Thank you for your letter of 6 March. I welcome your constructive tone; particularly the acknowledgement that Universal Credit (UC) is here to stay. I hope you will read my response as equally constructive. I have tried to both set out where there might be scope to make progress but also, where there is not. I hope you find this helpful.

Work Conditionality and sanctions

You will have heard me say at the Committee on 11 March that I am reviewing the case with the longest duration sanction, so I am open to further discussions with you in this area. We agree that conditionality has a part to play in an effective system of social security but it is right that we review whether the outcomes we seek are being realised as policy was intended. I would be very happy for your Committee to be closely involved in this work.

I have noticed a persistent theme in the Committee and with its recommendations regarding the role of work coaches, their training and their workloads. You are right to identify them as the key element of the welfare state; they do some incredible work that sadly the media seems unwilling to report on. So I wonder if the Committee launched an enquiry into their role it might be an opportunity to set the record straight as well as explore how the role might be developed.

I am also struck by the incredible variety of initiatives and activities going on in localities. I would be happy to provide the Committee with details of these; they represent the very best of innovation and local tailoring that the devolved nature of society demands. One size no longer fits all.
Retrospective payments to people formerly in receipt of the Severe Disability Payment (SDP)

I can reassure you that the Department is ready to calculate and make these payments subject to the passage of the Managed Migration regulations. We will aim to pass those regulations soon so that we can move forward on this commitment.

Freeze Natural migration

Freezing natural migration is not a viable proposition. Significant volumes of changes of circumstances occur in the legacy benefits. As Neil Couling explained to the Committee on 11 March, the resources to administer change of circumstances now reside inside of Universal Credit. We would need to revert resources back into HMRC and LAs (and legacy benefits inside of DWP) in order to administer cases safely. This is not sensible and would take several years to put in place a viable plan, whilst the number of cases on UC continued to grow. Moreover, anyone already moved to Universal Credit through a change of circumstances would have a case to be moved back, or might mount a legal challenge to do so. Unpicking those cases, many of which are now dormant, would be a huge task. In addition, freezing natural migration would mean that many people would be denied higher entitlements under UC; after all, UC spends £2bn more a year than the system it replaces. So whilst I can understand why you have asked this, I hope you can see why we could never agree to it.

Prescription forms

This is, of course, not a matter for me directly; this is the responsibility of the Department of Health and Social Care. I understand they plan to have the amended forms in place this year. They are currently in user testing with pharmacies and when that has completed, they will be in a position to introduce the new forms.

Audit of access to Digital systems

I agree with you that this is a very important aspect. We already have data on this issue included in the claimant survey published in June 2018. I have attached a copy for your information.

Pilots

You will already be aware that UC to date has been characterised by a piloting approach. Therefore, in principle, we have no objections to testing ideas in pilot form. Turning specifically to your suggestions:
(a) is effectively an extension of the two week run on to five weeks. I'm not certain what a pilot would tell us about the relative merits of the idea as it is a direct policy choice to overlap entitlements from the legacy system and UC for a longer period. We strongly believe that the two week run on provides the financial support needed to transition between the old legacy system and the new UC system. So someone receiving two weekly payments will receive an additional payment of their legacy benefit after two weeks on UC, three weeks before their first UC payment is made. We can of course discuss the merits of your alternative proposal but we don't need a pilot to do that.

(b) regarding options for eliminating the 5 week wait on UC, I do understand your position on this and have explored similar ideas to those you have suggested. As you are aware, advance payments are interest free and help people who need immediate financial support. We know that around 60% of new claimants receive an advance payment and that these are generally repaid over the following 12 months, but work coaches can pause or reduce repayments to ensure they're manageable. Jobcentres also provide budgeting support for people who struggle to manage their money.

By simply converting advance payments to grants, we would be paying some people three times for the same payment period – through a 2-week run-on of legacy benefit, their UC entitlement, plus an advance payment.

(c) As you may recall, on the 11 January, I announced pilots to explore payment issues, so your suggestions here are in the same territory. There's often a bit of conflation of assessment periods and payment frequencies in some of the lobbying we both get on this issue but this is an area where we continue to explore what more might be done. Can I suggest we review where the pilots we launched in the spring have got to first; and then we can consider together what more might be required?

(d) We share a concern about people’s ability to manage their finances so I am happy to engage with you in this area. And we have already taken action by reducing the cap on deductions. The maximum deduction rate from the personal allowance in Universal Credit broadly reflects the recovery rates for most debts present in the legacy system. But two things are occurring: first, by collecting the debts from one source, UC is making an opaque system much more transparent; and second, the efficiency of the UC system, which has automated this process, means the DWP is more effective at debt recovery, particularly on tax credits where the lack of a monthly assessment period means large historic and unrecovered debts were allowed to accrue across many years. I would not rule out taking further steps but we have to balance the interests of those who fund the system as well.

(e) with regard the idea of a people's bank – as you are aware from previous discussions on this matter, HM Treasury maintains the ongoing government-wide policy responsibility for matters relating to financial inclusion, including credit unions and affordable credit. The Department is already working closely with Treasury to ensure that this work reflects the needs of claimants – in particular, that there is appropriate and affordable financial products available.
I know we have written separately to you to advise you that the Government remains committed to encouraging and facilitating sustainable services that give people greater choice. I don’t propose including further detail again here. However, it is worth me mentioning that Work Coaches do provide tailored support to claimants, including referral to local services and organisations which provide additional, specialist support on debt and money management.

I hope you find this reply helpful and we can work together on the areas I have suggested.

Best wishes,

The Rt Hon Amber Rudd MP
SECRETARY OF STATE FOR WORK AND PENSIONS