National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Rolling out Universal Credit

HC 1123 SESSION 2017–2019 15 JUNE 2018

Key facts

£1.9bn
spend to date on Universal Credit, comprising £1.3bn on investment and £0.6bn on running costs

£8.0bn
Department for Work & Pensions' expectation of the annual net benefit of Universal Credit, which remains unproven

113,000
Number of late payments of new claims in 2017

	Position as at March 2018	Forecast (2024-25)
Caseload (claimants)	815,000 (490,000 on full service and 325,000 on live service)	8.5 million
Caseload (households)	660,000 (Most recent figures December 2017)	6.6 million
Number of claimants per work coach (those who have a dedicated work coach)	85	373
Number of claimants per case manager	154	919
Cost per claim	£699	£173
Percentage of claimants able to verify identity online	38%	80%
Payment in full and on time in the first assessment period	79%	No target

Summary

1 The Department for Work & Pensions (the Department) is introducing Universal Credit to replace six means-tested benefits for working-age households: Jobseeker's Allowance, Income Support, Housing Benefit, Employment and Support Allowance, Working Tax Credit and Child Tax Credit. In doing so, it aims to:

- encourage more people into work by introducing better financial incentives, simpler processes and increasing requirements on claimants to search for jobs;
- reduce fraud and error; and
- reduce the costs of administering benefits.

2 The Department started work on Universal Credit in 2010 with an original completion date of October 2017. However, the government reset the programme in 2013 after a series of problems with managing the programme and developing the necessary technology. In our 2014 report, *Universal Credit: progress update*, we reported that the Department had stabilised programme management, but had introduced a complicated overlapping set of systems and rules.[1] In 2016 the Department announced a revised plan to complete in March 2022. On 7 June 2018 it announced a further delay to the completion of the programme to March 2023.

3 The delays to the programme and changes in scope mean Universal Credit cannot be easily compared with its original plans. The complicated legacy of early failings means the Department has adopted a more adaptive, iterative and incremental approach to implementation. In order to assess the value for money of the Department's introduction of Universal Credit in this more incremental approach, we consider:

- how the Department's plans for Universal Credit have evolved (Part One);
- whether its adaptive and incremental approach is ensuring Universal Credit works for claimants and the organisations supporting them (Part Two); and
- ultimately, the prospects for Universal Credit achieving its aims (Part Three).

1 Comptroller and Auditor General, *Universal Credit: progress update*, Session 2014-15, HC 796, National Audit Office, November 2014.

Key findings

Evolution of Universal Credit

4 **Universal Credit is a highly ambitious reform programme that struggled with early development.** The Department set out in 2011 that in return for £2.2 billion investment it would transfer eight million households to Universal Credit by 2017. It expected that 300,000 more people would move into work, that it would reduce fraud and error by £2.1 billion a year and that it would save £0.4 billion a year in administering benefits. However, the Department struggled with the early development, with problems with governance, contractors and developing a full working system. This led to the programme being reset in 2013 (paragraphs 1.4 and 1.5, and Figure 1).

5 **Following the reset, the Department chose a twin-track approach to rolling out Universal Credit.** From 2013, the Department chose to develop two different strands for Universal Credit. It started to build its long-term digital solution, known as *full service* over many years, while making use of the systems it had built before the reset for its *live service*. This dual approach was more expensive but the Department expected that rolling out live service would bring forward many of the benefits and reduce risks. The Department spent £837 million on live service, making it available to single claimants nationwide and to couples and families with children in north-west England from 2015. The Department closed live service to new claims in December 2017 and expects to decommission it in July 2019 (paragraphs 1.6 and 1.8 to 1.10).

6 **The Department's programme plans have changed several times since the reset.** The agile approach to developing systems and managing the programme has allowed the Department to adjust its plans based on what it learns about what does and does not work, and to re-prioritise activities to allow policy and other necessary changes to be incorporated as the system is developed. However, in order to incorporate the changes, the Department has needed to delay or slow down the rollout of Universal Credit. For example, since July 2016 the Department has slowed the rollout of full service to jobcentres three times as a result of policy and other changes, and in early June 2018 it announced an additional year until the completion of migration. In addition, the Department has developed additional functionality in response to its iterative approach, which has delayed the automation of the full service (paragraphs 1.11, 1.12, 1.16, 1.18, 1.19 and Figures 2, 4 and 5).

7 Universal Credit is still at a relatively early stage of progress. The Department started to make its new full service system available to all claimants from 2016 and expects it to be available in all jobcentres by the end of 2018. It has spent £1.3 billion of its investment so far on creating Universal Credit, and £600 million on running costs. About 10% (815,000) of the eventual number of claimants are now claiming Universal Credit. Once the full service is available nationwide, and once regulations are in place, the Department will start to migrate existing claimants from legacy benefits on to Universal Credit. The Department now expects this to complete in March 2023 (paragraphs 1.20, 1.21 to 1.24, 3.7 and Figures 6 and 21).

8 The Department does not have a realistic alternative but to continue. Its incremental approach has led the Department to make many changes to its jobcentres, its digital systems and the working practices of the 12,000 people working on Universal Credit. As it has rolled out Universal Credit to more claimants and areas, these changes have become increasingly embedded across the Department. It would be both complex and expensive to revert to legacy benefits at this stage (paragraphs 1.12 and 1.13).

Current experience of Universal Credit

9 Some elements of Universal Credit are working well. By 12 April 2018 the Department had rolled out its digital system to 258 jobcentres. A survey of live service claimants found that claimant satisfaction levels were similar to those on legacy benefits and in our visits to jobcentres we observed good relationships between work coaches and claimants. The staff that we spoke to told us the systems had improved significantly since their first introduction (paragraphs 1.13, 1.17, 2.2 and Figure 7).

10 Some claimants have struggled to adjust to Universal Credit. We spoke to local and national bodies that, together, work with a significant minority of claimants. They showed us evidence that many of these people have suffered difficulties and hardship during the rollout of the full service. These have resulted from a combination of issues with the design of Universal Credit and its implementation. The Department has found it difficult to identify and track those who it deems vulnerable. It has not measured how many Universal Credit claimants are having difficulties because it does not have systematic means of gathering intelligence from delivery partners. The Department does not accept that Universal Credit has caused hardship among claimants, because it makes advances available, and it said that if claimants take up these opportunities hardship should not occur. However in its survey of full service claimants, published in June 2018, the Department found that four in ten claimants that were surveyed were experiencing financial difficulties (paragraphs 2.5 to 2.11).

11 **One in five claimants do not receive their full payment on time.** The Department paid around 113,000 new claims late in 2017, approximately 25% of all new claims. On average these were paid four weeks late. The Department improved payment timeliness from 55% to 80% over the course of 2017. However, it does not expect payment timeliness to improve significantly in 2018. It believes 100% payment timeliness is not feasible because the Department depends on claimants supplying information to verify the claim to ensure it makes payments in accordance with the law. We estimate that between 270,000 and 338,000 claimants will be paid late during 2018 (paragraphs 2.12 to 2.20 and Figures 9 to 12).

12 **Universal Credit is creating additional costs for local organisations that help administer Universal Credit and support claimants.** Local authorities told us that they have faced additional burdens during the development of Universal Credit, such as through increased administration for processing Housing Benefit stop notices. Local authorities, housing associations and landlords have seen an increase in rent arrears since the introduction of Universal Credit full service, which can often take up to a year to be recovered. There has been an increase in the use of foodbanks in at least some areas where Universal Credit full service has been introduced, and a greater demand for advisory and advocacy services. The Department has acknowledged and compensated local authorities for some additional costs. It told us that it will pay for additional costs if authorities can prove them. The Department places the burden of proof on authorities, uses its discretion in assessing claims, and has not sought to systematically collect data on these wider costs. However, these extra costs are not included in the Department's estimates of the programme's costs (paragraphs 2.26 to 2.38, 2.43, 2.44 and Figures 14 to 17).

13 **Organisations told us that the Department has been unresponsive to issues they raise.** The Department holds discussion forums with external organisations, and attributes many differences to views about policy rather than the implementation of Universal Credit. It has responded to purely operational concerns – for example, by improving the wording of claim forms – but has not been clear about how it tracks and responds to the operational impacts of policy design choices. Where cumulative concerns have led to parliamentary interest and the government has announced changes to the policy, the Department has helped to design and implement changes (paragraphs 1.14, 2.39 to 2.44 and Figure 3).

Future prospects for Universal Credit

14 **The Department has a lot to do to improve the efficiency of Universal Credit systems.** So far the Department has provided enough functionality to run a basic system, but many processes are still manual and inefficient. For example, the Department significantly overestimated the number of claimants that would be able to confirm their identity online with only 38% (compared with its expected 90%) succeeding in using Verify, the government's online identity verification tool. The Department intends to improve automation over the next few years, but until then it will need more staff so it can undertake work manually (paragraphs 1.15, 1.16, 3.18 to 3.22 and Figures 20 and 22).

15 **The Department expects Universal Credit eventually to deliver £8 billion of net benefits a year, but this depends on some unproven assumptions.** The Department now expects that an additional 200,000 people will move into work because of Universal Credit, that it will save £99 million a year in administering benefits, and will reduce fraud and error by £1.3 billion a year. These benefits remain theoretical (paragraphs 3.3 to 3.6 and 3.16). We have significant doubt about the main benefits:

- **It is not known whether the employment impact identified by early evaluation can be replicated across the programme.** Early evaluation run by the Department found claimants on Universal Credit live service were four percentage points more likely to find work compared with claimants on Jobseeker's Allowance at some point within the first six months of their claim. But these studies of offices that adopted live service early in the programme covered claimants with relatively simple needs and with more resources spent on them (paragraphs 3.11 to 3.15 and Figure 19).

- **It is not clear that Universal Credit will cost less to administer than the existing benefits system.** Planned efficiency savings are negated by the extra costs of providing the benefit system to those that are in work and any local costs, the costs for which are not included in the business case. Furthermore, planned efficiencies are uncertain. Universal Credit currently costs £699 per claim. This is more than the target unit cost that the Department set itself in order to accelerate the rollout in October 2017, and four times as much as it intends when the systems are fully developed (paragraphs 3.18 to 3.23 and Figure 20).

- **The Department does not know whether Universal Credit is reducing fraud and error.** The Department is developing a fully automated risk analysis and intelligence system for fraud and error. But it has not developed this enough to understand and assess fraud and error or to provide staff with effective reporting to allow them to identify potential fraud. The Department does not plan to finish developing its risk analysis and intelligence system or publish Universal Credit full service figures on fraud and error until spring 2019 (paragraphs 3.25 to 3.29).

16 **The Department will never be able to measure whether Universal Credit actually leads to 200,000 more people in work, because it cannot isolate the effect of Universal Credit from other economic factors in increasing employment.** The 200,000 is based on the Department's modelling. Instead of measuring the exact number of additional people in employment as a result of Universal Credit, the Department plans to evaluate whether Universal Credit is more likely to get people into work compared with legacy benefits. However, it has yet to complete the evaluations of live service it had originally planned for families and couples without children (originally by December 2016) because the way it has rolled out Universal Credit means it lacks appropriate control groups of legacy claimants in its live service areas. It still hopes to set up evaluations when it has enough claimants on the full service. The Department has also started to develop alternative approaches, which provide a more rapid but less robust assessment of Universal Credit's impacts. The £5.2 billion value of employment gains in the Department's full business case remains uncertain, and sensitive to how it is modelled (paragraphs 3.15 and 3.16).

Conclusion on value for money

17 We think that there is no practical alternative to continuing with Universal Credit. We recognise the determination and single-mindedness with which the Department has driven the programme forward to date, through many problems. However, throughout the introduction of Universal Credit local and national organisations that represent and support claimants have raised a number of issues about the way Universal Credit works in practice. The Department has responded to simple ideas to improve the digital system but defended itself from those that it viewed as being opposed to the policy in principle. It does not accept that Universal Credit has caused hardship among claimants, because it makes advances available, and believes that if claimants take up these opportunities hardship should not occur. This has led it to often dismiss evidence of claimants' difficulties and hardship instead of working with these bodies to establish an evidence base for what is actually happening. The result has been a dialogue of claim and counter-claim and gives the unhelpful impression of a Department that is unsympathetic to claimants.

18 The Department has now got a better grip of the programme in many areas. However, we cannot judge the value for money on the current state of programme management alone. Both we, and the Department, doubt it will ever be possible for the Department to measure whether the economic goal of increasing employment has been achieved. This, the extended timescales and the cost of running Universal Credit compared to the benefits it replaces cause us to conclude that the project is not value for money now, and that its future value for money is unproven.

Recommendations

19 The Department is now approaching the task of migrating existing benefit and tax credit claimants to Universal Credit. After that, Universal Credit needs to provide the basis for future development and refinement of the working age benefit system. To succeed it must ensure its flexible approach to delivery helps it learn from its own experiences, those of claimants, and those who support them. The Department should:

a **Improve the tracking and transparency of progress towards Universal Credit's intended benefits.** It should set out clearly how it calculates those benefits and encourage third parties to review and monitor assumptions. The Department should assess the impact of Universal Credit on third parties and include this in its calculation and budgeting of the implementation costs.

b **Ensure that operational performance and costs improve sustainably before increasing caseloads through managed migration.** It should formally assess the readiness of automation and digital systems to support increased caseloads before migration begins, and ensure the programme does not expand before business-as-usual operations can cope with higher claimant volumes.

c **Work with delivery partners to establish a shared evidence base for how Universal Credit is working in practice.** The Department needs to ensure that delivery partners' feedback on both implementation issues and the impact on claimants is considered alongside the existing feedback from frontline staff and programme managers. It needs to systematically collect, analyse and publish data and evidence from delivery partners and produce a shared understanding of what is happening on the ground and how it is addressing any issues raised.

d **Make it easier for third parties to support claimants.** This might include:

- extending the concept of the landlord portal to simplify verification processes (for example, for childcare costs);
- sharing, with the claimant's consent, appropriate information with third parties, such as information on additional support requirements;
- allowing the bulk upload and download of information helpful to the support of claimants, such as changes in rent; and
- allowing those supporting claimants access to a version of the journal through which they can view appropriate shared information and communicate with the Department.