



The Rt Hon Frank Field MP
Chair of the Work and Pensions Select
Committee
House of Commons
London SW1A 0AA

13 November 2018

Dear Frank

Thank you for your letter of 6 November 2018. I am pleased that you welcome the changes that we have made to Universal Credit (UC), as represented in the draft Universal Credit (Managed Migration) Regulations 2018. This is following the Social Security Advisory Committee's (SSAC) consultation and the additional changes to Universal Credit announced in the Budget. I am also pleased to note your continued support for the aims of Universal Credit.

I have provided answers to your questions below:

Benefit run-ons

- 1. What arrangements is the Department making to ensure that those claimants subject to "managed migration" prior to July 2020 benefit consistently from this additional support?**

In the draft regulations, there is a provision for a Discretionary Hardship payment. The Department plans to use these payments to provide consistent support for the claimants who will be managed migrated as part of the testing phase.

- 2. Exactly how will these run-ons work in practice for claimants? It would be hugely helpful to have worked examples to illustrate what will happen, and especially how many claimants will be left without any payment for a period of time, and for how long in each scenario.**

The 'run-ons' will work in a similar way to the Transitional Housing Payment, from which claimants are already benefiting. In relation to worked examples, it is not possible to provide the Committee with a set that illustrates this because this would very much depend on an individual's own circumstances and benefit combination, as well as their payment dates and the interaction between this and the date that they claim UC.

It is worth noting that claimants will also be eligible for the support that is already in place for claimants who are moving to UC, such as up to 100% advances repayable over a 12-month period and the Transitional Housing Payment, where appropriate.

The migration process

- 3. If a claimant fails to make a claim before the deadline, or within the grace period, what will the Department do? For example, will you proactively follow up with claimants who fail to make a new claim for UC?**

As the Minister for Employment and Neil Couling explained during the Oral Evidence session on 18th October, we intend to have a four to six-month warm-up phase before we formally start the migration process. This will help to orient claimants and give advice about what preparations they may need to make so that it is easier for them to claim UC, for instance to make sure that they have an email address and bank account. We are also working with partner organisations and charities to raise awareness of UC and the migration process.

During the notification period, the Department will send reminders to claimants who have not claimed UC to prompt them make a claim to UC before their deadline day. In the event that a claimant fails to make a Universal Credit claim before their deadline day, DWP staff will check for evidence of complex needs or vulnerability before the legacy benefits are stopped to ensure that these claimants are safeguarded.

- 4. How will you ensure that claimants who do not respond to your communications during the notice period are not left destitute?**

Claimants will not be left destitute. We will be using a variety of different communication methods and are working closely with stakeholders to ensure that claimants are managed migrated to UC successfully. 'Successful Managed Migration' is the underlying ethos upon which our plans are being developed. That is what we mean by 'Managed Migration'. Also, and as mentioned above, we announced in the Autumn Budget that we are introducing a two-week run on for income-replacement benefits in the light of SSAC's recommendation.

The need for new claims

- 5. In what circumstances might someone currently receiving existing benefits not wish to make a claim for Universal Credit?**

Until we begin testing managed migration, we will not know the reasons why particular individuals may not wish to move to UC.

- 6. Why is it so likely that data the DWP currently holds about claimants is wrong? How many claimants have you found whose data is incorrect?**

While it is a legal requirement for claimants to ensure that they notify the relevant Department of changes of circumstance, we know that a significant number do not do so. UC replaces 6 benefits, and some claimants assume that reporting the change to one benefit area covers all the benefits which they receive. This is not the case, so it is likely that we hold different information about the same claimant on the different

systems. One of the benefits of UC, is that once a claimant moves to UC, they will only need to report a change of circumstance once.

7. Given that claimants will continue to receive legacy benefits for several years, what steps are you taking to improve the quality of your data?

We have processes in place to ensure that information is as up-to-date as possible but as mentioned above, some of the information within legacy benefits may not be up to date and, therefore, inaccurate. Implementing a claim on inaccurate data will lead to inaccurate awards and claimants not receiving the money they are entitled to. We want to ensure that everyone gets what they are entitled to. Universal Credit provides a unique opportunity to improve the quality of the data.

8. May we ask you please to look again at this proposal?

We know claimants are currently not getting all the entitlements they are eligible for on legacy. Requiring claimants to make a new UC claim will ensure that people will not miss out on any entitlements (£2.4bn additional support going to 700,000 families who currently don't take up their full entitlement).

We pre-populated benefit systems as part of the Incapacity Benefit (IB) to Employment and Support Allowance (ESA) conversion and have been criticised since for missing claimants' entitlements. You specifically charged the Department to learn the lessons from IB to ESA for the Managed Migration of UC. We are; we are not going to make the mistake of pre-population again.

Nevertheless, we have said that we will use existing decisions or verification to make aspects of the process easier. For example, if a claimant has an existing WCA decision, they will not be required to have another assessment in order to get the disability elements of Universal Credit. Where a Tax Credit claimant has already verified their identity, in order to make and maintain their Tax Credit claim, we may be able to reuse this digital registration to the benefit of the claimant. Also, for claimants who do not have any work-related requirements, we already operate a digital claimant commitment acceptance process and we will carry that forward as part of the managed migration process. This will mean a significant number of claimants will not need to attend a face-to-face interview.

Defining "success criteria"

9. Why will the "success criteria" for managed migration not be set until 2020, given that some claimants are expected to move onto Universal Credit in the second half of 2019?

The testing phase will provide the evidence base to determine the success criteria for managed migration. The Minister for Employment and Neil Couling discussed this subject extensively with the Work and Pensions Select Committee during the Oral Evidence session on 18th October 2018.

10. Why did you not accept the SSAC's recommendation that tests for readiness be set before testing begins?

There is no basis to determine testing of readiness for tests, this is an exploratory phase, which we are co-designing with stakeholders. As mentioned in our response to SSAC on their recommendation regarding readiness, testing is vital in allowing us to finalise our plans, including supporting us to determine the criteria that judge whether the Programme plans are mature enough to support moving larger numbers of people through managed migration.

The 'Test and Learn' planning approach has, and will continue to, support operational readiness and decision making. It is more sensible to set the criteria after and informed by the test; a point SSAC accepts.

11. In the absence of specific tests, how does the Department plan to ensure that its systems are able to provide an appropriate level of service and safeguards for the first claimants to be migrated to Universal Credit?

The small sample size of 10,000 claimants will ensure that the Department can closely monitor the first claimants to be migrated to Universal Credit; as well as ensuring that there will be an appropriate level of service and safeguards in place. Just as we managed in Sutton in 2014-15. We are also working with external organisations and claimants to co-design the managed migration process so that it works for claimants.

Impact assessments

12. What role will the Impact Assessment play in your decision to increase the scale of managed migration? Why is it not possible to produce it sooner than 2020?

In response to the first part of your question, the Impact Assessment will be one of the factors considered in our decision to increase the scale of managed migration as the assessment will consider the impact on various protected groups.

With regards to why we are unable to produce it sooner than 2020; you will have noted that SSAC's recommendation was based on the assumption that testing would begin in January 2019. As we are now beginning the test from July 2019 and we need to define and test the processes that need to be assessed, we have agreed to publish the Impact Assessments in 2020.

13. In the meantime, will you publish the iterative Equality Assessments referred to in your response to the SSAC report?

The Impact Assessment, which the Department has agreed to publish, will assess the impacts of the processes as defined by the testing period, and will also include any pertinent information from earlier iterations.

Tax credit claimants with capital over £16,000

14. Will you publish the cost-benefit analysis that led you to reject this recommendation?

The proposed approach gives tax credit claimants with capital over £16,000 time to adjust to Universal Credit. In addition, developing different entitlement assessment rules for these cases would require a separate administrative system that would not provide value for money. Taking account of this, we believe the proposed approach strikes the right balance to providing protection for tax credit claimants with capital in excess of £16,000.

Worked examples

15. Will you publish a set of worked examples in time for debates in both Houses on the regulations? These examples should cover different scenarios, as recommended by the SSAC, and proactively be made available to MPs and Members of the House of Lords.

As outlined in the Government response to the SSAC report, we will discuss with SSAC what further examples are required and the value of providing such examples. Should further examples be required, we will make these available to Members of Parliament and the House of Lords, before debates.

Support for the self-employed

16. Does the Department intend to extend the length of the Start up Period itself? If so, for what duration?

The Department does not intend to extend the length of the Start-up Period. We have announced that we are standardising the period that claimants will not be subject to the Minimum Income Floor (MIF), to 12 months, so that all gainfully self-employed claimants on Universal Credit, regardless of whether they move via natural or managed migration, or whether they start up a new business while claiming UC, will have the same amount of time before the MIF is applied.

17. Which groups of claimants will become eligible for a Start up Period under this announcements, who were not previously eligible?

Claimants who are managed migrated will all be eligible for the 12-month grace period from July 2019, whereas claimants who migrate naturally will be eligible for it from September 2020.

Debt and deductions

18. Might you please provide a note explaining the Department's rationale, and any supporting analysis, for deciding on a cap of 30%?

After careful consideration and led by feedback from charities and stakeholders, we decided to reduce the deductions cap to 30% of the standard allowance (not the full UC award). We believe that this strikes the right balance between protecting tax payers' money and supporting claimants.

It is estimated that this change will help over 600,000 families to manage their debts at any one point when roll-out is complete, providing them with, on average, £295 extra a year as their debts are repaid over a longer period.

This change will ensure that claimants with the highest rate of deductions will keep more of their monthly payment. It will benefit those claimants who are experiencing difficulties due to the current deduction rate of 40% of the standard allowance and give them more freedom to choose how they use their UC award.

a. What proportion of claimants do you anticipate will be paying back loans at the maximum rate follow [sic] this change?

We expect that around 3% of the UC caseload once UC is fully rolled out would be repaying advances at the deductions cap of 30% of the standard allowance.

b. What proportion of claimants will see a reduction in their debt repayments as a result of this change?

Based on the current number of eligible claimants, 12.6% will see a reduction in their debt repayments.

19. Does the Department have any plans to review the deductions caps of 15% for single claimants, and 25% for couples?

There are no specific deduction caps for single or couple claimants. There is a cap for the repayment of Tax Credits, Housing Benefit and normal DWP benefits overpayments of up to 15% where the claimant, whether single or a couple, is not earning and up to 25% where they are earning above the work allowance.

20. Are repayments for Advance Payments to be included within the 30% cap?

Yes, repayments for Advance Payments will be included within the 30% of the standard allowance cap. As they are today within the 40% cap.

21. Even under the existing 40% cap, we have heard evidence of people having far more than 40% deducted from their standard allowance. Will

you look at bringing all debt repayments within the cap, so that the maximum deduction really is 30% of the standard allowance?

As with the current 40% maximum deduction rate we will only take deductions above the new 30% rate where they have a Fraud Penalty, Sanction and as a last resort deduction e.g. for arrears of service charges, rent, gas and electricity. They are only taken when it is in the best interests of the claimant and their family, to help prevent them being evicted or having their fuel supply disconnected. Introducing a universal cap at 30% would remove this essential protection and put the claimants at risk. I am sure that this is not something that the Committee would want to see.

I hope this information is helpful.

A handwritten signature in black ink, appearing to read 'Esther McVey', with a long, sweeping flourish extending from the bottom right.

The Rt Hon Esther McVey MP
SECRETARY OF STATE FOR WORK AND PENSIONS