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OPERATIONAL FEASIBILITY OF UNIVERSAL CREDIT

Thank you for your email of 5 September in which you asked for a response to the questions you posed in your letter of 27 August relating to the operational feasibility of Universal Credit. I thought it would be helpful to set out my response below to each of the issues that you have raised.

I am writing to ask if you would consider initiating a short urgent inquiry into the operational feasibility of Universal Credit.

I published my report on *Universal Credit: early progress* on 5 September¹. My report highlighted significant problems with the programme and noted that the Department for Work and Pensions (the Department) is now having to revise its plans for rolling out Universal Credit. Given the current uncertainty about the Department's plans I feel that we should wait to review the feasibility of the programme until plans are available and have been reviewed with the Cabinet Office and HM Treasury (paragraph 1.15). I do not expect to review Universal Credit again until early 2014 at the earliest, although I will continue to monitor progress.

I would like you to consider whether the inability of the Government to run four pilot schemes suggests there are fundamental design flaws with the whole project.

My report highlights that the pathfinder is a narrowly scoped exercise with a small number of claimants (paragraph 2.8). I raise concerns about the lack of scalability of the IT and the uncertainty over how pathfinders will expand (paragraph 2.16). I am clear that there have been fundamental flaws in how the programme has been managed (paragraph 17). In the absence of new plans from the Department I am not in a position to judge whether there are fundamental design flaws that would make it impossible to deliver Universal Credit.

¹ <http://www.nao.org.uk/wp-content/uploads/2013/09/10132-001-Universal-credit.pdf>

I would also like your judgment on whether the scheme should now be halted.

The Department has - with the exception of pathfinder expansion to limited sites and the roll-out of the claimant commitment - substantially paused Universal Credit development while it works on new plans. You will no doubt understand that I am unable to comment on policy but my report does conclude that it is still entirely feasible for Universal Credit to achieve considerable benefits for society if the Department learns the lessons from its past mistakes.

The government bills the Universal Credit as not simply its flagship welfare reform programme, but the biggest and most significant change in welfare since the implementation of the Beveridge Report. Given this claim, do you believe that having a single pilot is adequate to test the feasibility of a programme for which such epoch making claims are made?

My report makes clear that Universal Credit is a wide ranging programme covering many different aspects of the claimant journey (Figure 1). I also recognise that there are substantial potential benefits from some aspects of the reform (Figure 3). While the limited nature of the pathfinder is a concern in our report I cannot judge the implications for the wider programme until new plans are in place. However, I do judge that some aspects of the scope of delivery, such as the extent of online interactions, are unlikely to be achieved (paragraph 15).

The government has refused to give any accurate data on the numbers of such claims that it is successfully processing. Might you therefore report on what the successful claim rate is, detailing how many successful claimants have been able to make their claims themselves, online, and how many have had their claims processed by DWP staff?

My report states that around 1,000 claims have been made in Universal Credit up to the end of July (paragraph 12). Not all of these claims will have been successful or still be in payment. But this figure does indicate the small scale of the pathfinder. The Department's data suggests over 90 per cent of claims are made online (paragraph 12).

Universal Credit has been one project for which the Cabinet Office review has expressed concern, and the project has been marked as amber red. Yet this troubling mark was awarded after the DWP had informed the review that 'The Pathfinder was successfully launched and we are on course both to expand the pathfinder in July and start the programme national roll out of Universal Credit in October'. Given that no such roll out started in July, is this now an adequate gauge of the risks now attached to Universal Credit?

The amber red assessment published by the Cabinet Office relates to a Major Projects Authority assessment in mid-2012 and so predates the reset period in early 2013 and the launch of the pathfinder in April 2013. The Department did roll out the pathfinder to a further 3 sites in July (in Wigan, Warrington, and Oldham) in addition to the original site in Ashton under Lyne in April 2013 (paragraph 2.10).

There is also a question of costs. Could you detail please the administrative costs of the new scheme and the likely costs of running the Universal Credit and the existing benefit scheme in tandem. And how do these costs stack up with the original estimates given to the Commons? The latest estimate of the Cabinet Office's Major Projects Authority's Annual Report, as given in Computer Weekly, reveals that the whole life cost of Universal Credit will be £12.8 billion. Might we please have your comment on this cost?

The £12.8 billion figure quoted by Computer Weekly is from the Major Projects Authority annual report from Quarter 2, 2012-13. This 'whole life cost' is calculated as the ten-year costs from 2010-11. The reason that this figure is so high is that it includes the new operating costs of Universal Credit but does not deduct the savings from closing down existing benefit systems.

My report cites a few narrower measures of the cost of Universal Credit. The first is a £2 billion spending cap for the current spending review up to April 2015. This covers all government costs and savings, benefit payments and inflation but excludes non-government savings and costs (paragraph 1.12). Alternatively the total investment costs (such as IT, estates, support for claimants as they migrate to new benefits) is expected to be around £2.4 billion for the full roll-out of the programme (Figure 4).

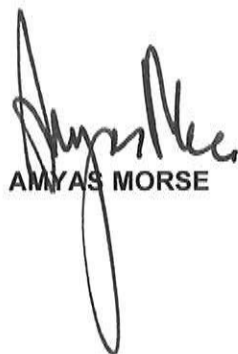
Would it be possible please for you to report to the House when it reassembles in October? Will you please judge the feasibility of the Government's timetable for the rollout implementing fully the Universal Credit? Do you believe it is till feasible that the Universal Credit will replace the operation of those 6 means-tested benefits that are claimed for this programme?

The Committee of Public Accounts considered my report on 11 September. I do not feel a further report to Parliament is needed until after the Department issues its new plans but I will continue to monitor progress in case additional facts come to light.

Commissioning major IT programmes have proved difficult in the past. Major reforms dependent on a government delivering a newly built IT system do not have a very impressive record. How would you judge the danger of this scheme not only being late in delivery, or of never being fully operational?

I am clear in my report that this programme has already been delayed and that it continues to be risky. My report refers to the past track record of such programmes and I remain concerned that the Department fully addresses the underlying issues with Universal Credit.

I look forward to our meeting to discuss these issues further and I understand our respective Private Offices are liaising on a suitable time and venue.



AMYAS MORSE

