



Department
for Work &
Pensions

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Right Hon Frank Field MP
Work and Pensions Select Committee

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Dear Mr Field

National Audit Office – Rolling Out Universal Credit (UC) Report

Thank you for your letter of 25 June 2018. You will recall that we touched on some of the issues raised below in the evidence session of 27 June; but for completeness, which may lead to some repetition, I shall reply in full.

The Major Project Review Group's (MPRG) comments, with regard to achieving a managed migration plan, were related to the then ongoing process to secure collective agreement to the policy changes. This requirement has since been met, as outlined by my Secretary of State to Parliament, on 7 June 2018.

As the Universal Credit Programme's Senior Responsible Owner, I very much welcome their injunction of no further policy changes. The successful delivery of projects and programmes relies, in part, on controlling the scope. Where this doesn't pertain, you will often see changes to the timetable, cost or quality. In regard to UC, the first of these, extension to the timetable, has been seen; something the NAO recognises in their report (see paragraph 1.18). So if we can all work to keep big policy changes to a minimum, the successful delivery of UC will continue.

Turning now to your questions. In your first question, related to success measures and the disparity between the Department's perceptions of success and stakeholder perceptions, it may help if I explain the context of the MPRG's comments on benefits realisation. MPRG recognised the huge amount of work by the Programme and HM Treasury on establishing metrics to determine whether the UC Business Case benefits had been realised. Ultimately, judgements will not be conclusively made until the post implementation review, which cannot be completed before the Project closes in 2023. But I have committed to providing regular updates.

The success measures relate to the objectives for UC which are set out in the NAO report on page 13, Figure 1. For your convenience, I have listed them below.

Universal Credit Objectives:

- Deliver full employment
- Control welfare costs
- Improve efficiency
- Prevent fraud and error
- Provide a safety net

These cannot be a matter of debate or agreement and constitute, as I outlined to the Committee, my responsibilities for delivery to Parliament in my appointment letter.

In your second question, you have asked what steps the Department is taking to continue to improve payment timeliness. The data in the NAO report focussed on the period before the expansion of the Universal Credit service in October 2017; when we know there were problems. The data also pre-dates the Autumn Budget changes. We know, and the NAO report records, that the position since then has improved. We have published some information that updates the figures in the NAO report on Monday 9th July. This shows that 83% of new claims to UC receive full payment and 90% receive some payment within the first assessment period.

What we can conclude from this data is that there are reasons why (full) payment cannot be made in the first assessment period. The reasons include outstanding verification issues, where claimants need to provide more information; or where claimants need to agree to their commitments, as part of the claim process. As the NAO report makes clear, the Department should not make payments in that circumstance: it has after all been the cause of 30 years-worth of qualification of the Departmental accounts. As discussed in previous correspondence, advance payments exist to prevent hardship in any gap between claiming and verification.

Ultimately, any improvement in timeliness relies on completing verification more quickly, or timely completion of Claimant Commitments before payment in due. This relies on claimants turning up more consistently for interviews scheduled; this was highlighted to the Committee on the 27th June. Also, on the Department's part, the continuing automation of the system, such as the continued roll-out of the landlord portal, automatic links between other Government systems such as the child benefit system and improvements in existing policies and processes, such as those in respect of the Habitual Residence Test, will see improvements. But as the NAO report makes clear, it will never be possible to get to 100% and there is no silver bullet, improvements are likely to be gradual.

In your third question, you ask about the decline in payment timeliness to April 2018 and whether we should now expect it to improve. The general trend in payment timeliness is a gradual upward one. This was arrested in March for the reasons outlined in the NAO report, at paragraph 2.20, but appears to have returned now to this upward trend. It is not possible to isolate in the data the specific contributions of the various events outlined in the NAO report but it is worth noting that for some days the so-called "Beast from the East" weather event took out 60% of our productive capacity in service centres and prevented claimants from attending jobcentres to complete verification activities.

But you are right to assume that mismatches in volumes and available staffing will impair our ability to clear work: the primary cause of the performance dip in early 2017, which you can see in the timeliness data. That is why for the October expansion, I included extra staffing to hedge against that risk. Of course that decision served to temporarily increase the costs position against the notional plan (and that has provoked criticism, most of which in my view is unjustified). We took a claimant first approach of making sure there were more than enough people on hand to process claims at a temporary cost. I hope the committee will welcome that decision and not join the chorus of criticism about this temporary increase in costs.

As mentioned above, we continue to roll out improvements to Universal Credit that will improve payment timeliness, including the ability for claimants to book appointments online at the point of claim. Also, the continued roll out of the Landlord Portal is already having a positive impact on rent verification rates. However the point remains that in order to make a full payment we need to have verified the information provided and if there is any delay in the provision of that information, then it is likely to delay the payment.

With regard your fourth question related to advance payments, we expect to recover virtually all advances. The assumption in the Government's forecasts, accepted by the Office for Budget Responsibility (OBR), is that more than 99% of advances are recovered. The scam highlighted in the report was from the early days of UC. Claims are now doubled checked and the fact that from July claims can be made on line, will flag to case managers that repeat claims are being made. We are pursuing recovery action against the individual highlighted in the NAO report as we do in all advances cases.

In question 5, you ask about fraud and error in Universal Credit and how the Department can be confident that it will fall in coming years. I believe this, and the reasons why we have seen an increase, can be explained in paragraph 3.28 of the NAO report. I have copied it below for ease of reference.

"The Department has begun to measure fraud and error in Universal Credit, although the initial estimates produced cover live service only and it does not plan to publish separate Universal Credit full service estimates until spring 2019. The Department's preliminary estimates for 2017-18 indicate overpayments of 7.2% and underpayments of 1.3% (2016-17 preliminary estimates: 4.8% and 1.2% respectively). It is likely the level of fraud and error in Universal Credit will fluctuate as claimants increase, systems and procedures continue to roll out, and the methodology for estimating fraud and error develops. It is therefore too soon to comment on trends, but we have previously commented that the Department must understand the causes of Universal Credit fraud and error identified to date and respond to these promptly."

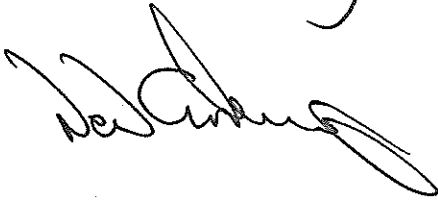
We are confident that we will achieve those savings and it is perhaps worth noting that the OBR, who in the past have been sceptical about UC forecasts in general, have scored the fraud and error savings in the forecasts. We infer from this that they share our confidence about the realisation of these savings. The Department has a

good track record of reducing losses from fraud, with big reductions from the 1990s. We will bring that experience to Universal Credit.

Your final question refers to the Department using different definitions of 'fraud and error' for different purposes and whether there is a better way of defining it. In their 2004 report into Tax Credits, the PAC complained that the losses from annual adjustments to tax credits did not appear in the Government's accounts or calculations¹. They clearly felt this was masking some fraud and error losses (you may recall this as you were a member of PAC at that time!). Through Universal Credit, these losses are eliminated so we think it is quite right they should be included in our estimate of Fraud and Error savings. This is a net saving to taxpayers and frankly, whether someone wants to categorise it as fraud and error or not, I'm really not that fussed - it is a bona fide saving whatever label is assigned to it.

I do hope you have found these responses helpful.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Neil Couling', with a large, sweeping flourish at the end.

Neil Couling
Director General, Universal Credit Programme

¹ para 17

<https://publications.parliament.uk/pa/cm200304/cmselect/cmpubacc/89/89.pdf>