures can be devised. We would also like to see the Department's audit committees examine the issue regularly.³¹

20. Much complexity arises during the legislative process. Ambiguous phrasing in legislation has led to complexity through a substantial overlay of case law interpretation, especially in Disability Living Allowance (where some flexibility is needed to describe the applicant's condition), and there are highly complex regulations to cater for specific groups such as share fishermen, retained fire fighters and in relation to mortgage support.³² The mechanisms for consultation on legislation and for Parliamentary scrutiny are well-established and offer the chance for constructive challenge of the consequences of new regulation. Often, though they provide opportunities for adding complexity through securing recognition of additional exclusions or exceptions for particular groups. There is no clear gateway at which questions of complexity can be considered and complicating measures stopped or reversed.³³ There is also little or no consideration of the implications of individual pieces of legislation for the complexity of the system as a whole.

29 C&AG's Report, paras 1.15, 4.31–4.33; 17th Report from the Social Security Advisory Committee (2004)

30 Qq 5, 23, 88–91, 96

31 Qq 24, 36

32 Qq 14, 102, 105–106; C&AG's Report, para 2.17

33 Qq 21–23

21. The Regulatory Impact Assessment process could be better used to assess the effects of proposed changes. Assessments are intended to ensure that legislation is fair and effective, necessary, meets the principles of better regulation and imposes the minimum burden. They are carried out when any legislation or regulation involving additional cost to the public or private sector, charities, voluntary bodies or small businesses. Although some Department for Work and Pensions legislation, such as the Disability Discrimination Act and subsequent regulations, had regulatory impact assessments, they are not used for regulations which the Department considers only affect individuals. This seems an unnecessary exclusion given the evidence of the effects of complex benefit regulations on vulnerable individuals and the costs to third parties who assist them.³⁴

22. There is also a procedure for Accounting Officers to seek a direction from the responsible Minister when they are asked to implement a course of action against which they have advised on either value for money or regularity and propriety grounds. The Department told us this might be helpful in extreme cases.³⁵

34 Qq 84-85

35 Q 7

Formal minutes

Monday 27 March 2006

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Greg Clark
Mr Ian Davidson
Helen Goodman

Mr Sadiq Khan
Mr Austin Mitchell
Mr Alan Williams

A draft Report (Tackling the complexity of the benefits system), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 22 read and agreed to.

Summary read and agreed to.

Conclusions and recommendations read and agreed to.

Resolved, That the Report be the Thirty-sixth Report of the Committee to the House.

Ordered, That the Chairman 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.

[Adjourned until Wednesday 29 March at 3.30 pm.]

Witnesses

Wednesday 7 December 2005

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Mr Leigh Lewis CB, Mr Adam Sharples, and Mr Brendan O’Gorman,
Department for Work and Pensions

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List of written evidence

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Child Poverty Action Group

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Third Report	Ministry of Defence: Major Projects Report 2004	HC 410 (<i>Cm 6712</i>)
Fourth Report	Fraud and error in benefit expenditure	HC 411 (<i>Cm 6728</i>)
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412 (<i>Cm 6689</i>)
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Nineteenth Report	Department of Health: Tackling cancer: improving the patient journey	HC 790 (<i>Cm 6766</i>)
Twentieth Report	The NHS Cancer Plan: a progress report	HC 791 (<i>Cm 6766</i>)
Twenty-first Report	Skills for Life: Improving adult literacy and numeracy	HC 792 (<i>Cm 6766</i>)
Twenty-second Report	Maintaining and improving Britain's railway stations	HC 535
Twenty-third Report	Filing of income tax self assessment returns	HC 681
Twenty-fourth Report	The BBC's White City 2 development	HC 652
Twenty-fifth Report	Securing strategic leadership in the learning and skills sector	HC 602
Twenty-sixth Report	Assessing and reporting military readiness	HC 667
Twenty-seventh Report	Lost in translation? Responding to the challenges of European law	HC 590
Twenty-eighth Report	Extending access to learning through technology: Ufi and the learndirect service	HC 706
Twenty-ninth Report	Excess Votes 2004–05	HC 916 (<i>N/A</i>)

Thirtieth Report	Excess Votes (Northern Ireland) 2004–05	HC 917 (N/A)
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Thirty-fourth Report	Returning failed asylum applicants	HC 620
Thirty-fifth Report	The refinancing of the Norfolk and Norwich PFI Hospital	HC 694
Thirty-sixth Report	Tackling the complexity of the benefits system	HC 765

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 7 December 2005

Members present:

Mr Edward Leigh, in the Chair

Greg Clark
Mr Ian Davidson
Helen Goodman
Mr Sadiq Khan

Sarah McCarthy-Fry
Kitty Ussher
Mr Alan Williams

Mr Tim Burr, Deputy Comptroller and Auditor General, National Audit Office, was in attendance and gave evidence.

Ms Paula Diggle, Second Treasury Officer of Accounts, HM Treasury, was in attendance and gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL TACKLING THE COMPLEXITY OF BENEFIT REGULATION

Witnesses: **Mr Leigh Lewis CB**, Permanent Secretary, **Mr Adam Sharples**, Director General for Work, Welfare and Equality, and **Mr Brendan O’Gorman**, Divisional Manager for Benefit Reform Division, Department of Work and Pensions, gave evidence.

Q1 Chairman: Good afternoon, and welcome to the Committee of Public Accounts. We are today looking at the subject of tackling the complexity of benefit regulations. We are joined by Mr Leigh Lewis, who is the Permanent Secretary at the Department for Work and Pensions, and may I congratulate you on your new appointment?

Mr Lewis: Thank you.

Q2 Chairman: It is a very big job and we wish you well with it.

Mr Lewis: Thank you.

Q3 Chairman: We also welcome Mr Adam Sharples, who is the Director General for Work, Welfare and Equality, and Mr Brendan O’Gorman, who is the Divisional Manager for Benefit Reform. You are all very welcome. Now, obviously I want to start talking about how we are going to reform the complexity of this system, so perhaps you could start, Mr Lewis, by looking at paragraph 1.12 which you can find on page 25. It deals with the history of some of this, for instance, “In the mid-1980s, for example, the ‘Fowler reforms’ were driven by the desire to simplify and rationalise some of the complex means-tested schemes in place”. Now, you profess to want to simplify the system, but it becomes ever more complex. When will this end, Mr Lewis?

Mr Lewis: I think, as the Report from the National Audit Office says, Chairman, this is an inherently complex area of public policy and public delivery and I think we are probably naïve to believe that there is a magic-wand solution. However, I think it is right and fair to say that there are serious and substantial areas where we have reformed and made the system simpler. I will not at this moment, unless you would like me to, go through every one such in detail, but Pension Credit, payment modernisation,

areas of Housing Benefit and areas of Jobseeker’s Allowance are all ones where I think we have been able to make serious and substantial simplifications to the current system.

Q4 Chairman: All right, thank you. We will develop that obviously over the afternoon and there will be plenty of time. Now, let’s look at how your Executive Team operate. If you look at paragraph 2.2, which you can find on page 29, it talks about five types of interactions within different parts of the system and that drives complexity. What I would like to know, Mr Lewis, is how often does your Executive Team meet to consider the benefits system as a whole and how you can reform it rather than particular parts of it?

Mr Lewis: I probably am not able to answer that question as fully as you might like in the sense that, although my Executive Team meets weekly, it has met so far precisely three times under my chairmanship since I joined the Department and I simply cannot tell you how often the Executive Team—

Q5 Chairman: Well, as a new great performer in this Department, are you now going to drive this process forward by getting your Executive Team to consider this process as a whole rather than in parts?

Mr Lewis: Yes, I most certainly am, but I am going to do something else actually which I would like to say to the Committee at the outset because I have spent a lot of time, as you would expect me to, reading this Report and trying to get myself up to speed in that respect. I certainly do want this to be one of the main themes of the Executive Team in the Department. It is already one of the clear principles in our five-year strategy and the one thing that I want to say at the outset is that I have decided already to set up something we have not got which

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is a dedicated Benefit Simplification Team which is going to sit inside Mr O’Gorman’s division. It is going to report directly to Adam Sharples on my left and to ministers and I am going to charge it, actually very much in the spirit of the NAO Report, with being a counterweight to all of the tendencies which, otherwise, tend to drive increasing complexity, so I want to build in a counterweight to that. I want to build a small team, it will be a small team, which is charged by me and by ministers with trying to see, and set, the other side of that balance in motion.

Q6 Chairman: Good, that is a very helpful reply, thank you very much. Now, still on the same subject, we in Parliament consider legislation obviously item by item. What do you do to help MPs to consider the system as a whole and, if you do not do it at the moment, why do you not consider doing this as well?

Mr Lewis: Well, I think actually, if I may say so, that there is room for much greater dialogue on a working level between the Department and Members of Parliament on the whole issue of the benefits system and the complexity of that system. Clearly of course some of the decisions which parliamentarians take will always be political in nature and that is exactly as it should be, but I do not think we have necessarily in the past had a sufficient dialogue with Members of Parliament to say, “Yes, of course we can do this, but if we do this, it is going to have these consequences and these results in terms of either simplifying or adding to the complexity of the benefits system”. Perhaps at the risk of straying a long way outside of my own experience in this area, I think perhaps at times we have all been responsible for pursuing and promoting policies which have added to the complexity of the system without always stopping to think of the consequences.

Q7 Chairman: You may recall that in our Fifth Report on Inland Revenue Tax Credits and tax cases we said that the Accounting Officer should seek a ministerial direction if the proposed schemes would add unacceptable complexity. That would be an interesting idea that you could consider in your Department. If ministers come along to you with a proposal which adds complexity, you could seek a ministerial direction, could you not?

Mr Lewis: Yes, we could. As you will know of course very well, a ministerial direction is something which no Accounting Officer seeks lightly and I think that the way that I would expect to proceed is to have, as one does in a department, discussions with one’s ministers and with one’s colleagues about the balance of advantage, but in absolute *extremis* I think that the suggestion put forward is a helpful one.

Q8 Chairman: Thank you. Let’s now look at these 30,000 job cuts, paragraph 1.3, which you will find on page 22. You currently employ 130,000 full-time equivalent staff and you are going to reduce it to 100,000 by 2008 which is very commendable and is going to have a huge impact on your Department. Then, let’s turn now to page 41 where you see how your staff have great difficulty in dealing with the

complexity, and this is paragraph 3.6: “the Department estimates that at any one time there were around 125,000 incorrect cases resulting from customer error”. Well, the obvious question is: how are you going to reduce fraud and error when you are cutting the staff by 30,000?

Mr Lewis: I think what we have to do, and actually we are virtually half way to reaching that 100,000 manpower target, is work a great deal smarter in that environment. I think we have to have better systems, we have to have better processes, we have to have better IT and I think we have to work in a simpler way. I think in all of those areas actually we are making headway. Some of the reforms that we have already instituted, for example, the enabling of people to register claims to benefits by telephone rather than in person, are undoubtedly already enabling us both to reach that manpower target and to deliver a better service to our customers.

Q9 Chairman: When Sir Richard Mottram appeared before us in March, he referred to “organisational churn” having a serious effect on the amount of error going up. Now, inevitably if you are cutting 30,000 staff, moving staff around in agencies, that is going to add to the organisational churn, is it not?

Mr Lewis: Yes, it is. It undoubtedly is and I do not think anyone who has run a large organisation would believe that one can reduce staffing by that degree without there being some inevitable consequences in terms of staff turnover and so on and so forth, but I think it is a challenge for us actually. That is the challenge for the senior management team in the Department to achieve that manpower reduction and at the same time ensure that not only does our quality and accuracy not dip, but actually we seek to improve it and that is the challenge I am going to take up.

Q10 Chairman: Well, you have a very good manner at dealing with the Committee and you are very good at talking about the challenges and how to deal with them, but during the course of the afternoon we are going to have to press you further on how you are actually going to achieve it. Let us look at box 13, page 37. If we are talking about the impact on your staff in understanding this, “Volumes of guidance on benefits—Decision-makers’ Guide, 12 volumes; Income Support, 14 volumes; Jobseekers’ Allowance, 24 files; Incapacity Benefit, five volumes in 44 sections; Disability Living Allowance, 30 chapters; Retirement Pension, six volumes”, how can your staff be expected to understand all of this?

Mr Lewis: Well, let me take your admonition to me and let me come to specifics: what have we done? I take no personal credit for this, but what has been done though, to try and make that simpler for our staff? First of all, all of our benefit guidance, for example, for our staff in Jobcentre Plus is now electronic and we have completely phased out paper copies. It is much, much more accessible when you go into the system, so people can navigate their way through it much more easily. It is, by definition, up to date because it is kept up to date on an electronic basis, whereas in the old Social Security offices of the

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past, there were dusty files sitting on shelves which might or might not have been updated. We have put in place a telephone support line for our staff who are having difficulty in interpreting guidance. Actually, even with some of the complexities, about two-thirds of our staff think our guidance is fundamentally fit for purpose. None of that is to say that there is not more to do; there absolutely is.

Q11 Chairman: You are relying so much on these wonderful new improvements to information technology. Alan Williams has been here a long time, he has heard it all before, and if we start at paragraph 3.24 onwards, page 47, we have heard so much of this before on IT improvements, but when are they going to be fully functional?

Mr Lewis: I want just to say something against that background which is both as of the here and now and then in my past incarnations when I was within the Department for Work and Pensions' family, running Jobcentre Plus and the Employment Service before it. We have had our IT difficulties of course and we still have IT difficulties. I know that and the Committee knows that. We have also had some huge IT successes and those tend not actually to receive anything like the same amount of attention or publicity and they should. If you go into one of our newly integrated Jobcentre Plus offices, you will find those touch-screen terminals which have completely replaced all of those little cards on all of those little boards. There are 8,500 of them. They work incredibly well and we get half a million visits every week to our Internet site. There is one other, and I will not bore you by reading out a catalogue on the other side, but with the payment modernisation process we now pay 97% of our customers directly into their bank accounts at a unit cost of 1p where we used formerly to pay by cheque, and still do in a tiny minority of cases, which costs £1.61 per payment.

Q12 Chairman: We get the message, but we also know about the IT difficulties. You are perfectly entitled to talk about the successes. Now, let's look at one letter which you sent out to a poor member of the public which you will find on page 11. Would you understand this, you are a very clever man? "We are pleased to tell you that your claim for Carer's Allowance has been successful . . . You are entitled to £43.15 a week from 9 March 2004. You are entitled to an increase of £25.80 a week from 9 March 2004 for a dependent adult. We cannot pay you from 9 March 2004. This is because the amount of Incapacity Benefit you get is more than the amount of Carer's Allowance we could pay you". Is that understandable?

Mr Lewis: No, I read it several times and I failed to understand it, Chairman.

Q13 Chairman: What will you do about it?

Mr Lewis: Well, what we have to do actually is go on improving very substantially the letters which we send to our customers. We have got a programme very much to do that, but I think that is an area I really do want to address because I think too often

we send our customers information which, whilst strictly accurate if you understand the complexities of the system, is terribly difficult for the recipient to understand.

Q14 Chairman: My last question, Mr Lewis, is: if you could remove three particularly troublesome regulations, what would they be?

Mr Lewis: I do not know that I can simply pick that up. There are complexities in the system. There are hugely complex regulations about students, about some small groups, retained firefighters, share fishermen. There are lots of groups within the system. Some of the regulations in relation to Mortgage Income Support are very complex. However, as the NAO Report says, they all have their purpose in terms of the policy objectives, so it is too easy in a way just to say, "I'll sweep them away". What I do think we have to do is to have a more grown-up conversation which is, "What's the balance of advantage and disadvantage?" A Member of Parliament recently put down a question, asking whether we could introduce benefit disregards for school crossing patrol people. Now, no doubt there is a good policy reason for doing that, but if we were to do it, it just adds yet one more piece of complexity, and I think that is the debate we should have.

Chairman: Right, thank you very much. Mr Davidson?

Q15 Mr Davidson: I wonder whether, among your many talents, you do your own glazing, but, should you do so, and I do not know whether or not a member of staff here could advise you, but if you have ever bought glass from Pilkington's, you will know that one of the categorisations they have for frosted glass is an obscurity index, so five is the most obscure to one, which is clear. Do you have anything within the Department equivalent which measures the leaflets you produce or the regulations you apply?

Mr Lewis: I have never done my own glazing, but, as a student, I lived very near St Helens, so perhaps I should have gone to Pilkington's more often. No, as far as I know, having been in the Department for just three weeks, we do not have that, and that is a suggestion that quite seriously we might take away. I have spent a bit of time looking at some of the leaflets we produce and going through them and there is both good and bad. There is a Pensions Guide, of which we sent out 1.8 million copies last year, which I think actually is a model of clarity. It is very clear, helpful, very well written and I think it is a credit to the Department. There are others which are much, much less clear.

Q16 Mr Davidson: Can I ask whether or not you have come across the SMOG formula which I had not come across until recently? It is the 'simplified measure of gobbledegook' formula which is apparently an internationally recognised means of assessing forms and the like. Will you be using something like that in the future to work your way through the material you produce?

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Mr Lewis: Certainly I have not seen a SMOG index, if we use one. What we do have on the back of this leaflet, but not on the back of this one, is the Crystal mark, clarity approved by the Plain English Campaign, and we certainly do use that as a test and as an external verification.

Q17 Mr Davidson: That is a test, so will you be applying that in the future to all the material you produce rather than just to some of it?

Mr Lewis: Well, I would like to. I do not want to give this Committee an absolute guarantee because we produce many, many leaflets, actually rather too many leaflets and we have been cutting down on this, but over time I would like all of our leaflets to meet the test set by that.

Q18 Mr Davidson: You say “over time” and I accept that. I had a look at the strategy document and I found it very difficult to identify any indication that simplification was any real part of the strategy. There are a couple of mentions at various points, but it does not leap out as being part of the Mission Statement or part of any major sections of the Report. To what extent can you guarantee us that, whilst the direction of travel is in the right direction, this is actually going to be a meaningful priority for yourself and your colleagues?

Mr Lewis: There are two things which I hope will give you some degree of assurance. First, the Secretary of State, Mr Hutton, when he appeared shortly after his appointment at the Work and Pensions Select Committee on this, said that he thought we had to be more ambitious in the Department on this. I have already made clear in a very brief time in the Department that I think we have to be more ambitious on this, so we have the Minister in charge of the Department and its Permanent Secretary both believing that we need to be more ambitious.

Q19 Mr Davidson: More ambitious, but starting from an extremely low base does not necessarily provide the necessary solution to me. Will it be clearly identifiable in the next strategy document you produce as being one of the major priorities of the Department?

Mr Lewis: I certainly want to give it a higher priority. I am not going to try and look ahead. We have only just produced that five-year strategy for the Department and, by its nature, therefore, it is going to be a while before we produce another. What I will commit to is that this is going to be a personal priority for me and that is one of the reasons why, as I said to the Chairman, I have decided to establish a small team actually dedicated to making the system simpler.

Q20 Mr Davidson: So from now on, if things are too complicated, it is all Mr Sharples’ fault?

Mr Lewis: No. Perhaps I will hand over to Mr Sharples, but I think Mr Sharples has been already, if I may say so, part of the solution and not part of the problem.

Mr Sharples: I think, as Leigh has made very clear, there is a strong commitment by ministers to address problems of complexity. John Hutton made this very clear when he talked to the Work and Pensions Select Committee and in fact there is a commitment in the five-year strategy on simplification. As you know, we are working on a Green Paper on Welfare Reform and, as the Prime Minister told the House, this will be published early next year. Obviously we cannot anticipate the contents of that, but one would expect that the themes which have been developed will be followed through.

Q21 Mr Davidson: Can I ask about internal mechanisms? Do you have anything inside the Department equivalent to a gateway review or anything similar which is a go or a no-go in assessing the various proposals against certain criteria which cover this issue of complexity?

Mr Sharples: I think it is important to understand that a policy goes through a number of stages from the initial debate and conception, which is often then subject to consultation, and, as I say, we are proposing to publish a Green Paper on Welfare Reform to get extended consultation on future plans. We then go through a parliamentary process in which there is parliamentary scrutiny and tests and if there is any impact on regulation, there has to be a Regulatory Impact Assessment. We then go through consultation on secondary legislation with the Social Security Advisory Committee applying some tests, and they often comment on the complexity or simplicity of regulations, and we then flow through into implementation. I think, as Leigh has said, there is a complete commitment on the part of officials in the Department to ensure that at each stage in the process the questions about complexity and simplification are being asked. I think particularly when it comes to the delivery, then whatever has been done in the intermediate stages, it seems to me absolutely vital that we set the highest possible standards in the way things are explained and presented and delivered to customers.

Q22 Mr Davidson: I am not sure if that is a yes or a no actually because one of the most interesting phrases in the Report is in paragraph 1.11 where it says, “Thus, there has been a drift towards greater complexity, with few forces working in the opposite direction”. I understand the mechanism you are outlining, but it seems to me that that is absolutely tailor-made for gold-plating where the pressures will be to amend it in this way, put it in that way, people will make a submission, whether or not it is a question of exemption for lollipop persons, and so on and so forth, and there is not actually anything which is equivalent to a complexity main gate, it seems from what you were saying. The fact that it is included in a whole number of other things which are taken into consideration seems to me is little more than paying lip service to the concept and, unless there is actually a finite point at which these questions of complexity are considered, I would have thought that they would always end up being second best because simplification presumably does

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not have a champion in the Department unless it is now yourself. I am not clear whether or not you, as the simplification tsar presumably, are going to have a role and a responsibility at every stage where there could be encrustations being attached to proposals to actually strike them out, stop them or reverse them. I understand, I think, what your role is, but it seems to me that it is not sufficiently tough and there is not the mechanism there to have the sort of gateway that I was indicating. Have I picked that up wrong?

Mr Sharples: Well, I have responsibility for advising ministers on working age benefits and, as Leigh has explained, we want to toughen up the scrutiny we give to policy from the point of view of simplification and that is why we are setting up this new team which will ask these challenging questions. We do want to strengthen that gateway, but we need to recognise, and I think we just have to be straightforward about this, that simplification is one ambition and there are other objectives of policy that we need to take into account, that ministers will take into account, including affordability, fairness and whether benefits are going in a targeted way to the people who need them most.

Q23 Mr Davidson: Some of your answers are extremely long. I think we understand that these are complex matters, but it does not give us confidence, if you cannot give us simple answers to these questions, that the systems you are establishing are going to be simple.

Mr Lewis: I think that is perhaps not giving sufficient credit to the complexity of what we are trying to do, but let me try and give you a simpler answer. I think the NAO Report makes a very strong and good point, that there is not a sufficient counterweight inside the Department to the inevitable pressures that lead to more complexity rather than less and, therefore, I want to put in a stronger counterweight. I am establishing a unit, I am giving it a direct reporting line to Adam Sharples and a direct reporting line to ministers and it will know that I am interested in it.

Q24 Mr Davidson: Okay. There are a couple of particular points I want to raise. The first is a question to the NAO. In the annual report that you give us about the resource accounts, is it possible, because of the impact that complexity has upon fraud and error, for us also to have a report which deals with these questions of complexity and outlines whether or not the Department has actually been making progress in resolving them because there obviously is a spill-over?

Mr Burr: I am sure that would be an appropriate focus in that report because it is so relevant to other areas like fraud and error which we have to address.

Q25 Mr Davidson: Would that be helpful, Mr Lewis?

Mr Lewis: Yes, it would.

Mr Davidson: Well, the request was not designed to be, but I am glad to hear that you welcome that. I wonder if I could just ask you, Chairman, when the Government is reviewing Invalidity Benefit in the

near future, is it possible for this Committee to be making a submission, not on questions of policy, but on questions of process, procedure, complexity and those sorts of aspects to make sure that all the issues we have been wrestling with over a number of years are actually taken and injected into that debate at a fairly high level? I am not confident that simply mentioning it to officials within the Department and hoping that they feed it in will necessarily give it the significance it deserves.

Chairman: That is a very good question, Mr Davidson, and the answer, as far as I am concerned, is yes.

Mr Davidson: Thank you, Chairman. On that note, I will hand back to you.

Chairman: Sadiq Khan?

Q26 Mr Khan: Can I just begin where Mr Davidson ended. Can we be clear about this: is it not inevitable that the benefits system, the legislation and the regulations, by their nature, are going to be inherently detailed and complex?

Mr Lewis: Yes, it is. We are—

Q27 Mr Khan: Is it not also inevitable that the sort of constituents, and I have thousands of them, who receive various forms of credit and thousands who receive benefits, is it not inevitable that only those who have got problems and grievances will approach me and either contact you or other MPs when there are problems with the system?

Mr Lewis: Yes, both of those are indeed true. Just to take them in turn, we live in a hugely complex society. As the NAO Report says, we have 60 million individuals who live in our society and they live in every different way that 60 million people do. To give you a couple of figures, every year 7 million start a new job, one in ten people move home, 600,000 people marry, 350,000 divorce, and our systems have to cope with all of that, if you see what I mean, and much more besides. The second point is to say that when we do surveys of the overall satisfaction of our customers, actually we get very high levels of satisfaction with our key business-delivery organisations. That is not to say that everything is rosy in the garden and there is much more we can and should do, but you are right to say that when we get it right, and we do get it right an awful lot of the time, you do not tend to hear as much about it.

Q28 Mr Khan: Well, that confirms the point that it is no surprise, therefore, that the Comptroller and Auditor General has been complaining since 1984 and MPs have been complaining for ever about the system because one of the flaws of the system obviously is the complexity. While we are on this, is it inevitable that when you have a programme of trying to target your resources to the poorest or to certain parts of the community by introducing Pensions Credit, for example, or Working Families Tax Credit or Disabled Person's Tax Credit, you are introducing new systems to target different sections of the community and when there is change, there will be problems with that?

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Mr Lewis: I think it is inevitable and it is also inevitable, I think, that the more you try and direct and target the benefits you wish to provide to a certain subset of a wider group rather than the whole subset, it becomes more difficult and more complex to do. The simplest benefits to administer are the benefits that go to everyone on a kind of very general basis or to very large numbers of people on a very general basis. They are easy, by and large, to administer and they are also, by their nature, expensive and it is that balance that you have to work with.

Q29 Mr Khan: So although there may be rough justice, how would a benefits system which was less means-tested be simpler and less complex?

Mr Lewis: In terms of the pure administration, I think that is so. Means-tested systems are more complex to administer than non-means-tested systems. That is simply a matter of fact. But there are, of course, very many policy and financial and other reasons why successive governments have wanted to introduce means-tested benefits.

Q30 Mr Khan: The policy we cannot discuss, but there is a huge consensus, as you will see from today's PMQs, about policy. That will be discussed elsewhere. Can I congratulate you on the Department's five-year strategy published this year and also on the appointment of a benefits simplification team—quite a nice title for a team. Can I ask you how soon we can expect to see some of the fruits of the success of the team and the five-year strategy?

Mr Lewis: I am not going to try and over-promise because I have been in the Department just three full weeks, and I do not want to come to this Committee and promise the earth. This is a hugely complex area and it is interesting that the NAO Report itself in several places talks about the need to “chip away” at the system and that radical reform is neither necessary nor practical nor desirable in many cases. So I do not want to give this Committee some promise that I cannot keep. What I will say is that I do want to see that we give real priority to the simplification agenda, along with the agendas of meeting the needs of the people of this country in terms of benefit provision.

Q31 Mr Khan: You will have seen, I am sure, the excellent announcement by the Chancellor this week in relation to the thresholds, which will obviously alleviate some of the problems we have seen in recent months, the recent publicity around Tax Credits and so on. What are you doing to clarify what changes of circumstances people have to Report and when?

Mr Lewis: We have already made some changes. I might look to Mr O’Gorman, who is more expert in the detail.

Q32 Mr Khan: One of the concerns a constituent has raised with me is that they are not sure what they need to report.

Mr Lewis: I do not think we are as clear always as we should be in terms of when people have to report changes of circumstances. We have made some simplifications. Housing Benefit, for example: it used to be the case that you had to make a claim annually for Housing Benefit, even if your circumstances had not changed. We have changed that but I think we should and could do more to be clearer with the public about changes of circumstance.

Mr O’Gorman: We are actually commissioning some research to try and find out the particular difficulties people have. For years we have been, we hope, improving forms, alerting people to the sort of changes they need to tell us about. You are right though that people still find it difficult to remember or to know precisely what they need to say to the different agencies who may be paying them different benefits. For our next step in improvement, we would like to know more about the particular difficulties people have and the ways in which we could communicate with them to give them a better chance to know what they have to do.

Q33 Mr Khan: My last question was about a change in circumstances, but there is another issue, which is the complexity deterring my constituents in Tooting from applying in the first place. One of the excellent things that we recently introduced was being able to phone up for a Pension Credit, which my constituents think is a fantastic idea. How are you ensuring other types of claims, for example, those receiving Council Tax Benefit are not deterred from claiming? I am particularly concerned about my pensioners, those for whom English is not their first language and others. What steps are you taking to ensure they are not being scared off or deterred because of the perceived or real complexity?

Mr O’Gorman: We have introduced a new, shortened claim form for Council Tax Benefit, for example, for pensioners. It is only three or four pages long. Our Pension Service has begun a series of ringing people who are on Pension Credit to ask them whether they may be entitled to Council Tax Benefit and will help them complete a form over the phone. They will actually send them the completed form through the post with a pre-paid envelope for the pensioner to send that claim form on, if they are happy that it records their details correctly, to the local authority to claim Council Tax Benefit.

Q34 Mr Khan: Would you be able to write to me to let me know how many people in Tooting you have phoned up to let them know their eligibility?¹

Mr O’Gorman: I am sure we can.

Q35 Mr Khan: I am very grateful. Can I just ask you about the figures on page 43, figures 13 and 14, which show that a small number of types of mistake account for most of the costs of official and customer error. You will also be aware from the Report, I am sure, that a staggering figure of billions of pounds is lost by error. I think it is £1.5 billion a year. Can I

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ask you, looking at those figures, what you are doing to root out error, for example, by directing staff training systematically to those areas?

Mr Lewis: Let me say something about what we have done, because those figures are high. There are two types of error, of course. There is official error and customer error. Let me stay with official error. Let me say some of what we have done, very quickly and some of what we are going to do. We are very much focusing—perhaps not rocket science—on those offices which have the highest levels of error, so we are trying to focus in on where the problems are at their most marked. We have developed an end to end standard operating model within Jobcentre Plus, for example, to try and make sure that we extend best practice everywhere. We are extending the training in all parts of the Department, particularly the Pension Service. Just to pick up a point you have made, we have very much focused on the gateway to try and stop errors entering into the system in the first place, because one clear fact is if you make an error in on the very first day you take in a claim, that error tends to perpetuate itself and run through the system for a long time. What are we going to do? Actually, we are drawing up an overall strategy for reducing error. For a long time we have had an overall strategy for reducing fraud and we have been very successful actually in reducing the levels of fraud overall. We have not been as successful yet in reducing the overall levels of error, and I want us to see such a strategy in both the short and longer term—are there some quick wins which will give us something really worth having quickly? Are there some longer-term issues we have to tackle, and are our target structures right as well? Are we giving the right incentives to our staff?

Q36 Mr Khan: You will be aware that the New Dawn means there is less Punch and Judy politics between us, and also it will lead to less Punch and Judy between witnesses and the Committee, I am pleased to say. If you were asked to come back here in a year's time, what criteria should we use to measure how successful you have been?

Mr Lewis: I think you should ask me whether in that year I could point to demonstrable and measurable reductions in the overall complexity of the system.

Q37 Greg Clark: Mr Lewis, as you survey the scene of your new empire, how important is this issue of complexity amongst the challenges that you have?

Mr Lewis: By the nature of my appearing before this Committee, I have probably spent more of my first three weeks on this subject than on any other single subject. So, if this has done nothing else, it has brought it very sharply to the top of my agenda, but I also intend to keep it near the top of my agenda.

Q38 Greg Clark: Is it the most important issue?

Mr Lewis: No. As you say, it is a very big

Department with some huge policy and delivery issues, and I am not going to promise it is going to be the subject which stands proud above all others.

Q39 Greg Clark: Do you disagree with the Report then on page 25, paragraph 1.13, where it says, “The complexity of the benefits system is perhaps the most important issue facing the Department, and affects every aspect of performance.” You do not agree with that?

Mr Lewis: I certainly think it is one of the—

Q40 Greg Clark: But not the most important?

Mr Lewis: No, I am not going to say it is the most important of any other issue, but it is certainly one of the most important.

Q41 Greg Clark: Just on this issue of importance and how this matters, page 21, box 6 of the Report has a list of the departmental objectives. There is no mention of complexity or simplification. Do you think that is an omission?

Mr Lewis: I think the last one actually, perhaps the word “complexity” is not there but “to modernise welfare delivery so as to improve the accessibility, accuracy and value for money of services customers, including employers”, I think that is four square in the territory that we are talking about.

Q42 Greg Clark: We are talking about simplicity and lack of complexity. If that is what it means, there should be an objective that says “to simplify or to make less complex the benefits system.”

Mr Lewis: I will not promise this afternoon to start re-writing departmental objectives, but what I will say is that I certainly read that final objective to embrace the key issues of simplicity and making the system less complex.

Q43 Greg Clark: I do not want to labour the point but the precise issue we are talking about is that it should not require people to divine what a statement means. It should be clear, and that should apply to the benefits system as much as it should apply to the objectives the Department faces, and if that is implied in that, it was not obvious to me and I suspect it may not be obvious to other people. So it would be in the spirit of simplification if that could be clarified, because that is something you might be able to look at.

Mr Lewis: What I will say is, because, as you say, this is a new Department to me, as we come, Ministers and their top team, to look at the Department's objectives, that is something which I will want to have very much in mind.

Q44 Greg Clark: In terms of your objectives, the Department has a Public Service Agreement with the Treasury. Is simplifying the benefits system one of those objectives?

Mr Lewis: Yes, it most certainly is one of those objectives. Objective number 10 is to reduce fraud and error in IS and JSA and in Housing Benefit and

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that is absolutely about error and indeed fraud, about reducing complexity. So those targets are four square in relation to that.

Q45 Greg Clark: It would help to clarify that a bit more. In terms of the consequences of complexity, and this is a problem, obviously, it has knock-on effects on different areas of national life. One reference, for example, is on the claimants, the take-up of the benefits. The Save the Children Fund this week said that one in ten children was living in extreme poverty. Do you think the low take-up of benefits contributes to that and is the complexity one of the determinants of that?

Mr Lewis: Yes. I just do not think one can argue against the proposition that the more complex a benefit is and the more daunting it may seem to an applicant, that has got to have an impact on take-up, so if we can make our benefits less complex, then I think that will help us in one of our key objectives, which is to increase take-up. I will not bore you with numbers and figures but we have done some very good things in the Department in the last few years to increase take-up of some of the key benefits, but there is obviously a relationship between those two things.

Q46 Greg Clark: Would you agree with the Report when it says that the complexity of the benefits system has deterred saving for retirement. Is that something you would agree with?

Mr Lewis: We have just had the Turner Commission Report and I think one of the things that Adair Turner has said in his Report is that taken overall, the pension system in this country, at least in some of its key elements, is a complex system which people have difficulty in understanding in full, and I think one of the objectives set out in the Turner Report is to arrive at a less complex pension system.

Q47 Greg Clark: In reviewing this area, the National Audit Office expended resource in order to come up with useful recommendations and analysis, and they say the complexity of the benefits system—they also talk about pensions separately—has deterred saving for retirement. Is that something, as Permanent Secretary, that you would accept?

Mr Lewis: I certainly do not seek to quarrel with the National Audit Office Report, which is an agreed Report between us.

Q48 Greg Clark: Does that mean yes, you agree it has deterred saving for retirement?

Mr Lewis: That has to be one of the areas we seek to improve in the future.

Q49 Greg Clark: So just to be clear, you agree with the NAO's assessment that the complexity of the benefits system has deterred saving for retirement?

Mr Lewis: Yes. I am not seeking, to be clear, to quarrel with any of the statements in the NAO's Report.

Q50 Greg Clark: Perhaps Ms Diggle can comment from the Treasury's point of view. Is that something the Treasury concurs with, that, in the NAO's words, the complexity of the benefits system has deterred saving for retirement?

Ms Diggle: It is certainly something that we take very seriously, and we certainly want the incentive to save—

Q51 Greg Clark: I am talking about the Report. Is that something that the Treasury agrees with, the NAO's assessment?

Ms Diggle: Of course we do.

Q52 Greg Clark: Just turning to the measurement of complexity that Mr Davidson brought up earlier on, it is very helpful that there is going to be a team charged with reducing complexity. What direction is it going in at the moment? Do you have a feel for whether the system is getting more complex or less complex?

Mr Lewis: The truthful answer to that question is I do not. I simply have not been in the Department long enough. I think there are countervailing pressures. I think there have been some very significant moves to reduce complexity, and yet in other respects, inevitably, for example, taking a very recent example, this week we have had the legislation coming into force of the legislation relating to civil partnerships, legislation widely welcomed in this country.

Q53 Greg Clark: The question is about measurement.

Mr Lewis: Indeed, but just to finish the point, inevitably, however, that has to be reflected into the benefits system. Changes have to be made to accommodate those new laws, that new way of looking at civil partnerships.

Q54 Greg Clark: But in terms of coming up with a measure to be able to summarise the overall complexity—and I concede there is often a good reason for it—is this something that is part of the new team's objectives to come up with a measure or a set of measures that would give us a handle on the complexity?

Mr Lewis: I would love to think that it was possible to devise a simple measure of complexity. I rather doubt that it is. It is interesting that, subject to correction, I do not think the NAO Report has been able to come up with a simple measure by which you can judge the overall complexity of the system. I am going to ask this new team, as part of its remit, to think outside the box. I do not want it to be trammelled by what we may have done before.

Q55 Greg Clark: When you come back in the future, do you expect or hope to be able to say whether the system has become more or less complex?

Mr Lewis: Yes, I do and I would like to think that I could provide, when I come back to the Committee, real, demonstrable evidence that it has become less complex.

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Q56 Greg Clark: Would you consider publishing perhaps an annual report on the complexity of the benefits system and what progress has been made to simplify the system?

Mr Lewis: One recommendation in the Report that we do absolutely accept is that we should put into our annual Report a statement about the complexity of the benefits system.

Q57 Greg Clark: Which would hopefully be supported by a measure?

Mr Lewis: Again, I do not want to go back over that ground. If we can find better ways of measuring complexity, I think we should. I do not want to pretend to you that I think that is easy.

Q58 Greg Clark: Just on the consequences of the current system, the Report says that 1.3 million cases fall to the Citizens' Advice Bureau to deal with as a result of the inability of claimants to understand the system. Is that something that the Department will compensate the CAB for?

Mr Lewis: Not in terms, no, but actually, in preparation for this hearing I went to a CAB office yesterday because I wanted to hear at first hand some of their experiences of helping their customers with the system, and it was interesting, because certainly they did tell me about some of the areas where they find the system complex and difficult. Encouragingly, actually, they also said there were some areas where they thought we were improving.

Q59 Greg Clark: Financially, they are having this workload, and they are a voluntary organisation, as we know. It seems reasonable if this is a consequence of complexity that the Department actually should help them meet the costs of this. It seems only fair.

Mr Lewis: I think the CAB is a well established organisation with its own funding routes and mechanisms.

Q60 Greg Clark: I am sure they would be grateful for some support. Specifically, I am sure they could have an audit of what proportion of their work . . .

Mr Lewis: I am sure they would, but I am certainly not going to commit this afternoon to greater funding for the CAB. I would like to say, just to finish that point, that encouragingly, yesterday they did believe that in general our forms and leaflets were getting simpler. They thought that the standard of service given in the new Jobcentre Plus integrated offices was a step change improvement on the past. So I was encouraged by some of what they told me yesterday.

Q61 Chairman: You said you had to spend a lot of time, obviously, on complexity and you had to prepare for this Committee. How many hours did you have to spend preparing for this hearing?

Mr Lewis: About three weekends, Chairman.

Q62 Sarah McCarthy-Fry: We have heard from Mr Khan that complexity is an inherent part of achieving the policy objectives of combating poverty and targeting resources. Mr Clark was trying to

make the point that the complexity of the benefits is a reason why there is less saving for retirement. Would you agree that the complexity of the benefits system is the only reason why there is less saving for retirement?

Mr Lewis: No, I do not and I think that we have had a very thorough analysis from the Turner Commission which sets out a whole set of reasons why in the view of the Commission we are not saving as much as the Commission believes it necessary that we should, as a society, for our future.

Q63 Sarah McCarthy-Fry: Do you think the complexity of the benefits system is the main reason?

Mr Lewis: No, I do not. We have just had that conversation. I think it is a reason.

Q64 Sarah McCarthy-Fry: I am glad we cleared that one up. We have also been through, as I have just said, complexity as an inherent part of targeting benefits, so in simplifying the system, would you say that providing better customer service is probably a better reason for simplifying the system, because it says very much in the Report it would not necessarily be a way of saving money?

Mr Lewis: I am a passionate believer—and I have appeared before this Committee many times in many guises, and I think this Committee will know that—that we should deliver excellence in public service and excellence in customer service. I believe that we should do that for its own sake because people are entitled to it. I do believe that it then has, actually, a seriously helpful advantage in terms of reducing the complexity of the system. I think if people feel that they are being treated and received and welcomed in a civilised, individual and personalised way, it is much easier to have a conversation with them in which some of the inevitable complexities of the system can come out. Again, in preparation for this hearing, I listened in to some of the calls being made to some of our centres, such as the Pensions Centre, taking calls from members of the public, and I was very impressed by both the knowledge and the sympathy of the staff operating those lines in being able to help people through some of those complexities.

Q65 Sarah McCarthy-Fry: Obviously, as MPs we only see the people who are not so impressed with the service, and most of the complaints I receive from constituents are frustration when they are trying to communicate with the various Departments. I noted in paragraph 31 on page 14 “The Pension Service has developed a local service for targeted assistance of those pensioners who require face to face contact. These contacts . . . require that staff have thorough training.” How long is the basic training for your staff when they come to do this work?

Mr Lewis: I cannot give you that figure because I am not sure there is one single figure which covers the multitude of different jobs for people in the Department. What I can say is that on average, right across the Department for Work and Pensions, each member of our staff has about 6.5 days of dedicated

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training per year, and it is one of the huge elements of our resource budget, providing the training budget for our staff.

Q66 Sarah McCarthy-Fry: Are they trained in customer service techniques as well as benefits rules?
Mr Lewis: Yes, they are.

Q67 Sarah McCarthy-Fry: Six and a half days does not actually sound very long to me for someone to suddenly be on the end of the phone having to deal with some very complex inquiries. Is there a longer one for people who first start doing it?

Mr Lewis: Yes, there is and that will vary depending on the job that people are going to take up, because that 6.5 days is an average across a Department of 116,000 people, and many of those people are already very experienced in what they do and inevitably, their training need is less than people embarking on their career.

Q68 Sarah McCarthy-Fry: How do you ensure that your staff are kept up to date with the changes in benefit regulations?

Mr Lewis: Again, that is something that either of my colleagues may be able to say more about than me. I think that is a real challenge but I think we have got better in terms of putting out both paper-based but increasingly electronic information to our staff which does seek to keep them up to date with developments. For example, on the day when the Turner Commission Report was published we sent a note about that to all of our staff with a link into the website where they could find more detail.

Mr O’Gorman: It would be a mixture of the appropriate training, ranging from simply informing people, making information available electronically, to classroom training, face to face, for people who have a need to have a deeper knowledge of the particular change in question.

Q69 Sarah McCarthy-Fry: It mentions at the end of the Report—I cannot remember the page but it is also something people have said to me—the system itself is complex but people have complex needs, and very often they are accessing more than one benefit. When they actually do get through on the telephone and talk to someone about one particular benefit, they then find that that member of staff knows nothing about the other one. Do you train your staff just in one area or do you cross-fertilise?

Mr O’Gorman: We will try to have people available. The claims process involves people increasingly now contacting a centre which will take their basic details, they will be phoned back and there will be a conversation about their particular needs, what their circumstances are, and what might be the appropriate benefits. On the basis of that, a claim form is sent to them, and an appointment will be made for them at a Jobcentre Plus office. They take the claim form along to the Jobcentre Plus office and they will meet a financial assessor who will check that they know what they are claiming, that they have completed the claim form correctly, signed it and so on, and then they will have an interview with

someone who will typically talk to them about what work they might be able to do or what help there might be available to help them become more independent. It is certainly the case, however, in some of the more complex cases we would need to follow that up with someone who is particularly expert in some of the more detailed points to do with the benefit, but I think the huge majority of people we are able to deal with and deal with successfully in the system I have just described.

Q70 Sarah McCarthy-Fry: I think you are probably right for the very first time somebody claims. Most of the problems that come to me are where they have benefit, their circumstances change and they are trying to talk to somebody about it, and I am being told time and again “I just can’t get through. I have rung continually.” Do you think you have enough telephone lines? Is it telephone lines or telephone operators?

Mr Lewis: Let me take some of that, not least because there have been in recent weeks some well publicised difficulties in terms of people being able to get through to one of our sets of call centres. Actually, overall, we do remarkably well across the Department. We take approaching 0.5 million calls from members of the public a week to our different businesses and to our different call centres, and for the great majority of the time we answer the vast majority of those quickly and effectively and efficiently. As ever, when you are running a huge business—and the DWP, this is a business, it is worth saying, which is larger than the Prudential, larger than Barclays, larger than the Royal Bank of Scotland on almost any test you care to measure—delivering perfection every day is hard, and occasionally we fall below standards that we should meet, but by and large actually, right across our business, our standards of both answering and dealing with calls are really very good.

Q71 Sarah McCarthy-Fry: Is there any way of recording those calls that cannot be answered? Does your telephone system cope with that?

Mr Lewis: Yes. On almost every single one of our businesses we know how many calls were attempted, how many got through and were answered, how many people rang off before the call was answered. So we do that and that is one of the key management challenges in the management of each individual call centre. When you go there you see that they will typically have a neon board right up in front which will tell you how many calls are being answered at that moment, how many are waiting, what is the maximum wait that any one caller has had and how many people have rung off. So there is very, very strong management control over that.

Q72 Sarah McCarthy-Fry: That sounds to me like quantitative control rather than qualitative control. Is there not a danger that, in answering quickly they are getting the customer off the phone and not actually—it may take a long telephone call.

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Mr Lewis: Inevitably, there is risk. Inevitably, when you are running any call centre operation, there is a trade-off between trying to ensure that you answer all of the calls, you do not miss calls, you do not have people hanging up in frustration and, on the other hand, that you give a good service, you genuinely deal with the call and the query or with the application for benefit. That is one of the challenges and those two things have to be continually weighed. To try and ensure that we are handling both elements of that, we do measure the satisfaction which people have with their calls.

Q73 Sarah McCarthy-Fry: I have seen one of your gobbledegook letters. In fact, I saw one last weekend at my advice centre. It looked as if it had been generated by a computer, that it just put in a standard thing. Have you explored the cost of explaining what that means in plain English at the bottom of the letter so that the computer generates the numbers and somebody actually says “This means you don’t actually get any money but don’t worry,” or something along those lines?

Mr Lewis: I know that this is an area of immense frustration to Members of Parliament at times and to our customers. The Chairman read an example of a letter which is pretty difficult to understand even for us, let alone the person who received it. No, I do not think it is practical that we could personalise in that way every single letter that goes out from the entire Department. Realistically, I do not think that is practical, but what I think we have to strive to do is to make the letters that we send much easier to understand.

Q74 Chairman: Do these computer-generated letters physically pass by somebody’s desk so they can quickly glance at them?

Mr Lewis: Yes, in general.²

Q75 Chairman: So in theory, they could add something if they wanted?

Mr Lewis: Yes, indeed.

Q76 Helen Goodman: What is the cost of administrating the benefits system at the moment?

Mr Lewis: I am not sure that I can give you a single cost. The overall administration cost of our Department is around £6 billion with a total benefit spend of about £112 billion but, of course, the Department does many, many things other than simply administer the benefits system. I do not know if either of my colleagues has a more precise figure to give you than that.

Mr Sharples: It would be just under half of the Department’s activity that is devoted to benefit administration, so just under half of the £6 billion figure that was just quoted.

Q77 Helen Goodman: Problems with the benefits system are the number one issue that I get from my constituents. The largest proportion of problems I face are problems that people are having with the DWP. In particular, somebody came to see me recently who had been turned down for a benefit to which he was not entitled. A few weeks later he discovered that he was however entitled to a different benefit, and he had not been advised of this by DWP staff. Do you think that is reasonable?

Mr Lewis: No, absolutely not. What we should be aiming for is to ensure that people receive all the benefits to which they are entitled, and if we believe that we are turning down someone who is applying for a benefit to which they are not entitled but that there is an alternative benefit to which they are, of course I want my staff to say, “No, look, I’m awfully sorry. You’re not entitled to this but I think you may be entitled to that, so why don’t you claim?”

Q78 Helen Goodman: I am very pleased about that, because my constituent was told that it was his responsibility to apply to another part of the Department of which he was not even aware. Could I ask if you will consider changing the law to give your staff a duty to advise and assist, which does not exist at the moment, and which I think tends to encourage a rather cat and mouse kind of game that goes on between clients and staff?

Mr Lewis: I would like to take that away and consider it rather than to give you a simple, off-the-cuff answer. There are two points I would like to make, without in any way underestimating the force of what you say and your experience. Of course, you do not hear in your surgery and I do not hear and we do not hear about all the millions of occasions when people do do precisely what you would like them to do, and that happens on many occasions. The other thing I think it is reasonable to say is: why are we discussing this this afternoon? Because the benefits system is hugely complex. Our staff inevitably have a reluctance to give advice on areas in which they feel they are not expert, lest they feel that they may subsequently be thought to have misled an individual.

Q79 Helen Goodman: I understand that, Mr Lewis, but the point is that claimants are meant to know what to claim for, and if your staff who are working on it full-time cannot get to grips with it, it is rather unreasonable to expect claimants to. I would like to move on to this issue about using the telephone. You seem to be very enthusiastic about using the telephone and I can see that using the telephone is a lot cheaper for the Department. However, as is set out in one of the boxes here, there are a number of people for whom using the telephone is extremely difficult, people who cannot read or people who have difficulty with manual dexterity; all sorts of people cannot do that. Why is it that in County Durham

² *Note by witness:* My answer was not right. DWP sends out over 40 million computer generated letters each year. The letters are automatically generated in response to contacts with customers and the systems for producing and sending them out are also automated. There is therefore no individual checking by members of staff in this process. What is the case, however, is that the accuracy of individual letters is checked wherever the content of the letters change and also a periodic sample is made to check their content.

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there is only the possibility now for face-to-face interviews on Job Seeker-related benefits? For all pensions and retirement benefits, all sickness and disability benefits, there is no possibility of any face-to-face discussion.

Mr Lewis: I do not want to question the individual instance because I obviously do not know about it but actually, that should not be the case. For example, the Pension Service maintains a local service precisely so that those pensioners who, for whatever reason, find it difficult or simply do not want to deal through the telephone are able to request that they meet someone either in one of our offices or actually in their home, and that service should be available. So if you have a specific instance where self-evidently it was not, I would be happy to follow that up.

Q80 Helen Goodman: I might need to write to you about that because it is not evident to me, to my Citizens' Advice Bureau or to any of my claimants where people are to go to get face-to-face contact on any benefits other than Job Seeker ones and I think that lack of communication is quite a serious problem.

Mr Sharples: I just wonder if I could pick up on what you said at the beginning of your question, which suggested that the telephone-based approach was driven by a desire to make savings. I think that it is easy to underestimate just how significant the change is that we have made in the benefit application process. In the old days claimants would have to fill in themselves quite a complex form, maybe 30–40 pages long. If they are lucky, they might get some help in doing that. Now the claim for pensions benefits and for working age benefits is completed over the telephone by being prompted with questions from an experienced operator on the telephone, who will complete the form for you, then send you the form; all you have to do is check it, sign it. You then get a further stage of help because—

Q81 Helen Goodman: Sorry. Which benefit are you talking about?

Mr Sharples: I am talking about the retirement pension, about Pension Credit and about the benefits that Jobcentre Plus administers, including Housing Benefit, where they will collect the information on your behalf and forward it to the local authority. The point is that the new approach, the new standard operating model, has a lot of help for people built in. It is a much smoother process to operate and you get a chance to talk to a financial assessor in the Jobcentre Plus office face to face who will help deal with any queries that you have.

Q82 Helen Goodman: I have to tell you that my local CAB say that filling in a Disability Living Allowance needs their support and it always takes an hour and three-quarters, so that is simply not the experience that my constituents are facing on a regular basis.

Mr Sharples: You have picked on the one area which is both more complex and also still paper-based, Disability Living Allowance and the other related benefits still have to be completed on paper. They are

particularly complex benefits because of the link between the payment of benefits and the assessment of the way someone's disability affects their personal needs and requirements. There is an element here which inevitably requires more detailed submission from the customer.

Mr Lewis: Can I just pick up a point on that, because one of the things I have just managed to see for myself, I took myself to both Manchester and Blackpool to see the disability and carer service in operation, including the process of claiming DLA.

Q83 Helen Goodman: Could I cut you short there, please, because I am time-limited and there are some more questions I want to ask?

Mr Lewis: Half a sentence. I saw some really interesting developments going on there which are designed to do precisely what you would like to happen.

Q84 Helen Goodman: Good. Thank you very much. Mr Sharples, you said in your opening remarks at the beginning of the session that there was a Regulatory Impact Assessment on all new regulations.

Mr Sharples: What I said was there is a Regulatory Impact Assessment for new primary legislation and for those regulations which have a regulatory impact, so, for example, the Disability Discrimination Act last year had a Regulatory Impact Assessment, and there were quite a large number of regulations that followed from that. Those regulations had a Regulatory Impact Assessment done.

Q85 Helen Goodman: As it happens, before I came to this session, I was in a Statutory Instrument session and we were looking at the Job Seeker's Allowance, Job Seeker Mandatory Activity Pilot Regulations 2005, and the Opposition spokesman asked for the Regulatory Impact Assessment and we were told by the Minister that this was not done unless the regulations impacted on the private sector. So if the regulations are simply impacting on other parts of the benefits system and clients, it appears that a Regulatory Impact Assessment is not being done. Would you consider extending the number of Regulatory Impact Assessments that you do to cover those groups which are really the groups that matter for DWP?

Mr Sharples: I think this is a very interesting point and I think it comes back to the discussion we were having earlier about the way one challenges the impact of any new proposal on the complexity of the system. As we were saying earlier, we want to strengthen that challenge, and perhaps that is an idea that we can take away and consider in the course of the assessment.

Q86 Kitty Ussher: When I was reading this Report, it reminded me of the conversations and policy that we have around a totally different part of government, namely, as Helen Goodman just alluded to, the effect on companies of government activity. It reminded me of the rather "stuck-record"

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debate I feel we often have where some people say, “Oh, there is too much regulation for business, there is too much burden on business,” and then when the other side says, “Which one would you scrap?” it is actually quite difficult to come up with one. The conclusion that I have drawn from my experience in that area of policy is that what we should always have is a countervailing pressure, so there should always be a cross-departmental team looking at burdens on business, we should always have Regulatory Impact Assessments, and there should always be teams within departments thinking about whether there is a smarter way we can do something. Do you think that that analogy entirely works in your area of benefits complexity?

Mr Lewis: I think it works pretty well actually, and I thought, coming to this as a newcomer, one of the great strengths of the NAO Report was that it does not pretend that there is some magic wand here that can just be waved and we will be in a great Nirvana, if you see what I mean. There are lots and lots of countervailing pressures in the system, but I do think—and this is really to agree with your question—that in the past we have not put in a sufficient counterweight perhaps to emphasize the issue of complexity, the need both to avoid it when we are doing something new and the need to go on trying to reduce it in terms of what we already have. As I have already said this afternoon, I intend to introduce a greater counterweight into the system.

Q87 Kitty Ussher: This is your new team?

Mr Lewis: The simplification unit, I have called it.

Q88 Kitty Ussher: Could you give us a little more detail on that perhaps? Can you say how often it will meet, what rank of civil servants, what will its task be, who does it report to, is there a Minister involved, etc?

Mr Lewis: I can certainly give you some of that. It is going to be quite small. It is going to be full-time. I have in mind a unit of three or four people. It is going to sit in Mr O’Gorman’s division, and I am going to give it a direct line of reporting straight to Adam Sharples and straight to one of our Ministers so that it is not going to be buried away somewhere in the bowels of the organisation.

Q89 Kitty Ussher: So one of the Junior Ministers in DWP will have it as part of their responsibilities?

Mr Lewis: Yes.

Q90 Kitty Ussher: Can you say which Minister that will be?

Mr Lewis: No. I would like to obviously just have a bit of latitude to think where that best fits in because I do want it to be a unit which covers the whole of the DWP’s benefit horizon, not just working age, not just for pensions, for example.

Q91 Kitty Ussher: Will it report to the Secretary of State?

Mr Lewis: Everything in the end reports to the Secretary of State. It goes without saying, but I think it would probably be right, because of the huge demands on the Secretary of State’s time, that a Junior Minister take more direct responsibility for it.

Q92 Kitty Ussher: Is there an evidence base that that new unit will be able to draw on in terms of perhaps customer satisfaction surveys, mystery shopper reports? Can you explain what type of work you do?

Mr Lewis: We do actually measure customer satisfaction very widely within the system, and it is a point that has come out this afternoon that we do not, of course, tend to hear, understandably—you do occasionally get some really nice letters and they cheer you up, particularly on a bad day. Nevertheless, we do not tend to hear from the people who are satisfied, but our most recent survey for 2004 showed 86% of Jobcentre Plus customers satisfied with the overall level of service. That is up from 82% the year before. The Pension Service, 84% of its customers satisfied overall, up from 80% two years ago. So, we have quite high levels of satisfaction, but I want that unit to take all the information that we have as a baseline and then to rise to the challenge of whether we could do better.

Q93 Kitty Ussher: Do you think customer satisfaction surveys could be part of the metric that Mr Clark was talking about as a way of quantifying complexity?

Mr Lewis: Yes, I do. I think it is terribly important, not just for this reason; there are other elements that go into customer service. You can simplify the system but you can still treat people awfully, if you see what I mean, and I think we have to see customer service in the round, but I do think it is a terribly important measure for us.

Q94 Kitty Ussher: Running through the Report, without being specifically quantified is this kind of feeling that if the benefits system was so complex, then staff must by definition be confused. Do you have any evidence of staff being confused when they are doing their job?

Mr Lewis: I quoted a figure before that about two-thirds of our staff feel that they do have the training and knowledge that they need to operate the system effectively. Inevitably, that means that there are quite a number who do not feel that, and I think we have to get better. We have to get better at helping our staff. It is a complex system to administer. We cannot expect every individual one of our 116,000 staff to carry in their heads every single piece of complexity for the entire benefits system. It would be Herculean and impossible. So we have to get better at giving people access and channels through the guidance, and I think we are doing better on that, help lines that they themselves can go to as well as our customers when they are faced with a particularly difficult instance and they are struggling. I had a very good example of that. I was listening to a call coming in from a member of the public, who began to raise some very complex issues, and I was thinking, “Heavens! How is my colleague

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going to deal with this?" and what he did, rather professionally, was to say, "I'd like to bring another colleague into this call who understands this better, if you would hang on," and I thought that was a very professional way of handling it.

Q95 Kitty Ussher: Extremely good. We talked earlier in this session about the amount of errors that unfortunately do take place. How direct is the link between error and the complexity of the system? It seems to me errors can occur for a number of other reasons as well: lack of motivation, bad management and so on. Do you have any comment on that?

Mr Lewis: Not all error is down to complexity. Quite clearly, people can make error in other ways. You can simply add up numbers wrongly, you can not do something which self-evidently you should have done and so on and so forth, but I do not want for one moment to suggest that there is no link between complexity and error. The more complex the system is, the easier it is both for our staff and our customers to fall into error unwittingly.

Q96 Kitty Ussher: To what extent will your new unit in the Department be actually taking the experiences of front-line staff when they consider their work?

Mr Lewis: I am a great believer in our staff in our corporate head offices getting out, hearing the experience of our staff at the front line. It is something I do myself and which I have always done and I think it is hugely valuable. When you go out, you always come back having learned something, and I want them to do that.

Q97 Kitty Ussher: Excellent. You will be glad to know that I have actually done it as well. I have a Pension Centre just a stone's throw from my constituency at Burnley. It is actually in Ribbles Valley. It employs a large number of my constituents and it deals with the claims of a large number of my constituents. I have seen the neon board with how many people waiting and I have to say, my expectations were medium, and it completely surpassed them. I was incredibly impressed.

Mr Lewis: Thank you.

Q98 Kitty Ussher: Particularly impressive was the ability to forecast the demand of calls based on things that had been in the newspaper, based on what had happened in previous weeks and previous years, and I think possibly, to answer part of Helen Goodman's question, the staff were able to be deployed from other parts of the service, often on a half-hourly basis, or perhaps for a whole day, to meet that kind of demand. One thing I found particularly interesting was the way that the service was using information from other parts of government to check for fraud and also, to a certain extent, to pre-populate the electronic forms that were then being sent out. I wonder if you could comment a bit on this. Has it proved effective? What are the limitations in terms of data protection? Obviously criminal records and doctors' records and that sort of thing cannot be accessed. Is there greater

potential to simplify from the customer's point of view by actually using databases in other parts of government?

Mr Lewis: We are doing much more of this, and although inevitably there are serious and proper data protection considerations, actually, they do not constrain as much as sometimes people imagine. We are working ever more closely with local authorities, with HM Revenue and Customs, and we are providing more of our data online to local authorities, to other organisations like the court service, so that, where there is a clear and sound operational need for it, people can identify the data that we have against the data that they are receiving, and undoubtedly that is a very fruitful way of reducing levels of error.

Q99 Kitty Ussher: You mentioned earlier that you had been quite successful in reducing fraud. Could you give us some examples of that and perhaps quantify it, and say whether this new way of working electronically has actually had an impact?

Mr Lewis: Yes, I can. If you take the overall levels of fraud in the system, we think that fraud overall accounts for about 0.8% of benefit expenditure. That is about £0.9 billion in the most recent year, 2004–05, but if you take the benefits where we have a time series, where we have been regularly able to monitor fraud, and that is particularly in relation to Income Support, JSA, Pension Credit, we have come down from 1997–98 where fraud stood at about 5.9% of expenditure on those benefits, to the position in the most recent year for which we have information, 2003–04, where it is down to 2.6%. So we have seen some very substantial reductions in fraud in the system.

Q100 Mr Williams: Mr Lewis, I was looking at your CV. You had a fascinating role in your last job, did you not, as Permanent Secretary for Crime, Policing and Counter-Terrorism? It must have been a very challenging job. Why did you apply for this job, or had you upset someone?

Mr Lewis: The Civil Service moves in mysterious ways, Mr Williams. I was approached to see if I would take on this role. I learned a lot in the Home Office. I appeared before this Committee in my Home Office role, and survived to tell the tale. I think some of what I have learned and the wider experience I hope to bring back to my new role.

Q101 Mr Williams: It is 21 years at least since the National Audit Office first warned about the over-complexity of the benefits system. In your heart, do you seriously believe you can do much to reduce it, or would you feel you have made a major achievement if you just contained it, because it is an expanding problem, is it not?

Mr Lewis: I think we can do something. I am going to say something now that will probably expose me to a degree of risk but I will say it nevertheless, which is that I think we are in danger of having arrived at something of a ritual in this area, in that this is likely to be the 16th year in succession that the Department's accounts are qualified. I think the risk

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is that it is simply becoming a ritual, in which the accounts are qualified and the same statements are made year after year by the National Audit Office, by this Committee, by the Department. I would like to see if, in the spirit of this conversation this afternoon, which I have found a very welcome one, we could not arrive at a way of trying to see if we can give my Department a clearer and more reachable incentive to arrive at a situation where the National Audit Office did not feel the need to qualify its accounts because we had a target and a challenge which was seriously reachable.

Q102 Mr Williams: That takes me to my next point, because I do not know how much the simplification is within your control. Should we not perhaps, as MPs, be in a situation where you are saying to us, "What are you going to do about it?" I see in paragraph 10 that between 2000 and 2004 six new Acts, that is one every eight months, were passed in relation to Social Security, and 364 new Statutory Instruments. That was one every fourth day for four years, and we are sitting here and telling you we are surprised that you have a problem of complexity. I am amazed you are not only so cheerful but so polite to us.

Mr Lewis: I have always found that politeness in front of this Committee is an advantageous thing to go for. Seriously, I do think that part of having a genuine discussion and debate around this issue is to recognise that it cannot all be done by my Department. My Department can and must do some really important things to try and reduce the complexity, but this is a debate about how complex a system do we wish to have. That inevitably involves the legislature just as it involves the executive arm of government.

Q103 Mr Williams: I accept that. If you go to box 13, which the Chairman referred to, your guidance on benefits for staff amounts to 47 volumes, one of which is in 44 sections and 24 internet files. It is a nightmare, an absolute nightmare administratively, is it not?

Mr Lewis: We are always going to have, are we not, as the NAO Report says, a complex benefits system in this country because we are a complex society?

Q104 Mr Williams: It is inevitably complex if it is going to be fair.

Mr Lewis: That is why I think that the NAO Report is entirely right and fair to suggest that there is no one simple magic bullet that you can fire at this system to remove complexity at a stroke, but actually, it is too easy, it seems to me, to go from there to say, "There is nothing much we can do. We just have to accept it for all time." I do not believe that. I think there are things that my Department can do and should do. I would like to think it is part of a joint effort.

Q105 Mr Williams: In paragraph 2.17 there is a fascinating dig at us from the National Audit Office, and I think it is justified, where they say a major problem is what is often seen as ambiguous phrasing

in legislation, and in box 11 underneath it gives a series of examples of imprecise phrasing. If Parliament is giving you legislation guidance to what you should be doing and it is not clear, then Parliament is obviously a major contributor to the problem you are having to endure and your customers are having to endure.

Mr Lewis: Of course, we play our part in the drafting of the legislation. We cannot simply pass the responsibility to Parliament. In a sense, using some of those words, like "reasonably" and "virtually"—and I think that word "virtually" for example appears in some of the legislation relating to Disability Living Allowance—is because we are trying to capture something which is not an absolute by definition, someone who is virtually unable to walk, and in a sense, there is a common-sense meaning to the word, but it is difficult to interpret and at times the courts and Commissioners also reach different interpretations of those words.

Q106 Mr Williams: I have been around this place quite a while. I came in when Harold Wilson formed his first Government, and no-one has noticed I am here so no-one has bothered to get rid of me. I will tell you, quite seriously, something which worries me, which is that we have now slipped into a system of what we call programme motions, and programme motions are a compulsory guillotine on every single Bill that comes before Parliament. I think back over the years and years of sitting on Standing Committees, going through legislation, and dealing with words, and saying, "Now, why do you use this word? What does it mean? What is your intention?" That has gone, because with the system we have at the moment, what you have is very truncated debate on a Bill which focuses on a few key issues. In your experience as a civil servant, do you share my concern that this must inevitably mean that we are producing sloppier legislation which is therefore going to need much more amending and, in so far as it is sloppier, it leads to injustices? You do not have to answer that.

Mr Lewis: With the indulgence of the Chairman, I would prefer not to be drawn into some of those issues, which, it seems to me, are issues for Parliament essentially.

Q107 Mr Williams: That is fine, but I think it is something we need to realise. Parliament has to recognise that if it is turning itself into a sausage machine it is going to get sausages. If we want precise interpretation of our intentions, then we must precisely state what it is that we intend. I am firmly convinced that the approach we have now to legislation is producing less well defined legislation. Now we can move on to one final area. You referred to the phoning system and your colleague spoke about how much simpler it is for dealing with pensions. If you look at table 11 on page 38, the State Pension, to which Mr Sharples referred, according to this, there are 20 pages in the claim form, and that is for a very simple benefit. When you look to IS, it is 50 pages. Is it not almost impossible for a very large proportion of the public just to get their mind round

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some of these documents? They are so afraid of making a mistake and being accused of trying to defraud the Department and so on that people are almost afraid to fill the forms in. They would sooner not fill them in than get them wrong. Is that a hazard?

Mr Lewis: It is. Can I say a word and then defer to my colleagues, who have much more experience of this than me. I have examples here but I am not going to bore the Committee with them, where we have actually in recent years been able to cut quite significantly the length of some of our claim forms, but I think we need to do more. Interestingly, I would not want us just to have a crude “X pages is good and X plus two is bad.” Some of our claim forms, DLA, for example, it is quite a long claim form, but we have worked incredibly hard in recent years to make it much, much simpler and more logical for people to work their way through and sometimes that takes some space. But I do agree with you; there is simply an issue about how daunting something can look and feel, and I think we do have to take account of that. My colleagues might be able to help on that.

Mr Sharples: Just a word on this table. This is showing the length of the paper-based claim forms. The point I was making earlier is that if you apply on the telephone, you will not have to complete this paper-based form. You answer questions on the phone and then a form will be sent to you with all the information in it. All you need to do is check it and sign it. So in place of these long, complex forms we are offering an assisted telephone-based process. I think that is a major simplification and a major improvement in the usability of the system, part of a number of changes that are being introduced to try and address the issues. It does seem to me that there is maybe a distinction between making a system simple and making it usable. If one thinks of cars, for example, they have become more complex over the years. If you look under the bonnet there is a lot more going on, but on the whole they are easier to drive; they are much more usable. It seems to me that our ambition should be to make the system as usable as possible and telephone-based claims is one example of how we are doing that.

Q108 Mr Williams: Turning to the point about there being 47 volumes of guidance, does your Department have a relatively high stress level and time lost to illness?

Mr Lewis: We do have an issue about the amount of ill health absence. We would like that to be lower. Actually, the figures have been coming down quite significantly over the last year, and that is an issue which we have been addressing very much with our managers and with our staff, but there is undoubtedly further to go. I do not have, I am afraid, the specific figures in my head.

Q109 Mr Williams: Perhaps you could drop us a note.³

Mr Lewis: I most certainly will do that.

Q110 Sarah McCarthy-Fry: You told Mr Khan that you would hope to be able to come back in one year and show a demonstrable difference in the level of complexity. Have you given any thought to how you are going to do that? Are you going to have a set of simple performance indicators and do you have any idea yet what those performance indicators might be?

Mr Lewis: I would like to look at some things. I would like to look at those customer satisfaction levels. I would like to look at levels of take-up. I would like to look at the degree to which people are able to access our call centres and so on but, having just decided as one of my first decisions as the new Permanent Secretary to set up the unit, I do not want to constrain it before it has even in any serious sense got to work. I want it to actually be starting to bring me some of the ideas of how we can do this better.

Q111 Sarah McCarthy-Fry: But they are going to be simple and not complex?

Mr Lewis: I do do simple and I try and avoid complex if I can.

Q112 Chairman: Have you seen annex A on page 17, Mr Lewis? It is all very impressive, the bits that you are trying to simplify. Would it be a fair criticism to say that, despite these elements of progress, you have no comprehensive strategy, or is that an unfair criticism?

Mr Lewis: I think it is perhaps a trifle unfair. I do not know that I could literally put in front of you an all-singing, all-dancing simplification strategy, but what I can say is I think we have a very clear simplification ambition. We have made some genuine headway in that and I can certainly say to you that I want to go further and deeper.

Q113 Chairman: When are you due to retire?

Mr Lewis: I have to try and work that out. I am 54 and a half, so in five and a half years perhaps.

Q114 Chairman: Will you promise me that at the date of your retirement, assuming you are in your present job, you will write to me or my successor, saying that you have made significant progress towards avoiding by then your 21st year of having your accounts qualified?

Mr Lewis: I would love to believe that, through a combination of really hard work on the part of my Department and some very sensible discussion I would like to have with the National Audit Office, we can reach a point where I will be the first Permanent Secretary for 16 years or perhaps a little longer who does not have to come before this Committee with their accounts qualified.

Q115 Chairman: That is fine. Thank you very much. At the end of the day though, fraud against the benefits system stood at £2.6 billion in 2004–05. It resulted in 250,000 appeals a year. Staff and customers make mistakes which together cost over

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£1.5 billion a year as a result of decision-making errors in about 20% of benefit decisions. It will obviously be a strong Report we will have to produce, but I have to say, Mr Lewis, I was approached by a television company which wants to make a dramatised version of the work of this Committee, based loosely on West Wing. I am going

to suggest to them that you are a star witness, a prime example of how a Permanent Secretary, faced with an impossible brief, can smooch his way through an hour and a half. Do you wish to comment?

Mr Lewis: No, Chairman, thank you.

Chairman: Thank you very much.

Supplementary memorandum submitted by the Department for Work and Pensions

Question 34 (Mr Sadiq Khan): Eligibility of Tooting residents for Council Tax Benefit

As Council Tax Benefit is administered by local authorities we do not measure how many potential customers by constituency boundaries, but by local authority boundaries.

However, we have identified 1,200 pensioners in Wandsworth who may be eligible for Council Tax Benefit (CTB). We started calling them on 2 December 2005 and have so far contacted 823 pensioners to advise them that they may be eligible for CTB and where appropriate completed a CTB form for them over the 'phone.

Question 109 (Mr Alan Williams): Time lost due to illness at DWP

The Department is committed to reducing its sick absence levels and achieving an average working days lost (AWDL) target of eight days by 2006.

The AWDL figure for the rolling year period April 2003 to March 2004 was 12.6 days.

The AWDL figure for the rolling year period April 2004 to March 2005 was 12.5 days.

The AWDL figures for the months since then are shown in the table below.

<i>Month</i>	<i>DWP AWDL</i>	<i>Rolling year to date AWDL</i>
April 2005	11.8	12.4
May 2005	11.4	12.3
June 2005	10.8	13.1
July 2005	10.2	11.8
August 2005	9.6	11.5
September 2005	9.5	11.3
October 2005	9.9	11.1

The Table below shows the AWDL figures for each of the Department's agencies, for the last three months available.

<i>Business</i>	<i>August 2005 In-Month</i>	<i>September 2005 In-Month</i>	<i>October 2005 In-Month</i>	<i>Rolling Year (November 2004–October 2005)</i>
Appeals Service	12.0	10.1	10.6	11.6
Child Support Agency	11.7	11.5	11.2	13.4
Disability and Carers Service	9.1	9.1	9.8	10.3
Corporate Centre	8.3	9.0	9.5	9.2
Debt Management	12.6	12.7	13.3	13.0
Jobcentre Plus	9.5	9.4	9.8	11.0
Pension Service	8.9	8.8	9.4	10.9
DWP Total	9.6	9.5	9.9	11.1

Memorandum submitted by the Child Poverty Action Group

1. Ahead of your session with officials from the Department for Work and Pensions on 7 December, this document seeks to inform the Committee's interest in benefit complexity by setting out some key issues that we hope your session will cover. It does not propound specific reforms, but rather argues for a cautious approach. CPAG would like to see a simpler experience of the benefits system, this might include looking at the current complexity of benefit regulations, the structure of the system or its administration. We do not

believe it can be taken for granted that the root cause of the poor experience too often experienced by claimants solely results from complexity—the effectiveness of structures and bureaucracy in managing these play a significant role.

2. As backdrop we note both the useful recent report from the National Audit Office¹ and official interest in simplification, as witnessed by the new Secretary of State for Work and Pensions, John Hutton MP, who suggested that the Department for Work and Pensions (DWP) would seek ways of simplifying benefits and discussed the possibility of a single working age benefit in oral evidence to the Work and Pensions Select Committee evidence session.² Beyond this however the DWP have said little about complexity, though we expect further signals of future policy in the Welfare Reform Green Paper in January. Since this is such an important issue and yet we do not know much about the DWP's thinking we strongly welcome the Select Committee's evidence session and hope that this will clarify which way the department is developing its thinking.

3. As a starting point of principle CPAG believes that benefit systems should be of a standard with which all in society would be happy to use and to engage with; it should not be one “reserved for the poor”.³ We also wish to emphasize the need to tread carefully in this area. The benefits system is undoubtedly complex and has got more so—CPAG produces an annual handbook explaining the benefit and Tax Credit system⁴ which now runs to 1,582 pages. By way of an example to illustrate why the benefits system currently needs a handbook of that length, the rule which describes nothing more than the date on which a supersession decision (superceding a previous decision) takes effect runs to 34 subparagraphs⁵. Complexity causes real problems for claimants and administrators alike, but it is not complex without reason. Complexity often arises from the intention of meeting complex needs and so attempts to simplify must bear in mind the need to minimise the numbers of losers from any reform.

4. CPAG has welcomed the resources that Tax Credits have brought directed at tackling child poverty, but they have also brought fearsome complexity and have extended means testing to a larger proportion of the population. A similar (though perhaps less complex) pattern is observable with the Pension Credit. Means testing tends to bring complexity with it since this involves targeting with a test of means—universal solutions (such as Child Benefit) are simpler to administer and simpler to understand.

5. CPAG does not reject the more radical approaches to benefit reform—including the single working age benefit—but we see many significant difficulties for claimants in the implementation of such a scheme, particularly if the backdrop to this is a continued heavy reliance on means testing and broader resource constraint. CPAG sees perhaps greater potential in the process by which DWP and other Departments manage the claimant's experience of complexity.

THE PROBLEMS ASSOCIATED WITH COMPLEXITY

6. Here we explore briefly some of the key problems associated with complexity, and to do so we outline those affecting key means-tested benefits and Tax Credits.

7. *Non-take up.* Key benefits and Tax Credits have low take up. This undermines the implied overall policy goal of getting the correct entitlements to entitled persons and families. Non-take up may be influenced by a number of factors, but complexity leading to lack of understanding of (potential) awards is a major driver. It is no coincidence that the take-up of the universal and relatively simple Child Benefit has been estimated to be 98%⁶ whilst Tax Credits have been estimated at only 80%,⁷ a pattern made more perverse since the latter is specifically aimed at reducing poverty. Non-take up may be caused by a lack of knowledge but in some cases (probably a minority) it might also represent a choice not to participate—bred by an understanding of the difficulties which might well be experienced in the benefits system—as a mother in receipt of Tax Credits and having experienced problems with these put it to CPAG:

I don't trust them, how could I trust them. I'd always be thinking “when am I going to have to pay that back”

In either case—that of difficulty in understanding and accessing entitlements or of someone who expects a bad experience then being put off staying in the system, or applying to it, non-participation damages official anti-poverty objectives.

¹ C & AG's Report, *Dealing with the complexity of the benefits system* (HC 592, Session 2005–06).

² In an oral evidence session on the Departments Annual Review, 23 November 2005.

³ The title of J Bradshaw and A Deacon, 1983, *Reserved for the poor, means test in British social policy* (Blackwell).

⁴ CPAG, *Welfare benefits and Tax Credits handbook 2005–06*, Child Poverty Action Group, 2005.

⁵ Regulation 7 of the Social Security (Decisions and Appeals) Regulations, 1999.

⁶ CH 2 March 2004, col 816W.

⁷ CH 4 July 1995, col 95W.

8. *Claimant error.* We place concern over error above that of fraud because the statistical evidence would suggest the former is a greater problem,⁸ because fraud is falling (where error is not)⁹ and because a concentration on fraud risks damaging the anti-poverty agenda by stigmatising claimants. If processes are very complex, error is quite likely, especially given that poverty may be associated with other factors—such as not having English as a first language or low literacy—which will place claimants at an additional disadvantage in understanding the process of claiming. If processes are complex and if inadequate advice or support (for instance face to face advice) is available then claimant error is quite likely, leading to other problems further on (including non-take up, underpayments and overpayments).

9. *Poor decision-making, official error and inconsistency.* If administrators cannot understand the benefits that they operate (below it is argued that this may not be complexity in itself but rather the failure of systems to manage this effectively) then official error is very likely. High error rates, as witnessed by a well-used appeals process and one which frequently awards in favour of claimants, cause difficulties for claimants (for instance being denied their entitlements) and they cause difficulties for administration in setting these right at a later date. The voluntary sector is often needed to pick up the pieces of this—providing independent advice and assistance to appeal, yet this is, itself, an indication of broader systems failure and good quality advice is not always easily accessible to claimants.

10. *Delays.* Overworked bureaucracy is associated with delay, and delay associated with a poorer claimant experience and quite possibly hardship. Again this problem is not inherent to a complex system, but it probably is to a complex system which is under resourced in its operation. Delays not only cause difficulty for individuals, and can exacerbate child poverty but have a knock on impact on the rest of the social security system (through, for instance, the social fund having to cover shortfalls of other benefits which have not yet been paid).

11. *Benefit interaction.* Since significant passporting links exist within the benefits system (including those to outside departments) the capacity for errors to arise increases. The complexity of links between benefits is probably very poorly understood and it is also quite possible claimants do not know about the existence of some passported benefits (including not only centrally provided provision but local support such as school uniform grants which may be passported from receipt of other benefits). This is worsened by departmental ineffectiveness in sharing data, as witnessed by the recent test case of Mrs Hinchy¹⁰ taken by CPAG, in which the DWP successfully argued that even though one part of it knew about a change of circumstances other parts of the DWP could not be assumed to know about the change—such a basic inability to share records bodes ill for the effectiveness of passporting more generally. Again this factor is worsened by both complexity and poor structures to manage this; CPAG believes there is significant potential to reform the delivery of existing policy to improve its effectiveness and to ease the burden on claimants.

12. *Stigma, time and quality of service.* More generally we would stress that a complex system which requires much of claimants (including stress, time, travel and phone calls), asks them personal questions, particularly around income and family circumstances, and potentially separates them out from their peers (through the means test) risks stigmatising claimants: undermining anti-poverty objectives and punishing people for their poverty. A decent quality of service, delivered through the DWP or other Departments such as Her Majesty's Revenue and Customs, should be a matter of right not luck.

IS COMPLEXITY THE PROBLEM OR THE SYSTEMS WHICH DELIVER BENEFITS?

13. Through constituent casework members of the Committee will be more than well aware of the complexity of the benefits system, exacerbated by poor links across departments and between central and local government. Indeed the existence of dedicated MP hotlines suggests MP support is actively used (quite possibly inappropriately since it is probably time consuming and is only available to those who visit their MPs) to manage problems in certain cases. The link between the systems complexity and the claimant experience is partly through the weight of complex regulations but—critically—through the impact of these regulations on the bureaucracy of delivery agencies such as JobCentre Plus.

14. CPAG believes that the benefits system could both be complex in backroom process but the actual experience of engaging with the benefits system be much more straight forward—if policy were better supported by adequate resources: enough well trained and motivated staff; a decent IT system to support

⁸ For example, in terms of overpaid benefit the DWP have estimated a fraud level of 1% for the Pension Credit, compared to 1.7% customer error and 2.2% official error (therefore 3.9% error). See DWP, 2005, Fraud and Error in Pension Credit from October 2003 to September 2004, National Statistics. For Income Support and Jobseekers Allowance, DWP have estimated 2.6% fraud, 1.2% customer error and 2.4% official error (3.6% error). See DWP, 2005, Fraud and Error in Income Support and Job Seekers Allowance from October 2003 to September 2004 National Statistics.

⁹ Using data for Income support and Jobseekers allowance from several years, between April 2002 to March 2003 fraud was estimated at 4.5%, in the latest available data (October 2003 to September 2004) this stood at 2.6%; claimant error has gone from 0.9% (April 2002 to March 2003), to 1.2% (October 2003 to September 2004); and official error has gone from 1.9% (April 2002 to March 2003), to 2.4% (October 2003 to September 2004). See DWP, 2004, Fraud and Error in Income Support and Job Seekers Allowance from April 2002 to March 2003 National Statistics; DWP, 2005, Fraud and Error in Income Support and Job Seekers Allowance from October 2003 to September 2004 National Statistics.

¹⁰ This case was heard by the House of Lords in February 2005. The case related to a claimant who was overpaid one benefit (income support), as a result of another having come to an end (Disability Living Allowance). The ruling suggested that the claimant had failed to report the change, even though both benefits were administered by the same department.

this and services which are accessible by a number of means (including both through the call centre approach and with available face to face advice). On each count the problem of complexity (in the regulations) is worsened by poor delivery: tackling benefit complexity may mean looking at the extent of regulations but it should also look at the process of delivery claimants receive. The Gershon efficiency savings require significant staff cuts in both DWP and the Revenue—we remain concerned that these may result in higher error and a worse claimant experience.

MEETING COMPLEX NEED

15. The benefits system is undoubtedly complex and this causes problems for both claimants and administrators. However the evolution of the benefits and tax credit system has been one which accrues complexity, either through policy change, guidance or case law, at least in large part to respond to the circumstances of an often vulnerable client group. As such, simplifying—if this were to make benefit regulations more crude and potentially arbitrary—risks reducing this ability to respond to complex need.

16. One key solution is to shift the balance between means testing and universalism since the latter benefits are generally much simpler and better understood than the former, and in partial consequence (along with lack of stigma) they are more effective at getting through to those entitled to them. A (partial) move towards this would be to increase entitlement and coverage of key means tested benefits, thus enabling simpler regulations by having a cruder mechanism of targeting but without removing entitlement for particular groups. If this were not done by increasing the (overall) adequacy of benefits however this risks disorienting those perhaps relatively small groups but who nevertheless have significant and complex needs—there is the risk that benefit simplification, if this were done crudely, would worsen the situation for those with the most complex needs, often the poorest families.

WHO WOULD BE THE WINNERS AND WHO THE LOSERS?

17. CPAG believes that any moves to simplify the benefits system should be well informed by an understanding of who might be the winners and the losers of any approach. We are conscious that the benefits system seeks to meet need, which is inevitably complex and variable, and managing this process is difficult. CPAG is very supportive of universal policy such as child benefit—both in its simplicity and its effectiveness, but we recognise that this policy is expensive. Moves towards simplicity which reduce the claimant experience of complexity are to be welcomed—be they a greater use of universalism (together with the required additional resource), improvements in regulations or improvements in the “front room” experience of the benefits system.

18. Simplification should not be at the expense of a loss of responsiveness (eg to disability) which would create losers in a vulnerable part of the population. Similarly it should not be presumed that increasing simplicity will, of itself, create a more effective system.

19. We end on the example of the Child Support Agency (CSA), a recent example of reform we do not wish to see repeated. The 1999 Child Support Act sought to simplify the formulae for assessing maintenance and in doing so to provide a system that would be easier to administer and therefore be more effective at getting money to children. Ahead of a recovery strategy for the CSA promised for the end of 2005, experience has shown that far from improving delivery, the moves to simplify, and the change process necessary to introduce this, have left an agency mired in administrative difficulty resulting in backlogs, delays and poor quality of service for a vulnerable client group. We urge great care to be taken in considering appropriate steps to simplify the benefits system.

ABOUT CPAG

CPAG is the leading charity campaigning for the abolition of poverty among children and young people in the UK and for the improvement of the lives of low income families. CPAG aims to: raise awareness of the extent, nature and impact of poverty; bring about positive income policy changes for families with children in poverty; and enable those eligible for benefits and tax credits to have access to their full entitlement.

ISBN 0-215-02844-9



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ISBN 0 215 02844 9