Department
for Work &
Pensions

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Rt Hon Meg Hillier MP
Chair Public Account Committee
House of Commons
London
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18 October 2017

Dear Ms Hillier

UNIVERSAL CREDIT (UC): PROGRESS REVIEW

I promised to provide the Committee with an update in the spring on two issues. The General Election and the process for reconstituting the Public Accounts Committee has meant that it was not possible to write earlier, so let me address each point in turn, beginning in each case with the Committee's recommendation.

Recommendation: ***The Department should explain why its flexible approach to system development has been unable to accommodate policy changes announced in July 2015 and should set out clearly what impact these delays will have on operational costs, staff and claimants on both Universal Credit and legacy systems. This explanation should be provided to the Committee by March 2017.***

As I explained to the Committee in evidence (Q13-89)[1] it was necessary to modify the roll out timetable in order to accommodate the Welfare Reforms announced in the 2015 Summer Budget. There is always a limit to what a flexible approach to delivery can bring. Flexibility does not provide unlimited capacity.

The Welfare Reforms that came into effect in April 2017 needed to be inserted into the work schedule for the development of the UC system. This means we had to defer the development of other system features which were necessary to run Universal Credit at scale.

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[1] http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/universal-credit-progress-review/oral/35296.html

In the absence of those features it was in the interests of claimants, staff and everyone else to push back from February to October the point of acceleration. This period allows for the development of the necessary features, so that UC can be expanded safely.

In terms of the impact on our staff, these changes affect the timing of training and recruitment but, as they were announced in July 2016 well in advance of actual training or recruitment, other than timing there is no impact. Staff received communications about these changes as Parliament was informed.

In terms of the impact on claimants, for the vast majority, these changes in the timetable mean that they will move on to UC later (or not at all if their claim terminates before the new date to move to UC). In practice, because we had not announced the locations on the previous timetable claimants would not know they had been deferred. Their actual experience will be to stay on their legacy benefits and/or tax credits, or make a new claim to them.

I have covered the implications for costs in the response to the next Recommendation.

Recommendation: ***The Committee reiterates its previous recommendation that the Department should set out clearly the changes to the business case for Universal Credit since its outline business case in 2015. It should include a brief summary of the policy changes and, using its ready reckoners, a clear explanation of the impact on the Programme's costs and benefits.***

The Committee asked why all of these welfare changes were not reflected in the Outline Business Case (OBC) which was agreed in the autumn of 2015. There are two reasons:

- first, the OBC was submitted in September 2015 before the passage of legislation through Parliament (Q14[2]); at this point in time the OBC was still consistent with government policy

- second, business cases are necessarily very detailed, and not amenable to rapid adjustment with every twist and turn of policy development, whether in the primary legislation or in the subsequent secondary legislation.

It is also worth recalling that at this time there was a lot of pressure, not least from the PAC in the previous Parliament, to produce the Outline Business Case. Externally some people were inferring wrongly that the absence of a business case somehow meant the implementation of Universal Credit was in doubt. So we

[2] http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/universal-credit-recall/oral/25705.html

decided that the OBC should be signed off on the basis of policy agreed at the Summer Budget, in the knowledge that the OBC would ultimately be replaced with the Full Business Case which could reflect any later changes.

The wisdom of this approach can be seen in the fact that:

- the House of Lords' rejected, in October 2015, the changes to tax credits;
- there were subsequent changes to welfare announced in the 2015 Autumn Statement and the Budget in 2016; and,
- there were further changes to welfare in the Scotland Act 2016 and the Northern Ireland Welfare Reform Act 2015.

I also wanted to use this opportunity to make you aware of where we are with the Full Business Case. As you know, our original timetable was to submit the FBC in September 2017, to be informed by the learning that would have occurred from rolling out the full service of Universal Credit. This would have included a 6 month period of rolling out at increased pace. Despite the subsequent changes to the rollout schedule it had been our intention to continue to deliver the FBC to this original timetable. We began preparing this in the summer, and as part of this identified that the actual volumes on Universal Credit were diverging significantly from our forecast volumes. This is exactly the type of learning you expect from the agile approach we have taken with delivering Universal Credit. We could have continued to prepare a business case using the forecast volumes, but it would have had a detrimental impact on the quality of the Business Case as it would have meant the FBC was not based on the resourcing requirements needed to implement Universal Credit.

Universal Credit is still in its infancy (we have 8% of claimants on Universal Credit, and this will only rise to 13% by the end of March 2018) and we are confident that the case for Universal Credit remains (we still expect the NPV in the FBC to be positive after accounting for the policy changes since the OBC). As such we have agreed with Treasury a timetable where I will submit the FBC for their approval in the New Year, with this process concluding by March 2018. This will allow us to fully understand, and take account of, these changes in volumes and ensure the FBC more accurately reflects resourcing plans.

In response to a previous recommendation I agreed to send to the Committee an analysis of the main changes from the Outline Business Case and the Full Business Case. I will send the analysis as promised in the Spring on the completion of the Full Business Case process. We expect that in any revision the case for Universal Credit will not have changed significantly, Universal Credit still represents a value for money programme. and the Net Present Value will remain substantially positive.

Let me turn now to the impact on the public finances, relative to the Summer Budget as set out at Autumn Statement 2016. Overall the changes produce net savings of £19bn through to 2021/22. In terms of investment costs and overall DEL for running the system these changes, in effect, shift costs forward in terms of their profile. Some extra DEL costs arise from developing the Welfare Reform features or in their delivery but these costs are dwarfed by the overall public expenditure savings.

Claimants' relative entitlements with regard to the new and old systems will vary. Some gain, some lose compared to notional entitlements (and in the managed migration phase 2019-2022, transitional protection will be paid to stop claimants seeing a reduction in entitlements; some £1bn is in the forecasts for these costs). It is not possible to model changes below a national level because of data limitations from a national sample used to make calculations.

Recommendation: ***Before the speed at which Universal Credit is rolled out is increased, the Department should ensure that there are sufficient opportunities for staff to engage in testing and learning processes and set out for the Committee what it has done to address staff concerns. The Department should write to the Committee to inform it of action taken by May 2017.***

Staff involvement in the testing and delivery of Universal Credit is considerable, learning the lessons from past implementations of change in DWP. The UC Programme is staffed with people with operational experience and, during the development of the service, operational staff are invited to attend Feature Development Sessions, providing 'intelligent challenge' with an operational focus and an understanding of the impact on the front line and staff.

Staff are also involved in the later assurance of the design, providing supplementary scrutiny prior to the fortnightly Feature Release and input into the design of any learning and development products.

All features have 'success measures' agreed at the beginning of the analysis process and are then re-visited after release to ensure the expected outcomes have been achieved and that the feature has 'landed' well. Any small improvements are delivered immediately and any lessons are fed back into the wider product design. In addition, feedback is received directly from a network of Service Innovation Leads and fed straight into the product/digital team who have delivered over 100 improvements to agents and claimants as a direct result. Staff have reported the satisfaction of seeing dynamic change based on their input.

Staff are also involved in extensive 'in house' design pilots including Case Management and Decision Making and they take part in formal user research. The involvement of these staff is considered an essential part of understanding the end to end agent user experience, and those involved find it invaluable, seeing their feedback acted on immediately and their influence leading to effective and real change.

We also encourage feedback from stakeholders to help develop and enhance the system. Last year the Programme launched a refreshed escalation process to handle questions and queries raised by our external partners through our network of Partnership Managers. The new process provides a single and consistent route way and allows us to improve the knowledge and capability of our people along with feeding any key improvements in to the design process.

The criticism I receive from our people is that the roll out isn't coming to them soon enough. They have heard how good the system is and 'feels'. They know that it has lower fraud and error and better work outcomes, relative to JSA, and they want that.

We continue to work closely with landlords, Local Authorities and other delivery partners and listen to their feedback on the full service. One example of this is the Landlord Portal. Staff reported that they were experiencing difficulties in getting the right information quickly from landlords whilst landlords said they struggled to contact us. So we are developing a Landlord Portal which allows landlords to pass information backwards and forwards with the Department. This has now been trialled successfully, and we will roll out the portal in the areas where we are implementing the UC full service from October, starting initially with the larger landlords.

Yours Sincerely

Neil Couling
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Universal Credit Programme