



REPORT

Progress in implementing Universal Credit

Department for Work & Pensions



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National Audit Office

Progress in implementing Universal Credit

Department for Work & Pensions

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

21 February 2024

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Key facts

£2.9bn

the Department for Work & Pensions' (DWP's) estimate of the total cost of implementing Universal Credit (UC)

346,550

number of migration notices DWP had sent to legacy benefit claimants by the end of December 2023

21%

proportion of households claiming legacy benefits sent migration notices by DWP who did not apply for UC and had their legacy benefit stopped, at December 2023

6.3 million	people claiming UC across Great Britain at December 2023
£10.4 billion	DWP's 2022 estimate of the annual net benefits that UC will generate once fully implemented, including economic benefits and efficiency savings
£349 million	DWP's estimate of operational efficiency savings in 2022-23 as a result of the introduction of UC
Two percentage points	the increased likelihood of single new UC claimants getting a job at any point in the six months after starting their claim, compared with new Jobseeker's Allowance claimants
Around 900,000	number of households claiming legacy benefits that DWP plans to move to UC by December 2024
80%	estimated proportion of Tax Credit claimants moving to UC with outstanding debt from previously overpaid Tax Credits, an average of £1,222 per claimant since 2019-20
51%	estimated proportion of income-related Employment and Support Allowance claimants, not now due to move to UC until 2028, who would be better off on UC

Summary

1 In 2010, the Department for Work & Pensions (DWP) announced its plans to reform the welfare system by introducing Universal Credit (UC), an integrated benefit to support people in and out of work. UC is replacing six means-tested benefits for working-age people: Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance (ESA). Together, these are known as legacy benefits.

2 UC is a benefit to help with living costs, paid to people who have a low income or are out of work. A key purpose of UC is to make clear to people that they will be better off in work – they will not experience a 'cliff edge' of entitlement that would mean they may be worse off should they take a job. Through UC, DWP aims to encourage more people into work through better financial incentives, simpler processes and increasing requirements on claimants to search for jobs. It also expects UC to reduce fraud and error as well as the costs of administering benefits.

3 In 2010, DWP set out to transfer eight million households to UC by 2017. DWP struggled with the early development of the system, which led to it resetting the programme in 2013. DWP rolled out UC for new claims nationwide in 2018 and, in its 2018 full business case which detailed its delivery plans at the time, set out its intention to complete the transition to UC by March 2022. In November 2022, DWP updated elements of the 2018 business case.

4 At March 2023, some 2.2 million households were still receiving legacy benefits. DWP intends to move a large proportion of these to UC through a process it calls 'managed migration'. It started to roll out the migration exercise nationally, following testing, in April 2023 starting with Tax Credit claimants.

5 At December 2023, there were 6.3 million people claiming UC across Great Britain. Most of these were claimants who had made new applications for financial support or who had moved from legacy benefits through 'voluntary migration' (most likely because they would be better off) or 'natural migration' (as a result of a change in circumstances). In 2022-23, DWP paid £41.2 billion in UC benefit payments.

Focus of our report

6 UC is a fundamental change to the welfare system and is one of DWP's major change programmes, part of the Government Major Projects Portfolio. We have been scrutinising UC for over a decade, publishing a series of reports on overall progress and particular aspects of the programme. In our 2018 report *Rolling out Universal Credit*, we concluded that DWP had got a better grip of the programme in many areas but the extended timescale, cost and not being able to measure the economic impact meant that its future value for money was unproven.¹

7 This report examines whether DWP is making good progress in replacing legacy benefits with UC in Great Britain. The Department for Communities is undertaking parallel work to move claimants to UC in Northern Ireland, which is outside the scope of this report. The evaluative criteria we used to assess value for money included whether DWP: is making the progress expected in its 2018 business case in implementing UC; is well-placed to undertake the managed migration of claimants from legacy benefits to UC effectively; and has a plan to complete the move of all claimants from legacy benefits to UC.

8 The report covers: overall progress in implementing UC (Part One); progress in moving claimants from legacy benefits to UC under the managed migration process (Part Two); and the position on completing the move of all claimants from legacy benefits to UC (Part Three). Details of our evidence base are set out in Appendix One.

Key findings

Overall progress

9 **Since DWP's business case in 2018, the expected cost of implementing UC has increased by £912 million and the date of completion delayed by at least six years to 2028.** The estimated cost of implementing UC has continued to rise but the increase has been smaller in recent years. In 2020, we reported that DWP had forecast it would cost £2,850 million to implement UC, an increase of £834 million (41%) in cash terms compared with the 2018 full business case. DWP's latest estimate, made in December 2023, is that implementation will cost £2,928 million, a further increase of £78 million (an additional 4% compared with the business case estimate). The cost rises are mainly due to inflation, new measures to address fraud and error, and extensions to the programme's timetable. In 2018, DWP planned to complete the implementation of UC by March 2022. It extended the completion date to September 2024 before the COVID-19 pandemic, and set a new date of March 2025 after the pandemic. The most significant delay to full implementation has resulted from the government's subsequent decision to delay the move of ESA claimants to UC until 2028 in order to make savings. This means that completion will be at least six years later than DWP planned in 2018 (paragraphs 1.3, 1.4, 1.6 and 1.10 and Figures 1 and 2).

¹ Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017–2019, HC 1123, National Audit Office, June 2018.

10 The number of people claiming UC grew rapidly during the COVID-19 pandemic, reaching six million in 2020-21. In February 2020, 2.9 million people were receiving UC. From 1 March to 26 May 2020, DWP received 2.4 million new claims for UC. As a result of the increase in claims, in 2020-21, 6.0 million people received UC. To cope with the volume, DWP suspended some controls so it was able to process cases quickly, online, and without face-to-face contact or with social distancing. Its response to the pandemic meant those in need received prompt support, which DWP concluded it would not have been able to provide under the legacy benefit system, although there was an increase in fraud and error. The number of UC claimants fell to 5.5 million by March 2022, following the COVID-19 pandemic, but is now rising again with 6.3 million people claiming UC at December 2023. The number of households claiming legacy benefits has continued to decline steadily (paragraphs 1.11 and 1.12 and Figures 4 and 5).

11 DWP has some evidence to indicate that UC is having a sustained positive impact on the labour market based on its evaluations of the short-term impact. In updating its business case in 2022, DWP concluded that the value for money case for UC remained strong. It estimated that UC would generate £10.4 billion of net benefits a year once fully implemented, with the largest contribution (£6.1 billion) coming from increased employment and the related impact on economic output. In 2018, we reported that DWP would never be able to measure whether UC has achieved its objective for increased employment because it could not isolate the effect of UC from other factors. Instead DWP is evaluating whether UC is more likely to get people into work than legacy benefits. Its five evaluations to date suggest that UC has a positive effect. Its first four evaluations covered single claimants without children – the most recent of these, based on data from the early months of 2018, found new UC claimants were two percentage points more likely to have been in employment at any point in the six months after starting their claim than new Jobseeker's Allowance claimants. In February 2024, DWP completed a fifth evaluation, also based on data from early 2018, which found single parents were five percentage points more likely to have been in work within six months of making a new UC claim compared with being on legacy benefits. DWP's evaluations have considered only the short-term impact of UC on the labour market. It cannot compare outcomes for people who claimed UC after 2018 since the comparison group of legacy benefit claimants would be too small. Based on the positive, but limited, evidence from its evaluations, DWP takes assurance that UC is having a sustained positive impact on the labour market (paragraphs 1.14 and 1.17 to 1.20 and Figure 6).

Moving claimants from legacy benefits to UC

12 DWP has a clear plan to move around 900,000 households claiming legacy benefits to UC by December 2024, starting with Tax Credit claimants. DWP is moving claimants from legacy benefits to UC through a process it calls 'managed migration'. In 2022, DWP tested the design of the process and the communications with 1,848 claimants and adapted its approach to take account of the lessons arising. Before starting to roll out the process to Tax Credit claimants in April 2023, DWP assessed its readiness to migrate claimants to UC in large numbers. In the nine months to December 2023, DWP sent 342,580 migration notices – 99.9% of the number it planned to have sent by that point. In total, including its earlier testing, DWP had sent 346,550 notices by December 2023. It intended to increase gradually the volume of notices sent, building to a peak of 91,000 per month by January 2024. After Tax Credit only cases, DWP plans to extend the migration process to cover other legacy benefits. It plans to finish sending migration notices in September 2024, so that it can provide people with three months' notice to apply for UC and complete the process by the end of December 2024 (paragraphs 2.2 to 2.7, 2.9 and 2.10 and Figure 11).

13 So far, around one in five households on Tax Credits who received a migration notice did not claim UC and had their benefit stopped. Initially, DWP assumed in its migration plans that, overall, 3% of households claiming legacy benefits would not move to UC after receiving a migration notice. At December 2023, 31,500 (21%) of the 148,700 cases closed resulted in the household not claiming UC and having their legacy benefit stopped. Nearly all (99.5%) of these cases involved single Tax Credits only and the cases closed represent 14% of all households due to move. DWP expects the proportion of people not claiming UC to fall, as it found during its testing that take-up for Tax Credit claimants was lower than for claimants of other legacy benefits. DWP revised its migration plans in November 2023 and now assumes that 26% of households claiming only Tax Credits will not move to UC and 4% of households claiming other legacy benefits, or combinations of benefits, will not move to UC (paragraphs 2.11 and 2.12 and Figure 12).

14 DWP does not fully understand why some people on legacy benefits do not claim UC. In 2022, DWP commissioned Ipsos to conduct qualitative research with 30 claimants to understand their experiences and why some had not claimed UC. It identified real and perceived barriers to claiming UC, including where people believed that the migration notice did not apply to them, that they would not be eligible for UC due to a recent change in circumstances, or that they would be moved automatically. DWP made changes to the migration notice and process following this research, including sending a second reminder to claimants through one of a variety of communication channels. It is monitoring the proportion of people who do not claim UC after receiving a migration notice and, at the time of our work, had further research underway or planned to examine claimants' experiences including why they do not claim or claim late. DWP is reassured that the non-claim rate is not a cause for concern as it has received few complaints. However, it has limited positive assurance that people are claiming the benefits they are entitled to. The stakeholders who responded to our consultation raised concerns about claimants not applying for UC when invited who may risk suffering financial hardship as a result (paragraphs 2.13 to 2.15).

15 DWP provides support on request for claimants who are moving to UC and gives financial protection to claimants moving under managed migration to make sure they are not worse off at the point of moving. DWP offers practical support to claimants moving to UC under managed migration, including through a telephone helpline which received more than 30,000 calls between May 2022 and September 2023. However, the stakeholders responding to our consultation raised concerns about the availability and effectiveness of support. DWP also funds Citizens Advice to support people to claim UC, either as a new claimant or someone moving from a legacy benefit. It is providing total funding of £41.0 million across 2022-23 and 2023-24 for this 'Help to Claim' service. Of the 136,000 claimants it estimates will use the service in 2023-24, DWP expects 12,000 will be people moving from legacy benefits. Where a claimant is moving to UC under managed migration, DWP provides 'transitional protection' to top up a claimant's UC entitlement where it is lower than the legacy benefit being replaced so people are not worse off at the point of moving. Transitional protection is not time-limited and reduces over time as the government increases benefit levels and a claimant's UC entitlement rises. Transitional protection may end if a claimant's circumstances change (paragraphs 2.17 to 2.24 and Figure 13).

16 An estimated 80% of Tax Credit claimants migrating to UC have outstanding debt owed to government, which DWP aims to recover without causing undue financial hardship. HM Revenue & Customs (HMRC) typically pays Tax Credits based on a person's income for the previous tax year and adjusts payments once a year to take account of changes in circumstances. This means that Tax Credit claimants often accumulate debt through overpayments during the period between a change in circumstances and HMRC's annual review of their entitlement. HMRC transfers this debt, after informing the claimant and if it is not under dispute, to DWP when a claimant moves to UC. DWP recovers debt by reducing the amount of benefit paid by up to 25%. Claimants can ask DWP for a repayment plan if they are facing hardship, for example, reduced repayment rates or a temporary suspension of deductions. HMRC transferred £3.6 billion of Tax Credit debt to DWP from April 2016 to March 2023, and expects to transfer a further £1 billion by the end of 2024-25. Since 2019-20, the average debt held by Tax Credit claimants at the point when they moved to UC has been £1,222 (paragraphs 2.26 to 2.31).

Completing the move of all claimants from legacy benefits to UC

17 The government decided to delay the move of income-related ESA claimants to UC until 2028 to save £1 billion. The decision to delay was announced in the 2022 Autumn Statement and was part of the government's response to the significant economic challenges the country faced at the time. DWP estimated that the delay would achieve net savings of nearly £1 billion in benefit payments over the period 2024-25 to 2027-28. DWP told us that 600,000 ESA claimants will need to migrate to UC in 2028-29. At the time of our work, DWP had not yet developed a plan for moving these claimants to UC (paragraphs 3.3 to 3.6).

18 The delay in moving ESA claimants is expected to generate savings in benefit payments because, taken as a whole, the people involved would have received more under UC than under ESA. DWP made the savings estimate quickly to be ready for the 2022 Autumn Statement, used a simplified model to estimate a range of complex variables, and was not able to update some of its assumptions. The estimate is therefore subject to uncertainty, for example DWP assumed no change in the rate at which ESA claimants choose to move to UC voluntarily before 2028. The Office for Budget Responsibility reviewed and certified the savings estimate ahead of the 2022 Autumn Statement. The estimated saving excludes any impact on the costs of implementing the programme, including the costs of restarting activity in 2028 (paragraphs 3.6 to 3.9 and Figure 14).

19 DWP estimates that 51% of ESA claimants, who are likely to include some of the more vulnerable claimants due to migrate, would have been better off on UC by around £130 a month on average. Claimants of ESA have a disability or health condition that affects how much they can work. These claimants could move to UC voluntarily but would not qualify for transitional protection should their UC entitlement be lower than their legacy benefit income. Some advice organisations provide benefit calculators and will help a claimant calculate their entitlement so they can make an informed choice. Claimants may also have to switch to UC should their circumstances change. DWP estimated that some 41% of ESA claimants would be worse off on UC, by around £217 a month on average. In practice, DWP would have topped up the income of these claimants under the transitional protection arrangements (paragraphs 3.2, 3.7 and 3.10 to 3.12).

Conclusion on value for money

20 DWP has a clear plan and is on track in moving most legacy benefit claimants to UC, which it aims to do by the end of 2024. It has started with Tax Credit claimants whose cases are expected to be relatively straightforward, and is likely to face greater challenges as it moves on to claimants of other legacy benefits who are potentially more vulnerable and in need of more support. The main issue arising to date relates to the proportion of Tax Credit claimants not applying for UC. DWP needs more positive assurance that those claimants who do not transfer to UC, who may be at risk of financial hardship, are receiving the benefits they are entitled to.

21 The early months of the COVID-19 pandemic in 2020 tested UC in a way that DWP could not have foreseen. UC proved capable of meeting a sudden, large increase in demand for support, albeit with increased fraud and error as DWP relaxed some controls to cope with the volume of claims. In terms of overall progress, since the 2018 business case, DWP has extended the completion date for implementing UC by at least six years in total and increased its estimate of implementation costs by over £900 million (45%). Despite the cost increases, DWP's latest assessment in 2022 concluded that the value for money case for UC remained strong. DWP's evaluations indicate that UC is having positive impact on the labour market for some claimants at least in the short term. It is confident that in practice the overall benefits of UC are exceeding the costs. It does not, however, have evidence to demonstrate that UC is achieving the scale of benefits projected in the business case. In taking UC forward, DWP should continue to develop its assessment of the impact, both to provide assurance on value for money and to learn lessons so it can secure maximum value when UC is fully implemented.

Recommendations

22 DWP should:

- a** continue to build its evidence base on how effectively UC is working, through monitoring, research and evaluation, as part of its ongoing work on benefits realisation generally and on assessing labour market impact specifically;
- b** update its cost and benefit estimates to reflect the impact of the delay to the move of ESA claimants to UC;
- c** continue the research and testing needed to develop a better understanding of why some legacy benefit claimants do not claim UC and take prompt action, where the evidence indicates it is needed, to adapt its approach and address barriers to claiming; and
- d** put in place appropriate arrangements, informed by its research and testing, to provide effective support for DWP legacy benefit claimants as potentially more vulnerable claimants move to UC.

Part One

Overall progress in implementing Universal Credit

1.1 This part of the report sets out the Department for Work & Pensions' (DWP's) overall progress in implementing Universal Credit (UC).

Timetable

1.2 The coalition government proposed UC in 2010 to replace six means-tested benefits for working-age households: Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance (ESA).² Together, the six benefits replaced by UC are known as legacy benefits.

1.3 DWP's implementation timetable has been extended several times since 2010, when it set out to transfer eight million households to UC by 2017. DWP struggled with the early development of the system, which led to it resetting the programme in 2013. DWP rolled out UC for new claims nationwide in 2018 and, in its 2018 full business case that set out its delivery plans at the time, assumed a completion date of March 2022. It now expects to complete the full implementation of UC six years later, in 2028, at the earliest.

1.4 There have been various reasons for the changes to the implementation timetable since 2018, not all of which have been under DWP's control (**Figure 1** on pages 14 and 15).

- Before the COVID-19 pandemic, DWP extended the timetable from March 2022 to September 2024. This was for a range of reasons, including so Parliament could pass enabling regulations and to allow time to test operational readiness and ensure that systems could handle growing volumes of claimants.
- After the pandemic, in November 2022, DWP updated its business case for UC and set a new completion date of March 2025.
- The most significant individual delay to full implementation has resulted from the government's decision, announced in November 2022, to delay the move of income-related ESA claimants to UC until April 2028 in order to make savings. Part Three of this report covers the delay in moving ESA claimants.

² Department for Work & Pensions, *Universal Credit: welfare that works*, Cm 7597, November 2010.

Figure 1
Changes to the timetable for implementing Universal Credit (UC) since 2018

The Department for Work & Pensions (DWP) has pushed back the planned completion date for implementing UC by at least six years since the plans set out in its 2018 business case



Note
1 DWP provides financial support to claimants it moves under the managed migration process to make sure they are not worse off on UC at the point of moving. This is known as transitional protection.

1.5 UC is one of DWP's programmes in the Government Major Projects Portfolio and is subject to regular review by the Infrastructure and Projects Authority (IPA).³ The IPA's 'delivery confidence assessment' for the UC programme has been amber since 2015-16. This means that successful delivery appears feasible but significant issues exist, requiring management attention; the issues appear resolvable and, if addressed promptly, should not present a cost or schedule overrun.

Cost of implementing UC

1.6 The estimated cost of implementing UC has continued to rise but the increase has been smaller in recent years. In 2020, we reported that DWP had forecast it would cost £2,850 million to implement UC.⁴ This represented an increase of £834 million (41%) in cash terms compared with the 2018 full business case. DWP's latest estimate, made in December 2023, is that implementation will cost £2,928 million, a further increase of £78 million (an additional 4% compared with the business case estimate). Therefore, overall, the estimated cost of implementing UC has risen by £912 million (45%) since the 2018 business case (**Figure 2**). The main reasons for the cost increase are set out in paragraph 1.10.

1.7 DWP expects that the final implementation cost will be higher than its latest estimate. This is because the estimate does not include costs relating to the move of ESA claimants to UC in 2028.

1.8 DWP forecasts it will have spent £2.3 billion on implementing UC by the end of March 2024. The additional spending is expected to peak in 2024-25, mainly due to forecast spending on migrating legacy benefit claimants to UC and investment in new measures aimed at tackling fraud and error in UC cases (**Figure 3** on page 18).

1.9 It is difficult to make direct comparisons between the expected cost of implementing UC in 2018 and the latest estimate because of changes in the operating environment. In particular, the COVID-19 pandemic changed the nature of the cases that DWP is handling, with, for example, a significant increase in self-employed claimants. The process for self-employed people to claim UC is generally more resource-intensive for DWP in terms of checking identity and earnings. There have also been policy changes that have increased the support that DWP's work coaches provide to help UC claimants find a job and increase their income.

³ The Government Major Projects Portfolio comprises the largest, most innovative and highest-risk projects and programmes delivered by government.

⁴ Comptroller and Auditor General, *Universal Credit: getting to first payment*, Session 2019–2021, HC 376, National Audit Office, July 2020.

Figure 2**Estimated cost of implementing Universal Credit (UC)**

Since the Department for Work & Pensions' (DWP's) business case in 2018, the expected full cost of implementing UC has increased by £912 million

	£ million
Full business case 2018	2,016
• Move to UC staff costs	147
• Other programme costs	1,868
December 2023 forecast	2,928
• Move to UC staff costs	236
• Other programme costs	2,692
Increase between 2018 and 2023	912
Percentage increase	45.2%

Notes

- 1 Numbers may not sum due to rounding.
- 2 All estimated costs are in cash terms.
- 3 The expected cost of implementing UC is the full cost since work started in 2010.
- 4 'Move to UC' is the programme of managed migration to move claimants from legacy benefits to UC.
- 5 Other programme costs include costs associated with IT, learning and development, and support to help claimants transfer to UC, and costs incurred by HM Revenue & Customs and local authorities.

Source: National Audit Office analysis of Department for Work & Pensions data

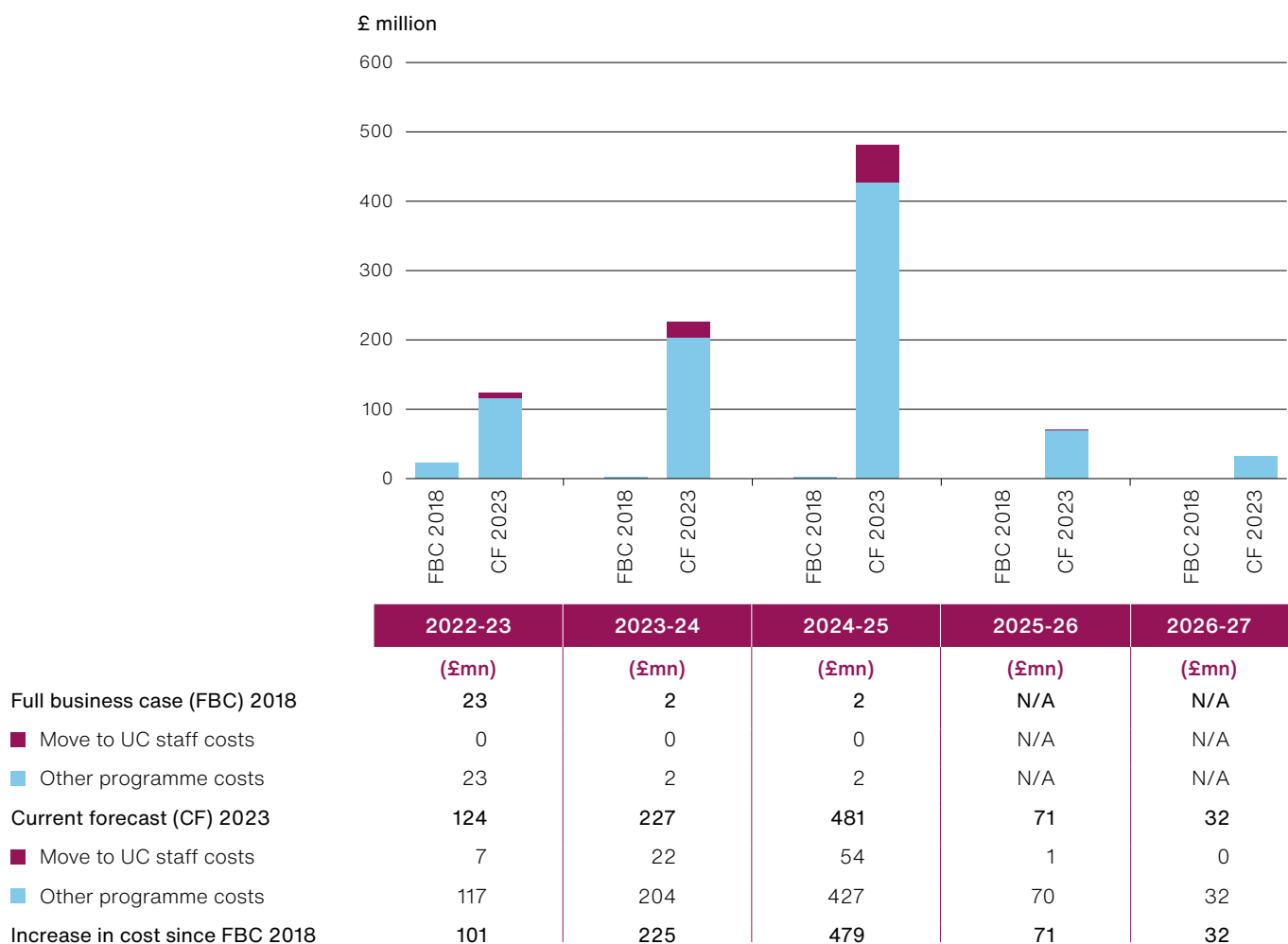
1.10 The main reasons for the increase in the estimated cost of implementing UC are inflation and the delay in completing the implementation of UC from March 2022 to March 2025.⁵ The cost increases include:

- costs of supporting the programme for longer to reflect the extended implementation timetable (£219 million);
- extra IT costs to develop and maintain the UC service and to support policy changes and the security of the system (£95 million);
- extending to March 2027 the arrangements for supporting people to claim UC (£37 million); and
- introducing the 'Targeted Case Review' programme to tackle fraud and error in UC claims (£415 million).

5 DWP's cost estimates in the 2018 business case were in 2017-18 prices, while its latest estimates are in 2022-23 prices.

Figure 3

Changes to the estimated cost of implementing Universal Credit (UC), 2022-23 to 2026-27

The additional costs of implementing UC are expected to peak at £479 million in 2024-25**Notes**

- Numbers may not sum due to rounding.
- All estimated costs are in cash terms.
- In the Department for Work & Pensions' (DWP's) 2018 UC full business case, the programme was due to end in March 2022 with costs incurred until 2024-25. The entries for later years are therefore shown as not applicable (N/A).
- In November 2022, DWP updated its 2018 UC full business case to take account of significant economic and policy developments since 2018. The cost increases therefore fall during the period 2022-23 to 2026-27.
- This Figure also reflects DWP's updates to its cost forecasts in December 2023 and takes account of the government's decision to delay the move of claimants of income-related Employment and Support Allowance to UC.

Source: National Audit Office analysis of Department for Work & Pensions data

Number of claimants

1.11 The number of UC claimants in Great Britain grew significantly during the COVID-19 pandemic as many businesses were unable to trade and many employees were unable to work as a result of government restrictions (**Figure 4** overleaf). From 1 March to 26 May 2020, DWP received 2.4 million new claims to UC, with a peak of more than 100,000 claims a day. By comparison, 2.9 million people in total were receiving UC in February 2020. As a result of the increase in claims, in 2020-21, 6.0 million people received UC, 69% higher than DWP had forecast in autumn 2019. To cope with the volume, DWP suspended some controls so it was able to process cases quickly, online, and without face-to-face contact or with social distancing. Its response to the pandemic meant those in need received prompt support, which DWP concluded it would not have been able to provide under the legacy benefit system, although there was an increase in fraud and error (see paragraph 1.23).

1.12 The number of people claiming UC fell to 5.5 million by March 2022, following the COVID-19 pandemic, but is now rising again. There were 6.3 million people claiming UC at December 2023. As the number claiming UC has risen, the number on the legacy benefits it is replacing has fallen. In August 2023 (the most recent date for which both datasets are available), 5.2 million households were claiming UC, with 2.1 million households remaining on legacy benefits (**Figure 5** on page 21).

1.13 In updating the UC business case in November 2022, DWP used data on the number of claimants from spring 2022 when there were approximately 2.6 million households claiming legacy benefits. DWP's approach to completing the implementation of UC is for the remaining households on legacy benefits to move to UC through one of three routes.

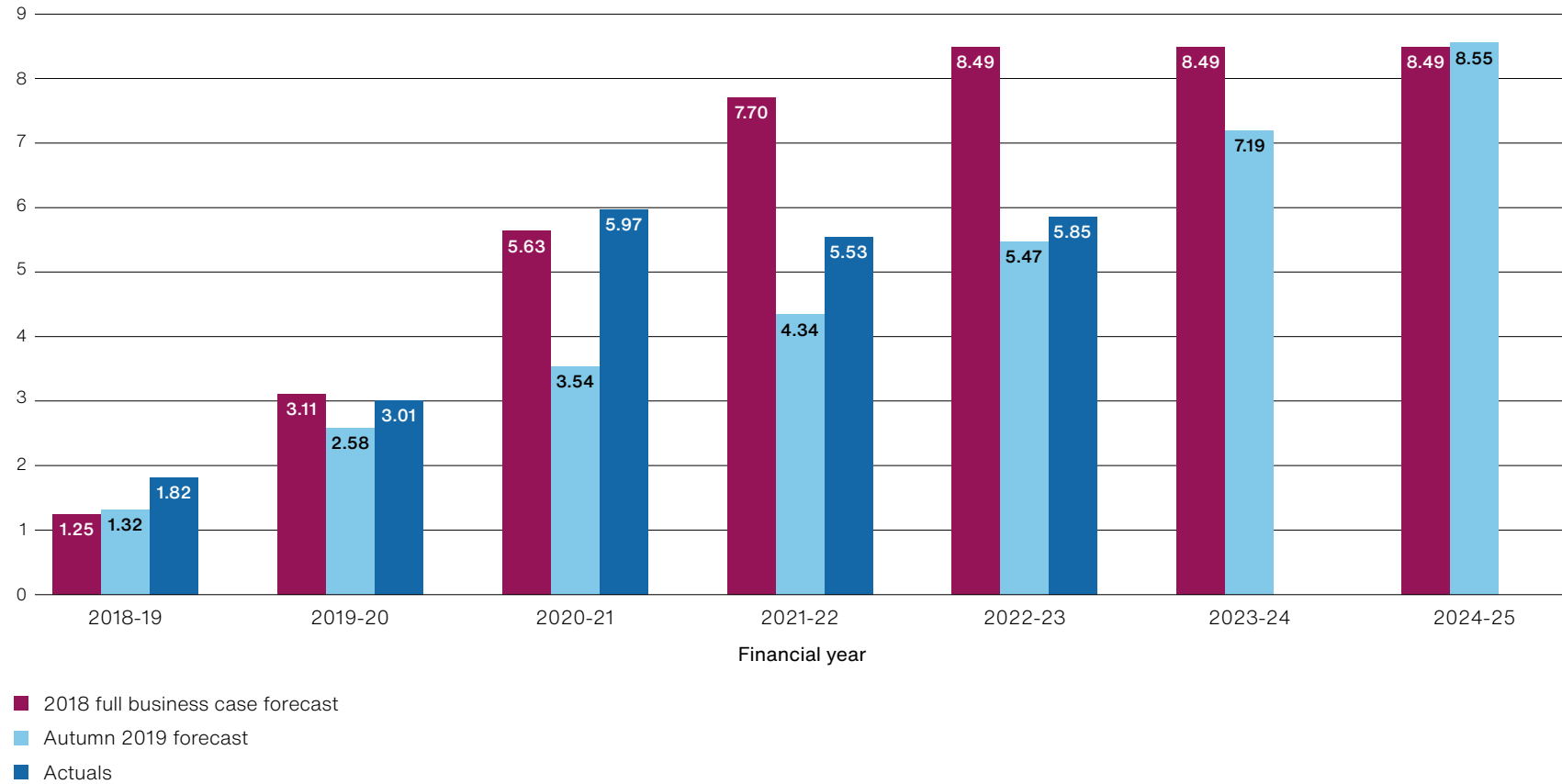
- **Natural migration:** Legacy benefit claimants need to switch to UC if their circumstances (such as their employment status) change in a way that means they need to make a new claim for support. DWP estimated that 0.8 million households would migrate naturally to UC or would stop claiming benefits altogether.
- **Voluntary migration:** Claimants may choose to move to UC even if there has been no change in their circumstances. DWP estimated that 0.2 million households would opt to move voluntarily.
- **Managed migration:** Under this process, DWP requires claimants to claim UC within three months of receiving a 'migration notice' after which their legacy benefits will stop. It expected to move 1.6 million households to UC through this route. Part Two of this report covers DWP's progress in migrating claimants to UC.

Figure 4

Total number of Universal Credit (UC) claimants in Great Britain compared with forecasts, 2018-19 to 2024-25

The number of people on UC grew significantly in 2020-21, during the COVID-19 pandemic

Number of claimants (million)

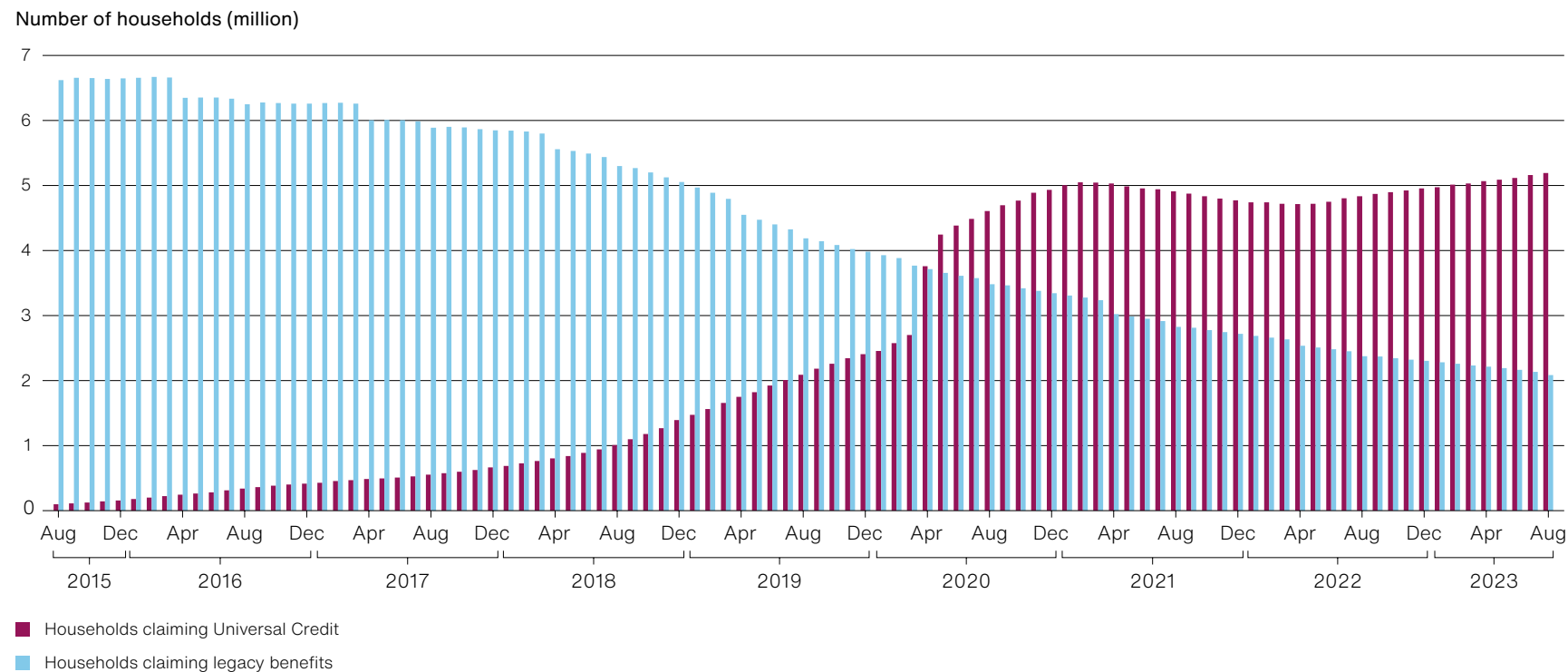


Source: National Audit Office analysis of Department for Work & Pensions data

Figure 5

Number of households claiming legacy benefits and Universal Credit (UC) in Great Britain, August 2015 to August 2023

By the end of August 2023, the number of households claiming legacy benefits had fallen to 2.1 million



Note

1 Legacy benefits are Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance.

Source: National Audit Office analysis of Department for Work & Pensions data

Progress in achieving the benefits of UC

1.14 DWP introduced UC to address two overarching problems with the legacy welfare system: poor work incentives, and complexity. In updating the business case in 2022, DWP updated its economic assessment of UC. It concluded that the value for money case remained strong, with a net present value of £39.3 billion over the lifetime of the business case from 2022-23 to 2026-27.⁶ The value for money case depends on DWP achieving its objectives for UC and realising the associated financial benefits. It estimated that UC would achieve £10.4 billion of net benefits a year once fully implemented in 2026-27 (**Figure 6**). The largest contribution (£6.1 billion) is expected to come from increased employment and the related impact on economic output.

Figure 6

Estimated net annual benefits arising from fully implementing Universal Credit (UC)

In its 2022 update of the business case, the Department for Work & Pensions (DWP) estimated that UC would generate £10.4 billion of net benefits a year once fully implemented in 2026-27

Impact	Benefits	
	(£bn)	(£bn)
● Operational savings	2.5	
● Operational (costs)	(2.0)	
Net operational (costs)/savings		0.5
Fraud and error reduction		1.3
Wider economic impact		11.1
Benefit payments		(2.4)
Total		10.4

Notes

- Numbers may not sum due to rounding.
- This Figure shows the benefits that DWP estimates will be generated from full implementation of UC.
- The wider economic impact of UC includes increased economic output (£4.7 billion) and increased employment (£1.4 billion).
- Benefit payments are net and comprise: increases in transitional protection payments (£1 billion); increases in entitlement compared with legacy benefits (£3.5 billion); and reductions in payments due to increased employment (£2 billion).

Source: National Audit Office analysis of Department for Work & Pensions data

⁶ In its 2022 update of the economic assessment of UC, DWP also identified a net present value of £11.0 billion up to 2022-23.

1.15 Central government guidance makes clear that departments are expected to undertake comprehensive, robust and proportionate evaluations of their interventions.⁷ Evaluation is important for learning whether interventions are working and to demonstrate accountability for the use of public money. The insights generated by evaluation can help departments make timely adjustments to the design or implementation of an intervention in order to secure the most value from the resources committed.

1.16 DWP set out five objectives for UC in its 2018 business case, which together should deliver the benefits once UC is fully implemented. It has a benefits realisation plan that outlines its approach to assessing progress against these objectives. For each of the objectives, we examined what evidence DWP has available and what the evidence indicates about progress to date.

Labour market impact

1.17 DWP's objective is for UC to support 200,000 more people to enter the labour market once it is fully implemented. In 2018, we reported that DWP would never be able to measure whether UC has achieved this benefit, because it could not isolate the effect of UC from other economic factors in increasing employment.⁸ Instead DWP is evaluating whether UC is more likely to get people into work compared with legacy benefits. In 2018, we reported the results of three early analyses of the employment impact of UC, carried out by DWP in 2015 and 2017. These evaluations showed promising results. The 2017 analysis, based on claims made up to April 2015, found that UC claimants were four percentage points more likely to have been in work at any point in the six months after making their claim compared with matched Jobseeker's Allowance claimants.

1.18 Since then, DWP has carried out a fourth study to assess the impact of UC on employment for single claimants without children. The impact evaluation used a robust methodology to estimate the impact on participants against a comparison group, and was peer reviewed. Like the earlier studies, the evaluation showed a positive effect on entry into employment, but smaller than the effect found in 2017. The evaluation, based on data from the early months of 2018 before DWP closed Jobseeker's Allowance to new claims, found new UC claimants were two percentage points more likely to have been in employment at any point in the six months after starting their claim than a matched sample of new Jobseeker's Allowance claimants.⁹

⁷ Comptroller and Auditor General, *Evaluating government spending*, Session 2021-22, HC 860, National Audit Office, December 2021.

⁸ Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017-2019, HC 1123, National Audit Office, June 2018.

⁹ The estimate is statistically significant at the 1% level, which provides strong evidence that the results are not easily explained by chance alone.

1.19 Until recently, DWP's evaluations covered single claimants, without children, whose needs are likely to be less complex than other claimants. In February 2024, DWP completed a further evaluation, also based on data from the early months of 2018, which assessed the impact of UC on employment for single parents. The evaluation found the impact of UC on single parent employment is greater than its effect on single claimants without children. DWP's evaluation found single parents were five percentage points more likely to have been in work within six months of making a new UC claim compared with being on legacy benefits.

1.20 DWP takes assurance from the results of the five evaluations that UC is having a sustained positive impact on the labour market. Its evaluations have considered the short-term impact of UC on the labour market, in that they have estimated the likelihood of claimants entering employment at some point during the six months after they started their claims. The outcomes in the short term may be more positive than in the longer term for individual claimants, and the slightly diminishing impact over time is indicated by DWP's own analyses. DWP considers that UC is achieving a sustained positive impact on the basis that any diminishing impact for individuals is offset by more people being in work in subsequent cohorts of claimants. DWP cannot compare outcomes for people who claimed UC after 2018 since the comparison group would be too small. It will find it increasingly difficult to compare the employment impact of UC with legacy benefits, as it has closed legacy benefits to new claims and is moving existing legacy benefit claimants to UC.¹⁰ DWP is confident, however, that the overall benefits of UC are exceeding the costs.

Reducing fraud and error

1.21 DWP's objective is for UC to save around £1.3 billion every year when fully implemented, from reduced losses due to fraud and error. This estimate is based on DWP's calculation of the monetary value of fraud and error over the lifetime of the UC business case compared with what would have happened with legacy benefits.¹¹ DWP's forecast annual savings of £1.3 billion would result in a level of overpayments in UC of around 6.5% by 2027-28.

1.22 DWP's assessment before the COVID-19 pandemic was that some of the expected impacts of UC on reducing fraud and error were being realised. However, changes during and since the pandemic, including in the nature of UC cases and DWP's easing of controls, have made it more difficult to assess the impact of UC compared with legacy benefits. DWP has concluded it can no longer produce a reliable counterfactual baseline to use to estimate the impact of UC on fraud and error.

¹⁰ Legacy benefits are generally closed to new applications. However, people can make a new claim for Housing Benefit if they have reached State Pension age or are in supported, sheltered or temporary accommodation.

¹¹ The monetary value of fraud and error is an estimate of the total value of fraud and error over- and under-payments.

1.23 While not an estimate of the impact of UC, we also looked at the level of fraud and error in UC expenditure. The proportion of UC overpaid by DWP was rising before the COVID-19 pandemic, from 5.5% (£90 million) in 2016-17 to 9.4% (£1.7 billion) in 2019-20. DWP accepted that the increased volume of UC claims and the relaxing of some controls during the pandemic would lead to a further increase in fraud and error, and the amount of UC overpaid rose to 14.7% (£5.9 billion) in 2021-22. The level of overpayments fell back in 2022-23, to 12.8% (£5.5 billion), but remains significantly above pre-pandemic levels.¹² DWP's spring 2023 forecast suggested it would take until at least 2027-28 to reduce UC overpayments to below pre-pandemic levels, with the overpayment rate expected to have fallen to 9.3% by then.

1.24 In its 2022 update of the UC business case, DWP restated its aim that the level of fraud and error in UC would reduce to 6.5%. It is investing to enhance its counter-fraud activities. The most significant component of its plan by value is a £443 million project to review millions of UC cases to root out incorrect payments. DWP expects this programme, which it calls Targeted Case Review, to help reduce the level of fraud and error in UC. In July 2023, we reported that Targeted Case Review was expected to generate total savings of some £6.4 billion by 2027-28.¹³ DWP told us its latest estimate of savings is some £6.6 billion.

Other objectives

Controlling welfare costs

1.25 DWP's objective regarding welfare costs is for UC, when fully implemented, to save £3.6 billion in benefit payments compared with the legacy benefit system it is replacing, as more people enter the labour market. This savings estimate was based on counterfactual forecasts with assumptions around take-up rates, sensitivity to earnings and entitlements. DWP acknowledges it is no longer able to produce robust counterfactuals to assess progress against this objective, without claimants of legacy benefits to use as a comparison group and because of the impact of the COVID-19 pandemic on the number and circumstances of claimants.

Providing a safety net

1.26 DWP's objective regarding a safety net is for UC to allow it to tailor its offer of support to people who need it most, with extra assistance for claimants with disabilities and those who require support with childcare costs. It told us that the objective to provide a safety net is met by the design of UC and, as such, DWP cannot evaluate progress. DWP has undertaken research on various aspects of UC, for example, to explore claimants' childcare preferences and the reasons claimants do not use the UC childcare element when eligible for it. This work led to changes announced in the 2023 Spring Budget on further upfront support with childcare costs, and increases to the maximum amounts of childcare costs available to claimants.

¹² Department for Work & Pensions, National statistics, *Fraud and error in the benefit system: financial year 2022 to 2023 estimates*, May 2023, available at: www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2022-to-2023-estimates.

¹³ Report by the Comptroller and Auditor General as set out on pages 271 to 310 of the *Department for Work & Pensions, Annual Report and Accounts 2022-23*, Session 2022-23, HC 1455, July 2023.

Increasing efficiency

1.27 DWP estimated that UC, after full implementation, would enable it to reduce the cost of administering the welfare system, on a like-for-like basis compared with the legacy benefits being replaced, by 29% (£335 million). It expects to achieve this objective by bringing the administration of six existing benefits together into one process, increasing use of automation and promoting greater use of digital channels.

1.28 DWP's data suggest that the cost of administering UC in 2022-23 was £349 million less than the equivalent cost for the legacy benefits it replaces (**Figure 7**). Its forecasts suggest net operational savings of £586 million in 2026-27, significantly more than it set out to achieve.

1.29 DWP's data also indicate that the administration of UC has become more efficient: the annualised unit cost (the cost of administering a UC claim) was estimated to be £195 in April 2023 compared with £593 in April 2018 (**Figure 8**). The number of UC cases rose from 505,400 in April 2018 to 5,085,900 in April 2023. DWP has increased the number of claimants each case manager deals with through system enhancements, more automation of processes and promoting greater use of digital channels. There has also been, as DWP had expected in 2018, a fall in the proportion of UC cases that involve the greatest level of DWP resource to help claimants find work. The proportion fell from 57% in April 2018 to 31% in April 2023, which contributed to the drop in unit cost.

Figure 7

Estimated efficiency savings from Universal Credit (UC), 2022-23 to 2026-27

The Department for Work & Pensions (DWP) has reported that it is realising efficiency savings from its implementation of UC

	2022-23	2023-24	2024-25	2025-26	2026-27
	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)
Forecast UC operational costs	(1,288)	(1,401)	(1,856)	(2,258)	(2,320)
Estimated legacy benefits savings	1,637	1,942	2,602	2,820	2,906
Estimated efficiency savings	349	541	746	562	586

Notes

- 1 UC operational costs include costs associated with the full range of operational processes in DWP jobcentres and service centres, IT operations, management of debts and Targeted Case Reviews.
- 2 UC operational costs for 2022-23 are actuals.
- 3 DWP estimates legacy benefits savings by considering what it would have cost to administer the UC cases in the legacy benefit systems. It applies the relevant legacy unit costs to the caseload to estimate what the legacy benefits costs would have been.

Source: National Audit Office analysis of Department for Work & Pensions data

Figure 8

Estimated cost of administering Universal Credit (UC) per claim, 2018 to 2023

The Department for Work & Pensions (DWP) estimates that the annualised cost of administering UC fell from £593 per claim in April 2018 to £195 per claim in April 2023

	April 2018	April 2019	April 2020	April 2021	April 2022	April 2023
Monthly cost of administering UC (£mn)	25.0	62.4	87.1	96.5	96.3	82.5
Number of UC claims	505,403	1,747,022	4,167,625	5,090,603	4,760,123	5,085,928
Monthly cost per UC claim (£)	49	36	21	19	20	16
Annualised cost per UC claim (£)	593	428	251	227	243	195

Notes

- 1 Numbers may not sum due to rounding.
- 2 This Figure shows the cost of administering UC and the number of UC claims in April each year. To track progress in improving efficiency, DWP calculates an annualised unit cost by multiplying the unit cost in each month by 12.

Source: National Audit Office analysis of Department for Work & Pensions data

Part Two

Moving claimants from legacy benefits to Universal Credit

2.1 This part of the report examines the Department for Work & Pensions' (DWP's) progress in moving claimants from legacy benefits to Universal Credit (UC).

DWP's approach

The managed migration process

2.2 DWP plans to move around 900,000 households claiming legacy benefits to UC by December 2024. The people involved are claiming one or more of six legacy benefits: Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance (ESA). DWP is moving these claimants to UC through what it calls a 'managed migration' process.

2.3 In summary, DWP sends legacy benefit claimants a migration notice, advising them they need to apply for UC if they want to continue receiving financial support (**Figure 9** on pages 30 and 31). Claimants are given three months to apply, after which their legacy benefit will be stopped. DWP sends claimants reminders during this period and claimants can ask for more time to make a claim.

Programme testing

2.4 DWP has tested and adapted its approach to managed migration. It started to pilot its approach in 2019 in Harrogate, but stopped in March 2020 due to the COVID-19 pandemic. In 2022, DWP restarted its 'discovery phase' in Bolton and Medway for claimants of all six legacy benefits. It tested the design of the managed migration process and the communications, and made changes as a consequence (see paragraph 2.14). In total, DWP sent 1,848 migration notices to legacy benefit claimants during its discovery activity, between May and September 2022, which it expanded to include claimants in Cornwall, Harrow and Northumberland. It published details of what it had learnt from the discovery phase in January 2023, based on the first 499 migration notices sent to claimants.¹⁴

¹⁴ Department for Work & Pensions, *Completing the move to Universal Credit: Learning from the Discovery Phase*, January 2023.

2.5 Before starting to roll out the process to Tax Credit claimants in April 2023, DWP assessed its readiness to migrate claimants to UC in large numbers. It conducted monthly readiness assessments before deciding to begin the managed migration of claimants to UC at scale. In April 2023, the Infrastructure and Projects Authority (IPA) also reviewed DWP's readiness to increase the volume of claimants moving to UC and concluded that delivery was feasible, but that significant issues existed, requiring management attention. While much progress had been made since a previous review in November 2022, the IPA concluded there was still more for DWP to do to scale activity at the pace that had been planned, particularly to achieve the automation and staff numbers needed. DWP continues to monitor the progress of managed migration monthly. DWP and the IPA plan to conduct similar readiness assessments ahead of migrating other, potentially more challenging, cohorts of claimants from April 2024.

2.6 DWP began a second phase of discovery activity in September 2023 involving 2,000 households in Harrow, Manchester and Northumberland. This testing covers claimants of Housing Benefit, Income Support and income-based Jobseeker's Allowance, and claimants with combinations of benefits. DWP plans to start moving these claimants to UC from April 2024. It has identified that completing testing on time will be a key factor in achieving its plan for the managed migration process.

Rollout plan

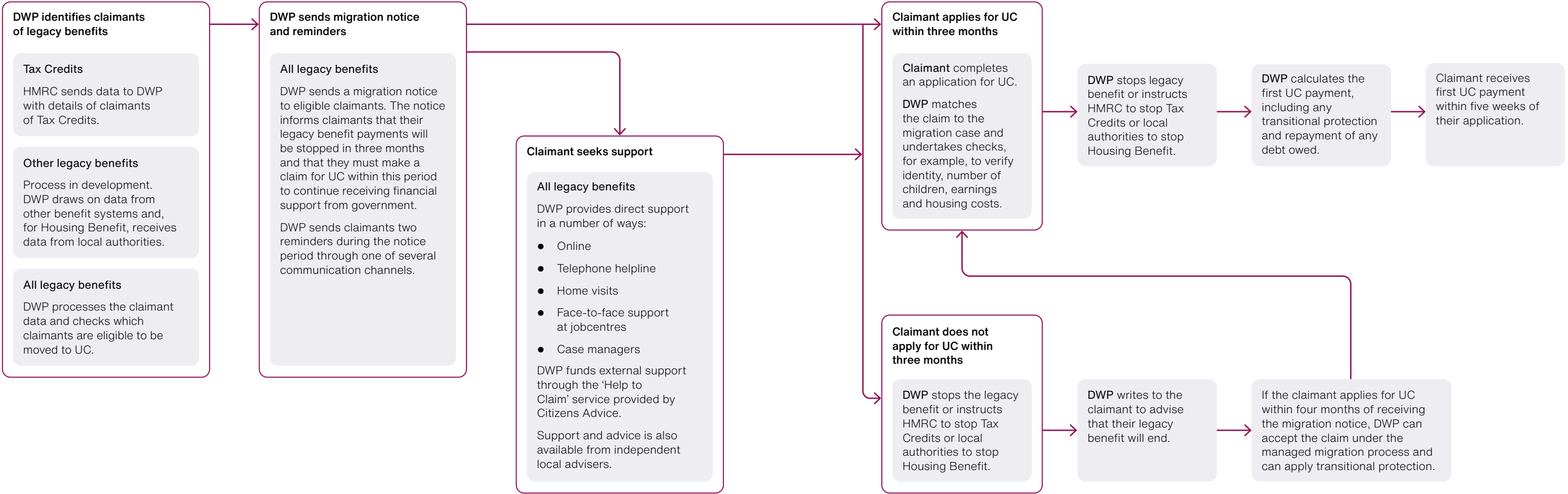
2.7 DWP decided to start the full managed migration process with Tax Credit claimants so that HM Revenue & Customs (HMRC) could stop paying Tax Credits by April 2025 and, in due course, close the Tax Credit system. The migration began with single people, whose cases DWP expected would be more straightforward, before moving on to couples. The rollout of the migration of Tax Credit only claimants has been geographical, based on which DWP service centres were ready to start processing claims under managed migration (**Figure 10** on page 32). From March 2024, DWP will be processing managed migration claims, covering all legacy benefits, across the whole of Great Britain.¹⁵

2.8 DWP uses data from HMRC to identify which claimants to move from Tax Credits to UC. HMRC and DWP have agreed they will each take reasonable steps to share data that are accurate and up to date. HMRC sends claimant details to DWP every weekday. Before sending migration notices, DWP checks the information received against its own benefit records (for example, to check names and addresses), and automatically filters out claimants who are not yet eligible for managed migration (for example, people living in those parts of the country not yet processing claims).

¹⁵ The Department for Communities is undertaking parallel work to move claimants to UC in Northern Ireland.

Figure 9
The Department for Work & Pensions' (DWP's) managed migration process

Through the managed migration process, DWP gives claimants three months to apply for Universal Credit (UC) before their legacy benefit is stopped



Note
1 Legacy benefits are Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.

Source: National Audit Office based on Department for Work & Pensions information

Figure 10

The Department for Work & Pensions’ (DWP’s) plan for rolling out managed migration to Universal Credit (UC)

By March 2024, DWP will be processing managed migration claims across the whole of Great Britain

Dates	Areas ready to process claims for UC under managed migration
April to June 2023	Avon; Somerset; Gloucester; east London; Cheshire; Greater Manchester; and north-east Yorkshire and Humberside.
July to August 2023	Kent; north London; Durham and Tees Valley; East Anglia; West Yorkshire; Staffordshire; Derbyshire; west Scotland; and south London.
September to November 2023	Cumbria; Lancashire; Essex; Dorset; Wiltshire; Hampshire; Isle of Wight; south-west Wales; east Scotland; Lincolnshire; Nottinghamshire; Rutland; central Scotland; south-west Scotland; and south-east Wales.
December 2023 to January 2024	Northern Scotland; north-east Scotland; Northumberland; Tyne and Wear; Merseyside; South Yorkshire; north and mid Wales; Leicester; Northamptonshire; Berkshire; Buckinghamshire; Oxfordshire; Devon; Cornwall; and Mercia.
February to March 2024	Birmingham; Solihull; Bedfordshire; Hertfordshire; west London; Surrey; Sussex; and the Black Country.

Note

1 The geographical areas are as defined by DWP.

Source: Department for Work & Pensions information

2.9 After Tax Credit only cases, DWP will extend the migration process to include other benefit types and combinations of benefits. It planned to increase gradually the number of migration notices sent to 91,000 per month by January 2024 (**Figure 11**). It expects to finish sending migration notices to claimants in September 2024 so that, with three months’ notice to apply for UC, it can complete the process by the end of December 2024. DWP’s plans include some contingency, with its business case assuming a completion date of March 2025.

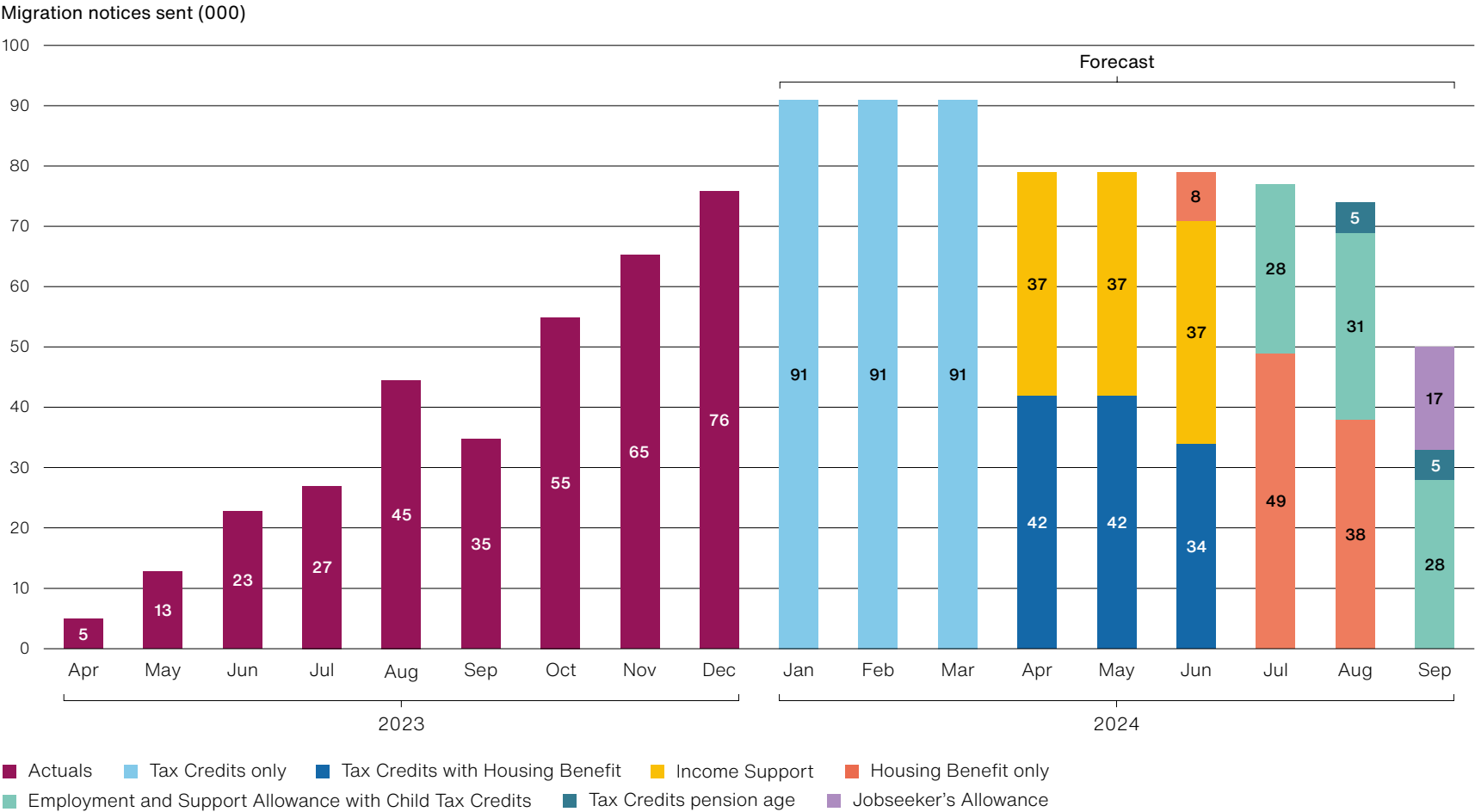
Progress in moving claimants to UC

2.10 In the first nine months of the managed migration process, DWP was on track in terms of sending out migration notices. From April to December 2023, it sent 342,580 migration notices, 99.9% of the number it planned to have sent by that point. In total, including its earlier testing, DWP had sent 346,550 migration notices by December 2023.

Figure 11

Number of migration notices sent to households each month by legacy benefit, April 2023 to September 2024

The Department for Work & Pensions (DWP) started to send migration notices to Tax Credit claimants in April 2023 and plans to complete sending migration notices to legacy benefit claimants in September 2024



Note

1 Tax Credit pension age households are those where a single claimant, or both members of a couple, have reached State Pension age.

Source: National Audit Office analysis of Department for Work & Pensions data

2.11 At this stage, having completed around 14% of migration cases, the proportion of people not claiming UC is higher than DWP had assumed in its initial migration plans. Initially, DWP assumed that, overall, 3% of households claiming legacy benefits would not move to UC after receiving a migration notice. At December 2023, of the 148,700 closed cases, 117,200 households (79%) had claimed UC and 31,500 (21%) had their legacy benefits stopped without moving to UC (**Figure 12**). DWP revised its migration plans in November 2023 and now assumes that 26% of households claiming only Tax Credits will not move to UC and 4% of households claiming other legacy benefits, or combinations of benefits, will not move to UC.

2.12 DWP expects the proportion of people not claiming UC to fall. So far, nearly all (99.5%) migration notices have been sent to single Tax Credit only households, with the remainder going to households of other legacy benefits during the discovery phases. DWP found during its testing that take-up for Tax Credit claimants was lower than for claimants of other benefits. Of the 499 claimants sent a migration notice during the initial testing phase, 439 (88%) made a claim and 51 did not claim and had their legacy benefit stopped, comprising 49 Tax Credit recipients and two claiming other DWP benefits.¹⁶

2.13 DWP has some insights into why legacy benefit claimants may not apply for UC. During the discovery phase in 2022, it commissioned Ipsos to conduct qualitative research with 30 claimants who had received and read a migration notice to understand their experience of the claim process, including why some had not claimed UC. The research identified real and perceived barriers to claiming UC, where some people:

- had made a conscious decision not to claim because the amount they would be eligible to receive would be small and not worthwhile given the need to apply for UC and comply with its requirements;
- believed that the migration notice did not apply to them, that they would not be eligible for UC due to a recent change in circumstances, or that they would be moved automatically; and
- felt there was a stigma attached to claiming UC so had decided not to claim if their income was sufficient.

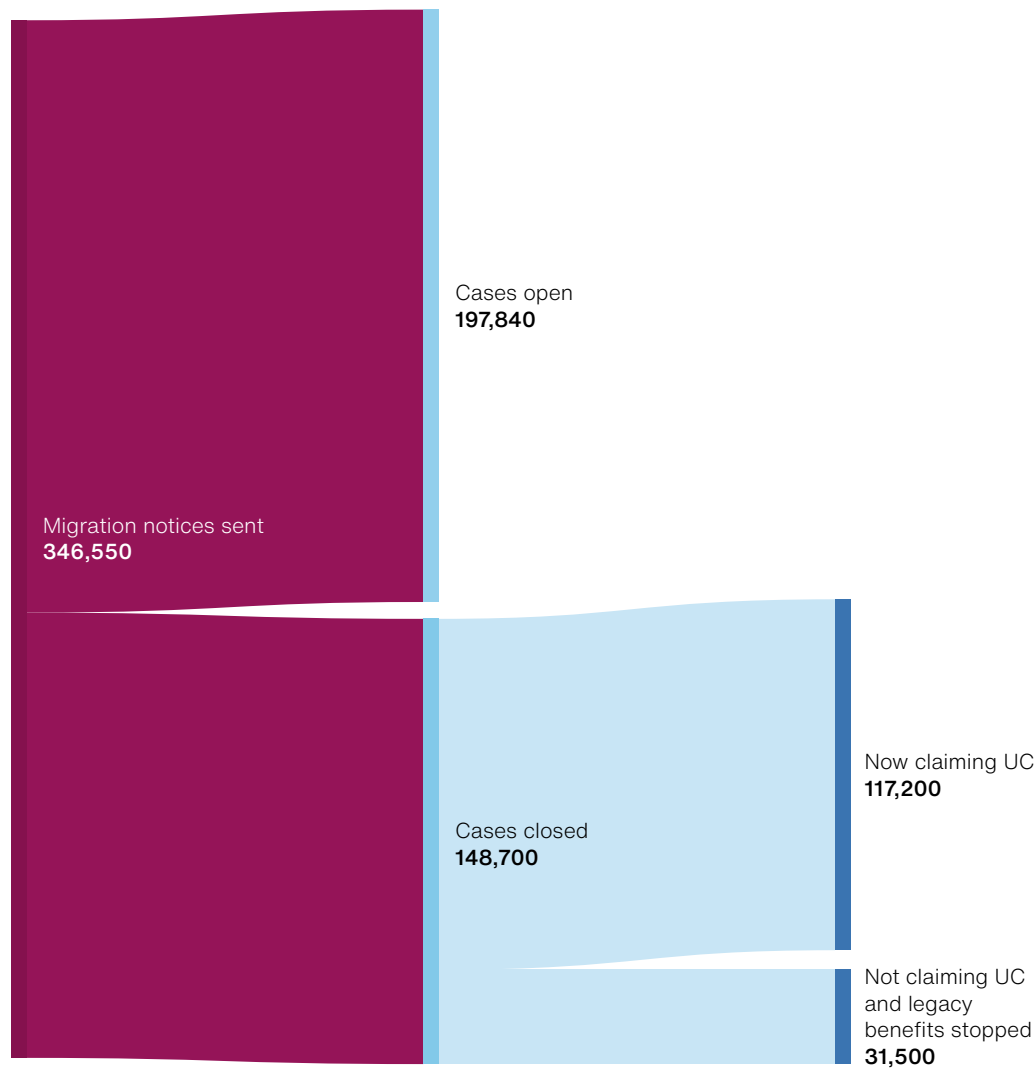
2.14 DWP made changes to the migration notice and process following this research, to seek to increase the number of legacy benefit claimants moving to UC. The changes included adding a reference to HMRC on the migration notice, making clearer that the move to UC would not happen automatically, and adjusting the reminder process by sending a second reminder to claimants through one of a variety of communication channels. More recently, DWP and HMRC also sent a leaflet to claimants to improve their understanding of the migration process and reduce barriers to claiming identified within the research.

¹⁶ In addition, seven claimants were still to make a UC claim and DWP had cancelled two migration notices.

Figure 12

Number of migration notices sent to households in Great Britain and outcomes at December 2023

At December 2023, of the 148,700 cases closed, 31,500 households (21%) had not applied for Universal Credit (UC) and their legacy benefit had been stopped



Note

1 Numbers may not sum due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions data

2.15 DWP is monitoring the proportion of people who do not claim UC after receiving a migration notice and, at the time of our work, had further research underway or planned to examine claimants' experiences including why they do not claim or claim late. It is reassured that the non-claim rate is not a cause for concern as it has received few complaints. However, it has limited positive assurance that people are claiming the benefits they are entitled to. It cannot distinguish between Tax Credit claimants who actively decide not to move to UC and claimants who face barriers to claiming, as it does not contact claimants to ask them why they have not claimed. Stakeholders who responded to our consultation raised concerns about claimants not applying for UC when invited who may risk suffering financial hardship as a result.

Support for claimants to move to UC

2.16 DWP's approach to supporting legacy benefit claimants to move to UC is to identify and overcome barriers to claiming rather than assuming that anyone with a particular condition or in particular circumstances needs help.

Practical support provided by DWP

2.17 DWP provides support on request to claimants moving to UC under managed migration through:

- online guidance on the gov.uk website;
- a free telephone helpline: DWP received more than 30,000 calls to its helpline between May 2022 and September 2023;
- face-to-face support to vulnerable claimants in jobcentres and at home: at September 2023, DWP had conducted 23 pre-claim home visits; and
- support from case managers in DWP service centres – we saw examples during our site visits of the support case managers can provide to people once they have made a claim, for example, to help them submit the right information to DWP about their earnings; we also saw case managers noting issues from their contact with claimants that suggested claimants might be vulnerable and experiencing barriers to claiming.

2.18 The eight stakeholders responding to our consultation all told us that they are concerned about the availability and effectiveness of support from DWP. In particular, most respondents highlighted inconsistent provision of face-to-face support and the risk of digital exclusion for claimants who cannot access information or apply for UC online. Several stakeholders also noted that alternative third-sector sources of advice and support are stretched, with long waiting times.

2.19 DWP expects to need to provide more support when it begins moving more vulnerable legacy benefit claimants to UC from April 2024. It is therefore testing its approach in the current discovery phase. DWP is supporting Jobseeker's Allowance claimants through their regular meetings with work coaches at jobcentres. In addition, where claimants of Income Support or ESA with Child Tax Credit do not apply for UC after the migration letter and two reminders, DWP is:

- checking legacy benefit systems, and with GPs or adult social care services, for evidence of circumstances that may stop someone from making a claim;
- calling claimants by telephone to ask if there is anything stopping them making a claim and advising them about the support available; and
- arranging home visits where needed.

Practical support funded by DWP

2.20 DWP funds Citizens Advice to support people to claim UC, either as a new claimant or someone moving from a legacy benefit. This 'Help to Claim' service offers support from before a claim is made until a claimant receives their first UC payment. The support available includes:

- eligibility checks to confirm that UC is the right benefit for the claimant;
- information about the UC process;
- facilitating appropriate DWP support for the claimant;
- helping the claimant to start and complete a UC claim; and
- preparing the claimant to receive their first UC payment, by helping them complete administrative tasks such as providing extra evidence or verifying their identity.

2.21 The Help to Claim service has been running since April 2019, with DWP providing total funding of £192.4 million from 2019-20 to 2025-26 (**Figure 13** overleaf). From 2019-20 to 2021-22, DWP made direct grant awards to Citizens Advice and Citizens Advice Scotland without competition to get the service up and running quickly, to gather sufficient data about take-up to inform a competition, and due to the COVID-19 pandemic. For these three years, support was provided by telephone, online and face to face. Since April 2022, DWP has awarded grant funding after competition to provide support via telephone and online, having decided that it would provide face-to-face support itself at jobcentres. DWP estimates that approximately 5% of applicants for UC, including those it is moving through managed migration, will use the Help to Claim service – 136,000 in 2023-24, 191,000 in 2024-25 and 161,000 in 2025-26. Of the 136,000 claimants it estimates will use the service in 2023-24, DWP expects 12,000 will be people moving from legacy benefits.

Figure 13

Department for Work & Pensions' (DWP's) grant funding for practical support for Universal Credit (UC) claimants, 2019-20 to 2025-26

DWP is providing total grant funding of £192.4 million from 2019-20 to 2025-26 for practical support for UC claimants

Time period	Provider	Direct or competed award of grant funding	Type of support offered	Funding amount
				(£mn)
April 2019 to March 2022	Citizens Advice and Citizens Advice Scotland	Direct – one-year award extended for two years to March 2022	Online, telephone and face-to-face ¹	113.7
April 2022 to March 2024	Citizens Advice ²	Competed – one-year award extended for one year to March 2024	Online and telephone	41.0
April 2024 to March 2026	Awaiting outcome of competition	Competed – two-year award with the option to extend for one year to March 2027	Online and telephone	37.7
Total				192.4

Notes

- 1 Face-to-face support was reduced during the COVID-19 pandemic in line with government restrictions.
- 2 Since April 2022, DWP has provided one grant to Citizens Advice which has then funded Citizens Advice Scotland.
- 3 The funding amounts comprise actual costs from April 2019 to March 2023 and forecast costs from April 2023 to March 2026.

Source: National Audit Office analysis of Department for Work & Pensions information

Financial support provided by DWP through transitional protection

2.22 DWP provides financial support to claimants it moves under the managed migration process to make sure they are not worse off on UC at the point of moving. This is known as transitional protection. DWP calculates a claimant's UC entitlement and then adds a top-up amount equivalent to the difference between this entitlement and the value of the legacy benefits being replaced. This transitional protection is not time-limited and reduces over time as the government increases benefit levels and a claimant's UC entitlement rises. Transitional protection may end if a claimant's circumstances change.

2.23 Up to the end of December 2023, DWP had awarded 85,150 households (73%), moved to UC through managed migration, with transitional protection and paid these households approximately £17 million to top up their UC entitlement in the first month of their UC claims. It expects to provide over 330,000 (38%) of the households it moves to UC through the current managed migration process with transitional protection, at an estimated cost of £1.2 billion up to the end of March 2027.

2.24 In certain circumstances, DWP also provides transitional protection for a limited time to claimants it moves to UC who would otherwise be worse off because of differences in eligibility criteria between UC and the legacy benefits it replaces. Examples include allowing students, who would otherwise not be eligible for UC, to receive UC and transitional protection until their course ends, and, for Tax Credit claimants, disregarding for 12 months capital assets of more than £16,000, which would otherwise make them ineligible for UC. DWP is aware that it will need to review UC claims where it has provided time-limited transitional protection.

2.25 Stakeholders are concerned about how transitional protection is working. Four of the stakeholders who responded to our consultation expressed concerns about a lack of transparency around how DWP calculates transitional protection and about how accurately it is calculated. They are concerned that claimants are at risk of receiving incorrect payments that they cannot check themselves. In November 2023, after concerns were raised with it, DWP held a workshop with stakeholders to discuss transitional protection and how it is applied under managed migration. It subsequently developed guidance focusing on claimants migrating from Tax Credits, which it has shared with stakeholders.

DWP's management of debt

Tax Credit debt

2.26 The way the Tax Credit system works means that most recipients build up debt. HMRC typically pays Tax Credits based on a person's income for the previous tax year and adjusts payments once a year to take account of any changes in circumstances. Tax Credit claimants often accumulate debt through overpayments during the period between a change in circumstances and HMRC's annual review of their entitlement.

2.27 When a claimant moves to UC, HMRC transfers any related Tax Credit debt to DWP. Before doing this, HMRC informs the claimant of the amount of debt transferring and explains that DWP will recover the debt via the most suitable method. HMRC only transfers debt that is not under dispute. DWP checks the accuracy of the debt data by requesting from HMRC supporting evidence for a small sample of claims where debt has been transferred.

2.28 HMRC estimates that 80% of Tax Credit claimants will migrate to UC with outstanding debt. It transferred £3.6 billion of Tax Credit debt to DWP from April 2016 to March 2023, and expects to transfer a further £1 billion by the end of 2024-25.¹⁷ Since 2019-20, the average debt held by Tax Credit claimants at the point when they moved to UC has been £1,222.

Recovery of debt by DWP

2.29 DWP's aim is to recover debt as quickly and cost-effectively as possible without causing undue financial hardship to claimants. In the case of someone currently receiving a benefit, DWP will deduct an amount from the benefit paid until the debt has been recovered.

2.30 In 2018, the Committee of Public Accounts recommended that DWP should put measures in place to mitigate financial hardship for UC claimants, including to "create, test and put in place solutions which provide a safety net for all".¹⁸ At that time, DWP could deduct up to 40% of a claimant's standard UC allowance in order to recover debt, reducing the amount of money that claimants had to live on. In April 2021, DWP reduced the amount that can be deducted from benefit payments to a maximum of 25%.

2.31 Claimants can also ask DWP for a repayment plan if they are facing hardship, for example, reduced repayment rates or a temporary suspension of deductions. At November 2023, 363,700 UC claimants had arranged a repayment plan. DWP reviews each repayment plan after two years. Tax Credit claimants moving to UC who had a repayment plan with HMRC must agree a new plan with DWP.

2.32 In 2022-23, DWP recovered £428 million of Tax Credit debt. This represented a reduction of 18% compared with the £520 million recovered in 2021-22.

¹⁷ These figures include debt relating to all claimants who moved to UC from Tax Credits, whether through natural, voluntary or managed migration.

¹⁸ Committee of Public Accounts, *Universal Credit*, Sixty-Fourth Report of Session 2017-19, HC 1183, October 2018.

Part Three

Completing the move of all claimants from legacy benefits to Universal Credit

3.1 This part of the report covers the position with regard to claimants of income-related Employment and Support Allowance (ESA) who are not covered by the Department for Work & Pensions' (DWP's) current exercise to move claimants to Universal Credit (UC).

Delay in the move of income-related ESA claimants to UC

3.2 People were able to apply for income-related ESA if they had a disability or health condition that affected how much they could work, to help with living costs and support them to get back into work if possible. DWP assesses that ESA claimants are more likely to be older and more likely to be disabled than claimants of legacy benefits in general. At August 2023, there were 1.1 million claimants of income-related ESA.

3.3 The government announced in the 2022 Autumn Statement that it would delay the move of claimants on income-related ESA to UC by three years to 2028 in order to make savings.¹⁹ Before the Autumn Statement, DWP had planned to start sending migration notices to these claimants in January 2024 and to complete their move to UC by March 2025. The move of income-related ESA claimants who receive Housing Benefit has also been delayed to 2028. DWP will continue to migrate ESA claimants who also receive Child Tax Credits, with the aim of completing the move by December 2024 so HM Revenue & Customs can stop paying Tax Credits and, in due course, close the Tax Credit system.

3.4 The decision to delay the move of ESA claimants was part of the government's response to the significant economic challenges the country faced at the time. The 2022 Autumn Statement set out steps on taxation and spending, with the aim of ensuring that each contributed in a broadly balanced way to repairing the public finances, while protecting the most vulnerable. DWP told us HM Treasury asked it for ways to reduce spending on benefits and ministers chose the option of delaying the move of ESA claimants to UC.

¹⁹ HM Treasury, *Autumn Statement 2022*, November 2022.

3.5 DWP told us that 600,000 ESA claimants will need to migrate to UC in 2028-29. At the time of our work, DWP had not yet developed a plan for moving these claimants to UC in 2028, three years after the current programme finishes in 2025. It has been considering options for moving these claimants earlier than 2028, subject to ministerial and HM Treasury approval, on the basis that it would be more effective to move claimants to UC using the existing programme and expertise, and moving to UC would allow claimants to receive better financial and employment support earlier.

Estimated savings from the delay

3.6 DWP estimated the delay in moving ESA claimants to UC in Great Britain would achieve net savings of nearly £1 billion in benefit payments, classified as Annually Managed Expenditure, over the period 2024-25 to 2027-28 (**Figure 14**).²⁰ The Office of Budget Responsibility reviewed and certified this savings estimate ahead of the 2022 Autumn Statement.

3.7 DWP derived the savings estimate from two main calculations.

- **Savings of £1.1 billion from delaying moving claimants who would be better off on UC.** DWP estimated that, in 2022-23, some 600,000 ESA claimants (51%) would be better off on UC, by around £130 a month on average. DWP also estimated that the proportion of claimants who would be better off on UC would reduce over time.
- **Costs of £140 million from delaying moving claimants who would be worse off on UC.** DWP estimated that, in 2022-23, some 500,000 ESA claimants (41%) would be worse off on UC, by around £217 a month on average before transitional protection.²¹ DWP also estimated that the proportion of claimants who would be worse off on UC would increase over time.

3.8 As they are based on assumptions, DWP's costs and savings estimates are approximate and sensitive to changes in the assumptions. DWP made the estimates quickly to be ready for the 2022 Autumn Statement, used a simplified model to assess a range of complex variables, and was not able to update some of its assumptions. The estimates assumed no change in the rate at which ESA claimants choose to move to UC voluntarily before 2028 because they would be better off. The government, in its policy costings for the 2022 Autumn Statement, highlighted the main uncertainties as the future size of the ESA caseload and estimates of the number of voluntary moves to UC.²²

²⁰ Annually Managed Expenditure is spending that is included in departmental budgets, but is difficult to predict or control. It is therefore not subject to multi-year spending limits set in spending reviews.

²¹ DWP provides transitional protection to top up a claimant's UC entitlement where it is lower than the legacy benefit being replaced so people are not worse off at the point of moving (see paragraph 2.22).

²² HM Treasury, *Autumn Statement 2022 Policy Costings*, November 2022.

Figure 14

Estimated savings from delaying the move of income-related Employment and Support Allowance (ESA) claimants to Universal Credit (UC) to 2028 in Great Britain

The Department for Work & Pensions (DWP) estimated delaying the move of income-related ESA claimants to UC would lead to net savings of nearly £1 billion

	2024-25	2025-26	2026-27	2027-28	Total
	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)
Savings from delaying moving claimants who would be better off on UC	22	227	466	418	1,134
Costs from delaying moving claimants who would be worse off on UC ³	0	(3)	(36)	(104)	(144)
Net savings	22	224	430	314	990

Notes

- 1 Numbers may not sum due to rounding.
- 2 This Figure shows the net savings in benefit payments for Great Britain. They differ from the savings reported in the 2022 Autumn Statement as these included costs and savings for Northern Ireland.
- 3 DWP provides transitional protection to claimants it moves under the managed migration process to make sure they are not worse off on UC at the point of moving. Costs arise from the delay in moving claimants because DWP continues to pay the full rate of ESA rather than paying transitional protection. Transitional protection reduces over time as the government increases benefit levels and a claimant's UC entitlement rises.

Source: National Audit Office analysis of Department for Work & Pensions data

3.9 DWP's estimates do not reflect the impact of delaying the move of some claimants to UC on the costs of implementing the programme, which fall within its Departmental Expenditure Limit. The delay will affect both the costs of the managed migration process before it finishes in 2025 (which are included in the cost of implementing UC set out in Part One of this report), and the costs of restarting activity in 2028.

Impact of the delay on ESA claimants

3.10 The impact on each claimant of moving to UC later than DWP originally planned will depend on their circumstances. DWP has estimated that:

- 51% of ESA claimants will be financially disadvantaged, unless they choose to move voluntarily, as they would be better off claiming UC;
- 41% of ESA claimants will gain financially for the period of the delay as their UC entitlement would be less than their legacy benefit – although these claimants would receive transitional protection if they were moved to UC, this protection would reduce over time as their UC entitlement increased; and
- 8% of ESA claimants would see no change in the amount they receive if they moved to UC.

3.11 The number of ESA claimants will fall before 2028. ESA claimants remain able to switch to UC voluntarily but are not eligible for transitional protection should they move in this way. There are various advice organisations able to help with questions about benefits, and some organisations provide benefit calculators and will help a claimant calculate their entitlement so they can make an informed choice. A claimant's circumstances may also change, meaning they are no longer eligible for the existing benefit.

3.12 DWP published in June 2022 its assessment of the circumstances in which claimants are likely to be better off on UC.²³ It has not contacted individual ESA claimants directly to let them know about the delay and their options. It told us this was in line with its general approach of not contacting legacy benefit claimants until it is ready to move them to UC.

²³ Department for Work & Pensions, *Completing the move to Universal Credit*, updated June 2022.

Appendix One

Our audit approach and evidence base

Scope

1 We reached our independent conclusions on whether the Department for Work & Pensions (DWP) is making good progress in replacing legacy benefits with Universal Credit (UC) in Great Britain, after analysing evidence collected from July 2023 to February 2024. The Department for Communities is undertaking parallel work to move claimants to UC in Northern Ireland, which is outside the scope of this report.

2 The evaluative criteria we used to assess value for money included: whether DWP is making the progress expected in implementing UC in terms of timetable, costs and benefits; whether DWP is well placed to undertake the managed migration of claimants from legacy benefits to UC effectively, including whether it has a clear plan and arrangements in place to support claimants; and whether DWP has a plan to complete the move of all claimants from legacy benefits to UC.

3 This is our sixth report on the implementation of UC. We reported on:

- *Universal Credit: early progress* in September 2013;²⁴
- *Universal Credit: progress update* in November 2014;²⁵
- *Rolling out Universal Credit* in June 2018;²⁶
- *Universal Credit advances fraud* in March 2020;²⁷ and
- *Universal Credit: getting to first payment* in July 2020.²⁸

We have also covered fraud and error in UC expenditure in our reports on DWP's annual accounts, most recently in July 2023 in our report on DWP's 2022-23 accounts.²⁹

24 Comptroller and Auditor General, *Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office, September 2013.

25 Comptroller and Auditor General, *Universal Credit: progress update*, Session 2014-15, HC 786, National Audit Office, November 2014.

26 Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017-2019, HC 1123, National Audit Office, June 2018.

27 Comptroller and Auditor General, *Universal Credit advances fraud*, Session 2019-2021, HC 105, National Audit Office, March 2020.

28 Comptroller and Auditor General, *Universal Credit: getting to first payment*, Session 2019-2021, HC 376, National Audit Office, July 2020.

29 Comptroller and Auditor General, *Report on Accounts: Department for Work & Pensions*, National Audit Office, July 2023.

Methods

4 In forming our conclusions, we drew on a variety of evidence sources, as described in the paragraphs below. We collated and analysed the evidence we obtained, using our evaluative criteria as a framework. We looked across different sources of evidence to support each of our findings.

Interviews with DWP

5 We interviewed the senior responsible owner for UC and other departmental officials to understand what progress DWP has made in implementing UC and to examine DWP's programme to move claimants from legacy benefits to UC through the managed migration process. The people we spoke to were selected based on their roles within DWP in the following areas: policy development; programme management and governance; finance; data analysis; programme implementation; operational delivery; external engagement; and analysis and evaluation. We conducted all interviews online using agendas and topic guides linked to our study questions. We tailored each interview to the responsibilities of the officials we were talking to.

6 We used these interviews to develop our understanding of the overall progress DWP had made in implementing UC and its detailed plans for, and progress with, the managed migration process. Where possible, we triangulated interview evidence with documentary and other evidence. We also used the interviews to understand and test the robustness and limitations of finance and performance data so that we could undertake our own analysis and place appropriate reliance on the findings.

Interviews with other bodies

7 We interviewed staff from the following bodies.

- **HM Revenue & Customs (HMRC):**

We conducted an online interview with the official responsible for supporting the migration of claimants from Tax Credits to UC. We used this interview to understand HMRC's role in the migration process and how it is working with DWP.

- **Infrastructure and Projects Authority:**

We conducted an online interview with officials responsible for oversight and scrutiny of DWP's programmes in the Government Major Projects Portfolio, including UC. We used this interview to understand what scrutiny has taken place and is planned, and to understand the findings from the reviews to date. We refer to the Infrastructure and Projects Authority's findings in paragraphs 1.5 and 2.5.

- **Citizens Advice:**

We conducted an online interview with staff from Citizens Advice. We used this interview to discuss the 'Help to Claim' service provided by Citizens Advice, which is funded by a grant from DWP (covered in paragraphs 2.20 and 2.21 and Figure 13), and to seek views on our stakeholder consultation questions set out below.

Document review

8 We reviewed a range of published and unpublished documents to develop our understanding of DWP's overall progress in implementing UC, DWP's plans for moving claimants from legacy benefits to UC and progress with this exercise, and DWP's plans for completing implementation of UC. The documents included:

- unpublished DWP documents such as the UC business case and UC Programme Board papers, including progress reports, risk registers and management information;
- published DWP documents such as announcements and statements, answers to Parliamentary Questions, policy papers and evaluation reports; and
- evidence submitted to, and reports published by, the House of Commons Committee of Public Accounts and Work and Pensions Committee.

9 We reviewed each document against our evaluative criteria. The review was used to inform further discussion and follow-up with DWP, and to determine audit findings and triangulate findings from other sources.

Site visits

10 We visited in person two DWP sites – its service centres in Bolton and Preston – in October 2023. DWP is undertaking 'discovery' work in Bolton to test its approaches to the managed migration of claimants to UC. At the time of our work, DWP's Preston service centre had processed the highest number of claims for UC made under managed migration.

11 The visits included meetings with managers and operational staff, and observation of staff as they carried out their work. The aims of the visits were to: develop our understanding of the claim process for UC; discuss and observe the role of DWP decision-makers; discuss and observe DWP's approach to discovery and improvement; and discuss with DWP staff their experience of the migration process and how it interacts with other business.

Quantitative analysis

Data on the number of claimants of UC and legacy benefits

12 We used DWP's published official statistics on the number of claimants and households on UC, accessed via Stat-Xplore. We also used DWP's unpublished management information where this provided more up-to-date data.

13 We analysed data on the number of individuals and households claiming UC and legacy benefits to assess DWP's overall progress in implementing UC and its progress in replacing six legacy benefits with UC. To do this, we compared the data with DWP's unpublished estimates and plans.

Data on the number of migration notices sent to claimants and the outcomes

14 We used DWP's published official statistics on the number of migration notices DWP has sent to legacy benefit claimants and the outcomes. We also used unpublished management information, for example on DWP's forecast migration profile.

15 We analysed data to establish how many and what proportion of claimants had applied for UC or had not applied and had their legacy benefits stopped. We also used these data to compare how many migration notices DWP has sent with its forecast profile for migration notices sent.

Financial data

16 The main sources of financial information we drew on were:

- the government's public funding announcements;
- DWP's unpublished 2018 UC business case and updates to the business case and data on estimated costs and benefits up to December 2023; and
- DWP's unpublished cost and spending data.

17 We used this information to establish:

- DWP's latest estimate of the cost of implementing UC, which includes staff costs for the Move to UC programme (to migrate legacy benefits claimants to UC) and other programme costs, compared with the 2018 full business case, and the main reasons for changes in cost;
- spending to date on implementing UC;
- DWP's latest assessment of the benefits expected to be achieved once UC is fully implemented, compared with the 2018 full business case;
- the grant funding DWP has provided to support people with their UC claims;
- the amount of debt transferred from HMRC to DWP when Tax Credit claimants transferred to UC; and
- how DWP calculated the estimated savings of £1 billion expected from delaying the move to UC of income-related ESA claimants.

Stakeholder consultation

18 We wrote to selected stakeholder bodies, inviting them to provide their views on any or all of the following questions:

- What are your views on how well DWP is migrating claimants from legacy benefits to UC?
- What factors are helping or preventing claimants from migrating to UC, or are likely to do so?
- Where vulnerable claimants need DWP support to migrate to UC, is that support available and effective?
- How has DWP involved your organisation in its managed migration activity?
- What do you think are the main opportunities and risks in migrating claimants from legacy benefits to UC?

19 In selecting the stakeholder bodies, we aimed to get a cross-section of views from those representing different types of stakeholders, including disability rights, welfare rights and poverty alleviation. DWP started to roll out its programme to move claimants from legacy benefits to UC in April 2023 and, at the time of our consultation, the process involved relatively low numbers of claimants. We therefore selected stakeholders who had been part of DWP's stakeholder engagement and were therefore informed about its objectives and activities.

20 Of the 13 organisations we contacted, we met or received written submissions from eight:

- the Child Poverty Action Group;
- Citizens Advice;
- Disability Rights UK;
- Mind;
- the National Housing Federation;
- Policy in Practice;
- rightsnet; and
- the Trussell Trust.

21 We reviewed the consultation responses we received to identify key themes relevant to the scope of our work. We identified themes relating to how stakeholders perceive the risks associated with claimants not applying for UC when invited, DWP's support for claimants and the arrangements for transitional protection, and covered these in the Part Two of this report.

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