# NEWS RELEASE

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Reports by the Comptroller and Auditor General

# Rolling out Universal Credit

Universal Credit has taken significantly longer to roll-out than intended, may cost more than the benefits system it replaces, and the Department for Work and Pensions (the Department) will never be able to measure whether it has achieved its stated goal of increasing employment. In today's report, the National Audit Office (NAO) concludes that Universal Credit has not delivered value for money and it is uncertain that it ever will.

Since the NAO last reported on Universal Credit in 2014, the Department has made some progress in managing the programme but has itself admitted that it cannot measure whether Universal Credit will lead to its economic aim of getting an additional 200,000 people into work. Universal Credit may also cost more to administer than the previous system of benefits it replaces, with current running costs at £699 per claim, against an ambition of £173 per claim by 2024-25.

The roll-out has been considerably slower than was initially intended. It was due to complete in October 2017, but after a number of problems, eight years later only around 10% of the final expected caseload are currently claiming Universal Credit[1].

The Department's research states that satisfaction among claimants of Universal Credit and those claiming benefits under the previous system is generally comparable to what it replaces[2]. However, in a recent survey by the Department, four in ten of claimants who were surveyed stated that they were experiencing financial difficulties. The Department does not accept that Universal Credit has caused hardship among claimants but the NAO has seen evidence from local and national bodies that many people have suffered difficulties and hardship during the roll out of the full service.

The NAO states the Department has not shown sufficient sensitivity towards some claimants and that it does not know how many claimants are having problems with the programme or have suffered hardship.

In 2017, around one quarter (113,000) of new claims were not paid in full on time. Late payments were delayed on average by four weeks, but from January to October 2017, 40% of those affected by late payments waited in total around 11 weeks or more, and 20% waited almost five months. Despite improvements in payment timeliness, in March 2018 21% of new claimants did not receive their full entitlement on time with 13% receiving no payment on time.

The Department does not anticipate payment timeliness to improve significantly in 2018. On this basis, the NAO estimates that between 270,000 and 338,000 new claimants will not be paid in full at the end of their first assessment period throughout 2018. Those with more complex cases are more likely to be paid late.[3] The Department believes it will never achieve 100% payment timeliness because it needs by law to verify the claimants' eligibility.

The Department expected most claimants would have enough money to cope over the initial waiting period after their claim is submitted (previously six weeks, now five). In reality, nearly 60% of new claimants (around 56,000 a month) receive a Universal Credit advance to help them manage before receiving their first payment.[4]

Increases in rent arrears since the introduction of Universal Credit in an area, which claimants can often take up to a year to repay, have been reported by local authorities, housing associations and landlords. Some private landlords told the NAO they have become reluctant to rent to Universal Credit claimants. In three of the four areas the NAO visited and for which data was available, the use of foodbanks increased more rapidly after Universal Credit full service was rolled out to the area. This agrees with the Trussell Trust's report showing upsurges of 30% in foodbank use in the six months after Universal Credit rolls out to an area, compared to 12% in non-Universal Credit areas.

Local organisations which support claimants and assist in the administration of the benefit have reported incurring additional costs. The Department says it has told local authorities it will pay them for additional costs associated with administering Universal Credit if they provide evidence of the expenses, but it places the burden of proof on the local authorities, uses its discretion on assessing claims and has not sought to systematically collect data on wider costs. It will therefore have no means to assess the full monetary impact that Universal Credit is having.

The programme has necessitated a number of changes which have become increasingly embedded across the Department. It would be so complex and costly to return to legacy benefits at this stage that the NAO believes there is no practical alternative but to continue with Universal Credit.

The Department must now ensure that the programme does not expand before business-as-usual operations can deal with higher claimant volumes, and must learn from the experiences of claimants and third parties, as well as the insights it has gained from the roll-out so far.

The NAO recommends that the Department should capture intelligence on claimants' issues and the opinions of delivery partners and external stakeholders in a systematic way.

**Amyas Morse, head of the National Audit Office, said today:**

**"The Department has kept pushing the Universal Credit rollout forward through a series of problems. We recognise both its determination and commitment, and that there is really no practical choice but to keep on keeping on with the rollout.**

**"We don't think DWP has shown the same commitment to listening and responding to the hardship faced by claimants. Maybe a change of mind set will follow the publication of the claimant survey on 8 June. We think the larger claims for Universal Credit, such as boosted employment, are unlikely to be demonstrable at any point in future. Nor for that matter will value for money."**

## Key facts

| £1.9bn | £8.0bn | 113,000 |
|---|---|---|
| Spend to date on Universal Credit, comprising £1.3bn on investment and £0.6bn on running costs | Department for Work & Pensions' expectation of the annual net benefit of Universal Credit, which remains unproven | Number of late payments of new claims in 2017 |

| | Position as at March 2018 | Forecast (2024-25) |
|---|---|---|
| Caseload (claimants) | 815,000 (490,000 on full service and 325,000 on live service) | 8.5 million |
| Caseload (households) | 660,000 (490,000 on full service and 325,000 on live service) | 6.6 million |
| Number of claimants per work coach (those who have a dedicated work coach) | 85 | 373 |
| Number of claimants per case manager | 154 | 919 |
| Cost per claim | £699 | £173 |
| Percentage of claimants able to verify identity online | 38% | 80% |
| Payment in full and on time (first assessment period) | 79% | No target |

**– ENDS –**

## Notes for editors

1. Since the Department started rolling out full service, it has changed its rollout schedule four times (see paragraph 1.18 and Figure 4).
    - In July 2016, it announced it would roll out full service more slowly, ending in September 2018. It also said it would complete the programme by March 2022, a year later than expected. This was to accommodate policy changes announced in the summer Budget 2015. The Department also built contingency into its timetable to allow for further slippage.
    - The November 2017 Budget introduced several policy changes to Universal Credit and a further three-month delay to December 2018 to completing full service rollout. The Department has used some of its contingency timing to accommodate these changes.
    - In March 2018, the Department announced a further change to its rollout schedule for jobcentres in Wales. This was because of delays completing its Welsh language service. This has not affected the Department's plans to complete full service rollout to all jobcentres by December 2018.
    - On 7 June 2018, the Department announced that it would extend the completion of Universal Credit to March 2023 in order to adapt the system to accommodate changes to transitional protection, which is designed to ensure claimants moving from legacy benefits are no worse-off.
2. 83% of Universal Credit claimants surveyed by the Department reported satisfaction with the overall service, compared to 82% of those on Employment Support Allowance and 85% on Jobseekers' Allowance (Figure 8).
3. The Department's survey of Universal Credit claimants found that only 54% of claimants reported that they were able to make a claim online without help; those with health conditions were significantly more likely to report difficulties than those without a condition. To receive payment, a claimant must verify their

identity, sign a claimant commitment and prove that they reside in the UK. They must also prove they are eligible for each element they claim, such as housing or childcare. Where things go wrong operationally or claimants struggle with processes, they wait longer for payment and can be at risk of financial hardship (see paragraph 2.13 and Figure 9).

4. While advances can help claimants manage financially in the very early stages of a claim, they are loans, which are usually repaid to the Department through deductions from future Universal Credit payments. These deductions start in the first month after receiving the advance. In 2017, average new claim advance repayments were around £43 per month, or around 8% of the average monthly payment. However claimants may also face deductions for other reasons, for example rent arrears, utility repayments and repayment of tax credit overpayments. Total deduction rates can be up to 40% of the claimant's standard allowance - at which point the Department normally caps deductions (see paragraph 2.25).
5. The Department believes that Universal Credit will cost £99 million less a year to administer than legacy benefits. This requires Universal Credit to save £335 million through automation of processes and streamlining six benefits into one. The Department then expects to reallocate about £237 million of this to spend as support for work searches for up to one million additional claimants who are not subject to conditionality under legacy benefits. However, we cannot be certain that Universal Credit will ever be cheaper to administer than the benefits it replaces (See paragraph 3.18 and 3.19). Achieving the overall efficiency savings depends on:
    - reducing the running costs of each claim from an average of £1,077 in 2017-18 to £173 by 2024-25 (Figure 20).
    - no additional costs for local bodies. However, as we discuss in Part Two (paragraphs 2.29 and 2.36, and Appendix Five), local bodies told us that Universal Credit was creating additional costs. The Department has said it will not measure these additional costs until local organisations can demonstrate they are being caused by Universal Credit;
    - Universal Support delivered locally not extending beyond the implementation period, during which it will cost £170 million. However, as we set out in Part Two (paragraphs 2.28 to 2.30), local bodies and vulnerable claimants are likely to require some support beyond this period; and
    - debt recovery not costing more than it does under legacy systems (see paragraphs 3.8 and 3.9).
6. Press notices and reports are available from the date of publication on the NAO website. Hard copies can be obtained by using the relevant links on our website.
7. The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund, nationally and locally, have used their resources efficiently, effectively, and with economy. The C&AG does this through a range of outputs including value for money reports on matters of public interest; investigations to establish the underlying facts in circumstances where concerns have been raised by others or observed through our wider work; landscape reviews to aid transparency and good practice guides. Our work ensures that those responsible for the use of public money are held to account and helps government to improve public services, leading to audited savings of £734 million in 2016.

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