From the Chair

21 November 2017

Rt Hon David Gauke MP
Secretary of State for Work and Pensions
Department for Work and Pensions
Caxton House
Tothill Street
London
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Universal Credit

Thank you for your letter of 13 November. It may well be the most extraordinary I have yet received from the Department on Universal Credit (UC), against some not inconsiderable competition. It served to reinforce my grave concerns about the quality of the advice you are receiving from Neil Couling and his team.

Economic impact

With regards to the employment impact of UC, the letter states that "it is misleading to draw a distinction between the two services" (live service and full service), as "the underlying policy for both is the same so any comparative analysis will hold true for both systems". This is a ridiculous assertion: the households affected are very different. The live service covers single, unemployed people without dependents. By contrast, the full service applies to people with far more complex circumstances, including dependent children, caring responsibilities for other family members and disability, which may well mean they will respond to different incentives and may find it more difficult for them to find work or fit it around their other commitments. The employment effects of the policy on households with such contrasting characteristics could very reasonably be expected to be different.

You say you have "no plans to expand the comparative analysis into debt as the evidence shows debt as a temporary phenomenon". If your junior ministers support this assertion of short term debt, why have they set in hand a major study to test if this is true?

1. Could we please see this reassuring evidence of the effect of the full service on debt levels, compared to a control group?
At Work and Pensions Questions on Monday 13 November, the Parliamentary Under-Secretary of State, Caroline Dinenage, said that the Department is "currently undertaking work to investigate the reality of rent arrears in universal credit. It aims to understand the true level of rent arrears for tenants, what is causing them, and any impacts universal credit may be having". This followed a similar response to a written question in July 2017, which referred to work with "in conjunction with a housing association".

2. What please are the terms of reference for this rent arrears investigation, when will it be completed and will the full results be published?

Neil Couling’s letter of 18 October to the Public Accounts Committee explained that the production of the full business case (FBC) for UC would be delayed further, to Spring 2018. Mr Couling continued:

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.³ [sic]

That may be true, but in the absence of the publication of the FBC, its underlying assumptions or the promised analysis of the changes since the outline business case (which has also been delayed), it is impossible for Parliament to scrutinise the accuracy of that claim. I do not think it should have been made.

Rollout schedule

In his letter to the Public Accounts Committee, Neil Couling said that DWP staff were impatient for UC to be rolled out faster:

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’.⁴

3. Do you please have any data to support this claim?

Halton Housing Trust evidence

Your letter seeks “to draw a contrast to how the Trust reported the impact of Universal Credit in their most recent set of annual accounts” with their written evidence. I really am not sure what point you are trying to make.

- While it is true that the Trust annual accounts state that their arrears performance had “remained consistently strong” and that they had “provided

¹ HC Deb, 13 November 2017, Col 16
² Written question 4820 (answered on 18 July)
³ Letter from Neil Couling CBE to Rt Hon Meg Hillier MP, 18 October 2017
⁴ Letter from Neil Couling CBE to Rt Hon Meg Hillier MP, 18 October 2017
wisely during the year for Universal Credit cases that are in arrears and higher balances that we are carrying from former arrears”, this surely reflects well on the Trust’s financial management rather than UC. As the sentence you quote continues, “we have set our void and bad debts budgets prudently knowing some of the challenges that we face”.\(^5\) Earlier in the document, the Trust notes that, in its financial planning, it has anticipated the impact of full service UC by increasing its bad debt provision by £570,000.\(^6\) The Trust has budgeted for the consequences of UC. That does not mean the policy is working.

- Elsewhere in the document you cite, the Trust expresses concern about UC. The report says the Trust was “proud” of its performance “given the issues we have encountered during the year with the full service roll out, which centre around communication, inconsistency of service from DWP leading to uncertainty on action and delays in processing claims”.\(^7\)

- Regardless, while the 2016-17 accounts cover the full gamut of the Trust’s activities for that financial year, their evidence to the Committee on UC focused on the terms of reference of our inquiry. Are you suggesting that we should discount the evidence? The latest memorandum provided by the Trust covers the period to October 2017. It builds on their Chief Executive’s oral evidence to the Committee of January 2017 and their written evidence of March 2017 and September 2017.\(^8\) Combined, these present a worrying picture of the consequences of UC in an area that moved to the full service in July 2016.

I reiterate that I found Halton Housing Trust’s evidence compelling and deeply concerning. I look forward to receiving a serious response to it.

With best wishes and I look forward to hearing from you,

Rt Hon Frank Field MP
Chair

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\(^6\) Halton Housing Trust, *Group Report and Financial Statements*, year ending 31 March 2017, p12
\(^7\) Halton Housing Trust, *Group Report and Financial Statements*, year ending 31 March 2017, p20
\(^8\) Oral evidence on 23 January 2017; follow-up correspondence of 25 January 2017; UCU0064 (March 2017); UCR0008 (September 2017); UCR0120 (October 2017)