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Committee of Public Accounts

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The Committee of Public Accounts

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The introduction of Universal Credit is causing unacceptable hardship and difficulties for many of the claimants it was designed to help. However, while the Department is responsive to feedback on its digital systems from staff, it has persistently dismissed evidence that Universal Credit is causing hardship for claimants and additional burdens for local organisations, and refuses to measure what it does not want to see. In 2013 this Committee raised concerns about the Department's culture of reporting good news and denying problems that emerge. In further reports in 2015 and 2016 the Committee warned about the Department's continued lack of transparency. It is hugely regrettable that the Department has not heeded these warnings. Instead of listening to organisations on the frontline supporting claimants, the Department has continued with its fortress mentality and as a result is failing claimants who struggle to adapt to the way Universal Credit works.

The recent announcement by the Secretary of State of a further delay and a "slow and measured" approach to the rollout is not a solution on its own and the Secretary of State has admitted that some claimants will be worse off under Universal Credit. If the current problems are not addressed and the funding needed is not forthcoming the hardship is likely to continue. It needs to work with third party organisations to help shape the new programme in light of the real life experiences of recipients.

Introduction

The Department for Work & Pensions (the Department) is introducing Universal Credit to replace six means-tested benefits. 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, following a series of problems managing the programme and developing the necessary technology. The Department introduced a twin-track approach in November 2013. It started to develop its long-term digital solution, known as 'full service', alongside making use of the systems it had built before the reset for its 'live service' (available mainly to single unemployed claimants with straightforward claims).

Since the Department began rolling out full service in May 2016 there have been several further delays to the programme, which is now unlikely to complete before 2023. By the end of March 2018 the Department had spent £1.3 billion of the £2 billion it expects to invest in the programme by 2024–25, and by June 2018, 980,000 people (around 12% of the expected caseload) were claiming Universal Credit. A further 7.5 million people are still to come onto the new benefit before the programme completes.

Conclusions and recommendations

1. **The Department's systemic culture of denial and defensiveness in the face of any adverse evidence presented by others is a significant risk to the programme.** The Committee has regularly commented on the Department's blinkered approach to risks and problems with Universal Credit's implementation. We are disappointed that this culture of denial remains firmly in place. Local organisations have found the Department unresponsive to issues they have raised, and told us that the Department is not learning lessons and applying them to the programme. In addition, when the Comptroller and Auditor General raised concerns over the implementation of the programme in his report, the Department repeatedly questioned the substance of the report both in the media and in Parliament. The Department's defensive approach was further evident in the way it responded to criticism during our evidence session, refusing to accept that Universal Credit causes hardship for many claimants, and believing that issues raised were reflecting the policy not the implementation. But unless the Department learns to listen, it will not be able to adapt the programme to make it a success.

   Recommendation: ***As a matter of urgency the Department needs to identify specific measures that demonstrate a step change in its attitude to listening and responding to feedback and evidence from its partners. We will hold the Department to account for its progress when we next meet and will expect frontline organisations to report that they have seen a tangible difference.***

2. **Universal Credit causes financial hardship for claimants including increased debt and rent arrears, and forces people to use foodbanks.** Universal Credit is taking too long to pay people money they need to live on. The Universal Credit design means that claimants face an initial mandatory five week waiting period for payment. Around 20% of claimants do not receive their full payment on time and can face delays of several weeks on top of the initial wait. The Department does not expect the situation to improve significantly in 2018. Around 60% of claimants receive an advance from the Department to tide them over during the initial weeks, a clear indication that most claimants do not have enough money to cope over this period. Advances then contribute to the debt faced by claimants, which can be deducted at up to 40% of a claimant's standard allowance, and reduces the amount of money claimants have to live on. The Department's own survey found that 40% of claimants were experiencing financial difficulties eight or nine months into their claim. This is reflected in recent surveys of housing providers that found that many claimants face rent arrears as they move onto Universal Credit, with one finding that claimants can take 18–24 months to clear this debt. It is therefore unsurprising that the Trussell Trust has seen foodbank use increase more rapidly in areas where Universal Credit has been rolled out. It is astonishing that, despite this wealth of evidence, the Department refuses to accept that Universal Credit has caused hardship amongst claimants. The Department could not explain how it measures hardship as a result of Universal Credit, or provide evidence for its assertion that it does not exist. As a matter of urgency the Department must resolve the issues around the first payment delay, as part of addressing the hardship being caused for many claimants.

Recommendation: ***In order to mitigate financial hardship for claimants, the Department must:***

- ***establish methods for measuring hardship;***
- ***identify the specific challenges faced by people with different needs;***
- ***create, test and put in place solutions which provide a safety net for all;***
- ***and significantly improve the proportion of claimants it pays in full and on time.***

3. **The Department is failing vulnerable claimants because it places too much reliance on the discretion of its work coaches to identify and manage the needs of people requiring extra support.** The Department relies on work coaches in Jobcentres to tailor aspects of Universal Credit to a claimant's individual needs, such as the number of hours they must spend looking for work. But appropriately tailored conditions are not always being set in practice, resulting in claimants being subject to unrealistic expectations, leaving them at risk of sanctions and in some cases exacerbating health issues. The Department's own research has highlighted that staff reported feeling 'overwhelmed' by the number of claimants with health conditions that they are dealing with. It is likely the pressure on work coaches will increase, as the number of claimants per work coach is set to increase fourfold. The Department is not able to monitor the treatment of vulnerable claimants, such as those with mental health problems, as it does not collect data on these groups within its systems. The Department is working on developing a 'text-mining' approach which it plans to use to obtain management information on different vulnerability groups. However this approach is reliant on the text that work coaches write in a claimant's journal, and will not provide the Department with clear data to allow it to measure what challenges certain vulnerable groups face or how well its solutions are working for them.

Recommendation: ***In its response to this report, the Department must set out, what more it will do to ensure that work coaches are well equipped to provide the right support packages for claimants including those with health needs and other vulnerabilities, and how it will measure and ensure this is happening in practice.***

4. **The package of support to help claimants adjust to Universal Credit is not fit for purpose.** 'Universal Support' is funded by the Department and commissioned by local authorities. It provides personal budgeting support and assisted digital support to help claimants make an online claim and manage their money. Despite the existence of this support, the Department's own survey showed that 25% of people reported not being able to make a claim online, and 40% reported financial difficulties. Providers have told us that claimants are not always offered the support, and for those that are, it often does not come at the right time or meet their needs. For instance, personal budgeting support is often offered to claimants when they are already in debt, but it is focused on helping them to manage a monthly budget and does not include debt advice. One local authority has told us that the funding provided by the Department is insufficient to cover costs, as a result of which it has not been able to put personal budgeting support in place.

Recommendation: ***The Department must work with others to reassess precisely what support claimants need, and how this can be best provided. It should demonstrate what impact this support is having. The Department must update us in six months on what is has done and learnt and how it will measure whether there is sufficient support in future.***

5. **Universal Credit is pushing costs onto the local organisations that support claimants - including local authorities, housing associations, and foodbanks.** The Department provides some administrative funding to local authorities for the implementation of Universal Credit. However, local authorities are facing additional costs which the Department does not cover, and have been forced to cover the costs of their local area moving to Universal Credit. Housing providers report increased rent arrears because of Universal Credit; for example arrears owed to Newcastle City Council doubled from £1 million to £2 million pounds in the year to March 2018. Local authorities are also finding that their ability to recover overpaid housing benefit has been impaired by Universal Credit and outlined increased administrative burdens. Furthermore, organisations that support claimants, such as Citizens Advice and foodbanks, have seen a substantial increase in demand for their services in areas that have introduced Universal Credit. But the Department does not seem to be listening and is not giving sufficient credence to the issues raised by frontline organisations. When it does speak to external organisations it attributes many differences to views about policy rather than the implementation of Universal Credit.

Recommendation: ***The Department should set out what it will do to understand and measure the additional costs and burdens for local organisations and what it will do to ensure organisations can cope as the number of claimants on Universal Credit increase.***

6. **The Department is unable to measure its objective of getting 200,000 more people into work.** Both ministers and the Department have repeatedly claimed that Universal Credit will get an additional 200,000 (originally 300,000) people into work. However the Department now admits that it will not be able to measure the additional jobs in the economy as a result of Universal Credit. It says that the assumptions on which it based its forecast support its claim of an additional 200,000 people in work and argues that 'just because you can't measure it, it doesn't mean it doesn't exist'. We do not believe this is a sufficient argument. The Department predicates £5 billion of economic gains–more than half of the expected annual economic benefits claimed in its business case–to increased employment gains. The Department's inability to support claims for more people being in work as a result, along with questions over whether Universal Credit will ever be cheaper to administer than the welfare benefits it is replacing, cast doubt on whether the additional cost of Universal Credit will ever prove to be value for money.

Recommendation: ***In future the Department must make sure that all claims for Universal Credit are supported by empirical evidence rather than theoretical models.***

7. **We are seriously concerned about the Department's ability to transfer around 4 million people from existing welfare benefits to Universal Credit without causing**

further hardship to claimants. The Department expects a total of 8.5 million people to be on Universal Credit by 2023. Just over half will move to Universal Credit naturally through new claims or changes in circumstance, as the digital system moves to their area. The remaining four million people on legacy welfare benefits, who have not experienced a change in circumstance, will move over during 'managed migration'–which the Department accepts will be the most challenging part of the programme. Despite this, and the official start date for beginning the transfer being less than a year away, the Department has not formalised detailed plans for the process and still needs to engage with stakeholder groups about the best way to tackle the challenge. It anticipates that the number of claimants moving over to Universal Credit each month could be up to 100,000, and says it would struggle to deal with a number higher than this. The process involves claimants needing to make a new claim for Universal Credit before their old benefit is stopped. The Department recognises that this brings a risk that claimants could be left without financial cover if they do not move over in time, and acknowledges that claimants have not always responded as it expected in the past. As the number of new claims coming onto Universal Credit each month increases, the pressure on the Department's staff, systems and organisations supporting claimants will increase. As a result there is a real risk that we will see claimants facing hardship on a much larger scale.

Recommendation: ***We will be challenging the Department again on its preparedness for managed migration. It is more important that the Department gets migration right than it unthinkingly sticks to its timetable. Before it goes ahead it must be transparent about:***

- ***the criteria it must meet before going ahead;***
- ***how it will demonstrate that this will not result in a deterioration of service quality or the creation of further hardship for claimants;***
- ***what metrics it will use to assess whether the migration is working; and***
- ***how it will maintain quality throughout migration and have clear criteria to slowdown, pause or stop migration for certain groups if performance deteriorates.***

8. **Since our evidence session, the Secretary of State for Work & Pensions has announced that the roll-out of Universal Credit will be delayed once again.** The roll-out of the next phase of the programme will start later in 2019 rather than in January as planned. The Secretary of State also announced that the Department's roll out would be "slow and measured" with just a small number of claimants–some 10,000–to ensure the system is working before being rolled out more widely in 2020. But this slowdown is no guarantee that the problems facing claimants will be resolved and will address the hardship so many have experienced.

Recommendation: ***Given the Secretary of State has acknowledged that some claimants will be worse off on Universal Credit, we expect the Department to take on board our recommendations as part of this new approach and accept the hardship its previous approach has caused.***

1 Background

Introduction

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Work & Pensions (the Department).[1] We also took evidence from Leicester and Newcastle City Councils, and from charities, the Trussell Trust and Mind.

2. The Department is introducing Universal Credit to address issues of poor work incentives and complexity within the existing welfare system, by replacing six means-tested benefits for working-age households with a single online claim. Universal Credit is designed to be "like work" and to "maximise claimants' responsibility and self-sufficiency" by paying claimants monthly in arrears, and paying all elements direct to the claimant. Its overarching aims are to: encourage more people into work through better financial incentives, simpler processes and increasing requirements on claimants to search for jobs; reduce fraud and error; and be cheaper to administer than the benefits it replaces. The Department has estimated that Universal Credit will deliver a net benefit of £8 billion a year.[2]

3. 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, following a series of problems managing it and developing the necessary technology. Following the reset, the Department introduced a twin-track approach. It started to develop its long-term digital solution, known as 'full service' alongside using the systems it had built before the reset for its 'live service', which was available to claimant groups whose claims were simple to manage (mainly single, newly unemployed adults with no dependent children). It began rolling out full service in May 2016, extending Universal Credit to all claimant groups previously eligible for legacy benefits. Since then there have been several delays to the programme, which is now unlikely to complete before 2023.[3]

4. By the end of March 2018 the Department had spent £1.3 billion of the £2 billion it expects to spend on the programme by 2024–25.[4] By 14 June 2018, it had rolled out full service to 338 jobcentres and 980,000 people were claiming Universal Credit, around 12% of the 8.5 million people the Department expects to be on Universal Credit by 2023.[5] The Department plans to complete the rollout of its digital service to all jobcentres by December 2018. To date, people have come onto Universal Credit because they have either made a new claim, or were on an existing benefit and experienced a change in circumstance. The Department plans to begin transferring those on existing benefits to Universal Credit in July 2019.[6]

1 Report by the Comptroller and Auditor General, Rolling out Universal Credit, Session 2017–19, HC 1123, 15 June 2018
2 C&AG's Report, paras 15, 1.3, 2.3
3 C&AG's Report, paras 2, 1.9, 1.17–18
4 C&AG's Report, para 1.25
5 Universal Credit experimental official statistics: 29 April 2013 to 14 June 2018; C&AG's report, key facts
6 C&AG's Report, paras 1.18, 1.20, 1.22

5. This Committee has previously reported on Universal Credit four times. Since 2015 the Committee has commented that programme management had stabilised but has expressed concerns around the Department's openness and response to feedback.

Listening to feedback

6. When the previous Committee first reported on Universal Credit in November 2013, it commented that the Department's Universal Credit team was isolated and defensive, and had developed a culture of reporting only good news and of denying that problems existed. We called for the Department to be more realistic and transparent and warned about the risks to the programme of it taking such a blinkered approach.[7] In February 2016 the Committee reported that it remained unconvinced that the Department was becoming any more transparent,[8] and in November 2016 it warned that it was not doing enough to address the Committee's previous recommendations.[9]

7. Both Newcastle and Leicester city councils told us there is a stark contrast between the positive engagement they enjoy with the local jobcentre, and the frustration of dealing with the Department at a national level. For example, Newcastle City Council said that while the Department listens at a local level, it has not been able to influence the bigger picture and feels it is having the same conversations with the Department twelve months on. Similarly, Leicester City Council told us that the local jobcentre is very engaged and trying to do its best for claimants, but that nationally the Department has not learned lessons from areas which have had Universal Credit for longer periods, particularly around rent arrears and hardship.[10]

8. We were concerned about the Department's attitude in the face of feedback from organisations facing difficulties in relation to Universal Credit.[11] The National Audit Office had gathered views about the impact of Universal Credit from a range of organisations - including local authorities, housing providers, jobcentre staff and advisory services–to which the Department had responded by saying it believed much of the evidence was provided by organisations which were facing funding constraints and were lobbying for policy changes.[12] The Department claims that it listens to feedback. But the evidence, underlined by the Department's attitude in our evidence session, suggests otherwise.[13] In practice, it does not seem to listen or give sufficient credence to issues raised by frontline organisations. The Department itself holds discussion forums with external organisations, but again 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.[14]

7 Committee of Public Accounts, Universal Credit: early progress, Session 2013–14, HC 619, November 2013, pg 5 para 3

8 Committee of Public Accounts, Universal Credit: progress update, Session 2015–16, HC 601, 3 February 2016, page 3

9 Committee of Public Accounts, Universal Credit and fraud and error: progress review, Session 2016–17, HC 489, 7 November 2016, page 4

10 Q 33

11 Qq 34, 158–159

12 C&AG's Report, para 2.26

13 Qq 73, 75, 88, 94, 155

14 Q 169; C&AG's Report, para 13

9. Following the Comptroller and Auditor General's report, which raised concerns over the implementation of Universal Credit, the Department repeatedly denied the substance of his findings both in the media and in Parliament and maintained that Universal Credit was working well. The Comptroller & Auditor General wrote an open letter to the Secretary of State to 'clarify the facts' and to confirm that the report had been fully agreed with senior officials in the Department.[15] On 4 July 2018 the Secretary of State had to apologise for misleading Parliament regarding the content of the report.[16] Such defensiveness was also evident throughout the evidence session.

15 Correspondence to Rt Hon Esther McVey MP from the Comptroller and Auditor General
16 House of Commons Hansard Points of Order

2 Impact on claimants

Hardship caused by Universal Credit

10. When the system runs smoothly, claimants now face a mandatory wait of five weeks for their initial payment once they have claimed Universal Credit.[17] This wait can be much longer if claimants struggle to make the initial claim, or if they are not paid on time. In March 2018 the Department failed to pay 21% of new claimants their full Universal Credit entitlement on time following their initial claim, and 13% received no payment on time. The Department does not expect payment timeliness to increase significantly above 80% in 2018.[18] During 2017 there were around 113,000 late payments affecting around one quarter of new claims, and the National Audit Office estimates that there will be between 270,000 and 338,000 late payments during 2018.[19]

11. Around 60% of claimants receive an advance from the Department to tide them over while they await their first payment. Advances are loans which are usually repaid to the Department through deductions from future payments, and therefore immediately add to a claimant's debt. Under Universal Credit debt can be deducted at high rates of up to 40% of a claimant's standard allowance.[20] When we asked the Department what it had done to understand whether people could cope on what remains of their payment once deductions are made, it told us that average repayment on an advance is currently about £35 a month. Astoundingly, the Department argued that for people on low income: "that is an amount of money, but it is not eye-wateringly large".[21] When pressed further for evidence that claimants can cope, the Department offered that some claimants choose to repay their advance more quickly than the full 12-month period available but did not outline any research it had undertaken in this area.[22]

12. We heard from Newcastle City Council that claimants going onto Universal Credit face increased rent arrears. Leicester City Council added that it had seen two eviction notices within the three weeks of Universal Credit full service being rolled out.[23] This is supported by recent surveys covering the social housing sector, which found that almost three-quarters of Universal Credit tenants are in arrears compared to just over one-quarter of other tenants.[24] One survey reported that it can take claimants 18–24 months to clear this debt.[25]

13. The Trussell Trust has seen a 52% increase in foodbank use in areas where Universal Credit had been rolled out for 12 months or more. In contrast, the increase was 13% where Universal Credit had not yet been rolled out, or had been available for three months or less.[26]

17 C&AG's report, Figure 9. Before February 2018, many new claimants incurred an additional seven-day wait.
18 C&AG's report, para 2.20
19 C&AG's report, paras 2.13, 2.15, 2.19–20
20 C&AG's report, paras 2.21, 2.25
21 Q 94
22 Q 95
23 Qq 2, 7
24 Surveys by The National Housing Federation; the Scottish Federation of Housing Associations; Community Housing Cymru and the Northern Irish Federation of Housing Associations
25 ARCH and National Federation of ALMOs, Carrying the Debt, Measuring the impact of Universal Credit on tenants and landlords – survey results, July 2018
26 Q 9

14. The Department repeatedly refused to accept that Universal Credit causes hardship for some claimants, and stood by its argument that "it should not have, because of the availability of advances".[27] When we put the results of its own survey to the Department, which showed that 40% of claimants were experiencing financial difficulties eight or nine months into their claim,[28] it claimed that the results were comparable to the experience of claimants under the legacy system and did not indicate that Universal Credit was the cause.[29] The Department failed to explain how it measures hardship as a result of Universal Credit. It only cited the "text-mining" technique that it is developing to measure vulnerability (not hardship), which is not yet in place.[30] It told us 'what matters is not whether [it has] got data on hardship, but whether [it is] providing the right service to clients who come through the door".[31]

Support for vulnerable claimants

15. The Department relies on Jobcentre work coaches to tailor Universal Credit to meet a claimant's individual needs.[32] We heard from Mind, however, that work coaches do not always use their discretion to apply adjustments that would enable a person to progress through the system smoothly. Work coaches can adjust work search and conditionality requirements (for example, the number of hours work search expected) for claimants who are not well enough to work and are awaiting a work capability assessment, but they do not automatically do this.[33] Mind reported that claimants with mental health conditions often struggle to cope with the requirements which are set, for some this can result in a significant deterioration in their condition and they can end up with sanctions (which means their Universal Credit payment will be temporarily reduced).[34]

16. The Department's own research has highlighted that its staff reported: lacking time and ability to identify claimants who needed additional support; lacking the confidence to apply processes flexibly and make appropriate adjustments; and feeling 'overwhelmed' by the number of claimants they are dealing with.[35] Charities voiced concerns that the number of claimants that work coaches are expected to deal with is set to quadruple from 85 in March 2018 to 373 in 2025, despite vulnerable people not getting the support they need under the current caseload. The number of claimants per case manager is also set to increase six fold from 154 in March 2018 to 919 by 2025.[36]

17. The Department has no means to monitor the experience and treatment of vulnerable claimants, such as those with mental health conditions, as it does not collect data on these groups within its systems. Currently, staff record information on a claimant's needs using a text box in the claimant's journal, which can be 'pinned' to the top of their record so it is more visible for others dealing with the claimant.[37] The Department explained it was developing a text-mining approach to extract data on different groups

27 Qq 72, 74, 88, 89
28 Universal Credit Full Service Survey, June 2018, pg16
29 Qq 73, 75
30 Qq 75, 86
31 Q 81
32 Q 75; C&AG's Report, Figure 8
33 Qq 17, 44
34 Q 44; Mind, (UCR007), pages 1–2
35 C&AG's Report , para 2.5
36 Qq 32, 44; C&AG's Report key facts
37 C&AG's Report, paras 2.6–7

using the information recorded by work coaches, which it plans to use as management information.[38] The Department explained it had decided not to build the ability to flag vulnerabilities more quantitatively in its systems, as 'markers' in the legacy systems are often not updated, or are not removed when they should be.[39] It noted that, using the text-mining approach, it has found it easier to get information on some vulnerabilities (such as domestic violence victims) than others because of the wording used to record different needs. The Department told us it expects the first run of this technique to be completed by the end of summer.[40]

Supporting claimants to adjust to Universal Credit: 'Universal Support'

18. The Department recognised that some claimants would need help to adjust to Universal Credit and so put in place 'Universal Support'. Universal Support provides personal assisted digital support and budgeting support to help claimants make an online claim and manage a monthly payment. Despite the existence of this support, the Department's own survey showed that 25% of people reported not being able to make a claim online, and 40% reported financial difficulties.[41]

19. Current Universal Support provision is inadequate and inconsistent across the country.[42] Charities reported that Universal Support is not always offered to claimants who need it. For example, research by the Trussell Trust found that only 8% of claimants referred to its foodbanks had been offered any support from the jobcentre or council when they moved onto Universal Credit, whereas 63% were offered no help at all.[43] The Department told us that Universal Support take-up has been only a third of what it expected.[44] Citizens Advice suggested that this was because only certain organisations (jobcentres, local authorities, and Universal Support providers) could refer claimants to Universal Support.[45]

20. The Department's funding of Universal Support is also an issue. For example, Leicester City Council found that its local welfare advice provider was unable to provide personal budgeting advice to claimants for the level of funding offered by the Department. However the Department did not review the amount of funding available, and as a result there is no personal budgeting support available in that area.[46]

21. We also heard concern that the assistance available from Universal Support was 'very brief'.[47] The Department remarked that this was "quite strange", as councils report not having enough time within the two-hour sessions, whereas data they provide showed that

38 Q 78
39 Q 84
40 Qq 81–82
41 C&AG's Report, paras 2.11 and 2.13, Figure 8
42 Citizens Advice (UCR0011), page15
43 Q 9; The Trussell Trust (UCR002), paragraph 17
44 Q 226
45 Citizens Advice (UCR0011), page 16
46 Q 28
47 Q 56

on average they were actually taking 74 minutes for pre-budgeting support.[48] However, claimants often need help further down the line when receiving monthly payments, rather than the pre-budgeting support funded by the Department.[49]

22. Charities have raised concerns that Universal Support does not go far enough.[50] For example, personal budgeting support does not include debt advice, which charities regard as being one of the most pressing needs for claimants.[51] The Department explained that Universal Support did not offer debt advice as it was already available from the Money Advice Service. However, it acknowledged that it was reviewing the Universal Support offer, but is awaiting a report by the Work and Pensions Committee before setting out how it will adapt Universal Support.[52]

48 Q 235
49 C&AG's report, Figure 14
50 Citizens Advice (UCR0011), page 16; Trussell Trust (UCR002), paragraph 18
51 Qq 9, 32, 47; C&AG's report, Figure 8
52 Qq 226, 227, 234

3 Wider issues

Additional burdens on local organisations

23. Local authorities report that they face additional administrative burdens as a result of the introduction of Universal Credit, the costs for which are not fully covered by additional funding that the Department provides.[53] For example, Leicester City Council told us that in the three weeks since Universal Credit full service rolled out, it had a caseload of 1,200, which was double what it expected, and which requires support migrating from Housing Benefit. It reported that three jobcentres all went live at the same time, requiring about £250,000 additional support in terms of housing officers to support those moving over to Universal Credit. Leicester City Council commented that it had been a shock to them how quickly private landlords had become nervous about the impact of Universal Credit, particularly the delay in rent payments.[54] Newcastle City Council reported that it had spent nearly £0.75 million on support for Universal Credit. Leicester City Council commented that it was also providing additional digital support in the community and supporting the adult education service, particularly around digital and language skills.[55]

24. Leicester City Council raised two specific issues in relation to moving claimants from housing benefit to Universal Credit. The first related to administrative requirements, in which they had seen an increase of 3,000 person-hours required to manually check and process paperwork in just three weeks.[56] The second was its ability to recover overpaid housing benefit and the difficulties it has faced in placing 'attachments' onto Universal Credit claims.[57] Leicester City Council explained that it had £4.5 million of attachments to benefits, and that once an individual or household moves to Universal Credit it becomes nearly impossible to recover the amount owed.[58]

25. Newcastle and Leicester City Councils told us they had each set aside over £4 million to cover the costs of Universal Credit moving to their areas.[59] This is to cover the expected shortfalls in rent and council tax collection. Newcastle City Council, which has been on Universal Credit full service for over a year, reported a significant rise in rent arrears, which had increased from £1 million to £2.1 million. It also told us it has written-off £0.5 million of Council Tax for claimants in hardship, and had made hardship payments of £50,000.[60]

26. Other organisations that support claimants, such as Citizens Advice and foodbanks, have seen a substantial increase in demand for their services in areas that have introduced Universal Credit. The National Audit Office reported that demand for advisory services

53 Q 194; C&AG's report, para 2.36 and Figure 17
54 Qq 2–4
55 Qq 7, 26
56 Q 26, 27
57 Q 4. An 'attachment' is an option for local authorities by which money owed is deducted automatically from an individual's Universal Credit claim to pay back historically overpaid housing benefit. When an individual moves from housing benefit to Universal Credit any prior attachments are cancelled.
58 Q 6
59 Qq 22, 25
60 Qq 6, 7

had increased significantly and that providers were concerned that the current level of support would not be sustainable as the rollout continued.[61] For example, Citizen's Advice says it has seen approximately 12% of all Universal Credit claimants.[62]

27. In response to questions about the additional cost burdens on local authorities of Universal Credit the Department explained that the picture was "complex", and argued that costs were falling away from local authorities as its housing benefit caseload reduced.[63] This is reflected in the reduction of housing benefit grants that local authorities receive from the Department.[64] However, local authorities stated that they had not seen an equivalent decline in their workloads. For example, Leicester reported that its housing benefit grant had halved since 2013–14 but it had so far seen only an 8% reduction in caseload.[65] The Department acknowledged that there were transitional costs associated with welfare reform but that this is why discretionary housing payments are made available. When asked about the future provision of costs for local authorities, the Department told us that the largest provision is for the potential for exits from local authorities as the caseload on housing benefit reduced.[66] However, caseloads and workloads have not reduced as quickly as the Department expected.[67]

28. The Department confirmed it would consider paying local authorities for any additional costs of implementing Universal Credit if they can prove that costs are greater in comparison to legacy systems.[68] Nevertheless, as it had not set itself a baseline against which to assess the impact of Universal Credit, the Department accepted that it was taking something of a "wet-finger in the air" approach to estimating these costs.[69]

Getting more people into work

29. The Department expects that Universal Credit will lead to £8 billion of benefits a year by getting more people into work, reducing fraud and error and reducing the cost of administering the benefits system. Close to two thirds (£5 billion) of these benefits are based on the Department achieving its objective of getting an additional 200,000 people into work and from people working more hours.[70]

30. The Department's estimate of how many people will enter work because of Universal Credit has fallen over time–in 2011 it expected to reduce workless households by 300,000, but this was revised downwards to 250,000 in 2014 before the latest reduction to 200,000.[71] It is now apparent, however, that this figure is purely hypothetical. The Department admitted that it will not be able to measure whether it has achieved this objective, and confirmed that it cannot measure the number of additional jobs in the economy as a result

61 C&AG's report, para 2.29
62 Citizens Advice (UCR011)
63 Q 189
64 C&AG's report, para 2.37
65 Q 26
66 Qq 191, 197
67 Q 26
68 Q 201
69 Q 204; This Committee has previously reported on the impact of new burdens being placed on local authorities, with the risk that unfunded pressures on local authorities make it more difficult for them to fulfil their duties and increase pressure on council tax: see Committee of Public Accounts, Care Act first-phase reforms and local government new burdens, HC 412, Session 2015–16, December 2015
70 C&AG's Report, para 15
71 C&AG's Report, para 3.6

of Universal Credit.[72] It argued that 'just because you can't measure something it doesn't mean it doesn't exist'.[73] We questioned the Department on why it had repeatedly paraded this figure as a definite outcome of Universal Credit. The Department told us that the 200,000 is a conservative estimate based on evidence, such as studies that have looked at previous changes to tapers on tax and benefits in the UK.[74]

31. The Department's inability to prove the number of jobs in the economy as a result of Universal Credit, alongside questions over the realisation of its other benefits casts doubt on whether Universal Credit will ever prove to be value for money. It is far from clear that Universal Credit will cost less to administer than existing benefits. Planned efficiency savings are uncertain and are in any case negated by both the extra costs of providing the benefit system to those that are in work and by costs to local organisations. Universal Credit currently costs £699 per claim, which is more than the target unit cost that the Department set itself when accelerating the rollout in October 2017, and four times as much as it intends when the systems are fully developed. The Department does not yet know whether it is achieving its objective of reducing fraud and error.[75]

Transferring claimants from existing benefits to Universal Credit

32. The number of claimants on Universal Credit is set to increase from around 1 million (as of 14 June 2018) to 8.5 million people when fully implemented.[76] Currently, people move to Universal Credit by either making a new claim, or transferring from an existing benefit if their circumstances change and Universal Credit has been rolled out where they live.[77] We heard from the Department that it expects the number of new claims each month to increase more rapidly from now on.[78] This will result in added pressure on staff, as the number of claimants that each work coach and case manager will be dealing with will increase significantly.[79] Given this increase in caseloads, Citizen's Advice questioned whether the Department will have sufficient capacity to provide adequate support to claimants.[80] In addition, Universal Credit IT systems are not as automated as the Department had expected at this stage, meaning many processes must still be carried out manually.[81]

33. The Department expects that four million people currently claiming legacy benefits, will not experience a change in circumstance, and will instead move to Universal Credit through 'managed migration'.[82] The Department acknowledged that this will be the most challenging part of the programme, and told us it is looking to minimise the chances that things will go wrong.[83] The Department anticipates that the most difficult part of the migration will be ensuring a claimant makes a new claim for Universal Credit before their old benefit is 'switched off'. It acknowledged that there is a risk of claimants losing financial cover over this period, noting that claimants have not always responded as it

72 Q 138
73 Q 132
74 Qq 131, 137
75 C&AG's Report, paras 15, 3.19
76 Universal Credit experimental official statistics: 29 April 2013 to 14 June 2018; C&AG's Report, key facts
77 C&AG's Report, para 1.20
78 Q 255
79 C&AG's Report, key facts
80 Citizen's advice (UCR0011), page 12
81 C&AG's Report, para 1.15
82 C&AG's Report, para 1.25
83 Q 144

anticipated in the past.[84] When we asked the Department what its worries were around this, it told us one of its biggest concerns is that "media noise [of Universal Credit] is making people quite fearful" and it "needs people to respond positively" to an approach from the Department.[85]

34. The Department's official start date for managed migration is July 2019, although during the evidence session the Department said that this will only begin in earnest in 2020, once it has a year's worth of testing at low volume.[86] The Department gave us scant detail of how this process will work in practice, saying it was "deliberately not showing too much of [its] hand on this at the moment", because it still needs to engage with stakeholders about the best way of tackling the challenge. It told us that at most it could move 100,000 claimants to Universal Credit each month, and explained that it would 'struggle' with more than this; indeed, it does not want it to be at 100,000, as even this may stress the organisation and limit its flexibility.[87]

84 Q 224
85 Q 225
86 Q 220; C&AG's Report, para 1.22
87 Q 219

Formal Minutes

Wednesday 17 October 2018

Members present:

Meg Hillier, in the Chair

Chris Evans	Bridget Phillipson
Shabana Mahmood	Lee Rowley
Stephen Morgan	Gareth Snell
Anne Marie Morris	

Draft Report (*Universal Credit*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 35 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Sixty - Fourth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 24 October at 14:00pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 9 July 2018

Question number

Sophie Corlett, Director of External Relations, Mind, **Alison Greenhill**, Director of Finance, Leicester City Council, **Tony Kirkham**, Director of Resources, Newcastle City Council, and **Emma Revie**, Chief Executive, Trussell Trust, **Neil Couling**, Director General Universal Credit, Department for Work and Pensions, and **Peter Schofield**, Permanent Secretary, Department for Work and Pensions. Q1–226

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

UCR numbers are generated by the evidence processing system and so may not be complete.

1 British Red Cross (UCR0009)

2 Citizens Advice (UCR0011)

3 Citizens Advice Scotland (UCR0005)

4 Citizens Advice Swansea Neath Port Talbot (UCR0004)

5 Citizens Advice Waltham Forest (UCR0001)

6 Department for Work & Pensions (UCR0017)

7 Fife Centre for Equalities (UCR0012)

8 Inclusion London (UCR0013)

9 Joseph Rowntree Foundation (UCR0008)

10 Mind (UCR0007)

11 National Housing Federation (UCR0016)

12 NAWRA (UCR0006)

13 Scope (UCR0015)

14 Shelter (UCR0010)

15 The Trussell Trust (UCR0002)

16 University of Glasgow (UCR0014)

17 Women's Budget Group (UCR0003)

List of Reports from the Committee during the current session

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority’s Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools’ finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690 (Cm 9667)
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880 (Cm 9667)

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696 (Cm 9667)
Forty-First Report	Government risk assessments relating to Carillion	HC 1045 (Cm 9667)
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695 (Cm 9667)
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929
Forty-Fourth Report	Reducing emergency admissions	HC 795
Forty-Fifth Report	The higher education market	HC 693
Forty-Sixth Report	Private Finance Initiatives	HC 894
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304
Fiftieth Report	Financial sustainability of local authorities	HC 970
Fifty-First Report	BBC commercial activities	HC 670
Fifty-Second Report	Converting schools to academies	HC 697
Fifty-Third Report	Ministry of Defence’s contract with Annington Property Limited	HC 974
Fifty-Fourth Report	Visit to Washington DC	HC 1404
Fifty-Fifth Report	Employment and Support Allowance	HC 975
Fifty-Sixth Report	Transforming courts and tribunals	HC 976
Fifty-Seventh Report	Supporting Primary Care Services: NHS England’s contract with Capita	HC 698
Fifty-Eighth Report	Strategic Suppliers	HC 1031
Fifthy-Ninth Report	Skill shortages in the Armed Forces	HC 1027
Sixtieth Report	Ofsted’s inspection of schools	HC1029
Sixty-First Report	Ministry of Defence nuclear programme	HC 1028
Sixty-Second Report	Price increases for generic medications	HC 1184

Sixty-Third Report	Interface between health and social care	HC 1376
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399