Dear Mr Field

Universal Credit Payment Flexibilities

Thank you for your letter of 21 February 2019 about payment flexibilities in Universal Credit. You will be aware from correspondence with the Permanent Secretary that we are in the midst of discussions with the Scottish Government about proposals for split payments. The Committee is also aware from Kit Malthouse’s letter of 15 May 2018 of the likely challenges of developing a workable policy that is capable of implementation.

Before I turn to attempt to answer the specific questions raised in your letter it might be helpful if I set out the general context for the development of the system. We are in the middle of the implementation of Universal Credit. There is no longer scope to revert to legacy benefits. They are run now on a care and maintenance basis and cannot handle new claims or changes of circumstances, which are now routed to Universal Credit instead, where administrative resources now reside. I don’t think that salient fact is widely appreciated but it does mean that for all intents and purposes UC is now the default system of social security in the United Kingdom.

As a consequence the volumes of people coming onto UC will now grow markedly from the 1.6m at December 2018. Maintaining system stability, something we have done so to date, in stark contrast to many IT programmes across the private and public sector in the past, is something we are both proud of and something we need to maintain going forward. The payment calculator, the code and infrastructure inside of the system, is the key to that. So we need to exercise
caution in making changes to that area of the system if we are to ensure the continuity of payments to some of the most vulnerable in society.

In order to keep the system running and capable to handle the growth in the numbers of people on Universal Credit there are two priority areas, even beyond making policy changes.

First, there is the issue of Technical Debt. This is the inevitable consequences of changes in software that require changes in our system plus the continued need for the platform to manage a greater number of claimants at the same high levels of stability and security. UCFS is in fact dependent or integrated with 40 different systems. As changes are made to those we need to make changes to UCFS. So I need to leave space in the development plans for that activity.

Second, are the changes which enable the system to be more effectively run. I have written to you recently about the welcome news that our Unit Costs continue to fall. That’s a function of changes in the caseload mix and the deployment of efficiencies. We project the number of cases our staff will be able to manage can increase, if we enable that by deploying system enhancements. Without those the administration is at risk of being overwhelmed by numbers. So this is a critical area that must feature heavily into our forward plans.

And then of course there are policy changes, changes to scope. Ideally from a project delivery perspective these should be kept to an absolute minimum. Of course for any area of public policy delivery one expects some but they need to be planned in carefully so as not to disrupt the above. Before the rollout of Universal Credit was complete I had the option of modifying to roll-out plan to accommodate policy changes (as we did for example with the changes in Budget 2017). But with rollout now complete that option is no longer open and any policy changes need to be scheduled around the efficiencies and technical debt changes as happened with the Budget 2018 changes which have dates into 2021.

That means Ministers, both in the UK Government and in the Scottish Government too will need to prioritise. By way of an example we will need to ask Scottish Government Ministers about the relative priority of their desires to reintroduce the spare room subsidy in Scotland and split payments proposals. And those themselves will need to be scheduled with other policy changes and commitments Ministers in the UK Government have made.

As I said at the outset I am currently exploring with Ministers of both Governments how to realise their policy ambitions. Policies in respect of those are not finally settled, we are still exploring options and possibilities. When that work is complete I can then take a look at how they might be accommodated and the costs and likely timescales for that. But given the integrated nature of the plan above it isn’t possible to consider items in isolation and offer advice to the Committee on that, particularly on payments as one policy, split payments, could have implications for another, payments to landlords of rent.

Finally you asked about the extent of automation in the system to date in these areas. We have partly automated the Scottish Choices arrangements, as part of our work with the Scottish Government. Similarly for Direct Payments to landlords,
there is some though not complete automation, primarily for the social rented sector landlords. There, in our current phase of development, we are seeking to address the concern of social sector landlords about how bulk payments of rent are made to them. Split payments are not automated, as I have explained before, and there are no arrangement to pay childcare direct to childcare providers that feature in either our processes or policy.

I hope this is helpful.

Yours Sincerely

Neil Couling
Director General, Universal Credit Programme
