Frank Field MP
Work and Pensions Committee
House of Commons
London
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Dear Frank

2 December 2018

Thank you for your letter dated 17 December 2018. I hope the response below addresses your concerns.

As Robert Chote recognises in his letter to you, the Department of Work and Pensions’ (DWP) analysts and the Office for Budget Responsibility (OBR) have been working very closely together over the last few years to ensure the data, the models and the resulting forecasts are continuously improved to provide the most robust estimate of future welfare spending.

Robert’s letter also recognises the marked improvement of the availability of data that was used to inform the forecast of the Autumn Budget. As this data is new and is being used as the basis of the spending forecast it is vital that the analysts, together with their OBR counterparts, assess its robustness and how well it will represent the future UC caseload.

We have developed a plan with the OBR to improve our modelling infrastructure. As a result, we will, over the next year, move towards a full bottom-up model of Universal Credit. But as Robert recognises in his letter, this is no easy task and it will be important that we maintain the integrity of the forecast during this time.

As detailed below, the Department publishes a comprehensive set of information each month. We consulted with the public, outside bodies and members of Parliament to decide upon what this information should be.

I have set out below, the detailed answers to your questions. You will see that the response to question 1 and 8 is combined; and the response to question 6 and 7 is also combined.

1. Could you please provide the Committee with a note on the main areas of work to be done in terms of processing and understanding UC data, and your planned timetable for tackling these?
   a) Why is there so much work still to be done on processing and understanding the data at this point in the programme?
8. Could you please explain what work the Department did to identify the data it would need, and the data the OBR would need, to monitor the programme effectively before the roll-out of full service began?

The UC datasets are very rich and contain a wider range of information than most of the DWP legacy datasets, for example, the UC datasets contain detailed information on interactions between claimants, work coaches and case managers; as well as separate records for every single event which occurs on the system. Also, the DWP legacy datasets would have been impossible to make available from Day 1.

In addition to the breadth of data available, it is important to understand that, because the caseload is building, the UC datasets are considerably less mature than our legacy datasets, and so analysts and data modellers, who use the data, cannot yet draw on the same depth of collective knowledge. Additionally, UC data contains a lot of Unstructured Data, such as Journal Notes, as well as the more traditional Structured Data, such as a defined database schema, which is typical of DWP legacy benefits. This makes it more complex to analyse. Over time this knowledge base will develop but the newness, rawness and breadth of the data make it extremely complex to process and analyse.

We are working closely with the OBR to understand their information requirements and exploring the analysis they need to assure themselves of the forecast. As part of the Autumn Budget assurance process, we shared a number of new pieces of information that helped OBR agree the assumptions and sign off the forecast.

There is no formal over-arching timetable for tackling these areas of work. However we are continuously improving and developing analytical outputs from the UC data. For example, in the Autumn Budget 2018, we provided data to the OBR with additional analyses on self-employed claimants and of the implementation of the ‘Minimum Income Floor’ (MIF). This allowed us to refine the MIF forecasts incorporated in the Economic and Fiscal Outlook (EFO).

2. Could you please provide a note on what steps you are taking towards providing the data the OBR requires for its “full UC forecast model” approach?

Modelling of Universal Credit is carried out by the DWP and the resulting forecasts are independently scrutinised by the OBR. As the UC data matures, in that there are more datasets available on a wider range of claimants from which we could draw information useful for forecasting, the DWP has begun work on a UC micro-simulation model that will use these data.

This model will concentrate on the numbers of claimants in the various categories of interest. OBR is a member of the Steering Group for this project and has been invited to its project management meetings to get their view on its design and capability. In parallel with this, an ‘Average Amounts’ model is being developed, so that together the two models will meet a wide range of needs. The existing models, based on legacy benefits and data, will continue to be kept up to date while the new models are being built. A period of parallel running is planned.

3. Are you planning to extract data on rates of debt repayments for UC claimants in debt? If so, when do you expect this to be available?
The Department does not routinely collect information on debt; it is not part of the information-gather process, at the initial claim stage. Also, with regards deductions, it is worth noting that the deduction may be a mix of debt repayment and on-going service usage (for example, in the case of deductions for utilities, such as fuel and water). It is not possible for us to break the deduction data down further to provide information specifically on debt and non-debt payments.

We gather data on deductions from Universal Credit and this has been used to answer a number of recent PQs. Once the fuller data has been assured we will take a view from this as to whether we should publish the information on a more regular basis.

4. Average Amounts and element - Does the Department have this data available internally? If so, would you commit to making this information available in statistical publications?

We publish information relating to average awards of claimants and this can be shown for claimants with different characteristics. As UC is tapered at an overall level, it is not possible to decompose average amounts uniquely into the individual elements in a publishable way. However, as mentioned under point 2, we are developing an ‘Average Amounts’ model for UC, which is aimed squarely at meeting the OBR’s needs in relation to the UC forecast.

5. Is the Department now committed to publishing payment timeliness statistics as part of its monthly statistical releases?
   a) Will the Department also commit to publish data on i) payment timeliness by local area, and ii) the lengths of time people are waiting for payments?

The Department will continue to publish data on payment timeliness on a quarterly basis as part of our ‘Households on Universal Credit’ statistical release. We plan to publish payment timeliness statistics on Universal Credit that can be broken down by local area and further geographies for new and all claims paid in full and in part. We also plan to publish the length of payment delays for new claims. Officials are currently assessing this data and will release information once the necessary quality assurance work has taken place. These statistics will be published in accordance with the relevant protocols in the Code of Practice for Official Statistics.

6. Could you please provide the Committee with a note on how you are currently monitoring vulnerable claimants’ experience of UC, and what plans you have to improve this?

7. Could you explain why the collection of data on vulnerable claimants was not considered to be a necessary requirement when designing UC?

Previous markers in the Labour Market System relied heavily upon manual input and were largely static, so this same approach would not mirror the claimant’s circumstances throughout their journey on UC. Markers therefore present challenges when recording data. The Department currently has an alternative method of recording complex needs through the use of pinned notes, building on the previous claimant profile notes page.
Pinned notes are used to support staff in managing and identifying relevant experiences and circumstances of individual claimants, and they are a good way for work coaches to communicate better the circumstances surrounding someone's claim. As they are used frequently for driving conversations with claimants, Work Coaches have the opportunity to review and update the information in pinned notes more often than markers would be.

The Department has explored aggregating free text information (unstructured data) from the claimant profile notes pages through text mining, and found there are challenges in producing reliable statistics using this approach. The Department continues to develop its approach to capturing accurate, aggregate data on claimants, including care leavers and claimants with disabilities. This work is ongoing and has been prioritised for the current UC development phase. The Department will report back to the Committee with an update on its progress in late Spring 2019.

Yours sincerely,

Peter Schofield
DWP Permanent Secretary