Universal Credit: early progress
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Universal Credit:
early progress

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office
2 September 2013
This study describes the evolution of the Universal Credit programme and the sequence of events leading to the reset in early 2013. We compare the Department’s progress against its plans, and review how it managed the programme.
The National Audit Office study team consisted of: James Gourlay, Ian Hart, Janine Hawkins and Veronica Marshall, under the direction of Max Tse.

This report can be found on the National Audit Office website at www.nao.org.uk/universalcredit

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Key facts

£2.4bn  expected cost of implementing Universal Credit, to 2023

£425m  spending, to April 2013

5  senior responsible owners since mid-2012

£38 billion  Department’s estimate of the net benefit of Universal Credit between 2010-11 to 2022-23; from its December 2012 business case

£7 billion  Department’s estimate of the annual net benefit of Universal Credit from 2022-23 onwards; from its December 2012 business case

184,000  projected number of Universal Credit claimants by April 2014, from the 2012 business case

£396 million  planned IT investment in the current spending review period, from the May 2011 business case

£637 million  planned IT investment in the current spending review period, from the December 2012 business case

£303 million  IT investment, to April 2013
Summary

1 Universal Credit is a significant reform to welfare in the UK. The Department for Work & Pensions (the Department) will use Universal Credit to replace six means-tested benefits for working-age households. The Department and HM Revenue & Customs spent £67 billion on these benefits in 2012-13 – one-third of their combined spending on benefits, state pensions and tax credits.

2 The government is using Universal Credit to try to encourage claimants to start work or to earn more, and to simplify the benefit system. In December 2012, the Department estimated that 300,000 workless households will move into work because of better work incentives, simpler processes for making a single claim and tougher job-search requirements managed through a ‘claimant commitment’.

3 The Department also expects Universal Credit to reduce administration costs, fraud, error and overpayments, and increase take-up of benefits. In its most recent business case the Department estimated a net benefit from Universal Credit of £38 billion over 12 years to 2022-23, and then an annual net benefit of £7 billion.

4 The Department plans to spend £2.4 billion to implement Universal Credit up to April 2023. The programme spent £425 million up to April 2013 against the planned £431 million. Most spending so far (£303 million) has been on contracts for designing and developing IT systems.

5 The Department will run the Universal Credit service and has a programme to build and roll-out the service. HM Revenue & Customs provides the real time information system, which gives the Department information about claimant earnings. Local authorities currently administer housing benefit, which will become part of Universal Credit, and are trialling different future roles for supporting claimants.

6 While implementing Universal Credit, the Department has also been introducing, or making, other major reforms including Personal Independence Payments, the benefit cap, a new child maintenance scheme, and changes to state pensions. Universal Credit was one of the Department’s 12 programmes in the Cabinet Office major projects portfolio in Q2 2012-13.

7 The Department is reducing running costs by £2.7 billion between 2009-10 and 2014-15. It plans to reduce costs by a further £565 million in 2015-16, to meet the recent spending review commitments.
Scope of our report

8 In this report we assess the implications for value for money of the Department’s progress against its plans, and review the Department’s management of the programme. This report considers the Department’s:

- aims for Universal Credit (Part One);
- progress against plans (Part Two); and
- programme management (Part Three).

9 Universal Credit is a major long-running programme, which depends on, and has wider implications for, other reforms. Spending so far is a small proportion of the total budget.

10 We expect the programme to evolve in light of progress to date. We will report on it several times over the coming years. We do not evaluate the new plans that the current senior responsible owner has been working on since May 2013. This report provides a baseline against which to measure future progress.

Key findings

Progress against plans

11 The government ‘reset’ Universal Credit in early 2013, because of the Major Projects Authority’s serious concerns about programme implementation. In February 2013, the Major Projects Authority’s project assessment review expressed serious concerns about the Department having no detailed ‘blueprint’ and transition plan for Universal Credit. In response to these concerns, the head of the Major Projects Authority was asked to conduct a 13-week ‘reset’ between February and May 2013 (paragraphs 2.2 to 2.5).

12 The Department started a limited pilot scheme (a ‘pathfinder’) in April 2013. By the end of July, the Department had expanded the pathfinder to four sites and had taken around 1,000 new claims. The scope of the pathfinder is narrower than originally planned, covers only the simplest new claims and includes limited IT functionality. Some processes require intervention by staff, limiting the scalability of the pathfinder model without further IT investment. The Department believes that the pathfinder is testing claimant behaviour. Early indications suggest that over 90 per cent of new claims are started online (paragraphs 2.7 to 2.9 and 2.16).
The Department has delayed rolling out Universal Credit nationally. The Department will not introduce Universal Credit for all new out-of-work claims nationally from October 2013 as planned. Instead it will add a further six pathfinder sites from October 2013. It will also apply the claimant commitment to all Jobseeker’s Allowance claimants by April 2014 but this will not depend on introducing Universal Credit payments. The Department is now reconsidering the timing of full roll-out. To keep to the 2017 completion date, the Department would have to migrate a large volume of claimants within a short time frame (paragraphs 2.11 to 2.14).

The Department does not yet know to what extent its new IT systems will support national roll-out. Universal Credit pathfinder systems have limited function and do not allow claimants to change details of their circumstances online as originally intended. The Department does not yet have an agreed plan for national roll-out and has been unclear about how far it will build on pathfinder systems or replace them. In May 2013, the Department identified the need to write off £34 million (17 per cent) of its new IT assets. The Department will undertake a further impairment review when it has confirmed its plans for the future of the programme. The current senior responsible owner took over in May 2013 and is revising plans (paragraphs 2.16 to 2.20).

The Department will have to scale back its original delivery ambition and is reassessing what it must do to roll-out Universal Credit to claimants. The current programme team is developing new plans for Universal Credit. Our experience of major programmes supported by IT suggests that the Department will need to revise the programme’s timing and scope, particularly around online transactions and automation. It is unlikely that Universal Credit will be as simple or cheap to administer as originally intended. Delays to roll-out will reduce the expected benefits of reform (paragraphs 2.16, 2.17 and 2.22 to 2.24).

Programme management

When setting up the programme the Department adopted an ambitious timetable for national roll-out from October 2013. The Department recognised that the detailed policy for Universal Credit would not be approved by Parliament until 2012. It estimated that its traditional ‘waterfall’ approach to programme management, whereby systems are developed after policy is set, would lead to roll-out in April 2015. The Department was not able to explain to us how it originally decided on October 2013 or evaluated the feasibility of roll-out by this date. The ambitious timetable created pressure on the Department to act quickly and meant that it needed to manage progress tightly (paragraphs 3.4 to 3.7).
The Department tried to use an ‘agile’ approach to develop processes and systems at the same time as defining policy requirements. The agile approach uses iterative and collaborative project management to develop its IT and policy. This was the first time the Department had tried to use this approach on a major programme of this scale. The Department experienced problems incorporating the agile approach into existing contracts, governance and assurance structures. In January 2012, the Department introduced Agile 2.0, a hybrid approach which tried to combine elements of agile and traditional approaches to IT programme management (paragraphs 3.6 to 3.9).

Throughout the programme the Department has lacked a detailed view of how Universal Credit is meant to work. The Department was warned repeatedly about the lack of a detailed ‘blueprint’, ‘architecture’ or ‘target operating model’ for Universal Credit. Over the course of 2011 and the first half of 2012, the Department made some progress but did not address these concerns as expected. By mid-2012, this meant that the Department could not agree what security it needed to protect claimant transactions and was unclear about how Universal Credit would integrate with other programmes. These concerns culminated, in October 2012, in the Cabinet Office rejecting the Department’s proposed IT hardware and networks (paragraphs 3.11 to 3.20 and Figures 7 and 18).

Given the tight timetable, unfamiliar programme management approach and lack of a detailed operating model, it was critical that the Department should have good progress information and effective controls. In practice the Department did not have any adequate measures of progress. Weaknesses in the management of Universal Credit included:

- **Lack of transparency and challenge.** The Department ring-fenced the Universal Credit team and allowed it to work with a large degree of independence. Major Projects Authority and supplier-led reviews in mid-2012 identified a ‘fortress’ mentality within the programme team and a ‘good news’ reporting culture (paragraph 3.23).

- **Inadequate financial control over supplier spending.** This includes limited understanding of how spending related to progress, poorly managed and documented financial governance and insufficient review of contractor performance before making payment (paragraphs 3.24 to 3.26).

- **Ineffective departmental oversight.** The lack of a detailed plan or management information meant that the Department has never been able to measure its progress effectively against what it is trying to achieve. The programme board has also been too large and inconsistent to act as an effective, accountable group. The Department has recognised problems with governance, repeatedly changed the programme’s governance structures and, during the reset, suspended the programme board entirely (paragraphs 3.11, 3.27 and 3.38).
20 From mid-2012, it became increasingly clear that the Department was failing to address recommendations from assurance reviews. Although the nature and emphasis of its recommendations changed over time, the key areas of concern raised by the Major Projects Authority in February 2013 had appeared in previous reports. From mid-2012, the underlying concerns about how Universal Credit would work meant that the Department could not address recommendations from assurance reviews; it failed to fully implement two-thirds of the recommendations made by internal audit and the Major Projects Authority in 2012. Without adequate, timely management information, the Department relied on periodic external assurance reports to assess progress (paragraphs 3.33 to 3.35).

21 By autumn 2012, the Department substantially restructured the programme in an attempt to address concerns, but by then had to focus on the short-term delivery of pathfinders. The new senior responsible owner replaced the programme director and director of IT for Universal Credit, and adopted a ‘phased approach’ which gave individual directors responsibility for the pathfinder, October roll-out, and claimant migration on to Universal Credit. By late 2012, the Department had largely stopped developing systems for national roll-out and concentrated its efforts on preparing short-term solutions for the pathfinder. The senior responsible owner also took some action to try to improve supplier and programme management (paragraphs 3.9 and 3.36 to 3.38).

22 Since mid-2012, the Department has experienced high turnover in the senior leadership of Universal Credit. In December 2012, the senior responsible owner for Universal Credit died unexpectedly after only three months at the Department. Including the reset and the current director general for Universal Credit, the programme has had five different senior responsible owners since mid-2012 (paragraphs 3.22 and 3.29 to 3.32).

Conclusion on value for money

23 At this early stage of the Universal Credit programme the Department has not achieved value for money. The Department has delayed rolling out Universal Credit to claimants, has had weak control of the programme, and has been unable to assess the value of the systems it spent over £300 million to develop. These problems represent a significant setback to Universal Credit and raise wider concerns about the Department’s ability to deal with weak programme management, over-optimistic timescales, and a lack of openness about progress.

24 Universal Credit is a key programme for the Department, and it is still entirely feasible that it goes on to achieve considerable benefits for society. But to do so the Department will need to learn from its early mistakes. As it revises its plans the Department must show it can: exercise effective control of the programme; develop sufficient in-house capability to commission and manage IT development; set clear and realistic expectations about the timescale and scope of Universal Credit; and, address wider issues about how it manages risks in major programmes.
Recommendations

During the remainder of 2013, the Department will finalise its response to the challenges raised in the reset, confirm supporting systems’ design, revise the business case, and seek HM Treasury budget approval and Cabinet Office IT spending approval for the next stage. The Department will need to show that it has done the following:

a **Produced a realistic plan with clear programme objectives, linked to policy design and service requirements:**

- The Department’s business case should review options for proceeding and distinguish between the impact of changes to administrative systems and wider efforts to encourage work.
- The Department should set out what minimum functionality it needs to operate an acceptable service for Universal Credit and establish where systems need to be robust to changes in welfare policy.
- The Department must identify and tackle conflicting requirements about security, level of automation and ease of access by claimants early in development.

b **Used a management approach that allows policy experts, operational teams and systems developers to work together:**

- The Department should set out when and how it will manage handovers between design and operational teams; particularly if it continues to use agile approaches in development.
- The Department should not allow arbitrary time pressures to drive decisions or justify lack of information.

c **Established effective governance processes and structures:**

- Programme team members and other stakeholders must be able to challenge the Department openly and escalate concerns.
- The Department must demonstrate that it is able to follow-up and implement assurance recommendations.

d **Tightened its financial management and control over spending:**

- The Department should improve management information that links spending to progress or value produced.
- The Department should improve checks and spending approvals.
- The Department should improve its ability to challenge suppliers and reduce its reliance on suppliers for important decisions.
e Reassessed its existing programmes and capabilities in light of the experience on Universal Credit:

- The Department should set clear expectations about how interdependent programmes should work together both within the Department and across government.

- The Department should review its other programmes to assess where dependencies are not fully understood.

- The Department should review its capacity and capability to deliver major IT projects which may suffer from similar risks to Universal Credit.
Part One

Universal Credit’s objectives

1.1 Universal Credit is a major reform to welfare in the UK. This part sets out:

- the aims for Universal Credit, and how it will change how the Department supports claimants;
- the economic benefits and how these relate to wider welfare reform; and
- the cost of implementing Universal Credit.

Changing how the Department supports claimants

1.2 The Department’s aims for Universal Credit are to encourage claimants to start work or to earn more and become financially independent. The Department developed the programme because of concerns about complexity and poor work incentives within the current benefits system, trapping people on benefits and deterring claimants from taking up work.¹

1.3 Universal Credit is a single system for people both in and out of work. This means that claimants can try a job or increase their earnings without having to make a new claim every time that circumstances change. Universal Credit consolidates six working-age benefits: Jobseeker’s Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit. These benefits accounted for £67 billion of spending in 2012-13 across 13 million claims.

1.4 Universal Credit will allow claimants to keep more of their earnings when they start work and withdraw benefit payments at a consistent rate as earnings increase. Currently, benefits can be withdrawn almost as quickly as income increases. The Department’s impact assessment estimated that around 0.7 million households in low-paid work face benefit withdrawal rates of over 80 per cent of any increase in income. The Department has also identified barriers created by welfare dependency, and lack of budgeting skills and financial independence.

¹ Department for Work & Pensions, Universal Credit: welfare that works, Cm 7957, November 2010.
1.5 Universal Credit will change how the Department interacts with and supports claimants at every stage (Figure 1 overleaf). As well as simplifying the benefits available, Universal Credit will increase claimants’ responsibilities for managing their finances, introduce a ‘claimant commitment’ with tougher job-search expectations, and eliminate some of the highest rates of benefit withdrawal to improve work incentives. Information about earnings provided direct from HM Revenue & Customs, validated against the PAYE system, will allow the Department to update benefit payments automatically. A simpler benefit system should also support government’s efforts to improve debt management and collection.

Substantial economic benefits expected

1.6 In December 2012, the Department estimated the total value of the programme at £38 billion over 12 years (Figure 2 on page 15). Once implemented the Department expects the annual net benefit to be £7.1 billion in real terms, of which £2.7 billion (38 per cent) will come from savings for the government and £4.4 billion (62 per cent) from economic benefits for claimants.

1.7 Annual savings for government depend most heavily on reducing overpayments and increasing employment. Higher take-up of Universal Credit will increase benefit spending by £2.3 billion. The Department expects to offset this by reducing overpayments by £2.1 billion and through wider government savings of £2.5 billion from higher employment. Overall, the Department expects annual government spending to fall by £2.7 billion, including a saving of £0.4 billion in administration costs. Figure 4 on page 17 contains further details on costs. Appendix Four contains further details on the business case.

Largest programme in a wider set of reforms

1.8 Introducing Universal Credit is one of 33 actions listed in the Department’s business plan for 2012–2015. The Department has six overarching priorities: encouraging work and making work pay; tackling the causes of poverty and making social justice a reality; enabling disabled people to fulfil their potential; promoting saving for retirement and ensuring that saving for retirement pays; recognising the importance of family in providing the foundation of every child’s life; and improving services to the public by delivering value for money and reducing fraud and error.

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Figure 1
Changes to the claimant journey

Universal Credit removes barriers to work across the claimant journey

<table>
<thead>
<tr>
<th>Claimant journey</th>
<th>Aims</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>New claims</td>
<td>Simplify benefits and reduce confusion</td>
<td>Consolidates six working-age benefits into one</td>
</tr>
<tr>
<td></td>
<td>Reduce the need to make new claims when circumstances change</td>
<td>Aims for 80 per cent of claims made online</td>
</tr>
<tr>
<td>Claimant culture</td>
<td>Encourage responsibility for managing household budgets</td>
<td>Makes a single monthly payment directly to claimant (rather than, for example, the landlord)</td>
</tr>
<tr>
<td></td>
<td>Reduce welfare dependency</td>
<td></td>
</tr>
<tr>
<td>Claimant obligations</td>
<td>Increase job search skills and preparation for work</td>
<td>Increases job search through ‘claimant commitment’</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extends work search conditions to claimants in work</td>
</tr>
<tr>
<td>Work support</td>
<td>Tie support more clearly to conditions and incentives</td>
<td>Clarifies how sanction regime relates to conditions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Links to record of search on new Universal Jobmatch system</td>
</tr>
<tr>
<td>Incentives</td>
<td>Improve and make clearer the incentives to work</td>
<td>Limits benefits withdrawal rate to 65 per cent of increase in income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increases some disregards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clarifies ‘better off’ calculations</td>
</tr>
<tr>
<td>Changes in earnings</td>
<td>Remove burden of closing and reopening claims when moving into work or reporting changes in earned income</td>
<td>Updates earnings automatically using real time information (RTI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Claimants update self-employed income themselves online</td>
</tr>
<tr>
<td>Other changes in circumstances</td>
<td>Simplify and improve reporting of changes in circumstances</td>
<td>Claimants report changes in circumstances online</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Claimants report childcare costs online</td>
</tr>
</tbody>
</table>

Notes
1 Disregards exclude some earnings from the calculation of net income which determines a claimant’s entitlement to benefits.
2 ‘Better off’ calculations help claimants to determine how their net income changes as earnings increase.

Source: National Audit Office analysis of published departmental documents
1.9 The Department’s welfare reform priority includes introducing Personal Independence Payments, reassessing incapacity benefit claimants, the benefit cap and reducing fraud and error. The Department has 12 programmes on the current Cabinet Office major projects portfolio with combined whole-life costs of £26.5 billion (Figure 3 overleaf).

1.10 While introducing several major programmes the Department is reducing its administrative costs. In addition to a £2.7 billion (30 per cent) reduction in running costs between 2009-10 and 2014-15, the Department expects to make a £565 million reduction in 2015-16 to meet recent spending review commitments.

Expected to invest £2.4 billion to introduce Universal Credit

1.11 In its most recent business case, in December 2012, the Department planned to spend £2.4 billion in investment costs to introduce Universal Credit up to 2022-23. Investment costs include IT, support for claimants migrating on to Universal Credit, staff training, and estates costs. In addition, the Department expects to make transitional payments to claimants and make operational cost savings.

1.12 In the shorter term the Department has a spending cap for implementing Universal Credit of £2 billion up to April 2015 (Figure 4 on page 17). The cap includes additional benefit spending on claimants whose entitlement increases and the change in administration costs as claimants move to Universal Credit.

Figure 2
Net benefits of Universal Credit

The Department expects significant benefits from Universal Credit

<table>
<thead>
<tr>
<th>£ billion, 2011-12 prices</th>
<th>Twelve years from 2010-11 to 2022-23</th>
<th>Annual impact from 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total saving (cost) to government (DEL)</td>
<td>(0.6)</td>
<td>0.4</td>
</tr>
<tr>
<td>Total saving (cost) to government (AME)</td>
<td>10.8</td>
<td>2.3</td>
</tr>
<tr>
<td>Total benefits (cost) to wider society</td>
<td>27.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Net benefits</td>
<td>38.0</td>
<td>7.1</td>
</tr>
<tr>
<td>Net present value</td>
<td>27.0</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Notes
1 Departmental expenditure limit (DEL) impacts include administration costs and investment costs for programme implementation.
2 Annually managed expenditure (AME) impacts include changes to benefit payments.

Source: Department for Work & Pensions, Universal Credit programme: December 2012 economic case
Figure 3
Department for Work & Pensions major projects portfolio, Q2 2012-13

The Department has major projects covering most of its priority areas

<table>
<thead>
<tr>
<th>Departmental priority area</th>
<th>Projects in the government major projects portfolio</th>
<th>Whole life costs (£m)</th>
<th>MPA rating 2012</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver welfare reform</td>
<td>Universal Credit programme</td>
<td>12,845</td>
<td>●</td>
<td>2011-2023</td>
</tr>
<tr>
<td></td>
<td>Personal Independence Payment implementation</td>
<td>2,771</td>
<td>●</td>
<td>2011-2016</td>
</tr>
<tr>
<td></td>
<td>Incapacity Benefit reassessment</td>
<td>892</td>
<td>●</td>
<td>2009-2012</td>
</tr>
<tr>
<td></td>
<td>Fraud and error programme</td>
<td>770</td>
<td>●</td>
<td>2012-2015</td>
</tr>
<tr>
<td></td>
<td>Benefit cap</td>
<td>49</td>
<td>●</td>
<td>2012-2013</td>
</tr>
<tr>
<td>Get Britain working</td>
<td>Work Programme</td>
<td>5,627</td>
<td>●</td>
<td>2010-2011</td>
</tr>
<tr>
<td></td>
<td>Youth Contract</td>
<td>742</td>
<td>●</td>
<td>2012</td>
</tr>
<tr>
<td>Help tackle the causes of poverty and improve social justice</td>
<td>Child maintenance group change</td>
<td>1,203</td>
<td>●</td>
<td>2009-2014</td>
</tr>
<tr>
<td>Pensions reform</td>
<td>Enabling Retirement Savings programme</td>
<td>1,004</td>
<td>●</td>
<td>2007-2018</td>
</tr>
<tr>
<td></td>
<td>State Pension reform – single tier</td>
<td>114</td>
<td>●</td>
<td>2012-2017</td>
</tr>
<tr>
<td>Enable disabled people to fulfil their potential</td>
<td>Specialist Disability Employment programme</td>
<td>203</td>
<td>●</td>
<td>2012-2014</td>
</tr>
<tr>
<td>Improve service to the public</td>
<td>No major projects</td>
<td>–</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Other major projects</td>
<td>Central payment system</td>
<td>285</td>
<td>●</td>
<td>2008-2012</td>
</tr>
<tr>
<td>Total major projects</td>
<td>Total</td>
<td>26,505</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes
1. The budgeted whole life cost for Universal Credit is calculated as the ten-year costs from 2010-11; excluding non-government costs and savings; and including inflation. It is not directly comparable to the figures in the business case.
2. The MPA rating is a delivery confidence assessment of the project at a fixed point in time, using a five-point scale. Red: successful delivery of the project appears to be unachievable; amber/red: successful delivery of the project is in doubt; amber: successful delivery appears feasible; amber/green: successful delivery appears probable; green: successful delivery of the project to time, cost and quality appears highly likely.

Spending up to April 2013 was within profile

1.13 By the end of 2012-13, the programme had spent £415 million on investment costs. Total spending including programme costs was £425 million compared with a budget of £431 million.

1.14 The Department has offset increases in expected IT costs with lower migration costs in the short term. As the scope of the required IT increased between its May 2011 and December 2012 plans, the Department increased expected IT costs up to April 2015 by 60 per cent from £396 million to £637 million (Figure 5 overleaf). Overall, investment costs decreased from £1,514 million to £1,427 million due to lower migration costs. The Department had pushed back plans to migrate claimants to Universal Credit and so would not expect to incur costs until later in the programme.
The Department is reviewing its plans for Universal Credit. It will not have approval for further spending until after November 2013 when it asks HM Treasury to approve a new business case.

Most spending on IT design and development

The Department spent £303 million up to March 2013 on developing IT systems. Most IT investment costs were for core software applications (£188 million) including a payment management component (£11 million), an interface with real time information (£10 million), and a case management module (£6 million). The Department also spent £31 million on licences, £26 million on support from suppliers and £50 million on hardware, telephony equipment and changes to old systems.

Four main suppliers provided IT systems for Universal Credit (Figure 6). The Department commissioned Accenture to develop the new online claims system and evidence management systems, IBM to develop the new payment and real time earnings system, as well as interfaces with existing systems, HP to develop the work services platform and provide hardware and server capacity, and BT to provide telephone services. It also commissioned specialist advice on agile development methods.
**Figure 6**
IT investment costs

The Department employed four main suppliers to design and build Universal Credit systems

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Role</th>
<th>Spending to end 2012-13 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accenture</td>
<td>Software design, development and testing including: interview system; evidence capture, assessment and verification; and staff contractors</td>
<td>125</td>
</tr>
<tr>
<td>IBM</td>
<td>Software design, development and testing including: real time earnings; process orchestration and payment management; and staff contractors</td>
<td>75</td>
</tr>
<tr>
<td>HP</td>
<td>Hardware and legacy system software; and staff contractors</td>
<td>49</td>
</tr>
<tr>
<td>BT</td>
<td>Telephony services</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>Licences (£31 million) and staff contractors</td>
<td>39</td>
</tr>
</tbody>
</table>

**Total IT investment costs** 303

**Notes**
1. In addition, departmental staff costs on the Business and IT Solution team was £29 million.
2. Staff contractors provided by suppliers to support departmental staff totalled £26 million.
3. As part of the work set out in this figure, IBM also undertook a role as applications development integrator.
4. A further £9 million was spent on live system support costs provided by HP; bringing total spending with suppliers to £312 million.

Source: National Audit Office analysis of departmental financial data
Part Two

Progress against plans

2.1 Universal Credit is at an early stage of implementation but the Department is now three years into developing policy requirements and systems. This part considers the progress that the Department has made, including:

- the programme’s status;
- progress made compared to what was originally expected; and
- the impact of progress on the future prospects for Universal Credit.

Universal Credit ‘reset’ in early 2013

2.2 In February 2013, the Major Projects Authority reviewed Universal Credit and raised serious concerns about the programme’s progress (Figure 7). The review team was concerned that the pathfinder could not handle changes in circumstances and complex cases which had to be dealt with manually, and that this meant the pathfinder could not be rolled out to large volumes. The review team were also concerned that the core policy of getting more people into work was not built into the pathfinder and that there were potentially serious security risks.

2.3 The Major Projects Review Group noted that the Department had not addressed issues with governance, management and programme design despite the Major Projects Authority having raised them in previous reports. It recommended that the Universal Credit programme be paused immediately.³

2.4 The head of the Major Projects Authority was appointed to undertake a 12-week ‘reset’ of Universal Credit. The government gave the reset team objectives to develop the ‘blueprint’ for the programme, implement the pathfinder in April 2013, address the problems that the Major Projects Authority had identified, and search for a new senior responsible owner.

³ The Major Projects Review Group comprises senior representatives from HM Treasury and the Cabinet Office. It reviews MPA reports and makes recommendations to the Permanent Secretary of the department and advises the Chief Secretary to the Treasury and the Minister for the Cabinet Office. The Treasury controls overall funding for the Universal Credit programme and the Cabinet Office approves the programme’s IT investment.
The reset took place between February and May 2013. The reset team included departmental, Cabinet Office and Government Digital Services staff. The reset team developed an extensive set of materials as part of a ‘blueprint’ covering design and implementation, and 99 detailed recommendations. The reset team shared the blueprint with the Department’s Executive Team who approved it at each stage of its development. The Department shared the blueprint with a small number of people but did not initially share it widely.

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**Figure 7**
Summary of Major Projects Authority recommendations, February 2013

The report raised serious concerns about governance, management and programme design

<table>
<thead>
<tr>
<th>Issue area</th>
<th>Summary of recommendations for the senior responsible owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steady state solution</td>
<td>Developing and communicating a coherent and realistic blueprint for the safe delivery of Universal Credit, swiftly followed by a realistic programme plan, critical path and risk management strategy.</td>
</tr>
<tr>
<td>Mitigation of short-term risks</td>
<td>Proactively managing products for Phase 1 go live to ensure timely delivery.</td>
</tr>
<tr>
<td>Security</td>
<td>Controlling the size and complexity of Phase 2 of the programme while the IT architecture is reconstituted to create a secure, sustainable, extensible architecture closely aligned with the blueprint. The teams working on the blueprint and the IT architecture must work in the same physical location.</td>
</tr>
<tr>
<td>Hard dependencies</td>
<td>Establishing a team of those departments with hard dependencies on the safe delivery of Universal Credit to fully understand the business imperatives within which they operate; create joint plans; foster mutual understanding of data and assumptions; and develop a strategy for mitigating risk.</td>
</tr>
<tr>
<td>Governance and capabilities</td>
<td>Providing greater clarity of accountabilities of the leadership team and address capability and capacity gaps in business architecture; IT architecture; IT delivery; commercial; contract management; and PMO teams.</td>
</tr>
<tr>
<td>Control over suppliers and expenditure</td>
<td>Commissioning an internal review of actual and forecast expenditure and how it is controlled, and get a grip on supplier management.</td>
</tr>
<tr>
<td>Delivery approach</td>
<td>Rethinking the delivery approach to ensure the successful delivery of the programme so that it meets its policy objectives.</td>
</tr>
</tbody>
</table>

**Note**
1. This figure summarises high and urgent recommendations from the Major Projects Authority report; the inclusion of ‘issue areas’ and the wording of recommendations reflects the National Audit Office team’s summary of recommendations.

Source: Major Projects Authority, Project assessment review, February 2013
2.6 In May 2013, the Department appointed the current senior responsible owner to lead the Universal Credit programme. The team is now conducting a ‘100-day planning period’, which will end at the end of September 2013. The Department will then submit a new business case to HM Treasury, and ask for ministerial sign-off for delivery plans in late 2013.

Department plans are delayed

2.7 The Department introduced a single pathfinder site in Ashton-under-Lyne on 29 April 2013. It decided, in March 2013, to delay introducing pathfinder to three other locations at the same time. It did so to ensure the scope and scale of the pathfinder did not disrupt operations and had suitable controls.

Department reduced the April 2013 pathfinder scope

2.8 The pathfinder is narrower in scope than intended. The Department is taking new claims from single, childless, out-of-work claimants who would otherwise be eligible for Jobseeker’s Allowance. The Department originally planned to trial new claims from many different claimant groups (Figure 8). Within the pathfinder the Department will only support more complex cases as claimants’ circumstances change.

2.9 Despite the limited scope of the pathfinder the Department believes that it is yielding important information about claimants and the processes and systems supporting Universal Credit. Early indications suggest that well over 90 per cent of new claims are made online, compared with a target for the pathfinder of 50 per cent. Pathfinder sites are already receiving and using information from the Real Time Earnings component to identify claimants receiving earned income.

2.10 The Department introduced three further sites during July 2013, in Wigan, Warrington and Oldham. By the end of July 2013, the pathfinder sites had received around 1,000 new claims.

Universal Credit will not roll-out nationally in October 2013

2.11 The Department has changed how it will expand Universal Credit and delayed national roll-out. The Department set out its provisional timetable in its November 2010 White Paper, *Universal Credit: welfare that works*.

### Figure 8
Pathfinder development and changing scope, April 2013

The Department reduced the pathfinder scope

<table>
<thead>
<tr>
<th></th>
<th>2011 plan</th>
<th>2012 plan</th>
<th>April 2013 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of sites, April 2013</strong></td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Claimant scenarios</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jobseeker’s Allowance</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Employment Support Allowance</td>
<td>Included</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Income Support</td>
<td>Included</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Housing Benefit</td>
<td>Included</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Working Tax Credits</td>
<td>Included</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Child Tax Credits</td>
<td>Included</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Difficult cases, for example, couples</td>
<td>Included</td>
<td>Excluded</td>
<td>Excluded</td>
</tr>
<tr>
<td>Changes in circumstances</td>
<td>Online</td>
<td>Telephone</td>
<td>Telephone</td>
</tr>
<tr>
<td><strong>Automation by IT systems</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online data capture for new claims</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Calculation of gross income</td>
<td>Yes</td>
<td>Yes</td>
<td>Manual</td>
</tr>
<tr>
<td>Back-office integration</td>
<td>Yes</td>
<td>Yes</td>
<td>Manual</td>
</tr>
<tr>
<td>Payments</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Note**

1 New claimants in the pathfinder must be single, without children, newly claiming a benefit, fit for work, not claiming disability benefits, not have caring responsibilities, not be homeless or in temporary accommodation, and have a valid bank account and National Insurance number.

Source: interview with departmental staff; programme board minutes; Universal Credit pathfinder strategy and high level scoping document.
2.12 The Department will not roll-out Universal Credit nationally from October 2013 as it had planned (Figure 9). Instead, it will add a further six pathfinder sites from October 2013. These new sites will take on the simplest claims as in the existing pathfinder sites.

2.13 The Department plans to apply the claimant commitment to all Jobseeker’s Allowance claimants by April 2014. The claimant commitment aims to help advisers to manage claimant job search activities. Under Universal Credit claimants will be expected to complete 35 hours of job search per week and the claimant commitment can be used to manage more demanding expectations of Jobseeker’s Allowance claimants from April 2014.

2.14 The Department is reassessing all milestones past April 2014. It is likely that Universal Credit will not be able to take all new claims and provide the full planned service until at least December 2014. The reset team in early 2013 considered different scenarios for rolling out Universal Credit, including completing migration later than October 2017. The current senior responsible owner is looking at different options for the timing of full roll-out.

**Poor progress will affect costs and benefits**

2.15 The Department is unable to continue with its ambitious plans for national roll-out until it has agreed the future service design and IT architecture for Universal Credit. The Department may also decide to scale back the complexity and ambition of its plans. For example, it may decide to reduce having services available online or ‘digital by default’. Reducing the extent to which its business processes are automated or online access by users will increase the need for manual work and telephone-based handling of claims.

The Department does not know to what extent its new IT systems will support national roll-out

2.16 Limitations in the pathfinder IT systems mean that they cannot support full national roll-out of Universal Credit without further work and investment. The Department believes that the majority of the built IT is high quality, but has not been fully developed and cannot support scaling up the programme as it stands. Some assessments have commented that systems are inflexible or over-elaborate (Figure 10 on page 26 and Appendix Five). The Department is currently evaluating its options and does not yet have confirmed plans for its future IT system design and underpinning IT.

2.17 The Department’s current IT system lacks the ability to identify potentially fraudulent claims. Within the controlled pathfinder environment, the Department relies on multiple manual checks on claims and payments. Such checks will not be feasible or adequate once the system is running nationally. Without a system in place, the Department will be unable to make the savings it had planned, by reducing overpayments from fraud and error. In December 2012, it estimated these savings to be worth £1.2 billion per year in steady state.
Figure 9
Timeline of major milestones for Universal Credit

The Department left little time between policy development and planned roll-out

Planned in November 2011

- White Paper (Nov 2010)
- Design and build commences (Jan 2011)
- Regulations laid in Parliament (Oct 2012)
- Pathfinder in four sites (Apr 2013)
- Closedown of tax credits new claims (Apr 2014)
- Roll-out of Pension Credit Plus on Universal Credit platform (2015)
- Completion of claimant migration (Oct 2017)

Actual or revised plans

- Regulations laid in Parliament (Dec 2012)
- Extension of pathfinder to ten sites (Oct–Dec 2013)
- Claimant commitment rolled out to all JSA claimants (by Apr 2014)
- Pathfinder in one site increasing to four sites (Apr–Jul 2013)

All subsequent milestones currently under review:
- National roll-out of all new claims
- Closedown of tax credits new claims
- Roll-out of Pension Credit Plus on Universal Credit platform
- Completion of claimant migration

Source: departmental documents and business cases
**Figure 10**

Current Universal Credit IT systems

The Department has assessed IT systems as high quality but inflexible

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Source</th>
<th>Selected views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Universal Credit Review – Final Report, Capgemini, January 2013</td>
<td>The assessment of the component build quality is high.</td>
</tr>
<tr>
<td>Design</td>
<td>Major Projects Authority Review, February 2013</td>
<td>Universal Credit Programme needs a complete rethink of the delivery approach together with streamlining potentially over-elaborate solutions.</td>
</tr>
<tr>
<td></td>
<td>Blueprint Section D, May 2013</td>
<td>Pathfinder was not designed for scaling up without substantial change and IT investment and pathfinder IT platform is not strategic and there is a limit to its scalability.</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Universal Credit Review – Final Report, Capgemini, January 2013; and Reset IT stocktake, April 2013</td>
<td>Architecture is of limited extensibility. Connections between components of the design are ‘hardwired’, so that changes would require ‘rewiring’.</td>
</tr>
<tr>
<td></td>
<td>Departmental IT Assessment against the Universal Credit Blueprint, May 2013</td>
<td>High level analysis indicates that we can build on pathfinder in an iterative way to meet the UC business blueprint.</td>
</tr>
<tr>
<td>Completeness</td>
<td>Departmental pathfinder IT review, June 2013</td>
<td>Core components are in place, as are 75 per cent of interfaces; missing services include IDA, IRIS, and an automated link between WSP and core UC.</td>
</tr>
</tbody>
</table>

**Notes**

1. IDA (Identity Assurance): ensures that all digital public service users can assert their identities safely, securely and simply; IRIS (Integrated Risk and Intelligence Service): a central hub which analyses data and intelligence on fraud and error; WSP (Work Services Platform): system used by Jobcentre Plus to hold claimant information; core UC: the ten components of the Universal Credit system which take the claimant through their journey, including: claimant and agent portals, evidence, assessment and payment calculations.

2. The Department’s view is that where ‘hardwiring’ of components exists this can be addressed and that systems remain flexible overall. The Capgemini report suggests that components can be decoupled and reconfigured in an extensible architecture as long as there is an appropriate security architecture in place.

Source: National Audit Office analysis of departmental documents
2.18 The pathfinder lacks a complete security solution. Claimants cannot make changes in circumstances online. This increases the need for manual work as changes must be made by telephone. The pathfinders also require more staff intervention than planned, because of reduced automation and links between systems. In December 2012, the Department estimated that a six-month delay in automating operational processes would increase costs by £61 million in the current spending review period.

2.19 The Department has acknowledged that it needs to write off some of the value of its Universal Credit IT assets. By the end of 2012-13, the Department had spent £303 million on its IT systems and created assets which it valued at £196 million. Following an initial assessment after the end of 2012-13, the Department decided to write off £34 million (17 per cent) of these assets. The Department based this estimated write-off on a self-assessment which it asked its suppliers to conduct.

2.20 The Department is conducting further impairment reviews of the value of its Universal Credit IT assets before finalising its 2012-13 accounts. In addition to reviewing whether its current systems can be used for the national roll-out, the Department is also reviewing the wider value of its IT assets. As part of its IT development on Universal Credit the Department intended to create a platform for use by other systems and services.

2.21 The Department currently estimates its IT assets are worth 53 per cent (£162 million) of the amount it has invested in IT (£303 million) (Figure 11). This is lower than the 80 per cent (£253 million) which the Department had planned in December 2012. Remedial work to make good or replace the IT assets could further increase the Department’s IT budget, which had already increased by 61 per cent (£241 million) between its May 2011 and December 2012 plans.

Figure 11
Universal Credit IT spending and assets

The Department’s IT assets are worth less than planned

<table>
<thead>
<tr>
<th></th>
<th>IT assets (£m)</th>
<th>Total IT investment (£m)</th>
<th>Capitalised (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>162</td>
<td>303</td>
<td>53</td>
</tr>
<tr>
<td>December 2012 plan</td>
<td>253</td>
<td>317</td>
<td>80</td>
</tr>
</tbody>
</table>

Notes
1. The per cent capitalised is the value of IT assets as a proportion of total IT investment.
2. The ‘actual’ IT asset figure of £162 million is after the deduction of £34 million that the Department has so far identified that it needs to write off, before the findings of its further review of the value of its IT assets.

Source: National Audit Office analysis of departmental figures
Delayed roll-out will reduce benefits

2.22 The delays to national roll-out will change the Department’s phasing of caseload predictions for the third time in three years (Figure 12). In its October 2011 business case, the Department expected the Universal Credit caseload to reach 1.1 million by April 2014, but reduced this to 184,000 in the December 2012 business case. If the Department keeps to its planned 2017 completion date, delays to roll-out will leave less time to deal with any problems identified during migration.

2.23 In its December 2012 business case, the Department estimated that Universal Credit would generate benefits to society worth £273 million by 2014-15. The delay in national roll-out will reduce the value of these benefits.

2.24 The cost to government of implementing Universal Credit will be partly offset by administrative savings. In December 2012, the Department estimated that a three-month delay in transferring cases from existing benefits to Universal Credit would reduce savings by £240 million in the current spending review period and by £247 million after April 2015.

Figure 12
Caseload projections for Universal Credit

New and migrated claims for Universal Credit have become increasingly backloaded

Source: departmental caseload assumptions supporting October 2011, June 2012 and December 2012 business cases
Part Three

Programme management

3.1 This part considers how the Department has managed Universal Credit. To manage a programme of this scale and complexity the Department needed to:

- use a programme management approach to help policy experts, operational teams and systems developers to work together;
- set out clear objectives so that people could make appropriate decisions and assess risks;
- establish effective governance processes and structures; and
- exercise financial management and control over many activities.

3.2 In our past reports we have shown that problems with major programmes often arise because of unclear objectives, inadequate governance and weak controls or reporting.  

Changes to the programme management approach

3.3 The Department faced several challenges in setting up the Universal Credit programme and defining its management approach. The Department needed to:

- identify an initial approach to support the timescales and ambition for the programme;
- implement its approach consistently in the face of existing cultures and processes; and
- adjust its approach as the programme developed.

The Department tried to use an agile approach to help meet ambitious timescales for the programme

3.4 In November 2010, the Department set out its timetable for introducing Universal Credit in its White Paper *Universal Credit: welfare that works*. In November 2011, the Department confirmed plans to introduce the pathfinder stage in April 2013. The Department planned to use the pathfinder to test the systems it would use nationally. This reduced the time available for the Department to develop its IT system by a further six months.

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3.5 Stakeholders, commentators, and the Department’s risk register recognised that the timetable was ambitious. The Department originally planned to lay regulations for Universal Credit by October 2012 but only did so in December 2012, four months before the pathfinder in April 2013. However, published draft regulations were available from June 2012.

3.6 In late 2010, the Department decided to use an ‘agile’ methodology to manage the programme. Agile approaches allow programmes to start technical work before requirements have been finalised, in contrast to traditional ‘waterfall’ approaches (Figure 13 and Appendix Seven). The Cabinet Office encourages departments to move away from large ICT projects and expects that doing so will reduce waste, provide a more flexible approach to complex business requirements that are likely to change over time and reduce the risk of project failures.7

3.7 The Department estimated that the traditional ‘waterfall’ approach to programme management would not have been able to introduce Universal Credit until April 2015. Using this approach the Department would have finished setting policy before developing systems. The Department was unable to explain to us why it originally decided to aim for national roll-out from October 2013. It is not clear whether the Department gave decision-makers an evaluation of the relative feasibility, risks and costs of this target date.

Approach redefined several times

3.8 In 2010, the Department was unfamiliar with the agile methodology and no government programme of this size had used it.8 The Department recognised that the agile approach would raise risks for an organisation that was unfamiliar with this approach. In particular, the Department:

- was managing a programme which grew to over 1,000 people using an approach that is often used in small collaborative teams;
- had not defined how it would monitor progress or document decisions;
- needed to integrate Universal Credit with existing systems, which use a waterfall approach to managing changes; and
- was working within existing contract, governance and approval structures.

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7 In particular, the Cabinet Office, Government ICT Strategy (March 2011) and Government ICT Strategy: Strategic Implementation Plan (October 2011).
8 National Audit Office, A snapshot of the use of Agile delivery in central government (September 2012) identified 34 projects at 16 government organisations reportedly using agile. Cost data for 26 of these projects totalled £2.9 billion. The Department is responsible for the two largest projects in this list, Universal Credit (£2.2 billion) and Personal Independence Payment (£646 million). The total cost of the 24 projects run by other government bodies was £257.7 million (less than 1 per cent of the total). Available at: www.nao.org.uk/report/a-snapshot-of-the-use-of-agile-delivery-in-central-government-4/
3.9 To tackle concerns about programme management, the Department has repeatedly redefined its approach (Figure 14 overleaf). The Department changed its approach to ‘Agile 2.0’ in January 2012. Agile 2.0 was an evolution of the former agile approach, designed to try to work better with existing waterfall approaches that the Department uses to make changes to old systems. After a review by suppliers raised concerns about the achievability of the October 2013 roll-out the Department then adopted a ‘phased approach’ and created separate lead director roles for the pathfinder (phase 1), October roll-out (phase 2) and subsequent migration (phase 3).

3.10 The Cabinet Office does not consider that the Department has at any point prior to the reset appropriately adopted an agile approach to managing the Universal Credit programme.

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**Figure 13**
Comparison of systems development approaches

<table>
<thead>
<tr>
<th></th>
<th>Waterfall</th>
<th>Agile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System development</strong></td>
<td>Development begins once users agree the business requirements and the design document.</td>
<td>Requirements emerge through user needs and prototyping and are not defined before starting. Users work with developers to improve requirements while computer code is written.</td>
</tr>
<tr>
<td></td>
<td>System is developed in sequential steps based on user specifications.</td>
<td>System is developed in small, iterative steps lasting up to two weeks.</td>
</tr>
<tr>
<td><strong>Perceived benefits</strong></td>
<td>Governance and accountability can be clearly defined in contracts.</td>
<td>Development is rapid and can help to define requirements or identify complex issues early.</td>
</tr>
<tr>
<td><strong>Perceived disadvantages</strong></td>
<td>Systems take longer to develop because of the sequential development steps.</td>
<td>There is often a high level of rework as business requirements are not clearly defined at the outset.</td>
</tr>
<tr>
<td></td>
<td>Users may find that the end product does not meet their objectives because requirements were wrongly specified, or changed.</td>
<td>There is no guarantee of successful implementation at the end of the development process.</td>
</tr>
<tr>
<td></td>
<td>There is no guarantee of successful implementation at the end of the development process.</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Audit Office

---
Figure 14
Timeline of service design decisions

The Department has repeatedly adjusted its approach

Major service design decisions

- Introduction of a pathfinder stage (Nov 2011)
- IRIS and IDA systems excluded from pathfinder (Sept 2012)
- ‘Stockport’ simplification exercise (Jan 2012)
- Final regulations laid in Parliament (Dec 2012)
- Agile development approach chosen (Dec 2010)
- Agile 2.0 to integrate agile development with ‘waterfall’ legacy updates (from Jan 2012)
- Phased approach with separate leads for phases (from Oct 2012)
- 100-days planning period (from May 2013)
- Reset period (Feb to May 2013)

Note
IDA (Identity Assurance) ensures that all digital public service users can assert their identities safely, securely and simply; IRIS (Integrated Risk and Intelligence Service): a central hub which analyses data and intelligence on fraud and error.

Source: departmental documents and business cases
The source of many problems has been the absence of a detailed view of how Universal Credit is meant to work

3.11 The Department has struggled to set out how the detailed design of systems and processes fit together and relate to the objectives of Universal Credit. This is despite this issue having been raised repeatedly in 2012 by internal audit, the Major Projects Authority and a supplier-led review. This lack of clarity creates problems tracking progress, and increases the risk that systems will not be fit for purpose or that proposed solutions are more elaborate or expensive than they need to be.

Unanticipated security problems, from putting transactions online

3.12 The Department decided, in early 2011, to adopt a demanding interpretation of the principle of ‘digital by default’ for claimant interactions with Universal Credit. The Department expected claimants to use services online whenever possible; including to make sensitive changes to bank account and personal details. This increased the level of security requirements for the programme’s IT system.

3.13 In October 2012, the Cabinet Office rejected the Department’s existing IT hardware and networks (infrastructure) proposal. The proposal was for a highly secure, strategic infrastructure, capable of supporting national roll-out and other departmental reform programmes at a cost of £55 million. The Cabinet Office rejected this on the grounds that the Department did not have a clear strategic plan more widely, and their infrastructure proposal was unnecessarily elaborate and offered poor value for money for the delivery of pathfinder. In response, the Department changed its proposed infrastructure to the minimum necessary to support the pathfinder. The Cabinet Office accepted this proposed short-term solution at a cost of £2 million.

3.14 The Department continued to develop its plans for a long-term strategic security solution. In January 2013, the Universal Credit security solution was over-complex according to the technical director of CESG and other reviewers. This would have conflicted with the programme’s objective of encouraging claimants to go online.

3.15 Following the recommendations of the Major Projects Review Group to pause the programme, the Department stopped developing systems for national roll-out and focused on short-term solutions for the pathfinder. The Department provided the minimal architecture solution in time for the pathfinder, but could not complete operational testing of systems before systems went live. This increased risk to the Department and suppliers but testing was subsequently completed during live running.

3.16 The reset team recommended, in May 2013, that the Department reconsider ‘digital by default’ and instead adopt a principle of ‘digital as appropriate’. The Department is now reviewing which activities should be conducted online.

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9 This approach was in line with the government ICT strategy, which says “… the Government will work to make citizen-focused transactional services ‘digital by default’ where appropriate …” (Cabinet Office, Government ICT Strategy, March 2011, paragraph 45).

10 CESG is the UK government’s national technical authority for information assurance. It provides policy and assistance on the security of communications and electronic data.
Reliance on other Department-led programmes

3.17 The Universal Credit programme planned to use a system called ‘IRIS’ (Integrated Risk and Intelligence Service) to assess the riskiness of online transactions and allow Universal Credit to fast track low-risk claimants, add additional checks for other claimants, or prevent transactions when there was a high risk of fraud. IRIS is a separate programme that the Department is developing in consultation with HM Revenue & Customs, to help reduce fraud and error across government.

3.18 The Department was unclear about how far its security solution depended on the IRIS ‘trust’ component, which assesses and establishes confidence in a user’s identity. The Department did not know what would be required to make it work in combination with other security components, what information would need to be exchanged or how the risk rating process would really work. The pathfinder uses an interim solution because the Department has delayed development of a strategic risk and trust system.

3.19 The Department is also reconsidering its plans for identity assurance (IDA) of online users. It originally planned to develop an IDA solution for Universal Credit and Personal Independence Payment, which would ultimately form the basis of a cross-government approach. In December 2011, the Cabinet Office decided that the proposed solution was too expensive and unfit for cross-government purposes. During 2012, the Department continued with developing its own solution but there were delays in securing funding and finalising the tender for IDA providers.

3.20 In January 2013, the Cabinet Office took responsibility for several strands of the cross-government IDA platform from the Department. The Department and the Cabinet Office IDA Programme Team will resume work later in 2013 to bring the cross-government IDA solution to Universal Credit.

Governance has not been effective at addressing concerns when they arose

3.21 Major programmes rely on three ‘lines of defence’ within governance arrangements: internal programme management and control over suppliers; departmental challenge and oversight; and independent review or assurance. Despite raising and recording a number of risks these lines of defence did not lead the Department to address concerns effectively.
Lack of transparency and challenge

3.22 The Department has particularly lacked IT expertise and senior leadership. The chief information officer role was filled on an interim basis for five months from March 2012. The director of Universal Credit IT was removed from the programme in late 2012 and the Department has replaced the role with several roles with IT responsibilities. During and since the ‘reset’ the Government Digital Service has helped to redesign the systems and processes supporting transformation.

3.23 The culture within the programme has also been a problem. The Department intended to ring-fence the Universal Credit programme from cost savings being made in other areas. It decided to deliver the programme through a single delivery organisation within the Department. Both the Major Projects Authority and a supplier-led review in mid-2012 identified problems with staff culture; including a ‘fortress mentality’ within the programme. The latter also reported there was a culture of ‘good news’ reporting that limited open discussion of risks and stifled challenge.

Inadequate control over suppliers

3.24 The Department had to manage multiple suppliers. Three main suppliers – Accenture, IBM and HP – developed components for Universal Credit. The Department commissioned IBM to act as an Applications Development Integrator from January 2012, providing some oversight and overall management of IT development, but creating risks of supplier self-management.

3.25 Various reviews have criticised how the Department has managed suppliers. In June 2012, CESG reported the lack of an agreed, clearly defined and documented scope with each supplier setting out what they should provide. This hampered the Department’s ability to hold suppliers to account and caused confusion about the interactions between systems developed by different ones. In February 2013, the Major Projects Authority reported there was no evidence of the Department actively managing its supplier contracts and recommended that the Department needed to urgently get a grip of its supplier management.

3.26 The Department has exercised poor financial control over the Universal Credit programme. The Department commissioned an external review in early 2013 of financial management in Universal Credit. The review found several weaknesses including poor information about the basis for supplier invoices, payments being made without adequate checks and inadequate governance and oversight over who approved spending (Figure 15 overleaf). The review team checked a sample of invoices against the timesheets of suppliers and found no evidence of inappropriate charging, although timesheet information is not complete and cannot be linked to specific activity.
The Department has identified several weaknesses in financial management and controls

**Programme management and control**

- Limited line of sight on cost of delivery, in particular between expenditure incurred and progress made in delivering outputs.
- Poorly managed and documented financial governance, including for delegated financial authorities and approvals; for example 94 per cent of spending was approved by just four people but there is limited evidence that this was reviewed and challenged.
- Limited IT capability and ‘intelligent client’ function leading to a risk of supplier self-review.

**Financial management and control**

- Limited cost control; ineffective end to end accounts payable process with insufficient review of contractor performance before making payments – on average six project leads were given three days to check 1,500 individual timesheets, with payments only stopped if a challenge was raised.
- Inadequate internal challenge of purchase decisions; ministers had insufficient information to assess the value for money of contracts before approving them.

**Forecasting and financial reporting**

- Unclear financial reporting; the presentation of financial management information risked being misleading and reducing accountability.
- Insufficient challenge of supplier-driven changes in costs and forecasts because the programme team did not fully understand the assumptions driving changes.

**Contract management**

- Inappropriate contractual mechanisms; charges were on the basis of time and materials, leaving the majority of risks with the Department.
- Inadequate controls over what would be supplied, when and at what cost because deliverables were not always defined before contracts were signed.
- Over-reliance on performance information that was provided by suppliers without Department validation.
- Weak contractual relationships with supplier; the Department did not enforce all the key terms and conditions of its standard contract management framework, inhibiting its ability to hold suppliers to account.

**Notes**

1. The headings in this figure reflect the main sections of PwC’s review and selected findings from the report.
2. PwC’s summary of the report highlighted: inappropriate contractual mechanisms, poorly managed and documented financial governance, unclear financial reporting, limited line of sight on cost of delivery and limited cost control.

Source: PwC reports in April 2013 *Linking outcomes to supplier payments and Financial Management*
Ineffective departmental oversight

3.27 The programme board acts as the programme’s main oversight and decision-making body. The Department has repeatedly identified issues with governance and revised governance structures (Figure 16 overleaf). The programme board has been too large and inconsistent to act as an effective, accountable group. Over the course of 2012, the programme board had 50 different people attending as core members. During the reset the Department disbanded the programme board.

3.28 The board did not have adequate performance information to challenge the programme’s progress. In particular, while the board had access to activity measures for IT system development, it could not track the actual value of this activity against spending. In the absence of such measures of progress, the board relied on external reviews to assess progress. Such external reviews were not sufficiently frequent for the board to use them as a substitute for timely, adequate management information.

3.29 Since 2012, governance has been weakened by the high turnover of senior management, partly due to unforeseen and tragic circumstances. Until his early retirement in mid-2012, the chief operating officer of the Department was also the senior responsible owner for the Universal Credit programme.

3.30 In autumn 2012, the incoming chief information officer took over responsibility for the programme, but he died in December 2012 after only three months in the role. The Department moved an experienced official into the role temporarily and in February 2013 the head of the Major Projects Authority took over as chief executive for the programme for a 13-week ‘reset’. Since May 2013, the new director general for Universal Credit has run the programme, the fifth senior responsible owner in the course of a year.

3.31 The Department has also had high turnover in important roles other than the senior responsible owner. The Department has had five Universal Credit programme directors since 2010.

3.32 The programme has been subject to high levels of ministerial and senior departmental engagement from the outset. Since October 2012, departmental ministers and the Permanent Secretary, met weekly to review progress. A cross-government ministerial oversight group (including Cabinet Office and HM Treasury ministers) has taken greater control of major decisions during and since the reset.
Figure 16
Governance timeline

Major phases

<table>
<thead>
<tr>
<th>Phase</th>
<th>(Dates)</th>
<th>SRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shaping the policy</td>
<td>(May to Dec 2010)</td>
<td>No formal SRO</td>
</tr>
<tr>
<td>Establishing the programme</td>
<td>(Jan to Dec 2011)</td>
<td>SRO: Terry Moran</td>
</tr>
<tr>
<td>Simplification</td>
<td>(Jan to Aug 2012)</td>
<td>SRO: Terry Moran</td>
</tr>
<tr>
<td>Restructuring</td>
<td>(Sept to Dec 2012)</td>
<td>SRO: Phillip Langsdale</td>
</tr>
<tr>
<td>Interim</td>
<td>(Jan 2013)</td>
<td>SRO: Mark Fisher (interim)</td>
</tr>
<tr>
<td>'100 days'</td>
<td>(May to Aug 2013)</td>
<td>SRO: Howard Shiplee (current)</td>
</tr>
</tbody>
</table>

Key events

- Review of governance procedures (Jun 2011) recommends simplifying structures to improve decision-making clarity
- Internal review of governance proposes new structure (Dec 2011)
- Internal Audit reports that there was a significant gap in governance and assurance arrangements (Sept 2012)
- Programme leadership and governance structure revised (Nov 2012)
- Internal Audit reports that new governance structure had been successfully implemented and governance strengthened (Apr 2012)
- During the reset period the SRO suspends the main governance bodies, including the Programme board (Feb to May 2013)

Source: National Audit Office analysis of departmental documents
Failure to implement recommendations from assurance reviews

3.33 Since mid-2012, the Universal Credit programme has gone through several reviews (Figure 17 overleaf). The Department’s internal audit team and the Major Projects Authority have conducted regular reviews of progress to support major approvals and spending decisions. In several further cases the Department has commissioned external advisers to assess specific aspects of the programme’s progress or management.

3.34 Earlier reviews noted concerns but also recognised the action taken by the Department in some areas, particularly in terms of increasing the level of engagement by senior departmental leadership and ministerial oversight. Responses to assurance recommendations show how the Department became increasingly unable to resolve concerns during 2012. According to the Department’s internal audit, between November 2011 and April 2012, the Department had implemented the majority of recommendations from internal audit and Major Projects Authority reviews. Implementation declined significantly after April 2012. By January 2013, the Department had failed to fully implement 67 per cent of recommendations made in 2012.

3.35 By February 2013, the Major Projects Authority found that the Department had not done enough to address their ongoing concerns, which had become urgent (Figure 18 on page 41). For example, four reviews raised concerns over security in the 2012-13 year but the Department did not take decisive action and, in early 2013, it did not have a convincing, strategic plan in place.

Restructuring the programme in autumn 2012

3.36 In autumn 2012, the incoming senior responsible owner recognised that the Department needed to take urgent action to tackle concerns about Universal Credit. At that point the Department realised that it needed to direct all its attention to the short-term delivery of the pathfinder. The Department restructured the programme and replaced the programme director and director of IT in October 2012.

3.37 The Department took several steps during autumn 2012 in response to concerns about programme management including:

- slowing down spending on IT development in response to uncertainty about how Universal Credit would work, and the lack of approved funding;

- reviewing contract management, shortening the length of contract periods to one month from three months and including contractual clauses that tried to specify requirements in more detail; and

- commissioning third party reviews of IT quality and supplier management, and writing to suppliers to demand that they set out how development activity related to spending.

3.38 The Department believes that it had taken significant steps to tackle concerns about the programme during autumn 2012, prior to the reset in February 2013. The Department’s view is that the death of the senior responsible owner in December 2012 dealt a significant blow to the programme and resulted in the decision to reset in February 2013.
The Department has repeatedly reviewed the programme

**Plans and approvals**

- **Early business case draft** (Jun 2011)
- **Strategic outline business case** (Nov 2011)
- **Major Projects Review Group** (May 2012)
- **Outline business case – draft** (Jul 2012)
- **Outline business case – final** (Dec 2012)
- **Major Projects Review Group** (Feb 2013)
- **Ministerial Oversight Group** (Mar 2013)

**Internal, commissioned or government reviews**

- **Major Projects Authority** (Mar 2011)
- **Internal Audit and Major Projects Authority** (Nov 2011)
- **Internal Audit and Major Projects Authority** (Apr 2012)
- **Supplier-led ‘Red team’ review** (Jul 2012)
- **‘Red team’ review of online fraud** (Jun 2012)
- **Supplier reviews of work to date** (Feb 2013)
- **Capgemini review of IT and process solutions** (Jan 2013)
- **PwC review of financial management** (Aug 2013)
- **Review of systems** (Oct 2012)

**Source:** departmental documents and business cases
Figure 18
Review recommendations over time

The five key areas of concern raised by the MPA in February 2013 had all appeared in previous reports and were not resolved fully

<table>
<thead>
<tr>
<th>Steady state solution</th>
<th>Major Projects Authority</th>
<th>Internal audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Critical</td>
</tr>
<tr>
<td>Security</td>
<td>High</td>
<td>Critical</td>
</tr>
<tr>
<td>Capabilities</td>
<td>High</td>
<td>Critical</td>
</tr>
<tr>
<td>Governance</td>
<td>High</td>
<td>Urgent</td>
</tr>
<tr>
<td>Control over suppliers and expenditure</td>
<td>Medium</td>
<td>Critical</td>
</tr>
</tbody>
</table>

Notes
1. Major Projects Authority reports and DWP internal audit reports use different classification scales for recommendations.
2. Internal Audit categorises recommendations as: Priority 1 – significant weakness in governance, risk management and/or control that if unresolved exposes DWP to an unacceptable level of residual risk. Urgent remedial action must be taken; Priority 2 – weakness in governance, risk management and/or control that if unresolved exposes DWP to a high level of residual risk. Remedial action should be taken at the earliest opportunity and within an agreed timescale; and Priority 3 – scope for improvement in governance, risk management and/or control. Remedial action or process improvements should be prioritised and programmed within a reasonable timescale.
3. The grouping of recommendations is based on our assessment. The specific recommendations within each area can vary between reports.

Source: National Audit Office analysis of departmental documents
Appendix One

Our audit approach

1. This report examines the Department for Work & Pension’s progress in implementing Universal Credit. We describe the evolution of the Universal Credit programme and the sequence of events leading up to the ‘reset’ of the programme in early 2013.

2. We reviewed how the Department:
   - developed the Universal Credit programme;
   - made progress in implementing the programme against its plans; and
   - managed the programme.

3. Our audit approach is summarised in Figure 19. Our evidence base is described in Appendix Two.
Figure 19
Our audit approach

The objective of government

The primary aim of Universal Credit is to reduce welfare dependency by:

- improving the incentives for work;
- removing actual or perceived barriers to work; and
- simplifying the benefits system by consolidating six existing benefits into a single and integrated, income-related, working-age benefit administered by the Department.

How this will be achieved

The programme will be implemented by developing a secure system to calculate and make a single payment consisting of a basic personal amount with additional amounts for disability, caring responsibilities, housing costs and children. If successful, Universal Credit should make a net reduction in the amount that government pays out in benefits together with reductions in fraud and error, reduced administration costs and a better-focused system which targets benefit spending to those of greatest need.

Our study

The study describes the evolution of the Universal Credit programme and the sequence of events leading to the reset in early 2013. We compare the Department’s progress against its plans, and review how it managed the programme.

Our evaluative criteria

The programme has a clear and well-defined plan for its implementation.

The Department is delivering the programme on time and within budget.

The Department has suitable governance and programme management arrangements to implement the programme.

Our evidence

We assessed the programme’s planning by:

- reviewing departmental documents;
- interviewing key staff at the Department and other stakeholders; and
- reviewing the results of internal and external challenge.

We assessed how the Department implemented the programme, to time and budget, by:

- reviewing departmental documents;
- interviewing key staff at the Department and other stakeholders; and
- reviewing the results of internal and external challenge.

We assessed the Department’s governance and programme management arrangements by:

- reviewing departmental documents;
- interviewing key staff at the Department and other stakeholders;
- reviewing the results of internal and external challenge; and
- drawing on our previous work.

Our conclusions

At this early stage of the Universal Credit programme the Department has not achieved value for money. The Department has delayed rolling out Universal Credit to claimants, has had weak control of the programme, and has been unable to assess the value of the systems it spent over £300 million to develop. These problems represent a significant setback to Universal Credit and raise wider concerns about the Department’s ability to deal with weak programme management, over-optimistic timescales, and a lack of openness about progress.

Universal Credit is a key programme for the Department, and it is still entirely feasible that it goes on to achieve considerable benefits for society. But to do so the Department will need to learn from its early mistakes. As it revises its plans the Department must show it can: exercise effective control of the programme; develop sufficient in-house capability to commission and manage IT development; set clear and realistic expectations about the timescale and scope of Universal Credit; and, address wider issues about how it manages risks in major programmes.
Our evidence base

1 We completed our independent review of the Universal Credit programme after analysing evidence that we collected between May and July 2013.

2 We used an evaluative framework to consider the implications for value for money by comparing the Department’s progress against its plans, and reviewing what the experience shows about programme management. Our audit approach is outlined in Appendix One.

3 We reviewed the Department’s planning and programme implementation:

- We reviewed departmental documents to understand how the business case for Universal Credit had been developed, and how this has changed.
- We reviewed the Department’s documents to understand how its policy for Universal Credit evolved, and how this impacted on implementing the programme.
- We reviewed documents produced during the ‘reset’ of the programme to understand the key issues regarding its design, management and implementation that the Department considered it needed to address.
- We carried out semi-structured interviews with departmental staff to get further information about how the programme was developed and the reasons for the reset.
- We carried out semi-structured interviews with the Department’s main suppliers to understand their involvement with developing and implementing the programme.
- We reviewed the results of internal and external reviews to establish whether the Department acted on findings and recommendations regarding the programme’s rationale and objectives.
- We attended interviews conducted as part of the Major Project Authority’s June 2013 Programme Assurance Review to obtain further information about how the Department had responded to previous reviews.
4. We reviewed the Department’s governance and programme management arrangements:

- We reviewed and assessed the Department’s programme management documents, including risk registers, expenditure and progress reports and project management plans.
- We reviewed key governance documents to assess clarity and coverage.
- We conducted semi-structured interviews with senior departmental staff to understand changes in governance and programme management arrangements.
- We reviewed the results of internal and external challenge to examine whether the Department was acting on their findings and recommendations regarding governance and programme management. We also attended interviews conducted as part of the June 2013 Major Project Authority’s Programme Assurance Review to understand the Department’s latest responses to previous reviews.
- We drew on our past work on governance and programme management issues, for example our review Governance for Agile delivery and our value for money study Lessons from cancelling the InterCity West Coast franchise competition.

5. We reviewed costs of implementation, including the value of work that has been done on IT systems:

- We reviewed departmental documents to assess the cost of work so far and what this spending has produced.
- We conducted semi-structured interviews with departmental staff to understand its management and cost control.
- We carried out semi-structured interviews with the Department’s main suppliers and reviewed their analysis to understand their assessment of the value of their work so far.
- We reviewed internal and external challenge to understand the effectiveness of financial controls and the value of IT systems produced to date.
- We drew upon the work of our financial audit colleagues to understand the implications of the impairment of some assets that have been produced, and the value of those that remain in service.

11 Comptroller and Auditor General, Governance for Agile delivery, Examples from the private sector July 2012.
12 Comptroller and Auditor General, Department for Transport: Lessons from cancelling the InterCity West Coast franchise competition, Session 2012-13, HC 796, National Audit Office, December 2012.
## Appendix Three

### Responses to parliamentary questions about Universal Credit

**Figure 20**
Responses to parliamentary questions about Universal Credit timing

**Public statements about Universal Credit roll-out become less certain**

<table>
<thead>
<tr>
<th>Date</th>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 July 2011</td>
<td>To ask the Secretary of State for Work &amp; Pensions whether all new applications for in-work and out-of-work benefits will be treated as applications for Universal Credit from October 2013.</td>
<td>Our provisional timetable states that from October 2013 all new applications for out-of-work support will be treated as claims to Universal Credit. No new Jobseeker’s Allowance, employment and support allowance, income support and housing benefit claims will be accepted. New claims for tax credits will continue to be accepted until April 2014. Detailed planning is still at an early stage, and the timetable and sequence for transition may change as a result.</td>
</tr>
<tr>
<td>14 June 2012</td>
<td>To ask the Secretary of State for Work &amp; Pensions with reference to his answer of 7 July 2011, Official Report, column 1320W, whether it remains his policy that, from October 2013, all new applications for out-of-work support will be treated as claims to Universal Credit; and if he will make a statement.</td>
<td>I can confirm that new claims to Universal Credit will be taken from October 2013 with new claims to the current benefits and credits being gradually phased out by the end of April 2014. From April 2013 we will be accepting claims for Universal Credit from a small number of claimants in the Greater Manchester and Cheshire area. This will be an early controlled implementation and will ensure that we can learn from our experiences in advance of the formal October 2013 go live.</td>
</tr>
<tr>
<td>27 November 2012</td>
<td>To ask the Secretary of State for Work &amp; Pensions with reference to the answer of 7 July 2011, Official Report, column 1320W, on Universal Credit, (1) whether all new applications for out-of-work benefits will be treated as applications for Universal Credit from October 2013; and if he will make a statement; (2) whether all new applications for in-work benefits will be treated as applications for Universal Credit from April 2014; and if he will make a statement.</td>
<td>The four year process to stop claims to the benefits replaced by Universal Credit and to migrate existing claimants from the old system to the new will begin in October 2013 and be completed by the end of 2017. The exact timing and sequence of the migration process will be adjusted in the light of experience, not least from operating the pathfinder service in the Greater Manchester area from April 2013.</td>
</tr>
<tr>
<td>3 June 2013</td>
<td>To ask the Secretary of State for Work &amp; Pensions in what areas the IT system for Universal Credit will be rolled out in autumn 2013; and what the expected timescale is for the remaining areas.</td>
<td>Universal Credit will progressively roll-out in a carefully managed and controlled way from October 2013 with all those who are entitled to UC claiming the new benefit by 2017.</td>
</tr>
</tbody>
</table>

**Note**
1 Bold text added here for emphasis.

Source: Parliamentary questions; Hansard
## The Universal Credit business case

### Figure 21
The Universal Credit business case

The business case has changed

<table>
<thead>
<tr>
<th>Business case</th>
<th>Twelve years, 2010-11 to 2022-23</th>
<th>Annual steady state, from 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£bn</td>
<td>£bn</td>
</tr>
<tr>
<td>Investment cost</td>
<td>(2.2)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Administration saving</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total saving (cost) to government (DEL)</strong></td>
<td><strong>0.8</strong></td>
<td><strong>1.6</strong></td>
</tr>
<tr>
<td>Increase in benefit spending</td>
<td>(35.8)</td>
<td>(29.4)</td>
</tr>
<tr>
<td>Reduced overpayments</td>
<td>15.5</td>
<td>14.2</td>
</tr>
<tr>
<td>Gain to government from increased employment</td>
<td>0.6</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Total saving (cost) to government (AME)</strong></td>
<td><strong>(19.7)</strong></td>
<td><strong>(9.4)</strong></td>
</tr>
<tr>
<td>Distributional benefits (non-cash)</td>
<td>16.9</td>
<td>30.9</td>
</tr>
<tr>
<td>Wider gains from increased employment</td>
<td>2.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Cash impact on individuals</td>
<td>22.0</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Total savings (cost) to wider society</strong></td>
<td><strong>41.3</strong></td>
<td><strong>54.4</strong></td>
</tr>
<tr>
<td>Net saving</td>
<td>22.4</td>
<td>46.6</td>
</tr>
<tr>
<td>Net present Value</td>
<td>16.2</td>
<td>33.7</td>
</tr>
</tbody>
</table>

### Notes

1. Reduced overpayments includes both a reduction in overpayments as a result of increased sensitivity to earnings through real time information worth (in December 2012 plans) £6.2 billion over 12 years and £834 million annually and reduced overpayments because of fraud and error worth £8.8 billion over 12 years and £1.2 billion annually.

2. Distributional benefits are explained by the Department as follows: “a) Universal Credit will increase payments to people on lower incomes; and b) people on lower incomes value a given change in income more than those on higher incomes, which makes society better off.”

3. Departmental Expenditure Limits: firm multi-year plans are set in spending reviews. Departments may not exceed the limits that they have been set. All spending should be assumed to be in DEL unless HM Treasury has stated otherwise.

4. Annually Managed Expenditure: spending that is demand-led, volatile as to amount and so large as to be unable to be absorbed within normal DEL controls.

Source: Department for Work & Pensions, Universal Credit programme: economic case of business cases of October 2011, June 2012 and December 2012
## Appendix Five

### IT system components

**Figure 22**
Summary of Universal Credit IT systems

<table>
<thead>
<tr>
<th>System components</th>
<th>Description</th>
<th>Original intention</th>
<th>Current status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core benefit systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer account management system</td>
<td>Provides a gateway for DWP agents to access Universal Credit systems, including handling inbound calls from claimants. Also provides task management and workflow.</td>
<td>Existing CAMlite system modified to support Universal Credit claimant access by telephone; and support DWP agent workflow management.</td>
<td>Fully used in pathfinder</td>
</tr>
<tr>
<td>Interview system</td>
<td>Online services for claimants and agents. Captures claim data for new claims and, for agents only, displays data for enquiries and captures changes of circumstances data.</td>
<td>New system developed by Accenture and connected to the evidence system.</td>
<td>Fully used in pathfinder</td>
</tr>
<tr>
<td>Evidence system</td>
<td>Handles claim and change processing including award assessment, evidence requirements, batch and time-based processes, agent exception processes and integration with other DWP systems.</td>
<td>New system developed by Accenture which includes an Oracle rules engine; linked to business process management system and seven other DWP systems.</td>
<td>Fully used in pathfinder</td>
</tr>
<tr>
<td>Claims administration systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work services module</td>
<td>Creates a claimant account to record claimant commitment information, interview records and provides diary services.</td>
<td>New Microsoft-based system developed by HP and linked to provider referral and payment system.</td>
<td>Fully used in pathfinder but not integrated currently to core benefit systems</td>
</tr>
<tr>
<td>Business process management system</td>
<td>Enables administration and management of claimant case histories. Manages workflow and process orchestration for agents.</td>
<td>New system developed by IBM and integrated with interview, evidence, and payment manager systems.</td>
<td>Fully used in pathfinder</td>
</tr>
</tbody>
</table>
**System components**

<table>
<thead>
<tr>
<th>Description</th>
<th>Original intention</th>
<th>Current status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Document processing systems</strong></td>
<td>Enables document scanning and processing, including generating letters to Universal Credit recipients. Allows service centre staff to check scanned documents.</td>
<td>New link developed between existing document repository services and CAMLite; also development of new notification generation service.</td>
</tr>
<tr>
<td><strong>Financial and payment systems</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Real time earnings</strong></td>
<td>Provides access to a claimant’s earnings information provided by HMRC.</td>
<td>New system developed by IBM, with information provided by HMRC via the real time information system.</td>
</tr>
<tr>
<td><strong>Payment calculation</strong></td>
<td>Uses claims and other data to calculate benefit levels.</td>
<td>New calculation system developed by IBM and linked to payment management system.</td>
</tr>
<tr>
<td><strong>Payment management system</strong></td>
<td>Captures claimant or third-party bank account details and passes payment information through to DWP payment system.</td>
<td>New payment administration system developed by IBM but links to DWP Central Payment System.</td>
</tr>
<tr>
<td><strong>Claim payment system</strong></td>
<td>DWP existing claim payment system.</td>
<td>New links to universal benefit payment system to enable payment to claimants.</td>
</tr>
<tr>
<td><strong>Claimant identification systems</strong></td>
<td>Enables access to claimant earnings information.</td>
<td>New link from HMRC systems to provide access to payroll information.</td>
</tr>
<tr>
<td><strong>Customer information system</strong></td>
<td>DWP existing customer information system. Also used by other agencies and departments.</td>
<td>Linked to Universal Credit data capture and claim management systems; modified to recognise Universal Credit recipients and eligibility criteria.</td>
</tr>
<tr>
<td><strong>Provider referral and payment system</strong></td>
<td>Existing DWP system.</td>
<td>Modified to highlight when a Universal Credit claimant gets a job or undertakes training.</td>
</tr>
</tbody>
</table>
### System components

<table>
<thead>
<tr>
<th>Description</th>
<th>Original intention</th>
<th>Current status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank Wizard</strong></td>
<td>Existing DWP system to check bank account details.</td>
<td>New links developed to Universal Credit payment management system.</td>
</tr>
<tr>
<td><strong>Query address system</strong></td>
<td>Existing DWP system to check addresses.</td>
<td>New link developed to Universal Credit claimant information systems.</td>
</tr>
<tr>
<td><strong>Security systems</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cyber security protection</strong></td>
<td>Protects the Universal Credit system and claimants from cyber-threats.</td>
<td>Thirdparty systems to be implemented.</td>
</tr>
<tr>
<td><strong>ID assurance</strong></td>
<td>Provides assurance of the claimant’s identity to a government standard via a certified identity provider.</td>
<td>Third-party verification systems to be implemented.</td>
</tr>
<tr>
<td><strong>Fraud and error detection</strong></td>
<td>Identifies potentially fraudulent claims using pattern recognition and risk analysis.</td>
<td>New Integrated Risk and Intelligence Service (IRIS) developed by separate fraud and error programme.</td>
</tr>
<tr>
<td><strong>Security accreditation of Universal Credit infrastructure</strong></td>
<td>The Universal Credit IT systems will need to be accredited by the Computer Electronics and Surveillance Group who have responsibility for assessing whether government IT systems are secure.</td>
<td>Original security designs were over complex and could not be accredited. A new security solution is being developed.</td>
</tr>
<tr>
<td><strong>Security operations centre</strong></td>
<td>A monitoring facility to check that internet transactions are valid and to prevent attacks on the Universal Credit systems.</td>
<td>Was to have been in place for pathfinder to enable Universal Credit online services.</td>
</tr>
</tbody>
</table>

Source: National Audit Office analysis of departmental documents
## Appendix Six

### Universal Credit reports

**Figure 23**  
Universal Credit reports

<table>
<thead>
<tr>
<th>Report Name</th>
<th>Author</th>
<th>Date</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universal Credit Strategic Intent Document (SID)</td>
<td>DWP</td>
<td>5 July 2013</td>
<td>Commissioned by DWP (Universal Credit SRO) Parameters for Universal Credit programme design and implementation</td>
</tr>
<tr>
<td>Departmental pathfinder IT review</td>
<td>DWP</td>
<td>June 2013</td>
<td>Commissioned by DWP Level of IT functionality proven in live pathfinder to date</td>
</tr>
<tr>
<td>Universal Credit Programme Blueprint</td>
<td>DWP</td>
<td>May 2013</td>
<td>Commissioned by MPRG Detailed programme blueprint designed to support successful programme implementation</td>
</tr>
<tr>
<td>Universal Credit: Pathfinder Operational Readiness</td>
<td>DWP</td>
<td>2 May 2013</td>
<td>Commissioned by DWP Assessment of whether the overall control framework developed and implemented by the programme has supported operational readiness for pathfinder ‘go-live’</td>
</tr>
<tr>
<td>Universal Credit: Programme Reset March to May 2013</td>
<td>DWP</td>
<td>31 May 2013</td>
<td>Commissioned by MPRG Consideration of the approach adopted during the reset period, in particular the governance, decision-making and assurance arrangements</td>
</tr>
<tr>
<td>UC Reset IT stocktake</td>
<td>Accenture</td>
<td>22 April 2013</td>
<td>Commissioned by DWP Stocktake of IT assets</td>
</tr>
<tr>
<td>Independent VFM Review</td>
<td>IBM</td>
<td>18 March 2013</td>
<td>Commissioned by DWP Monetary value as at 31 January 2013 of all work that has been undertaken by IBM for Universal Credit</td>
</tr>
<tr>
<td>Universal Credit: Value Report</td>
<td>Accenture</td>
<td>28 February 2013</td>
<td>Commissioned by DWP Monetary value as at 1 December 2012 of all work that has been undertaken by Accenture for Universal Credit</td>
</tr>
<tr>
<td>Programme Assurance Review</td>
<td>Major Projects Authority</td>
<td>February 2013</td>
<td>Commissioned by Major Projects Authority Report on progress since previous MPRG Panel as well as the overall VFM, affordability and deliverability including deliverability and interdependencies, critical path, timescale, affordability, leadership, governance, resourcing and policy</td>
</tr>
</tbody>
</table>
### Appendix Six

Universal Credit: early progress

#### Figure 23 continued

**Universal Credit reports**

<table>
<thead>
<tr>
<th>Report Name</th>
<th>Author</th>
<th>Date</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent VFM Review</td>
<td>ISG</td>
<td>4 February 2013</td>
<td>Commissioned by DWP&lt;br&gt;Assessment of the competitiveness of the charges associated with infrastructure and application development services supplied by Accenture, BT, HP and IBM</td>
</tr>
<tr>
<td>Universal Credit Review Final Report</td>
<td>Capgemini</td>
<td>31 January 2013</td>
<td>Commissioned by DWP&lt;br&gt;State of Universal Credit IT and process solutions</td>
</tr>
<tr>
<td>Review of systems</td>
<td>DWP</td>
<td>October 2012</td>
<td>Commissioned by DWP&lt;br&gt;Summary of IT progress including pathfinder delivery and defect quality metrics</td>
</tr>
<tr>
<td>Internal Audit: Universal Credit Programme Delivery May to August 2012</td>
<td>DWP</td>
<td>19 September 2012</td>
<td>Commissioned by DWP&lt;br&gt;Assurance framework supporting the specification, design, build and test of the Universal Credit service proposition, and the preparation for pathfinder</td>
</tr>
<tr>
<td>Red Team Review</td>
<td>DWP suppliers</td>
<td>July 2012</td>
<td>Commissioned by DWP&lt;br&gt;Assessment of Universal Credit, to optimise delivery</td>
</tr>
<tr>
<td>Universal Credit – Online Fraud Risks</td>
<td>DWP, GCHQ and HMRC</td>
<td>14 June 2012</td>
<td>Commissioned by DWP, GCHQ and HMRC&lt;br&gt;Assessment of the risk of significant online fraud associated with introducing Universal Credit</td>
</tr>
<tr>
<td>Programme Assurance Review</td>
<td>Major Projects Authority</td>
<td>3 May 2012</td>
<td>Commissioned by Major Projects Authority&lt;br&gt;Latest position with IT provision, development with transformational aspects, fraud and error design, scope, resourcing, management, stakeholder engagement</td>
</tr>
<tr>
<td>Internal Audit: Follow-up Review Universal Credit Programme</td>
<td>DWP</td>
<td>11 April 2012</td>
<td>Commissioned by DWP&lt;br&gt;Audit of the key risk management and control activities within the programme</td>
</tr>
<tr>
<td>Project Assessment Review</td>
<td>Major Projects Review Group</td>
<td>7 to 11 November 2011</td>
<td>Commissioned by MPRG&lt;br&gt;Assessment of whether the Universal Credit programme is likely to meet the agreed timescale, cost and quality parameters</td>
</tr>
<tr>
<td>Internal Audit: Universal Credit Programme</td>
<td>DWP</td>
<td>9 November 2011</td>
<td>Commissioned by DWP&lt;br&gt;Audit of the key risk management and control activities within the programme</td>
</tr>
</tbody>
</table>

Source: National Audit Office analysis of departmental documents
Appendix Seven

Agile software development

In 2001, a group of software developers summarised the core philosophy behind an agile development approach by publishing the *Agile Manifesto*, which set out 12 principles ([Figure 24](#)) and four key values:¹³

- Individuals and interactions are more important than processes and tools.
- Produce working software in preference to comprehensive documentation.
- Invest time in collaborating instead of negotiating with suppliers.
- Respond to change rather than following a predetermined path.

![Figure 24](#)

Principles behind the Agile Manifesto

1. Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.
2. Welcome changing requirements, even in late development. Agile processes harness change for the customer’s competitive advantage.
3. Deliver working software frequently, from a couple of weeks to a couple of months, with a preference to the shorter timescale.
4. Business people and developers must work together daily throughout the project.
5. Build projects around motivated individuals. Give them the environment and support they need, and trust them to get the job done.
6. The most efficient and effective method of conveying information to and within a development team is face-to-face conversation.
7. Working software is the primary measure of progress.
8. Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a constant pace indefinitely.
9. Continuous attention to technical excellence and good design enhances agility.
10. Simplicity – the art of maximising the amount of work not done – is essential.
11. The best architectures, requirements and designs emerge from self-organising teams.
12. At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behaviour accordingly.

Source: www.agilemanifesto.org/principles.html

¹³ Available at: www.agilemanifesto.org/. See also National Audit Office, *Governance for Agile delivery*, July 2012.
In March 2011, the Institute for Government outlined four main approaches that agile projects generally follow: 14

- **Modularity.** Modularity involves splitting up complex problems and projects into smaller components and portions of functionality which can be prioritised. Each module should be capable of working both in a stand-alone fashion and in concert with other modules. This can reduce the time to delivery, enabling users to access the functionality of modules developed early, without necessarily having to wait until all of the original specification has been built. It can also make upgrades and changes easier as systems can be altered module by module or new modules can be added to the original design.

- **An iterative approach.** An iterative and incremental approach acknowledges that the best solution and means of delivering it are not always known at the start. By trialling in short iterations, receiving feedback and learning from mistakes a much more successful system can evolve than if everything is planned and set in stone at the outset.

- **Responsiveness to change.** Shorter iterations and regular reviews provide opportunities for changes to be made and priorities adjusted within an agile project. The solution is developed in line with a prioritised requirements list, with users and technical experts agreeing what they will focus on in the current iteration. Should the business needs change, or new technological solutions become apparent, the prioritisation of requirements on the list can be easily amended.

- **Putting users at the core.** Agile projects ensure that users or business champions are embedded within the project team. This enables the business to provide continuous input and refinement, ensuring that what is delivered meets their needs. It also demands that business users become closer to IT development than has sometimes been the case.

3 Agile offers a fundamentally different approach to tackling business problems when compared with traditional tools and methods (Figure 25).

---

Figure 25
Comparing an agile approach with traditional IT project management

<table>
<thead>
<tr>
<th>Traditional approach</th>
<th>Agile approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete solution</td>
<td>Functional modules</td>
</tr>
<tr>
<td>Linear development process</td>
<td>Short iterations to learn and adapt</td>
</tr>
<tr>
<td>Lock down requirements and minimise changes up front</td>
<td>Continuous experimentation, improvement and re-prioritisation</td>
</tr>
<tr>
<td>Heavy user engagement at the start to determine and lock down detailed specifications and at the end to test the final product</td>
<td>Users embedded throughout the process, making them an integral part of the development team rather than a constituency to be consulted</td>
</tr>
</tbody>
</table>

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