



House of Commons
Work and Pensions Committee

Universal Credit implementation: monitoring DWP's performance in 2012-13

Fifth Report of Session 2013–14

*Report, together with formal minutes relating to
the report*

*Ordered by the House of Commons to be
printed 2 April 2014*

HC 1209
Published on 9 April 2014
by authority of the House of Commons
London: The Stationery Office Limited
£10.00

The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

Current membership

[Dame Anne Begg MP](#) (*Labour, Aberdeen South*) (Chair)

[Debbie Abrahams MP](#) (*Labour, Oldham East and Saddleworth*)

[Graham Evans MP](#) (*Conservative, Weaver Vale*)

[Sheila Gilmore MP](#) (*Labour, Edinburgh East*)

[Glenda Jackson MP](#) (*Labour, Hampstead and Kilburn*)

[Kwasi Kwarteng MP](#) (*Conservative, Spelthorne*)

[Nigel Mills MP](#) (*Conservative, Amber Valley*)

[Anne Marie Morris MP](#) (*Conservative, Newton Abbot*)

[Teresa Pearce MP](#) (*Labour, Erith and Thamesmead*)

[Mr Mike Thornton MP](#) (*Liberal Democrat, Eastleigh*)

[Dame Angela Watkinson MP](#) (*Conservative, Hornchurch and Upminster*)

The following Members were also members of the Committee during the Parliament:

Harriett Baldwin MP (*Conservative, West Worcestershire*), Andrew Bingham MP (*Conservative, High Peak*), Karen Bradley MP (*Conservative, Staffordshire Moorlands*), Ms Karen Buck MP (*Labour, Westminster North*), Mr Aidan Burley MP (*Conservative, Cannock Chase*), Alex Cunningham MP (*Labour, Stockton North*), Margaret Curran MP (*Labour, Glasgow East*), Jane Ellison MP (*Conservative, Battersea*), Richard Graham MP (*Conservative, Gloucester*), Kate Green MP (*Labour, Stretford and Urmston*), Oliver Heald MP (*Conservative, North East Hertfordshire*), Sajid Javid MP (*Conservative, Bromsgrove*), Brandon Lewis MP (*Conservative, Great Yarmouth*), Stephen Lloyd MP (*Liberal Democrat, Eastbourne*) and Shabana Mahmood MP (*Labour, Birmingham, Ladywood*).

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/workpencom. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Carol Oxborough (Clerk), Joanna Welham (Second Clerk), David Foster (Committee Media Adviser), James Clarke (Committee Specialist), Daniela Silcock (Committee Specialist), and Emma Sawyer (Senior Committee Assistant).

Contacts

All correspondence should be addressed to the Clerk of the Welsh Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 2839; the Committee's email address is workpencom@parliament.uk

Contents

Report	<i>Page</i>
Summary	3
1 Introduction	7
Scrutiny of progress with UC development	7
This report	8
2 Progress with Universal Credit implementation	10
Original timetable for UC implementation	10
Changes to implementation timetable announced in 2013	10
Changes announced in July 2013	10
Changes announced in October 2013	11
Changes announced in December 2013	11
Implications of delayed implementation	12
Cost implications	13
Administration of Housing Benefit	14
3 Problems with UC implementation and IT development	15
The NAO's assessment	15
IT expenditure and the "twin track" approach	15
The IT write-off ("impairment")	15
Digital (or "end-state") solution	16
IT support for UC development	18
4 Support for vulnerable claimants	21
Local Support Services Framework	21
5 DWP's cooperation with the scrutiny process	23
Timing of DWP announcements on UC	23
Timeliness of provision of information to the Committee	23
Provision of information to the public	25
List of conclusions and recommendations	27
Formal Minutes	30
Witnesses	31
Published written evidence	31
List of Reports from the Committee during the current Parliament	32

Summary

The Government decided in 2010 to simplify working-age benefits by introducing Universal Credit (UC). It will replace six existing benefits, including out-of-work benefits and housing benefit, and tax credits. It is estimated that, by the time it is fully implemented, UC will be paid to 7.7 million households.

We continue to support the policy objectives of UC, particularly improving incentives to work and smoothing the transition from benefits into work. However, there have been significant problems with developing the IT systems necessary to operate UC, leading to delays in its implementation.

This report assesses the impacts of the delays for claimants, and for value achieved for public money, and the prospects for more effective delivery of the UC programme in the future.

CHANGES TO UNIVERSAL CREDIT IMPLEMENTATION TIMETABLE

The Government began to implement UC from April 2013 in a “Pathfinder” (or pilot), in four Jobcentres in the North West of England. Claims in the Pathfinder were limited to new claims from single people in the simplest circumstances. National implementation was due to begin for all new claimants from October 2013, with claimants on existing benefits being migrated to UC in a staged process to be completed by 2017.

However, major adjustments to the implementation timetable were made in July and December 2013 because of IT and project management problems. National implementation did not begin in October 2013: claims remain limited to the Pathfinder Jobcentres (increased to 10) and to the simplest claims. New claims to UC are not now expected to be extended to the whole of Great Britain until 2016; the bulk of the migration of existing claimants will not now take place until 2016-17; and the process will not be completed until after 2017.

Whilst it is essential to ensure that the system works effectively for claimants before it is extended, DWP needs to be clear and frank about all the implications of the delays. Due to the very slow pace of the roll-out to date, it is difficult to envisage how the volumes required to meet the most recent timetable are to be achieved.

DWP must set out: revised estimates of UC caseloads and costs for each year to 2017-18; and the future programme management and governance arrangements for UC. It should also set out details of the additional financial support which it will provide to local authorities to meet the costs of administering housing benefit until it is incorporated into UC, which will now take much longer than anticipated.

UNIVERSAL CREDIT IT SYSTEMS

The IT problems mean that £40 million spent to date on software has had to be written off because it is of no further use. The useful life of IT on which a further £90 million has been spent has been reduced from 15 to 5 years. This is regrettable.

The IT problems were only revealed when the National Audit Office (NAO) reported on progress with UC implementation in September 2013, although the Government had known about them for at least 18 months before this. It is concerning that it took so long for the Government to acknowledge openly that there were problems with UC IT and to make the necessary switch to a different IT approach—referred to by DWP as the “end-state” solution, which will be open-source and web-based.

DWP is continuing to spend millions of pounds (£37-£58 million) on the old IT system during 2014 to extend the functionality for the Pathfinder while at the same time extensive sums are being spent on the IT for the end-state solution. DWP should consider again whether it would not be more effective, and represent better value for public money, to focus solely on the end-state solution and abandon the twin-track approach.

There remains a worrying lack of clarity about what the end-state solution means in practice. In the NAO’s view these uncertainties include: how it will work; when it will be ready; how much it will cost; and who will do the work to develop and build it.

DWP needs to set out what the costs of developing the end-state solution beyond November 2014 will be, including how much will be spent on in-house IT specialists and on external consultants. It should also make clear when the end-state solution will be ready to test on a representative sample of claimant households; and when and how it will be extended.

SUPPORT FOR VULNERABLE CLAIMANTS

The Government has acknowledged that vulnerable people will need support to adjust to Universal Credit. However, there is much that has yet to be clarified about how this support will be provided and funded.

Although the public debate about UC in the last six months has been dominated by problems with IT systems, ensuring that vulnerable people are not excluded from, or disadvantaged by, UC should remain a priority for the Government.

The Government’s 2013 Local Support Services Framework (LSSF) set out, in very broad terms, plans for support for vulnerable people being provided in partnership with local authorities, housing providers and the voluntary sector. However, the initial version, and the more recent update, lacked detail on how it would operate in practice and crucially, on the amount of central funding that would be provided.

This lack of clarity to date is regrettable, particularly as the Government has acknowledged that the LSSF is “almost as important as Universal Credit itself”. DWP must ensure that detailed information about the LSSF’s funding and operation is set out when the final

version is published in autumn 2014, to enable its LSSF partners to plan and budget for their new responsibilities.

DWP'S PERFORMANCE IN FACILITATING SCRUTINY OF UC

Effective scrutiny by select committees relies on government departments providing them with accurate, timely and detailed information. This has not always happened to date in relation to our scrutiny of Universal Credit implementation.

Our ability to scrutinise UC implementation was seriously impeded by DWP failing to inform us of the serious problems it was experiencing. It also, on two occasions, announced major changes to its implementation timetable at, or just before, evidence sessions, giving us no time properly to assess the implications in advance.

It is not acceptable for Ministers to provide information about changes to major policy implementation only when forced to do so by the imminent prospect of being held to account in a public select committee oral evidence session.

DWP should set out how it will improve the frankness, accuracy and timeliness of the information it provides to us, to ensure that it meets required levels of transparency, and that we are not hampered in trying to carry out our formal scrutiny role effectively.

1 Introduction

1. The Universal Credit (UC) programme has been under development since 2010. The legislative changes necessary to introduce this major reform were contained in the Welfare Reform Act 2012. UC is a new benefit for people of working age which will replace six existing benefits, including out-of-work benefits and housing benefit; and tax credits.¹ It is estimated that, by the time it is fully implemented, UC will be paid to 7.7 million households.² It was originally estimated that it would cost £2.4 billion to implement UC by 2023.³

2. The policy aims of UC are: to improve work incentives; to smooth the transitions into and out of work; to simplify the benefits system, to make it easier for people to understand, and easier and cheaper for staff to administer; to reduce in-work poverty; and to reduce fraud and error.⁴

3. We published a report on Universal Credit implementation in November 2012. This focused on the challenge of implementing UC safely for vulnerable claimants, including people with disabilities and people who struggle to manage their personal finances. At this time, when DWP was assuring us that implementation was proceeding to plan, ensuring that vulnerable people were not disadvantaged by or excluded from UC seemed like the key challenge.⁵ Despite its current focus on the more fundamental problems with UC development, DWP needs to ensure that a safe transition for all claimants, not just the majority, remains a priority. We explore this in more detail later in this report.

Scrutiny of progress with UC development

4. The National Audit Office (NAO) published a highly critical report about early progress with UC implementation in September 2013, which made public for the first time many of the problems DWP was experiencing with UC. It concluded that, at this early stage of the Universal Credit programme, the Department had not achieved value for money. It also found that DWP had weak control over the programme in the early implementation phase and had not been able to assess the value of the IT systems it had spent £300 million to develop.⁶

5. The NAO's report heightened the concerns we already had about progress with UC implementation, following oral evidence from the Secretary of State in July 2013, at which he announced major changes to the implementation timetable. We decided to explore the likely impact of the development problems identified by the NAO on claimants, on the

1 GOV.UK, "[Government policy on Universal Credit: an introduction](#)", accessed 6 March 2014

2 HC Deb, 1 November 2011, [col 36WS](#)

3 National Audit Office (NAO), [Universal Credit: early progress](#), September 2013, HC 621, p 4 (Hereafter "NAO report")

4 GOV.UK, "[Government policy on Universal Credit: an introduction](#)", accessed 6 March 2014

5 Work and Pensions Committee, Third Report of Session 2012–13, HC 576, [Universal Credit implementation: meeting the needs of vulnerable claimants](#)

6 [NAO Report](#), Executive Summary, para 23

costs and savings of the UC programme, and on the prospects for its eventual successful implementation. We agreed that we would undertake this work as part of the scrutiny which we carry out each year of the Department for Work and Pensions (DWP) Annual Report & Accounts (ARA). This process usually involves oral evidence from the Secretary of State and senior DWP officials.

6. The 2012-13 ARA was due to be published in June 2013. However, publication was delayed. Although we were not officially informed about the reasons for the delay until later, it became apparent that it was due to prolonged negotiations between the Department and the NAO on the treatment of Universal Credit IT expenditure in the Accounts, and the length of time it took to reach agreement on the level of the necessary write-off. The ARA was eventually published on 10 December 2013.⁷

7. As a result of the delay, we had to postpone our planned oral evidence session, first from September to November 2013, and then to December, to accommodate the Secretary of State's request that we await publication of the ARA before he appeared before us.⁸ Further major changes to the UC implementation process and timetable were announced a few days before our December evidence session. Given the range of issues these changes raised, the Secretary of State agreed to appear before us again, on 3 February 2014, when we discussed further developments on UC since the December session.⁹

This report

8. The problems encountered in the early stages of UC implementation and their implications have already been set out in detail in the report published by the NAO in September 2013, and explored further in a subsequent report from the Public Accounts Committee (PAC).¹⁰ We did not therefore regard it as necessary to rehearse these issues again at length in this report.

9. We have, instead, assessed what we regard as the most important issues for the future development of Universal Credit: the extent to which DWP has learned lessons from the past mistakes; and what the prospects are for the revised development plans being effective, so that UC is implemented as far as possible within budget and without further delays and rescheduling. We have also explored what appeared to us to be a lack of openness from DWP about progress with UC implementation, particularly in relation to this Committee's formal scrutiny role.

10. There are many outstanding issues about the detailed implementation of UC which we have not attempted to deal with in this Report, because of the more immediate and fundamental problems with the IT and project management which need to be addressed.

7 DWP, [Annual Report & Accounts 2012-13](#), December 2013, HC 20

8 Oral evidence taken on [9 December 2013](#) from the Secretary of State for Work and Pensions, HC 867

9 Oral evidence taken on [3 February 2014](#) from the Secretary of State for Work and Pensions, HC 867

10 National Audit Office (NAO), [Universal Credit: early progress](#), September 2013, HC 621; and Public Accounts Committee (PAC), Thirtieth Report of Session 2013-14, [Universal Credit: early progress](#), HC 619, November 2013

However, we intend to turn our attention to these issues when we next look at the wider implications of UC implementation for claimants.

11. We have previously expressed support for the policy objectives of Universal Credit, particularly improving incentives to work and smoothing the transition from benefits into work. We continue to support these aims. However, there have been significant problems with developing the necessary IT systems and processes to implement UC. This led to the implementation timetable and process undergoing major adjustments in 2013, meaning that the bulk of UC implementation will not now take place until 2016-17. This report assesses some of the implications of the delays for claimants, and for value achieved for public money, and the prospects for more effective delivery of the UC programme in the future.

2 Progress with Universal Credit implementation

Original timetable for UC implementation

12. The Government first set out an implementation timetable for UC in November 2011. The transition to UC was planned to take place between April 2013 and the end of 2017, by which time it was expected to be paid to 7.7 million households.¹¹ Under this timetable, national roll-out would take place between October 2013 and April 2014 for new claimants, who would claim UC in place of six existing working-age benefits and tax credits (“legacy benefits”). During this period, claimants of legacy benefits would be moved on to UC if their circumstances changed. Under the second phase of implementation from April 2014, the Government would give priority to migrating to UC “households who will benefit most from the transition.” The final implementation phase would involve three million existing claimant households being transferred to UC between late 2015 and the end of 2017, by local authority area.¹²

13. The Government announced in May 2012 that it intended to establish a “Pathfinder” in four Jobcentres in the North West of England, to test the system with local authorities, employers and claimants in a live environment, beginning in April 2013; the locations were Ashton-under-Lyne, Oldham, Wigan and Warrington.¹³ However, just before the Pathfinder was due to begin, the Government announced that it would only operate from April in one Jobcentre, Ashton-under-Lyne; Oldham, Wigan, and Warrington would now begin accepting UC claims from July 2013.¹⁴ We visited Ashton-under-Lyne and Oldham in June 2013 to discuss UC implementation.

14. The scope of the Pathfinder is very limited. Claims are only being accepted from claimants who are single, newly claiming benefits, have no children, are fit for work and who would have claimed Jobseekers Allowance under the existing system.

Changes to implementation timetable announced in 2013

Changes announced in July 2013

15. On 10 July 2013, the Secretary of State gave oral evidence to us on Universal Credit. At the start of the meeting he announced changes to both the scope and timing of the planned implementation.

16. Instead of a national roll-out, expansion of UC implementation from October 2013 would be restricted to six further Pathfinder Jobcentres and claims would continue to be

11 HC Deb, 1 November 2011, [col 36WS](#)

12 HC Deb, 1 November 2011, [col 36WS](#) and DWP Press Release, 1 November 2011, “[Iain Duncan Smith sets out next steps for moving claimants onto Universal Credit](#)”

13 DWP Press Release, 24 May 2012, “[Iain Duncan Smith: Early roll out of Universal Credit to go live in Manchester and Cheshire](#)”

14 DWP Press Release, 29 April 2013, “[Universal Credit launches in Manchester](#)”,

limited to new claimants in the simplest circumstances. Tax credits would not be part of UC claims at this stage and the roll-out would not yet be extended to existing benefit claimants. Only the Claimant Commitment (which is replacing the current Jobseekers Agreement for JSA claimants), and the enhanced job-search requirement elements of UC would begin to be implemented nationally from October 2013.¹⁵

17. Although this was not made clear to us by DWP witnesses during our July evidence session, the changes to the implementation timetable had been made in response to serious concerns expressed about the UC programme by the Major Projects Authority (MPA) in February 2013. It later became apparent that the Government had in fact initiated a “reset” of the UC programme between February and May 2013. This resulted in a new “blueprint” for Universal Credit from May 2013 and the development of a new delivery approach under a new Senior Responsible Owner (SRO), Howard Shiplee CBE.¹⁶

Changes announced in October 2013

18. A further delay in the implementation timetable was indicated in October 2013. All six additional Pathfinder Jobcentres were supposed to move over to UC claims from October 2013. However, in a press release on 28 October, announcing the expansion of UC to the Hammersmith Jobcentre, DWP said that “Universal Credit will expand to Rugby, Inverness, Harrogate, Bath and Shotton by the spring [2014].”¹⁷ Rugby and Inverness Jobcentres started taking UC claims in November, and Bath and Harrogate in February 2014, bringing the total number of Pathfinder sites to nine. Only Shotton now remains outstanding.¹⁸

Changes announced in December 2013

19. We held the first of our delayed evidence sessions on the ARA with the Secretary of State and the Minister for Welfare Reform on 9 December 2013. DWP had known since September that we intended to focus on Universal Credit during this session. On 5 December, DWP issued a Written Statement on Universal Credit. This set out a further substantially revised programme for taking UC forward. DWP submitted a short piece of written evidence to us that covered the same points.

20. The revised plan was for UC claims to continue to be limited to the 10 Pathfinder Jobcentres and to the most straightforward claims from single people. This would be broadened in summer 2014 to claims from couples, and then to claims from families in

15 HC Deb, 10 July 2013, [cols 21-22 WS](#) and DWP press release 10 July 2013 “[Universal Credit: Roll out from October 2013](#)”. See also Oral evidence taken on [10 July 2013](#), HC 569-i. The six additional Pathfinder sites were: Bath, Hammersmith (London), Harrogate, Inverness, Rugby and, Shotton.

16 [NAO Report](#), Summary, para 11 and paras 2.4-2.5

17 DWP Press Release, 28 October 2013, “[Universal Credit expands to London](#)”

18 DWP press release 25 November 2013 “[Universal Credit expands to Rugby and Inverness](#)”. See also HC Deb 22 November 2013, [col 1075w](#). DWP Press Release, 19 February 2014, “[Universal Credit: new claimant figures](#)”.

autumn 2014. DWP stated that, when these processes had been “safely tested” in the Pathfinder, the roll-out would be expanded to cover “more of the Northwest of England”.¹⁹

21. Some more detail was provided during the oral evidence session on 9 December. Howard Shiplee, DWP’s SRO for Universal Credit, indicated that all 90 DWP offices in the North West would begin to be brought into UC between autumn 2014 and the early part of 2015. Tax credits would be subsumed into UC for claimants in the North West when the system was operating effectively, probably in 2016. It would then be widened to other regions. Mr Shiplee was very reluctant to say how many UC claimants there might be by December 2014, but when pushed said “the furthest I would go is that it will be into tens of thousands”.²⁰

22. The “current planning assumption” was that UC would be fully available in the whole of Great Britain during 2016; new claims to legacy benefits would be closed down by then; and “the majority of the remaining legacy caseload” would move to UC during 2016 and 2017. However, DWP stated that “final decisions on these elements of the programme will be informed by the development of the enhanced digital solution” (see below).²¹

23. Although not set out in the official statements on 5 December, it became clear in media reports, and was subsequently confirmed in the oral evidence session, that about 700,000 claimants in the Support Group of Employment and Support Allowance (ESA—one of the out-of-work benefits which will be incorporated into UC) would not be migrated to UC until after 2017 because, in the Secretary of State’s view: “this is a very vulnerable group and [...] they need careful attention and I would not want to rush them through”.²² DWP had provided this information to the Office for Budget Responsibility (OBR) for its Economic and Fiscal Outlook published in December 2013.²³

Implications of delayed implementation

24. As we have noted, under the original timetable for UC implementation, all new claims across Great Britain for benefits subsumed into UC were meant to begin from October 2013 and migration of existing claimants of these legacy benefits was due to begin between October 2013 and April 2014. DWP announced on 20 March 2014 that, under the revised and much more limited implementation programme, there were 4,280 people claiming Universal Credit in the Pathfinder at the end of December 2013. The statistics confirmed that the majority of these UC new claims are limited to claimants in the simplest

19 HC Deb, 5 December 2013, [cols 65-66WS](#); see also DWP [written evidence](#), 5 December 2013 and oral evidence taken on [9 December 2013](#), HC 867

20 Oral evidence taken on [9 December 2013](#), Qs 45-49 and Q 69

21 DWP [written evidence](#), para 21

22 Oral evidence taken on [9 December 2013](#), HC 867, Q53

23 OBR, [Economic and Fiscal Outlook](#), December 2013, Box 4.5. See also oral evidence taken on [9 December 2013](#), HC 867, Qq46 and 53-54

circumstances: 70% are under 25 years-old, male, single, unemployed, childless and non-home-owning.²⁴

25. To understand the scale of the outstanding implementation challenge facing DWP it is worth comparing these numbers to those for Jobseekers Allowance (JSA), which is one of the key benefits to be subsumed into UC. Some 241,500 individual claims for JSA were accepted in January 2014 and the total claimant count for JSA in that month was 1.22 million.²⁵

Cost implications

26. DWP has not provided an assessment of the likely impact of the changes to the migration process on the estimated costs and savings of the UC programme. The OBR's December 2013 forecast indicated that the delayed implementation would reduce projected spending by £0.2 billion in 2014-15 and £0.5 billion in 2015-16 "as households that would have been eligible to slightly more generous entitlements under the new benefit no longer move across". This then has an impact in subsequent years as the migration process catches up.

27. The OBR has also made lower fraud and error savings assumptions in the initial stages to reflect the delayed migration which, together with higher transitional costs, increases spending in 2017-18. It also highlighted that there were "broader uncertainties over the eventual cost of Universal Credit, notwithstanding the speed of implementation", including the uncertainties about claimant behavioural responses and the scope for fraud and error savings.²⁶

28. In its March 2014 forecast, the OBR made further downward revisions to the forecasts of additional UC expenditure. However, these adjustments were due to factors other than the delayed migration, including; changes in economic assumptions and up-rating of benefits; and finalising of UC disregards and disability additions.²⁷

29. The DWP Director General for Finance, Mike Driver, told us that the cost implications of the delays in UC implementation would be taken into account when the revised Business Case was presented to the Treasury. The original Business Case had indicated that UC would deliver "£38 billion of broader benefits". DWP would now be "reflecting on the adjustments that we are making and, over time, seeing what happens to that net present value."²⁸ Howard Shiplee told us in December 2013 that the new Business Case would go to the Treasury "in the early part of next year" and the Secretary of State confirmed that this was likely to happen in "January or February". He said that it was not normal practice for Business Cases to be published or made available to this Committee but that he could look

24 DWP Press Release, 20 March 2014, "[7 ways Universal Credit will be a better deal](#)" and DWP, [Universal Credit: experimental official statistics to December 2013](#), March 2014

25 Office for National Statistics (ONS), Labour Market Statistics, [Claimant count statistics](#), February 2014

26 OBR, [Economic and Fiscal Outlook](#), December 2013, p 135, Box 4.5 and Table F

27 OBR, [Economic and Fiscal Outlook](#), March 2014, Cm 8573, Box 4.1 and Table 4.23

28 Oral evidence taken on [9 December 2013](#), HC 867, Q135

at whether this was possible.²⁹ We understand that DWP has now submitted the Universal Credit Strategic Outline Business Case to the Treasury for approval and expects to receive a final response in mid-April.

30. The Government has made significant changes to the UC implementation timetable—first in July 2013 and then again in December 2013. Whilst we strongly support the aim of ensuring that the system works effectively for claimants before it is extended, DWP needs to be clear and frank about all the implications of the changes. The governance concerns raised in 2013 still remain. Due to the very slow pace of the roll-out to date, it is also difficult to envisage how the volumes required to meet the most recent timetable are to be achieved.

31. DWP told us that it intended to clarify the impact of the changes to the implementation timetable on the overall costs and savings of the programme in the revised Business Case for Universal Credit, which it has now presented to the Treasury. We recommend that DWP makes its revised Business Case available to this Committee. We further recommend that, in its response to this Report, DWP set out: revised estimates of UC caseloads and costs for each year to 2017-18; and the future programme management and governance arrangements for UC.

Administration of Housing Benefit

32. Housing Benefit will eventually be incorporated into Universal Credit but, as the Secretary of State acknowledged, the implementation delays mean that local authorities will now continue to administer HB as a separate benefit for the majority of claimants until 2016, much longer than previously anticipated. He said that there was already a budget allocation for providing funding support to local authorities for this. The Minister for Welfare Reform added that “We will be having a detailed, longer term migration to discuss with local authorities because it is quite clear they do need to know how to handle their housing benefit departments.” The Director General for Finance confirmed that DWP would “pick up local authority costs under the new burdens regime”.³⁰

33. Local authorities need greater clarity on the implications for them of being required to continue to administer Housing Benefit for longer than anticipated, due to the delays to Universal Credit. We recommend that, in response to this Report, DWP sets out the details of the financial support which will be provided to local authorities in 2014-15 and 2015-16 to cover the additional costs of continuing to administer Housing Benefit.

²⁹ Oral evidence taken on [9 December 2013](#), HC 867, Qq118-9

³⁰ Oral evidence taken on [9 December 2013](#), HC 867, Qq55 and 70-71

3 Problems with UC implementation and IT development

The NAO's assessment

34. As has been noted, the NAO report published in September 2013 identified serious weaknesses in the way that DWP had managed the UC programme to date. It recommended that DWP show that it had done the following by the end of 2013:

- Produced a realistic plan with clear programme objectives, linked to policy design and service requirements.
- Used a management approach that allows policy experts, operational teams and systems developers to work together.
- Established effective governance processes and structures.
- Tightened its financial management and control over spending.
- Reassessed its existing programmes and capabilities in light of the experience on Universal Credit.³¹

35. The Secretary of State's view when the NAO report was published was that the problems it highlighted were "historical".³² He told us in December that "every one" of the NAO recommendations had already been implemented. He said that, although he "fully agreed" with what the NAO report said, there had been very little that was "new" in its findings because "most of that evidence came, I felt, from our internal reports".³³ However, much of the information in the NAO report was new to us, as DWP had chosen not to share the findings of its internal reviews with us.

IT expenditure and the "twin track" approach

The IT write-off ("impairment")

36. The NAO report found that, in May 2013, DWP had identified the need to write off £34 million (17%) of the costs of the IT assets developed for UC which had been found to be no longer useable.³⁴ As set out above, the delay in publishing the DWP Annual Report & Accounts (ARA) 2012-13 arose from the prolonged negotiations between DWP and the NAO about the amount of this write-off. We were informed on 9 December, the day of our

31 [NAO Report](#), Summary, para 25

32 HC Deb 5 September 2013, [col 470](#)

33 Oral evidence taken [on 9 December 2013](#), Q77

34 [NAO Report](#), Summary, para 14

evidence session on the ARA, that the write-off would amount to £40.1 million out of total UC IT assets valued at £196.1 million.³⁵

37. The Secretary of State’s view when we challenged him about this waste of public money was: “there is always a sense [...] that only governments fail on IT. That is not exactly the case—the reality is that many [private sector organisations] [...] write off almost 30-40% of their IT developments”.³⁶

38. DWP revealed at the evidence session on 9 December that, in addition to the write-off, £91 million of the remaining assets would now be “written down” (or amortised) in five years (by March 2018) rather than the usual 15 years. DWP explained that the shorter write-down period was due to IT assets now being recognised as having a shorter life than other assets. The Director General for Finance told us:

I would argue that the way in which we had set our accounting policies previously to write down software code over a 15-year period was almost certainly too long and one of the things that we are discussing with the NAO separately is the way in which we apply accounting policies towards software code as we go forward.³⁷

39. The report by the Comptroller and Auditor General (C&AG—the Head of the NAO) on the DWP Accounts for 2012-13, which includes commentary on UC IT expenditure, was not available to us when we questioned the DWP witnesses on 9 December because the ARA which it accompanied was not published until the following day (see Chapter 5 for further details). In his report, the C&AG took a different view about this shorter writing-down period. He regarded this adjustment in the treatment of the IT assets as “a major change” which had arisen “owing to the considerable reduction in their expected useful life”; and pointed out that it would treble the annual amortisation of these IT assets from £6.1 million to £18.2 million a year. He said: “The underlying issue [...] is that the Department has written off £40.1 million on assets it will now never use and spent a further £91 million on assets that will support only a limited service for 5 years, with clear consequences for public value”.³⁸

Digital (or “end-state”) solution

40. One of the key changes which we discussed with DWP witnesses in the December and February evidence sessions was the new “digital solution” for UC which will eventually replace the IT system currently in use for the Pathfinder. DWP plans to migrate from the current UC software being used in the Pathfinder to a replacement digital system by the

35 Letter to the Chair from the Secretary of State for Work and Pensions, [9 December 2013](#)

36 Oral evidence taken on [9 December 2013](#), HC 867, Q64

37 Oral evidence taken on [9 December 2013](#), HC 867, Q26

38 [Report by Comptroller & Auditor General](#) (C&AG) on the DWP Annual Report and Accounts 2012-13, paras 10 and 14. (Hereafter “Report by the C&AG”) and [Statement on the Report by the C&AG](#) on the DWP Annual Report and Accounts 2012-13, 10 December 2013

end of 2017.³⁹ It is therefore pursuing a “twin track” approach of continuing to use the existing IT in the Pathfinder while the more permanent digital solution is developed.

41. This change was made as part of the new delivery approach proposed by Howard Shiplee, the UC Senior Responsible Officer, following the “reset” of the programme in February to May 2013. It was approved by the Ministerial Oversight Group in November 2013. By the time of our evidence session in February, DWP had renamed this approach as the “end-state solution”.⁴⁰

42. Mr Shiplee explained in December that the digital solution was essentially an “open source”, web-based approach. It was cheaper to build and use “because you do not have to pay large licence fees for it.” This option had not been available in 2011 when UC development began, but rapid developments in technology had now made it possible. He also made clear that the original “digital by default” approach, which would require the vast majority of claimants to manage their claims and report changes of circumstances online, was no longer “a sensible or appropriate solution” because of the security risks. He argued that “no one is using a totally online approach” when dealing with dispensing large sums of money.⁴¹

43. The end-state solution will initially deliver UC to 100 people, after which the results will be assessed and decisions made on whether to extend the service to more claimants. The Secretary of State explained in February that, when it was working effectively, it would be expanded to 1,000 claimant households, then to 10,000 and then extended nationally. However, the Permanent Secretary acknowledged then that “we are still many months away from having a system that can do 100 people”.⁴²

44. The estimated cost of the digital solution to November 2014 is £25-£32 million. At the same time, the Department will spend £37-£58 million on existing IT to increase functionality so that UC can be extended to couples and families as part of the Pathfinder during 2014.⁴³ It is not yet known how much will be allocated for the end-state solution after November 2014. The C&AG said that “these are considerable sums [...] in a programme where there are significant levels of technical, cost and timetable uncertainty”. He also highlighted DWP’s own acknowledgement that “there remains uncertainty regarding the useful economic life of the UC software pending the development of an alternative digital solution.”

45. The C&AG noted that, at this early stage, “there are uncertainties over the exact nature of the digital solution”. In particular, it is not clear:

- How it will work

39 [DWP Annual Report and Accounts 2012-13](#), para 11 and Notes on the Accounts, 16d

40 Oral evidence taken on [3 February 2014](#), Q210

41 Oral evidence taken on [9 December 2013](#), HC 867, Qq27-31

42 Oral evidence taken on [3 February 2014](#), Qq209-210 and Q213

43 [Report by the C&AG](#), paras 13-15. See also HC Deb 13 January 2014, [cols 454-5w](#)

- When it will be ready
- How much it will cost
- Who will do the work to develop and build it.

He also emphasised that “without clear and effective management, in the future the Department may also find it needs to impair some of these new digital assets”.⁴⁴ The Permanent Secretary’s view was that “it is not surprising that the National Audit Office describe it as uncertain. It is uncertain, but that is what we are working through.”⁴⁵

46. The C&AG has also reiterated the view set out in the September 2013 NAO report on UC that, in order to achieve value for money in UC development, which it has not done to date, DWP needs to “learn the lessons of past failures”. Specifically, he said that DWP needed to:

- Properly commission and manage IT development.
- Exercise effective financial control over the programme.
- Set realistic expectations for the timescale for delivery.⁴⁶

IT support for UC development

47. The “reset” of the UC IT programme and the move to developing the digital/end-state solution included increased involvement of staff from the Government Digital Service (GDS) which is part of the Cabinet Office, and greater oversight of the project by the Cabinet Office.⁴⁷ DWP indicated in January 2014 that three DWP IT officials and five GDS officials were working on the “digital solution”.⁴⁸ There were press reports in early January that GDS was accelerating its withdrawal from the UC project because of divisions between the Cabinet Office and DWP about the approach to the IT solution. This indicated that the Cabinet Office’s preference had been to scrap the existing UC IT and start afresh, rather than pursuing the twin-track approach.⁴⁹ Rt Hon Francis Maude MP, the Minister for the Cabinet Office, was also reported as describing implementation of Universal Credit as “pretty lamentable” and saying that it was “very regrettable” that so much money had been wasted due to mistakes in the IT in the first two years of development.⁵⁰ The Secretary of State told us that the press reports were “ludicrous” and that the position was that:

The Cabinet Office are still supporting and assisting us, but it was always very clear they would be handing over to us as we take over. The Department will

44 [Report by the C&AG](#), paras 11, 13 and 16

45 Oral evidence taken on [3 February 2014](#), Q213

46 [Report by the C&AG](#), para 16

47 HC Deb, 10 July 2013, [cols 21-22 WS](#)

48 HC Deb 13 January 2014, [cols 454-5w](#)

49 [“Flagship benefits scheme faces more delays after rift”](#), The Guardian, 8 January 2014

50 [“Francis Maude: Implementation of Universal Credit was “pretty lamentable”](#)”, Daily Telegraph 8 January 2014

run this themselves, but the Cabinet Office will remain, as I have made clear on a number of occasions, close to this project and still act as advisers and support us throughout the whole process, which is what their role is.⁵¹

48. Howard Shiplee told us that “we are actively bringing in our own people, who will start to replace the GDS people, so we are doing it ourselves”.⁵² DWP has estimated that it will need to recruit 50 IT specialists to carry out the work on the digital solution.⁵³ The Permanent Secretary noted that “this entire system assumes you have your own people doing it; that is necessary if you are going to run an online presence”. He said that Kevin Cunnington, who joined DWP in October 2013 as the new Director General for Digital Change, had “already acquired some people” although at the moment they were “in the tens [...] not hundreds” and that the programme would have to “grow a lot before it completes”. He said that the staff would have to be “in-house and we have to make sure that we can afford them within the constraints that we are used to.” The Secretary of State believed that developing the new system using in-house expertise was ultimately a cheaper option than paying external providers.⁵⁴

49. It is regrettable that £40 million has been wasted on IT software for UC that now has no use. The useful life of IT on which a further £90 million has been spent has been reduced from 15 to 5 years. DWP’s view is that this is a normal feature of IT development, including in the private sector. Whilst we understand that delivering UC is very complex, and that the development of any major new IT system will inevitably suffer setbacks, it is concerning that it took so long for DWP to acknowledge openly that there were such serious problems and to make the necessary switch to a different approach. There also remains a deeply concerning lack of clarity about what the new digital or “end-state solution” for UC IT means in practice. The NAO’s view is that these “uncertainties” include: how it will work; when it will be ready; how much it will cost; and who will do the work to develop and build it.

50. DWP is now pursuing a twin-track approach to UC IT. This means that further money (£37-£58 million) will be spent on the existing IT system in the Pathfinder so that it can be extended to couples and families during 2014. At the same time, DWP is funding the development of the end-state solution. Some £25-£32 million has been allocated for this to November 2014, and presumably it will cost much more as the programme continues, although no figures for this expenditure are yet available.

51. **The end-state solution will first be tested on 100 claimants and DWP is still some way from being in a position to take this small step. Although we agree with an incremental approach, there is a difference between sensible caution and a snail’s pace. It will only be possible to prove that the end-state solution will work for the millions of households which will eventually claim UC when the IT can be tested at scale.**

51 Oral evidence taken on [3 February 2014](#), Qq222-223

52 Oral evidence taken on [9 December 2013](#), HC 867, Q117

53 HC Deb 13 January 2014, [cols 454-5w](#)

54 Oral evidence taken on [3 February 2014](#), QQ217-219

52. At the outset of the UC project, DWP assured us, Parliament and the public that this scheme would be able to avoid the problems of previous government IT projects. It is crucial that future reports and updates use clear, plain-English explanations of the plans and outcomes, so that we can judge whether this is the case.

53. *We recommend that, in response to this Report, DWP provide more details about what the end-state solution for UC IT means in practical terms. It should also set out its latest estimate of:*

- *the costs of developing the end-state solution beyond November 2014, including the separate costs of employing additional in-house IT specialists; and of contracts with external consultants and IT providers; and*
- *when the end-state solution will be ready to test on the first 100 claimant households; when and how it will be extended to a more representative number of claimants; and when it is expected to be fully implemented.*

We also recommend that, in light of the small number of claimants currently receiving Universal Credit and the slow progress, DWP consider again whether it would not be more effective, and represent better value for public money, to focus solely on the end-state solution and abandon the twin-track approach.

4 Support for vulnerable claimants

Local Support Services Framework

54. As we have noted, our 2012 report focused on the challenge of implementing UC safely for vulnerable claimants. DWP has acknowledged that some UC claimants are likely to require advice and support with budgeting and using IT under the UC system.⁵⁵ Although the recent public debate about UC has been dominated by the more fundamental problems with development of the UC programme, the ways in which vulnerable claimants will be supported remains a key challenge. The Government has still not set out in detail how this support will be provided and funded.

55. We have explored the treatment of housing costs support under Universal Credit in a recently published wide-ranging report on housing benefit reforms. This looked in detail at the implications for vulnerable groups of the housing costs element of UC being paid to claimants rather than direct to landlords, in combination with the change under UC to claimants receiving a single monthly household benefit payment instead of more frequent instalments of benefits paid for specific purposes, most notably rent. We were particularly concerned about how vulnerable claimants can best be assisted to manage their UC payments under these new arrangements, to try to avoid the risk of rent arrears.⁵⁶

56. DWP published a Local Support Services Framework (LSSF) jointly with the Local Government Association (LGA) in February 2013, which aimed to address these sorts of issues affecting vulnerable claimants.⁵⁷ The Minister for Welfare Reform (Lord Freud) told us recently that the LSSF was “almost as important as Universal Credit itself”.⁵⁸ It sets out a very broad framework for how support for vulnerable claimants might be delivered locally, through partnership working between DWP, local authorities, and contracted providers such as housing associations, including in the voluntary sector.⁵⁹ An “update and trialling plan” for the LSSF was published in December 2013. However, no indication has yet been provided of the level of funding that the Government envisages for the LSSF. DWP has said that it expects to provide a comprehensive version of the LSSF in autumn 2014.⁶⁰

57. Regarding arrangements in the devolved administrations, the LSSF stated that DWP was in discussion with the Convention of Scottish Local Authorities (COSLA) and the Scottish Government to establish how the LSSF can best be delivered in the context of the existing Community Planning Partnership. In Wales, Local Service Boards, which are led by local government but which have multiagency membership, are considering how best to

55 [Government response](#) to the Committee’s Third Report of Session 2012-13, Universal Credit implementation: meeting the needs of vulnerable claimants, February 2013, Cm 8537, paras 23-26

56 Fourth Report of Session 2013-14, [Support for Housing Costs in the Reformed Welfare System](#), HC 720, Chapter 8

57 DWP/LGA, [Universal Credit, Local Support Services Framework](#), February 2013

58 Oral evidence taken in the inquiry into support for housing costs on [12 February 2014](#), Q630

59 DWP/LGA, [Universal Credit Local Support Services Framework](#), February 2013

60 DWP, [Universal Credit: Local Support Services—Update and Trialling Plan](#), December 2013

support claimants affected by welfare reform.⁶¹ In the LSSF update and trialling plan CoSLA and the Welsh LGA confirmed these arrangements for providing support.⁶²

58. Lord Freud described the LSSF as “almost a parallel UC exercise” with the aim of creating “a series of partnerships in the various local areas to make sure that the vulnerable people are supported in the way that they need to be”. He acknowledged that it was “going to be a major exercise” but the aim was that the claimant would be supported “as an individual” not on a “service line basis”.⁶³

59. Witnesses representing local government, housing providers and the voluntary sector have all argued in evidence to our recent related inquiries that they need a clear indication soon about the specific tasks they will be expected to carry out under the LSSF, and the funding which central Government will allocate to them, so that they can plan and budget for these new responsibilities.⁶⁴

60. *The Government has acknowledged that vulnerable people will need support to adjust to Universal Credit. It has set out in its Local Support Services Framework (LSSF) how it envisages this support being provided in partnership with local authorities, housing providers and the voluntary sector. However, the initial version of the LSSF published in 2013 lacked detail on how it would operate in practice, including the funding arrangements. We regret DWP’s lack of progress in giving its LSSF partners a clear indication of the additional responsibilities they will be expected to take on under this new arrangement and, crucially, the central government funding they can expect to receive. The Government has acknowledged that the LSSF is “almost as important as Universal Credit itself”. We recommend that it therefore ensures that detailed information about its operation and funding is set out when the final version of the LSSF is published in autumn 2014.*

61 DWP/LGA, Universal Credit: [Local Support Services Framework](#), February 2013, p 5 (Local Authority Introduction)

62 DWP, [Universal Credit: Local Support Services—Update and Trialling Plan](#), December 2013, pp 4-5

63 Oral evidence taken on [9 December 2013](#), HC 867, Qq52 and 69

64 See Second Report of Session 2013-14, [The role of Jobcentre Plus in the reformed welfare system](#), HC 479, paras 61-70; and Oral Evidence taken in the inquiry into [Support for Housing Costs in the reformed welfare system](#), [15 January 2014](#), Q360

5 DWP's cooperation with the scrutiny process

Timing of DWP announcements on UC

61. As we have noted, we had arranged for the Secretary of State to provide oral evidence to us on Universal Credit on 10 July 2013, to follow up the findings in our 2012 report. At the start of the oral evidence session the Secretary of State announced significant changes to the UC timetable. We were not provided with any indication in advance of the session of the scope of this announcement.⁶⁵

62. A similar issue arose in December 2013. The Secretary of State had a very long-standing invitation to give oral evidence to us on 9 December 2013 on the delayed Departmental Annual Report and Accounts (ARA). As we have noted, we had made it clear from the outset that this session would focus mainly on Universal Credit implementation but it was not until 5 December, two working days before the date of the evidence session, that DWP made public its plans for further changes to UC implementation.⁶⁶ On both occasions, DWP's decision to make these major announcements at or just before our evidence sessions gave us insufficient time to take account of their implications before questioning Ministers.

63. The Secretary of State had also given an undertaking that the ARA would be published in advance of the oral evidence session on 9 December. In the event, it was not published until the day after the session. This meant that we did not have access to the Report on the Accounts from the C&AG, which commented on DWP's treatment of the UC IT expenditure and the future development of the programme. The Secretary of State provided the basic facts about the level of the write-off of IT expenditure in a letter to the Chair received on the day of the session, but it would have been far more helpful for us to have had access to the C&AG's Report before we questioned DWP witnesses.⁶⁷

Timeliness of provision of information to the Committee

64. Further and more detailed information about the scale of the problems experienced with UC during 2012-13 emerged during the evidence session in December 2013. DWP witnesses referred many times to DWP's "red team" reviews of the UC programme in mid-

65 Oral evidence taken on [10 July 2013](#); see also HC Deb, 10 July 2013, [cols 21-22 WS](#); and DWP press release, 10 July 2013, "[Universal Credit: Roll out from October 2013](#)".

66 HC Deb, 5 December 2013, [cols 65-66WS](#); see also DWP [written evidence](#), 5 December 2013 and oral evidence taken on [9 December 2013](#), HC 867

67 Letter to the Chair from the Secretary of State for Work and Pensions, [9 December 2013](#)

2012, and the plans for “resetting” UC implementation which had been made by May 2013.⁶⁸

65. However, neither the reviews nor the reset plans had been mentioned, when DWP witnesses gave oral evidence in July 2013, as the reasons for the slowing down of implementation. Nor had any indication been given then of the scale of the problems with UC nor the serious concerns which had existed from 2012 within DWP, the Cabinet Office and the Major Projects Authority about UC IT. Indeed, Howard Shiplee told us in July 2013 that “the pathfinder [...] has demonstrated that the IT systems work”. He denied that there were problems with the IT and that a new system would be needed, although he did also make clear that DWP was reviewing all the existing IT.⁶⁹

66. The Secretary of State acknowledged in December that he had had concerns as far back as “2011/12” about the UC IT and the digital by default approach. He said that this was why he had commissioned the DWP internal reviews in the summer of 2012 and that the introduction of the Pathfinder came about “on the back of my decision to reset” and as a result of the realisation that the IT systems needed more testing.⁷⁰

67. However, there was no mention of these concerns or the remedial action taken when the Secretary of State gave oral evidence to our original inquiry into Universal Credit implementation in September 2012. Universal Credit was also extensively discussed with the Permanent Secretary at the end of October 2012, when he gave evidence on the DWP Annual Report 2011-12. Again, there was no mention of concerns about progress with implementation or changes to the plans.⁷¹ However, when the Permanent Secretary gave oral evidence to the PAC on UC in September 2013, he said that he knew in July 2012 that he had “an unresolvable problem on which management action had to be taken” in relation to UC.⁷²

68. The Department missed a further opportunity to bring these matters to our attention when it published its response to our Universal Credit report in February 2013. Our report had specifically noted that the implementation timetable for UC might need to be slowed but the Government chose not to comment on this in its response.⁷³ However, in the oral evidence sessions in July and December 2013, the Secretary of State referred back to the comments in that report. He said that the changes to the implementation timetable were

68 Oral evidence taken on [3 February 2014](#). See Qq33-34; 62; 77-80; 82-83; 85-86; and 89-90. The “red team reviews” were DWP internal reviews of the UC programme undertaken at the request of the Secretary of State in 2012; the “reset” was the major adjustment to the programme which took place in February to May 2013, in response to the red team reviews and concerns raised by the MPA. See [NAO report](#), Figures 7,17 and 23 for further details

69 Oral evidence taken on [10 July 2013](#), Qq16 and 70

70 Oral evidence taken [on 9 December 2013](#), Qq33 and 56

71 Oral evidence taken on [29 October 2012](#), HC (2010-12) 703

72 Oral evidence taken by the Public Accounts Committee on 11 September 2014. See Thirtieth Report of Session 2013-14, [Universal Credit: early progress](#), HC 619, November 2013, Q89

73 DWP, [Government Response](#) to the Committee’s Third Report of session 2012-13, on Universal Credit implementation: meeting the needs of vulnerable claimants, Cm 8537

“hugely centred” on our advice about the need to avoid “artificial timetables” and to ensure that the DWP did not “just steamroll ahead”.⁷⁴

69. During the February 2014 evidence session, we challenged the Secretary of State about this apparent lack of disclosure of key information about the problems DWP was encountering. His view was that:

I do not have to tell the Committee everything that is happening in the Department until we have reached a conclusion about what is actually happening. I will take those decisions myself and account for the decisions that were taken, and I have done that.

He also said that “I do not think this Committee can run the Department”.⁷⁵

70. When we questioned him in February 2014 specifically on the reasons for not telling us about the DWP’s red team review of the UC programme at the July 2013 evidence session, the Secretary of State said that this was because “it was an internal review and we were looking at the results of that and trying to make whatever decisions were necessary to reshape and to get this focused.”⁷⁶ We asked the Secretary of State why he had not been more frank with us about the scale of the problems in July 2013, when he must have known that they would be revealed in the NAO report to be published shortly afterwards. He said: “I am not in a position to talk to the Committee about stuff that the NAO are looking into and doing at the time. It is for them to make that public themselves.”⁷⁷ Lord Freud argued that “We gave a very clear picture of what was happening to this Committee in July”.⁷⁸

71. Effective scrutiny by select committees relies on government departments providing them with accurate, timely and detailed information. This has not always happened to date in relation to our scrutiny of the problems with Universal Credit implementation. It is not acceptable for Ministers to provide information about changes to major policy implementation to this Committee, and indeed to Parliament and the public more broadly, only when forced to do so by the imminent prospect of being held to account in a public oral evidence session. We recommend that, in response to this Report, DWP sets out how it will improve the frankness, accuracy and timeliness of the information it provides to us, to ensure that it meets the required levels of transparency between the Government and select committees, and that we are not hampered in trying to carry out our formal scrutiny role effectively.

Provision of information to the public

72. Ensuring the provision of accurate and detailed information about progress with UC implementation to the general public is also very important. In March 2014, the

74 Oral evidence taken on [9 December 2013](#), Q53 and Oral evidence taken on [10 July 2013](#), Q98

75 Oral evidence taken on [3 February 2014](#), Qq141 and 145

76 Oral evidence taken on [3 February 2014](#), Q140

77 Oral evidence taken on [3 February 2014](#), Q150

78 Oral evidence taken on [9 December 2013](#), Q85

Information Rights First-tier Tribunal ruled on a Freedom of Information case brought to the Information Commissioner, requesting the public release by DWP of technical documents relating to the UC programme, including the Gateway Reviews, the Risk Register, the Issues Register and the High Level Milestone Schedule.

73. This was a complex case, but in deciding in favour of the documents being released, the Tribunal stated that “the shaping and implementation of this reform [Universal Credit] are matters of the very highest importance and public interest”. The Tribunal decision referred to “the very great costs involved” in the programme and went on to say: “there is a particularly strong public interest in up to date information as to the details of what is happening within the programme, so that the public may judge whether or not opposition and media criticism is well-founded.”⁷⁹

79 Information Rights First-tier Tribunal ruling, [March 2014](#), Appeal Nos: EA/2013/0145, 148 & 149, paras 14, 56-57

List of conclusions and recommendations

In this List, conclusions are set out in plain type, and recommendations, to which the Government is required to respond, are set out in *italic* type.

1. We have previously expressed support for the policy objectives of Universal Credit, particularly improving incentives to work and smoothing the transition from benefits into work. We continue to support these aims. However, there have been significant problems with developing the necessary IT systems and processes to implement UC. This led to the implementation timetable and process undergoing major adjustments in 2013, meaning that the bulk of UC implementation will not now take place until 2016-17. This report assesses some of the implications of the delays for claimants, and for value achieved for public money, and the prospects for more effective delivery of the UC programme in the future. (Paragraph 11)

Progress with Universal Credit implementation

2. The Government has made significant changes to the UC implementation timetable—first in July 2013 and then again in December 2013. Whilst we strongly support the aim of ensuring that the system works effectively for claimants before it is extended, DWP needs to be clear and frank about all the implications of the changes. The governance concerns raised in 2013 still remain. Due to the very slow pace of the roll-out to date, it is also difficult to envisage how the volumes required to meet the most recent timetable are to be achieved. (Paragraph 30)
3. *DWP told us that it intended to clarify the impact of the changes to the implementation timetable on the overall costs and savings of the programme in the revised Business Case for Universal Credit, which it has now presented to the Treasury. We recommend that DWP makes its revised Business Case available to this Committee. We further recommend that, in its response to this Report, DWP set out: revised estimates of UC caseloads and costs for each year to 2017-18; and the future programme management and governance arrangements for UC. (Paragraph 31)*
4. *Local authorities need greater clarity on the implications for them of being required to continue to administer Housing Benefit for longer than anticipated, due to the delays to Universal Credit. We recommend that, in response to this Report, DWP sets out the details of the financial support which will be provided to local authorities in 2014-15 and 2015-16 to cover the additional costs of continuing to administer Housing Benefit. (Paragraph 33)*

Problems with Universal Credit implementation and IT development

5. It is regrettable that £40 million has been wasted on IT software for UC that now has no use. The useful life of IT on which a further £90 million has been spent has been reduced from 15 to 5 years. DWP's view is that this is a normal feature of IT development, including in the private sector. Whilst we understand that delivering UC is very complex, and that the development of any major new IT system will inevitably suffer setbacks, it is concerning that it took so long for DWP to acknowledge openly that there were such serious problems and to make the

necessary switch to a different approach. There also remains a deeply concerning lack of clarity about what the new digital or “end-state solution” for UC IT means in practice. The NAO’s view is that these “uncertainties” include: how it will work; when it will be ready; how much it will cost; and who will do the work to develop and build it. (Paragraph 49)

6. DWP is now pursuing a twin-track approach to UC IT. This means that further money (£37-£58 million) will be spent on the existing IT system in the Pathfinder so that it can be extended to couples and families during 2014. At the same time, DWP is funding the development of the end-state solution. Some £25-£32 million has been allocated for this to November 2014, and presumably it will cost much more as the programme continues, although no figures for this expenditure are yet available. (Paragraph 50)
7. The end-state solution will first be tested on 100 claimants and DWP is still some way from being in a position to take this small step. Although we agree with an incremental approach, there is a difference between sensible caution and a snail’s pace. It will only be possible to prove that the end-state solution will work for the millions of households which will eventually claim UC when the IT can be tested at scale. (Paragraph 51)
8. At the outset of the UC project, DWP assured us, Parliament and the public that this scheme would be able to avoid the problems of previous government IT projects. It is crucial that future reports and updates use clear, plain-English explanations of the plans and outcomes, so that we can judge whether this is the case. (Paragraph 52)
9. *We recommend that, in response to this Report, DWP provide more details about what the end-state solution for UC IT means in practical terms. It should also set out its latest estimate of the costs of developing the end-state solution beyond November 2014, including the separate costs of employing additional in-house IT specialists; and of contracts with external consultants and IT providers; and when the end-state solution will be ready to test on the first 100 claimant households; when and how it will be extended to a more representative number of claimants; and when it is expected to be fully implemented. We also recommend that, in light of the small number of claimants currently receiving Universal Credit and the slow progress, DWP consider again whether it would not be more effective, and represent better value for public money, to focus solely on the end-state solution and abandon the twin-track approach. (Paragraph 53)*

Support for vulnerable claimants

10. *The Government has acknowledged that vulnerable people will need support to adjust to Universal Credit. It has set out in its Local Support Services Framework (LSSF) how it envisages this support being provided in partnership with local authorities, housing providers and the voluntary sector. However, the initial version of the LSSF published in 2013 lacked detail on how it would operate in practice, including the funding arrangements. We regret DWP’s lack of progress in giving its LSSF partners a clear indication of the additional responsibilities they will be expected to take on under this new arrangement and, crucially, the central government funding they can expect to*

receive. The Government has acknowledged that the LSSF is “almost as important as Universal Credit itself”. We recommend that it therefore ensures that detailed information about its operation and funding is set out when the final version of the LSSF is published in autumn 2014. (Paragraph 60)

DWP’s co-operation with the scrutiny process

11. *Effective scrutiny by select committees relies on government departments providing them with accurate, timely and detailed information. This has not always happened to date in relation to our scrutiny of the problems with Universal Credit implementation. It is not acceptable for Ministers to provide information about changes to major policy implementation to this Committee, and indeed to Parliament and the public more broadly, only when forced to do so by the imminent prospect of being held to account in a public oral evidence session. We recommend that, in response to this Report, DWP sets out how it will improve the frankness, accuracy and timeliness of the information it provides to us, to ensure that it meets the required levels of transparency between the Government and select committees, and that we are not hampered in trying to carry out our formal scrutiny role effectively. (Paragraph 71)*

Formal Minutes

Wednesday 2 April 2014

Members present:

Dame Anne Begg, in the Chair

Debbie Abrahams

Graham Evans

Sheila Gilmore

Glenda Jackson

Kwasi Kwarteng

Nigel Mills

Anne Marie Morris

Teresa Pearce

Mr Michael Thornton

Dame Angela Watkinson

Draft Report (*Universal Credit implementation: monitoring DWP's performance in 2012-13*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 73 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifth Report 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 Monday 7 April at 4.15 pm.]

Witnesses

The oral and written evidence relevant to this report is set out below. All evidence can be viewed on the Committee's inquiry pages at www.parliament.uk/workpencom.

Monday 9 December 2013

Question number

Rt Hon Iain Duncan Smith MP, Secretary of State for Work and Pensions, **Lord Freud**, Minister for Welfare Reform, **Howard Shiplee CBE**, Senior Responsible Officer for Universal Credit, and **Mike Driver**, Director General for Finance, Department for Work and Pensions

[Q1-135](#)

Monday 3 February 2014

Rt Hon Iain Duncan Smith MP, Secretary of State for Work and Pensions, **Robert Devereux**, Permanent Secretary, and **Mike Driver**, Director General for Finance, Department for Work and Pensions

[Q136-292](#)

Published written evidence

- 1 DWP [written evidence](#), 5 December 2013
- 2 Letter to the Chair from the Secretary of State for Work and Pensions, [9 December 2013](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/workpencom

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2013–2014

First Report	Can the Work Programme work for all user groups?	HC 162 (HC 627)
Second Report	The role of Jobcentre Plus in the reformed welfare system	HC 479 (HC 1210)
Third Report	Monitoring the performance of the Department for Work and Pensions in 2012-13	HC 1153
Fourth Report	Support for housing costs in the reformed welfare system	HC 720

Session 2012–2013

First Report	Appointment of the Chair of the Social Security Advisory Committee	HC 297
Second Report	Youth Unemployment and the Youth Contract	HC 151 (HC 844)
Third Report	Universal Credit implementation: meeting the needs of vulnerable claimants	HC 576 (Cm 8537)
Fourth Report	Lifting the restrictions on NEST	HC 950
Fifth Report	The Single-tier State Pension: Part 1 of the draft Pensions Bill	HC 1000 (Cm 8620)
Sixth Report	Improving governance and best practice in workplace pensions	HC 768 (HC 485)

Session 2010–2012

First Report	Youth Unemployment and the Future Jobs Fund	HC 472 (HC 844)
Second Report	Changes to Housing Benefit announced in the June 2010 Budget	HC 469 (HC 845)
Third Report	Appointment of the Chair of the Social Security Advisory Committee	HC 904
Fourth Report	Work Programme: providers and contracting arrangements	HC 718 (HC 1438)
Fifth Report	The Government's proposed child maintenance reforms	HC 1047 (HC 1727)
Sixth Report	The role of incapacity benefit reassessment in helping claimants into employment	HC 1015 (HC 1641)
Seventh Report	Government support towards the additional living cost of working-age disabled people	HC 1493 (HC (12–13)105)
Eighth Report	Automatic enrolment in workplace pensions and the National Employment Savings Trust	HC 1494 (HC (12–13)154)

