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Rt. Hon Frank Field MP

25 February 2018

Dear Frank,

Thank you for your letter of 6 February 2018 seeking further information on guidance and unit costs following the Committee's examination of the Project Assessment Review (PAR) documents.

I am pleased you find the approach of depositing the Universal Credit Full Service guidance in the House of Commons Library useful. I remain committed to ensuring this is updated on a regular basis and will ensure we continue to have a refresh of the information every six months. In addition the Library will be updated when there are significant changes such as those announced at the Autumn Budget.

As Neil Couling explained at the last Committee evidence session on Universal Credit, the Budget Changes are being introduced through the early part of 2018 and will all be implemented by the end of April 2018. Therefore, I propose we send the full guidance changes to you at this point in time rather than individually as they are updated. I hope that this will be acceptable to you.

On your inquiry about unit costs, the costs referred to in your letter were derived from the 2015 Outline Business Case. As both the Government, the PAC and your Committee have pointed out, many things have changed since the 2015 business case, such as two sets of reforms, the 2015 summer budget changes and those in the more recent Budget. Those increase the costs of delivery (so will put upward pressure on unit costs) but these are far outweighed by the fiscal impacts overall or changes to the policy Ministers deemed necessary for successful delivery. Those change the underlying expectations of the level of efficiency expected from the administration of Universal Credit.

Moreover, the continuing success of the UK economy, most notably the record employment rate, has meant that the volumes assumptions that underpinned the calculation of the 2015 case have proved far too pessimistic in terms of the number of people going onto UC. For some time, until the Department can adjust its staffing, the number of people working on these lower caseloads will exceed the requirement.

A decision was taken by the SRO, Neil Couling, to increase the staffing numbers for 2017/18 phase of the Programme to build in a margin for dealing with unforeseeable consequences of moving to scale over the course of 2017. Increasing these inputs will at a headline level present as increased costs, but that was all achieved within

the overall Budget for UC. Indeed it is noteworthy that UC has underspent on each of its annual allocations for the past 4 years.

For all those reasons we decided to discontinue the use of the Unit Costs measure for informing decisions on the progress of Universal Credit. In essence its baseline was out of date and it proved too susceptible to exogenous factors and decisions to provide a reliable guide. Work is continuing with the Treasury on providing a more reliable tracker of progress on efficiency to inform the later stages of the programme. When we report on the delivery of business case benefits later on in the Parliament, once roll out has been completed, we will report on efficiency.

Kind regards,



**Alok Sharma MP**  
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