National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Universal Credit: getting to first payment

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National Audit Office

Department for Work & Pensions

Universal Credit: getting to first payment

Report by the Comptroller and Auditor General

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This report examines how the Department for Work & Pensions (the Department) is managing the process of getting to first payment in Universal Credit. We describe how the process is working and the impact on claimants.

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Contents

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Foreword

1 We undertook the majority of our fieldwork for this report between November 2019 and February 2020. As we drafted the report, the immediate impact of COVID-19 and the government's response, including through the benefits system, was becoming clearer. Impacts include:

- dealing with a very high number of new benefit applications in a short space of time, particularly for Universal Credit;
- reallocating thousands of staff to help process the surge of claims. All the Department for Work and Pension's (the Department's) staff are classified as key workers; and
- changing Universal Credit and some of its key processes, such as by suspending face-to-face assessments and interviews, easing the sanctions regime and increasing the standard allowance.

2 This report does not cover the impact of COVID-19 on Universal Credit, or the Department's management of the crisis. It is currently too early to evaluate the Department's response. We will report on these issues in due course.

3 This report sets out what the Department was doing well in managing the process of getting to first payment, and where it had room to improve, before the COVID-19 pandemic. This includes consideration of the reasons for late payments and risks to maintaining performance as the caseload grows. As unprecedented numbers of people apply for and adapt to Universal Credit, these findings remain important.

Key facts

Before the onset of COVID-19

2.9m	90%	312,000
people on Universal Credit (as at February 2020)	of Universal Credit claimants received their first payment on time and in full in February 2020	number of new claims where some or all of the payment was paid late in 2019

5 weeks	the minimum wait for Universal Credit once a claim is made, during which the Department for Work & Pensions (the Department) assesses the claimant's costs and income (the first assessment period), checks the claimant's eligibility and makes the payment
57%	of households making a new claim received a repayable Universal Credit advance in the six months to February 2020
80%	of low-income households have their first Universal Credit payments reduced as they are more likely to claim an advance and have other debts to repay
10.5%	the rate of fraud and error in Universal Credit in 2019-20. This included overpayments of 9.4%, the highest overpayment rate recorded for any benefit other than Tax Credits (administered by HM Revenue & Customs), which peaked at 9.7% in 2003-04
£834 million	increase in the forecast programme cost since the Full Business Case. This includes both the increased cost of the 'Move to Universal Credit' migration process and maintaining the full programme infrastructure up to 2024-25 instead of winding it down from 2022
£570 million	increase in the forecast net cost of running Universal Credit in parallel to the legacy benefits during the implementation period up to 2024-25, mainly because more claimants are expected to remain on the legacy systems for longer so there will be fewer savings from winding these systems down during this period
Up to £39 million	funding made available to Citizens Advice and Citizens Advice Scotland in 2019-20 by the Department to deliver a new Help to Claim service for people who need additional support claiming Universal Credit

Summary

1 The Department for Work & Pensions (the Department) has rolled out Universal Credit to replace six means-tested benefits for working-age households: Jobseeker's Allowance, Income Support, Housing Benefit, Employment and Support Allowance, Working Tax Credit and Child Tax Credit. In doing so, it aims to:

- encourage more people into work by introducing better financial incentives, simpler processes and increasing requirements on claimants to search for jobs;
- reduce fraud and error; and
- reduce the costs of administering benefits.

2 This is our fourth major report on Universal Credit. Previously we focused on the development, management and roll-out of the Universal Credit programme. In this report we focus on one key part of the Universal Credit process: getting to first payment. The initial wait for Universal Credit, officially known as the first assessment period and often referred to as "the five-week wait", has been the focus of significant scrutiny from Parliamentarians and other stakeholders, such as charities that support claimants.

3 In common with all benefits, the Department must process new Universal Credit claims in a way that balances the need to make payments on time, efficiently, and in a way that minimises fraud and error. In this report we:

- explain how the process of getting to first payment works for Universal Credit, and consider its impact on claimants (Part One);
- assess the Department's performance in paying first payments on time, cost-efficiently and without fraud and error, in the period before COVID-19 (Part Two); and
- assess whether the Department supports claimants effectively through the initial claim process (Part Three).

4 We do not assess all aspects of the Department's performance in rolling out Universal Credit and providing services to claimants, nor do we update the conclusion on value for money we reached in our 2018 report, *Rolling out Universal Credit*. We conclude on the Department's performance specifically in managing and improving the first payment process before the COVID-19 outbreak. An assessment of Universal Credit policy and rules, including who is eligible and how much money they are entitled to, is outside the remit of the National Audit Office.

5 Our audit approach is set out in Appendix One, and the evidence we drew on is in Appendix Two. We also provide a short update on the Department's overall progress in rolling out Universal Credit (Appendix Three) and its key actions against recommendations from our 2018 report (Appendix Four). We summarise themes from our consultation with stakeholders including charities, local authorities and claimants in Appendix Five.

Key findings

The cost and timetable for implementing the programme

6 **The Department has extended the programme to 2024-25.** When we last reported in June 2018, the Department expected all claimants on the legacy benefits Universal Credit is replacing to transfer to Universal Credit by March 2023. In July 2019 it extended the programme to September 2024, as a result of its new forecasts which showed claimants on legacy benefits were transferring to Universal Credit at a slower rate than expected (see paragraph 1.5, Figure 1 and Appendix Three).

7 **As a result, before COVID-19, the Department forecast that the cost of implementing Universal Credit had risen from £3.2 billion to £4.6 billion.** In March 2020 it reforecast the costs of implementing Universal Credit since the Full Business Case in the light of timetable changes:

- The forecast programme cost rose by £834 million. This includes both the increased cost of the 'Move to Universal Credit' migration process and maintaining the full programme infrastructure up to 2024-25 instead of winding it down from 2022.
- The forecast net cost of running Universal Credit in parallel to the legacy benefits during the implementation period up to 2024-25 rose by £570 million, mainly because more claimants are expected to remain on the legacy systems for longer so there will be fewer savings from winding these systems down during this period.

The Department expects to reforecast these costs and the timetable once it better understands the full impact of COVID-19 on the labour market and Universal Credit (see paragraph 1.6, Figures 1 and 2 and Appendix Three).

The initial wait for Universal Credit and the impact on claimants

8 **Universal Credit's design means all claimants must wait a minimum of five weeks for their first payment, which is longer than the minimum wait for the benefits it replaces.** Universal Credit is paid based on a household's costs and earnings, which the Department monitors over monthly 'assessment periods'. The first assessment period begins when a claimant submits a new claim. At the end of the assessment period, the Department assesses entitlement and makes a payment, which can take up to a week. This means a five-week wait is an inherent part of the Universal Credit design. During the first assessment period, the Department also verifies the claimant's identity and other aspects of their eligibility. If this verification takes longer than a month, the claimant will be paid some or all of their Universal Credit late. The benefits Universal Credit replaces did not have similar assessment periods. They were paid as soon as the claim was processed and although, like Universal Credit, these benefits were not necessarily paid on time, they had processing targets of between five days (Income Support) and 22 days (Tax Credits) (see paragraphs 1.7 to 1.10 and Figures 3 to 5).

9 **In the six months to February 2020, 57% of households making a new claim received a Universal Credit advance payment to help bridge the gap between their claim and their first payment.** Advances allow claimants to access up to 100% of their estimated first payment, typically seven days after making their Universal Credit claim.[1] This means that Universal Credit claimants can get access to money faster than claimants on the benefits it replaces. Advances do not affect the claimants' overall entitlement and are normally repaid through deductions from future Universal Credit payments. This can cause claimants difficulties if they spend the advance and are not able to manage the reduced monthly payments. Claimants moving to Universal Credit from legacy benefits can also continue to receive some of their old benefits for two weeks, while they wait for their first Universal Credit payment (these are known as 'run-ons') (see paragraphs 1.11 to 1.14, 1.23, 1.24 and Figure 6).

10 **Many claimants are in financial difficulty before they apply for Universal Credit, with some delaying making their claim until they are in difficulty.** The Department's analysis of earnings data found that nearly half of claimants (49%) had no earnings in the three months before they apply for Universal Credit. The Department also found that one fifth of claimants it surveyed (22%) did not claim as soon as they became eligible because, for example, they did not know what to do or thought they would get another job quickly. Our stakeholder consultation also identified a level of fear around applying for Universal Credit, with some people worried about how they will cope, having heard about bad experiences from friends, family or through the media. In a situation where people are already in financial distress, delayed claims can exacerbate the pressure they are under (see paragraphs 1.18 and 1.20 to 1.22).

1 Claimants can request that the advance be paid on the same day it is requested.

11 The initial five-week wait can exacerbate claimants' debt and financial difficulties. Despite the availability of advances, claimants and representative organisations that responded to our consultation told us that the wait for the first payment caused financial hardship and debt. It is not possible to say exactly how many claimants experience increased debt or hardship as a direct result of waiting for their first Universal Credit payment. However, the Department's own research with eight housing associations showed that rent arrears generally start before a Universal Credit claim but then increase more rapidly until the first payment. Similarly, research by the Trussell Trust found that Universal Credit is one of the reasons behind the increasing use of food banks, with 27 additional food parcels distributed for every additional 100 claimants on Universal Credit rather than legacy benefits. While limitations in the data available to the Trussell Trust mean we do not know whether this is directly due to the wait for the first payment, the Trussell Trust cited the wait as a key issue arising from its qualitative work and the Trussell Trust's recent research (conducted by Heriot-Watt University) with more than 1,000 people referred to food banks found that 27% said they attended the food bank because of a "long wait for Universal Credit" (see paragraphs 1.15 to 1.17, 1.19, 1.27 to 1.29 and Figure 7).

12 Disabled claimants and people on low incomes are more likely to claim advances and have other debts to repay from their Universal Credit. Repayments of advances, combined with other deductions such as court orders and other debts, can mean that claimants receive less than their monthly entitlement until these are repaid. In line with the proportion of claimants taking advances, 61% of claimants have a deduction applied to their first Universal Credit payment, rising to 70% by their fourth payment (after which people cannot defer advance repayments). Some claimant groups are more likely to claim advances or have existing debts that can be repaid through Universal Credit, than others. This includes:

- low-income households (80% had a deduction from their first payment);
- claims including someone who has limited capability for work because of a disability or health condition (67%); and
- claims including a disabled child (70%).

(See paragraphs 1.23 to 1.26 and Figures 8 and 9).

The Department's performance and management of the first payment process

13 **The Department has a clear process for identifying and approving potential improvements to the Universal Credit system.** There is a limit to how many changes the Department can make to the Universal Credit system at any one time without overloading its digital development capacity and front-line teams. To prioritise planned changes, the Department gathers feedback from its staff, external stakeholders and claimants. It then considers the impact of any changes to Universal Credit systems and processes on the timeliness of payment, fraud and error, and cost-efficiency (see paragraphs 2.2 to 2.5).

14 **The Department's approach has been very effective in improving the proportion of claims paid on time, from 55% in January 2017 to 90% in February 2020.** The Department's performance monitoring and management, including formal reports and meetings between local and national staff, have focused heavily on improving payment timeliness. The Department has also improved processes that impact payment timeliness and apply to large numbers of people. For example, it has:

- automated many of the processes which were slowing payment processing. This includes introducing a landlord portal to allow social housing providers to verify housing costs more quickly; and
- improved some of its communication with claimants, such as by sending reminders to attend appointments by text message, to quicken the verification process.

(see paragraphs 2.6 to 2.8, 2.16 to 2.19 and Figures 10 and 11).

15 **Despite the improvement in payment timeliness, the number of people paid late has increased with the increase in Universal Credit claimants.** In 2017, 113,000 claims were not paid in full and on time, out of 162,000. This increased to 226,000 claims in 2018 and 312,000 claims in 2019. Claimants with claims due for payment in 2019, who were not paid on time faced average delays of three weeks in addition to the five-week wait. Some 6% of households (105,000 new claims) waited around 11 weeks or more for full payment. Some of those paid late were waiting for processes in other areas of the Department such as a Work Capability Assessment. The main reason for late payments appears to be that claimants had not provided sufficient evidence for the Department to verify the claim. We discuss this further in paragraph 20 below (see paragraphs 20 and 2.9 to 2.15).

16 **The Department has reduced the cost of administering each Universal Credit claim as the number of claimants has risen, but it is still not certain that Universal Credit will be cheaper to administer than the benefits it replaces.** The cost of each claim largely reflects the amount of effort the Department's staff need to put into each claim, and therefore how many claimants they can deal with. The overall administrative cost per Universal Credit claim reduced from £699 when we last reported in June 2018 to £301 in February 2020, but this remains higher than the £277 the Department forecast it would be at this stage. The Department told us that this is because the number of claimants moving from existing benefits to Universal Credit was lower than it expected. In its business case for Universal Credit, the Department forecast that the cost per claim would fall to £173 when Universal Credit is fully rolled out, so that it will be £99 million a year cheaper (9%) to administer than the benefits it replaces (see paragraphs 2.27 to 2.29 and Appendix Three).

17 **The Department has made poor progress in reducing fraud and error.** More than one in £10 paid through Universal Credit is incorrect. The Department estimates that £1,730 million (9.4%) of Universal Credit payments were overpaid in 2019-20. This is the highest recorded rate of overpayments for any benefit other than Tax Credits (administered by HM Revenue & Customs), which peaked at 9.7% in 2003-04. The Department also underpaid 1.1% of total payments. The Department had expected Universal Credit to increase fraud and error because Universal Credit payments have to adjust to claimants' actual income every month, whereas Tax Credits can be reconciled to claimants' actual income at the end of the year. However, it had forecast that the level of overpayments would be 6.4% in 2019-20. We believe that the test and learn approach used by Universal Credit should enable the Department to address some of the fraud and error control weaknesses in the benefit, but only if the Department starts to prioritise reducing fraud and error (see paragraphs 2.20 to 2.26 and Appendix Three).

18 **The Department had identified the need to manage signs of increasing pressure on its staff before the impact of COVID-19.** The number of cases each of its case managers handles has increased from 154 at March 2018, to 573 at February 2020, in line with the Department's plans. When we last reported, the Department expected to increase this caseload to 919 per case manager by 2024-25. The Department told us that, in its view, many staff were already spending more time than expected to ensure claimants were paid on time. It has also raised concerns around the volume of telephone calls case managers are receiving and noted signs of stress including increased absence levels and ongoing threats of industrial action (see paragraphs 2.28, 2.33 to 2.37 and Appendix Three).

19 The Department can reduce pressure on staff and improve its customer service further by continuing to make improvements to the efficiency and administration of new claims. Despite the Department's progress in automating aspects of the new claims process, we found that some administrative processes remain inefficient. For example, issues with the Habitual Residency Test process for assessing people's right to claim benefits in the UK caused unnecessary delays in some cases we reviewed. We also found examples where the Department missed opportunities to progress a claim because it focused on a specific issue or request from the claimant, rather than looking at the case as a whole (see paragraphs 2.30 to 2.32).

Support to claimants

20 Claimants with more complex needs and circumstances can struggle to engage with the claim process or provide the evidence required, leaving them at greater risk of being paid late. The majority of late payments appear to result from claimants not engaging with the claim process or providing evidence in a timely manner. Stakeholders expressed concern that some vulnerable groups, such as people with learning disabilities, people with chaotic lives and people with low digital skills may find it particularly difficult to make a claim and provide the evidence required. Our review of 26 cases identified communication as an issue. For example, people who struggled to understand or communicate in written English found it more difficult to understand what the Department was asking of them or complete their claim form correctly. In some cases, the Department's communication with the claimant was unclear or not sufficiently tailored to the claimant's ability to engage (see paragraphs 3.2 to 3.8 and Figures 12 and 13).

21 The Department has overhauled the support it offers to claimants who need extra help to make a claim. It has launched a 'Help to Claim' service, which aims to provide claimants with "enhanced, free, confidential and impartial" support to help them make a claim. In 2019-20, the Department made available grant funding of up to £39 million to the charities Citizens Advice and Citizens Advice Scotland to deliver this service. The Department's data indicate that between 1 April 2019 and 22 October 2019, 130,853 people accessed the service. The Department awarded the grant to Citizens Advice and Citizens Advice Scotland without competition. It is working towards a potential competitive tendering exercise for the next round of funding once the current agreements come to an end in 2021 (see paragraphs 3.9 to 3.14).

22 The Department does not have all the information it needs to track vulnerable claimants and ensure its support is effective. The Department provides a range of support for vulnerable claimants, particularly at local level, and staff can make notes on individual claims. However, it does not use data 'flags' or markers to highlight claimants' vulnerabilities or complex needs within the Universal Credit digital system. This means it cannot produce national-level management information on vulnerable claimants, and its front-line staff cannot use data within the system to easily identify all those people who might struggle with the process. Nor can the Department currently track within its systems all claimants that may have accessed the Help to Claim service, particularly where these claimants are not referred directly by the Department. As such, it lacks a complete picture of who is accessing this support and how it affects outcomes, including payment timeliness. We also found that the Department's data on claimants' diversity characteristics are incomplete. For example, it does not have sufficient data on areas such as claimants' ethnicity to carry out meaningful analysis on whether particular groups are more likely to be paid late (see paragraphs 2.14 and 2.15, 3.15 and Figure 11).

Conclusion

23 Many people claim Universal Credit at a challenging time in their lives. As such, the initial wait, which is an inherent part of Universal Credit's design and operational processes, does not cause all the issues that claimants may face but, in the context of many claimants' existing financial difficulties, can exacerbate their problems.

24 Since we last reported, the Department has improved the proportion of people getting their first Universal Credit payment on time and in full to around 90%. It deserves credit for its organised approach to making changes and its improved performance. Although the cost of administering each claim is still higher than expected, the Department has demonstrated an ability to gradually make Universal Credit claims more cost-efficient by automating and improving processes. It needs to demonstrate a similar determination to tackle the high levels of fraud and error.

25 The Department has succeeded in improving payment timeliness so far by improving processes that affect large numbers of people. However, as the Universal Credit caseload has grown, a large number of people still do not receive their full payment on time. Vulnerable people may be particularly likely to struggle with their claim. The Department needs to better understand and address the needs of vulnerable people and those with more complex claims, who may be at greater risk of struggling under the Universal Credit regime.

Recommendations

26 Our recommendations are designed to help the Department and other organisations support claimants as effectively as possible through the process of getting to their first Universal Credit payment. Some of these recommendations address how the Department engages with and supports vulnerable people and those with complex claims. The Department will need to work with organisations that support claimants, such as local authorities, charities and housing associations to implement these recommendations effectively. The Department should:

a work in partnership with organisations that support Universal Credit claimants to:

- develop a more evidence-based understanding of why some people delay their claim for Universal Credit;
- develop communications and other proposals to encourage people to claim earlier when it is in their interest to do so;
- develop a better data-based understanding of the numbers of vulnerable claimants – and any direct or indirect diversity impact of its payment performance – and use this to support the needs of people who continue to struggle with making a claim for Universal Credit; and
- deliver significant improvements in the clarity of its claimant communications, ensuring these are clear, appropriately tailored, and contain all necessary information.

b develop detailed plans to reduce fraud and error in Universal Credit;

c prioritise improvements to the Universal Credit digital system to help front-line staff identify and support claimants who need more help;

d assess the delivery and funding model for its Help to Claim service based on results from its planned evaluation and explore ways to use data to assess the impact of the service on outcomes including payment timeliness; and

e ensure that it continues to monitor variances in the whole-life cost of its major programmes against their business case and updates Parliament on major changes when they are identified.

Part One

The initial wait for Universal Credit and the impact on claimants

1.1 This part of the report covers:

- the aims and design of Universal Credit;
- what happens in practice during the initial wait for Universal Credit; and
- the impact of the initial wait for Universal Credit on claimants.

Universal Credit

1.2 The Department for Work & Pensions (the Department) introduced Universal Credit to replace six means-tested benefits for working-age households: Jobseeker's Allowance, Income Support, Housing Benefit, Employment and Support Allowance, Working Tax Credit and Child Tax Credit (legacy benefits). Universal Credit's overarching aims are to:

- encourage more people into work through better financial incentives, simpler processes and increasing requirements on claimants to search for jobs;
- reduce fraud and error; and
- be cheaper to administer than the benefits it replaces.

1.3 In February 2020, before the impact of COVID-19, 2.9 million claimants received Universal Credit. This was around one third of the total caseload expected when all claimants have moved over from legacy benefits. Claimants can move to Universal Credit in three ways:

- a new claim;
- 'natural migration', when existing benefit claimants' circumstances change; and
- 'Move to Universal Credit', for existing benefit claimants whose circumstances have not changed. The Department was piloting these arrangements in Harrogate. It has temporarily suspended this to help manage the impact of the coronavirus outbreak on the benefits system.

1.4 Universal Credit is paid to both people who are working and people who are out of work, depending on their income, needs and costs. Claimants receive a standard allowance and may also be entitled to additional payments if, for example, they have children or qualify for help with their rent.

The cost and timetable for implementing the programme

1.5 Universal Credit was rolled out for new claims nationwide in 2018. When we last reported on Universal Credit, in June 2018, the Department expected all claimants on the legacy benefits to move across to Universal Credit by March 2023. Since then it has changed this forecast twice:

- In October 2018, partly as a result of our recommendation, the Department decided to slow some of the transfer of claimants to Universal Credit and extended the programme to December 2023.
- In July 2019 it reforecast the number of people joining Universal Credit. This showed people were transferring to Universal Credit from legacy benefits as a result of changes in their circumstances at a slower rate than it had expected. It thus decided to extend the programme to September 2024.

1.6 The Department reforecast the total cost of implementing Universal Credit based on the new timetable and forecast caseloads in March 2020. This showed the total cost of implementing Universal Credit had risen from £3.2 billion in the 2018 Final Business Case to £4.6 billion. This was made up of:[2]

- **£834 million extra programme costs (Figure 1 on pages 18 and 19)**

  The cost of managing the change programme and establishing the new benefit and its digital infrastructure rose from £2,016 million at the time of the Full Business Case to £2,850 million. This includes £342 million of increased staff costs for Move to Universal Credit. The remainder is mostly the additional cost of managing the programme to support both that migration and Universal Credit's test and learn approach through to September 2024, instead of winding the programme down in 2022; and

- **£570 million higher operational costs up to 2024-25 (Figure 2 on page 19)**

  The net cost of running the programme in parallel with the legacy systems rose from £1,219 million at the time of the Full Business Case to £1,789 million. Universal Credit is now expected to cost less to run during the implementation period. However, it will achieve fewer savings from winding-down the legacy systems during this period. We discuss the efficiency of the Universal Credit process in paragraphs 2.27 to 2.29.

2 The Department's forecast costs are nominal cash costs and include inflation. The baseline 2018 costs are restated from those set out in our 2018 report Comptroller and Auditor General, *Rolling out Universal Credit,* Session 2017–2019, HC 1123, National Audit Office, June 2018, where the costs were stated in real terms.

The recent increase in claims and the change in the labour market as a result of COVID-19 will have a significant impact on these costs. The Department expects to recalculate its forecasts later this year once the impact of COVID-19 is better understood.

The initial wait for Universal Credit

The practical implications of Universal Credit design

1.7 Universal Credit is managed on the basis of 'assessment periods', which the Department has set as a one-month period during which it:

- works out the amount that each claimant is entitled to, based on their needs and costs; and
- reduces this amount to take account of the claimants' earnings.

1.8 The first assessment period begins when a claimant submits their claim. Because this first assessment period only starts after a claim is made, claimants must wait at least five weeks before their first payment. The Department views this first assessment period as an inherent part of Universal Credit's design, reflecting both its policy intent and practical operational considerations (**Figure 3** on page 20). In practice, once a claimant submits a claim for Universal Credit, the Department does three things (**Figure 4** on page 21):

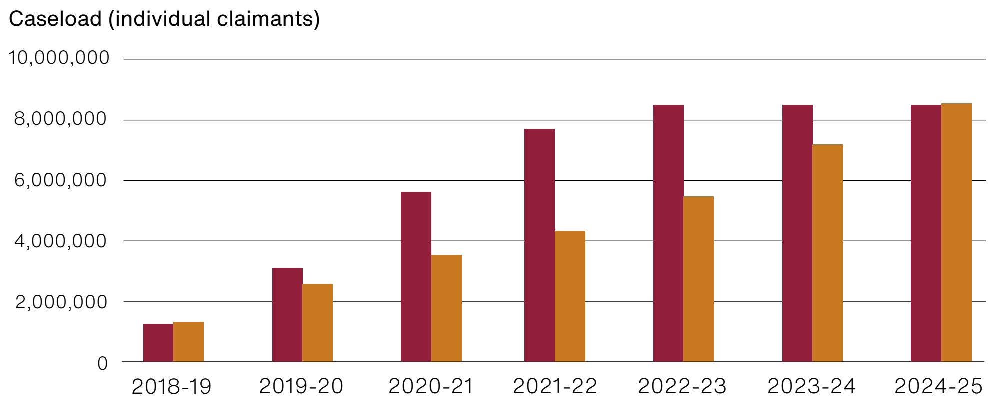
- **assesses** claimant's costs and income over a month, starting on the first day of the claim;
- **processes** the claim to verify claimant's eligibility for the benefit, ensure payments are accurate and minimise the risk of fraud and error; and
- **pays** the claimant. At the end of each assessment period, the Department makes a single payment to each eligible household. The Department allows around a week to make payments to claimants' accounts following the first assessment period.

The claimant is not given an estimate of what they will receive until the statement a few days before the first payment is made.

1.9 Late payment happens when the claim is not fully processed within the first monthly assessment period. Universal Credit covers a range of costs, so processing can involve several checks. Some, such as identity checks, apply to all claimants, while others, such as the Habitual Residency Test, only apply to specific groups. Some checks involve third parties, such as landlords verifying claimants' housing costs. Failure to complete certain processes results in the whole claim not being paid. This can include, for example, failure to verify the claimant's identity or UK residency, or the claimant not signing a claimant commitment. Failure to verify specific costs, such as housing costs, results in that specific element of the claim not being paid.

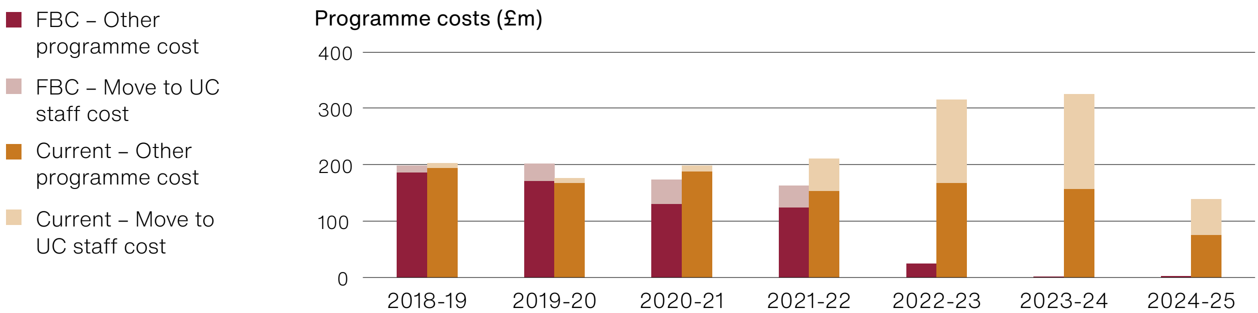
Figure 1
Universal Credit timeline and programme costs

In 2019 the Department for Work & Pensions (the Department) reforecast the number of individual claimants joining Universal Credit (UC) and predicted that it would take longer for people to move from legacy benefits to the new benefit



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Full Business Case (FBC) forecast	1,250,000	3,110,000	5,630,000	7,700,000	8,490,000	8,490,000	8,490,000
Autumn 2019 forecast	1,320,000	2,580,000	3,540,000	4,340,000	5,470,000	7,190,000	8,550,000

As a result, the Department extended the Universal Credit programme to September 2024, increasing the programme cost by £834 million from £2,016 million to £2,850 million



	Pre-2018-19 (£m)	2018-19 (£m)	2019-20 (£m)	2020-21 (£m)	2021-22 (£m)	2022-23 (£m)	2023-24 (£m)	2024-25 (£m)	Total (£m)
Full business case	1,253	197	203	173	163	23	2	2	**2,016**
– Move to UC staff cost[5]	22	12	31	43	39	0	0	0	**147**
– Other programme cost	1,231	185	172	130	123	23	2	2	**1,868**
Current forecast	1,284	202	176	198	211	316	324	139	**2,850**
– Move to UC staff cost[5]	26	8	8	10	58	148	168	64	**490**
– Other programme cost	1,258	194	168	188	153	168	157	76	**2,360**
Increase (decrease)	31	4	(26)	25	48	292	322	138	**834**
Increase (decrease) in Move to UC staff costs	4	(4)	(23)	(32)	19	148	168	64	**342**

Figure 1 *continued*

Universal Credit timeline and programme costs

Notes

1 The current forecasts refer to the Department's latest forecast prior to the impact of COVID-19. Costs were calculated in March 2020 based on autumn 2019 caseload forecasts. Prior year figures are actual costs and caseloads.

2 The Full Business Case forecast costs post 2018-19 have been restated since our 2018 report on Rolling Out Universal Credit into nominal cash terms.

3 The pre 2018-19 costs have changed since Full Business Case after the Department finalised the actual spend to date.

4 Numbers may not sum due to rounding.

5 Move to Universal Credit (Move to UC) is the process of managed migration.

Source: National Audit Office analysis of Department for Work & Pensions' data

Figure 2

Universal Credit net operational costs

The net operational costs of running Universal Credit in parallel to the legacy systems has risen by £570 million

	Pre 2018-19 (£m)	2018-19 (£m)	2019-20 (£m)	2020-21 (£m)	2021-22 (£m)	2022-23 (£m)	2023-24 (£m)	2024-25 (£m)	**Total (£m)**
Net operational costs and savings									
Full Business Case[1]	679	225	81	117	14	50	52	(0)	**1,219**
Current forecast[2]	600	203	194	219	142	130	188	112	**1,789**
Increase (decrease)[5]	**(79)**	**(22)**	**113**	**102**	**128**	**80**	**136**	**112**	**570**
Of which attributable to the decrease in savings outside of Universal Credit[4]		8	100	277	254	179	122	47	**988**

Notes

1 The Full Business Case forecast costs and savings post 2018-19 have been restated since our 2018 report on *Rolling Out Universal Credit* into nominal cash terms.

2 The current forecasts refer to the Department for Work & Pensions' (the Department's) latest forecast prior to the impact of COVID-19. Costs were calculated in March 2020 based on autumn 2019 caseload forecasts. Prior year figures are actual costs and caseloads.

3 The pre 2018-19 costs have changed since Full Business Case after the Department finalised the actual spend to date.

4 Most of the £988 million decrease in savings relates to the legacy systems. The remainder relates to a change in the assumptions around the cost of Work Capability Assessments.

5 The decrease in Universal Credit operational costs are mainly extra benefit staff offset by changes in the assumptions around the cost of Work Capability Assessments and now treating changes to the Universal Credit IT systems during the implementation stage as programme (development) costs rather than maintenance (running) costs.

6 Totals may not sum due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions' data

Figure 3
Operational features behind the design of Universal Credit

The Department for Work & Pensions (the Department) has designed Universal Credit with various features which reflect both its policy intent and practical operational considerations. Together they result in a five-week initial wait

Feature of Universal Credit	Stated policy intent	Practical operational consideration
In and out-of-work benefit (single taper rate)	Incentivise work and reduce the 'cliff edge' produced by legacy benefits.	The Department must assess claimants' income.
Single payment covering all aspects of a claim	Increase take-up by making it simpler for the claimant and reduce the cost of administering benefits.	Payment must come after both verification of eligibility and income assessment are complete.
Household payment	Couples make a joint claim to Universal Credit and, in most cases, receive a single household payment.	Takes account of partner's earnings. Means it is difficult to assign a different length assessment period to each individual in the household.
Monthly payment in arrears	"Mirror the world of work" and encourage claimants to take responsibility for their monthly budgeting.	Monthly payment matches the assessment period. In Scotland, claimants can choose to be paid twice monthly, with the first payment following the assessment period and the second 15 days later.
One-week payment period	n/a	A practical measure to allow payments to clear through the banking system.
Assessment period starts after claim is made	n/a	Makes it easier for claimants to know that the first assessment period will not include earnings received before the claim.

Source: National Audit Office analysis

Figure 4

Universal Credit claimant journey to first payment

There are a linked set of tasks that must be completed by both the Department for Work & Pensions (the Department) and claimants, to ensure that claimants receive the right payment on time

Pre-claim

Claimants must:

- **find out about Universal Credit,** including how to make a claim; and
- **find a place to get digital access** (for example at home, in a library, or via a smartphone).

Making a claim

Claimants must:

- **enter their personal and family details** (such as housing costs, health conditions, savings, work details, caring responsibilities and bank details) within 28 days after setting up an account; and
- **submit their claim.**

Help to Claim:

Claimants can **get help to claim Universal Credit** through the Citizens Advice-led 'Help to Claim' service. This can include anything to do with applying for the benefit, such as: gathering the correct evidence; filling in the application; or preparing for their first jobcentre appointment.

In practice:

- Around 35% of people who start an application do not go on to submit their claim.
- Claimants who do submit their claim complete this stage in a day on average.
- 99% of claimants claim online.

First assessment period

Claimants must:

- **verify their identity online** (about 20% of all claimants verify their identity online);
- **book an appointment at the jobcentre** to provide evidence to verify their claim;
- **attend an initial evidence interview** to verify their identity (if unsuccessful online) and entitlement to various Universal Credit elements;
- **provide evidence** to substantiate their claim for each element of Universal Credit, and report their earnings if the Department cannot verify their earnings using the Real Time Information from the Pay As You Earn system; and
- **sign a 'claimant commitment',** usually following a discussion with a work coach about the conditions of their claim.

The Department must:

- **verify the information the claimant provides,** liaising with third parties such as landlords where necessary; and
- **calculate payments after the monthly assessment period is complete.** Payment can be automatic but might need to be checked or manually calculated by one of the Department's case managers.

In practice:

- On average, claimants book an appointment within three days of submitting a claim and attend an interview four days after booking.
- 98% of claimants require only one evidence interview.
- Around 30% of submitted claims do not make it to payment. Of these, around one quarter return to make a claim within the next four to five months.

Key:

- Claimant actions
- Help to Claim support
- Department's actions
- Data

Source: National Audit Office analysis of Department for Work & Pension's data

How the wait for Universal Credit compares to legacy benefits

1.10 Overall, claimants' minimum wait for Universal Credit is likely to be longer than the equivalent minimum wait for each of the benefits it replaces. The Department could not provide sufficient comparable data to make a robust comparison of payment timeliness performance for legacy benefits against Universal Credit. While the benefits Universal Credit is replacing were not necessarily paid on time, they all had a processing target shorter than five weeks, even allowing a week for payment on top of target processing periods. This means it was possible, if the claimant provided all the correct information, to receive payment more quickly under legacy benefits, but this would not have been the case for all claimants. Under Universal Credit, claimants are also waiting for what may previously have been several different benefits, rather than having some income to draw on from one benefit while they claim another (**Figure 5**).

Mitigating the impact of the longer wait for Universal Credit

1.11 The Department is aware of the potential impact the initial wait for Universal Credit has on claimants and has put financial mitigations in place to help claimants cope. The mitigations (**Figure 6** on page 24) are:

- **advances:** Claimants can receive up to 100% of their expected Universal Credit award once they have submitted their claim. Advances are repayable to the Department through reductions to future Universal Credit payments; and
- **benefit 'run-ons':** Some claimants who already receive certain benefits can continue to receive those benefits for a limited time while they wait for their first payment of Universal Credit. The Department estimates that it will spend £750 million on benefit run-ons from 2018-19 to 2023-24.

1.12 In the six months to February 2020, 57% of households making a new claim received an advance. The Department's survey of claimants in 2018 found that the main reason claimants chose not to take an advance was because they "did not want to" (40%). Wider research found that one of the main reasons people did not apply was a concern about not being able to make repayments and accruing debt.[3]

1.13 Universal Credit claimants who take an advance can access money faster than claimants on other benefits. In theory this should mitigate the impact of having to wait longer for the first official payment. Claimants who take a full advance (100% of their estimated entitlement) remain 'ahead' in pure cash terms for around four months compared with a claimant who received the same overall amount of benefit fortnightly after a two-week initial wait.

3 The Trussell Trust, *The State of Hunger: a study of poverty and food insecurity in the UK,* November 2019, available at: www.stateofhunger.org

Figure 5
Indicative processing times for legacy benefits compared to Universal Credit

Claimants' minimum wait for Universal Credit is likely to be longer than the benefits it replaces

	Target processing time[1]	Actual performance	
Universal Credit	One month (by the end of the first assessment period)[2]	90%	Universal Credit claimants who received their first payment on time and in full in February 2020
Legacy benefits Universal Credit replaces			
Income-based Jobseeker's Allowance	10 days		
Income-related Employment and Support Allowance	10 working days	78%	Claims processed within planned timescales in 2018-19[3]
Income Support	5 days		
Housing Benefit	n/a[4]	17 days	Average time taken to process a new Housing Benefit claim during July to September 2019
Tax Credits	22 days[5]	14 days	Claim handling time in 2017-18[6]

Notes

1 This figure shows the target processing times assuming claimants submit a correct claim on day one of their claim. There may be some additional time required for information gathering where this is not the case. There may also be additional time required for processing the payment once claim processing is complete.

2 Once a claimant submits a claim for Universal Credit the Department for Work & Pensions (the Department) assesses claimants' costs and income over a month, starting on the first day of the claim and in parallel processes claims to verify claimants' eligibility for the benefit, ensure payments are accurate and minimise the risk of fraud and error. At the end of each assessment period, the Department makes a single payment to each eligible household (this process may take up to a week).

3 This is an aggregate indicator covering Jobseeker's Allowance, Employment and Support Allowance, Income Support, State Pension, Pension Credit, Disability Living Allowance, Personal Independence Payment and statutory child maintenance.

4 Housing Benefit payment will depend on timing of the claim, the payment date and when claimants provide proofs. This could be the same week that the claim is submitted, if all proofs are provided.

5 Where further information is required to complete a Right to Reside check on Tax Credits, the target processing time was 92 days with actual performance at 53 days in 2017-18.

6 The Tax Credits performance statistics covers all Tax Credits and Child Benefit processing of claims and changes in circumstances.

Source: National Audit Office analysis of Department for Work & Pensions' and HM Revenue & Customs' data

Figure 6

Universal Credit mitigations for the five-week wait

The Department for Work & Pensions (the Department) offers both advances and legacy benefit run-ons to mitigate the impact of the wait for the first payment

Benefit run-on	Date available from	Available to	Number of people who will benefit[1]
Advances (repayable to the Department)	Available from the start of the roll-out. In January 2018, the Department increased the amount of the estimated award all claimants could receive from 50% to 100%. It increased the repayment period from six to 12 months; this will increase to 24 months from October 2021.	Claimants assessed as being in financial need.	Around 57% of households making a new claim receive an advance.
Two-week run-on for Housing Benefit	April 2018.	Claimants previously receiving Housing Benefit.	Estimated 2.3 million households.
Two-week run-on for income-based Jobseeker's Allowance (JSA(IB)), income-related Employment and Support Allowance (ESA(IR)) and Income Support (IS)	July 2020	Claimants previously receiving JSA (IB), ESA (IR) or IS.	Estimated 1.1 million households.

Note

1 Estimates of those who benefit do not take into account the impact of COVID-19. The estimate for advances is based on data for the six months to February 2020, the estimate for Housing Benefit run-on is the Department's estimate from January 2018 and the estimate for JSA (IB), ESA (IR) and IS run-ons is the Department's estimate from November 2018.

Source: Gov.uk guidance and National Audit Office analysis of Department for Work & Pensions' documents

1.14 However, this type of cashflow modelling assumes people are able to budget well over multiple months and manage the impact of future reductions to repay advances. Claimants who take and spend a large advance – for example, to repay existing debts or to pay for immediate essentials – may struggle to cope with reduced future Universal Credit payments. We assess the impact of advance repayments in paragraphs 1.23 and 1.24 below.

The impact of the initial wait for Universal Credit on claimants

1.15 Despite the availability of advances and run-ons, the transition to Universal Credit is clearly a challenging time for many claimants. Both charities and claimants responding to our consultation told us that the initial wait for Universal Credit can makes it difficult for them to afford utilities, rent and even food. It can also establish a longer-term pattern of falling behind in paying bills (Appendix Five).

1.16 Assessing the impact of the initial wait for Universal Credit is complicated because it is hard to separate its effect from a range of wider factors. For example, there are various differences between Universal Credit and legacy benefits, which include:

- **absolute amounts of Universal Credit.** Some groups are entitled to more money than they were under legacy benefits and some less. The overall amount households receive is also affected by wider benefits policy such as the benefits cap;
- **managing finances.** For example, in most cases Housing Benefit was previously paid to landlords, but Universal Credit is usually paid directly to claimants; and
- **variable payments.** For some claimants it is less clear how much money they will receive until a few days before they receive their payment because Universal Credit can vary each month.

1.17 The evidence available, however, indicates that the wait for Universal Credit is an important source of pressure on new claimants when combined with:

- existing debts and financial distress;
- the fact that some claimants delay making their claim for Universal Credit; and
- the longer-term impact of managing deductions from Universal Credit to repay advances and other debts.

Existing debts and financial distress

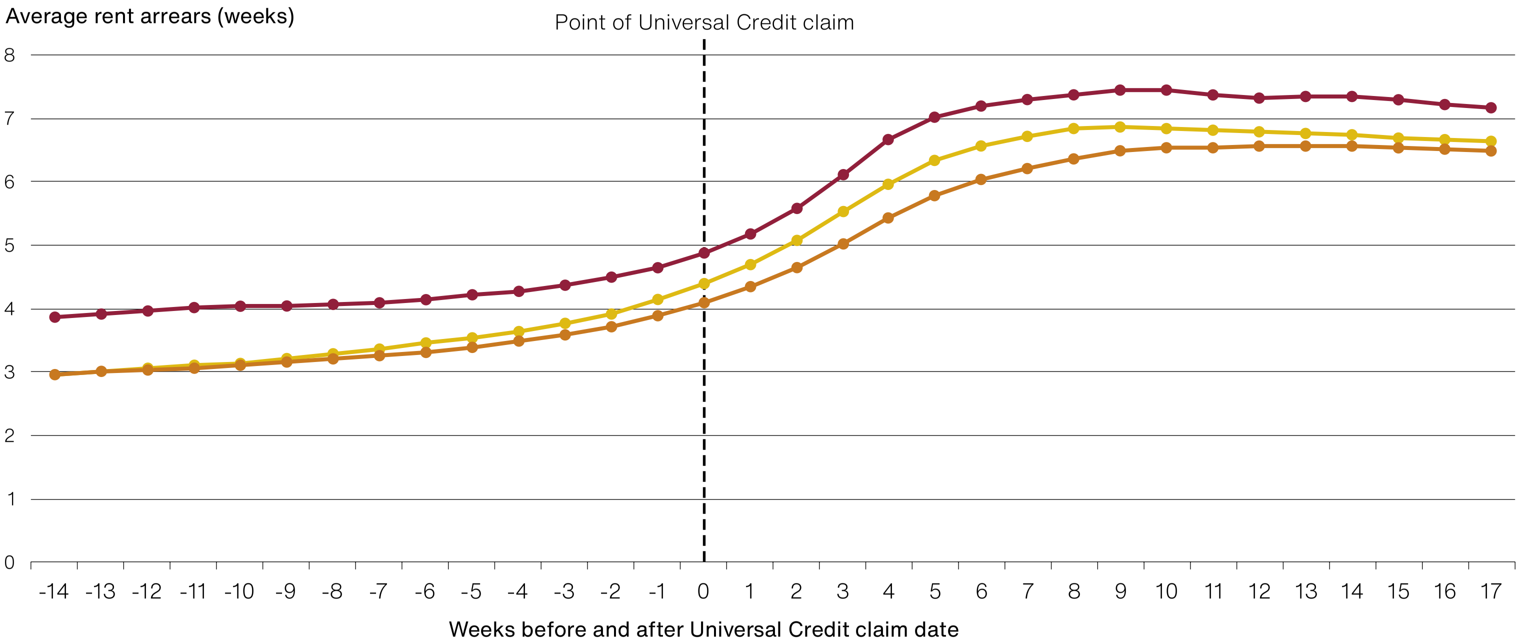
1.18 Many households join Universal Credit after experiencing a financial shock, such as losing a job, and they may already be in financial difficulty at the point they make their claim. The Department does not have data on claimants' total levels of personal debt, but its analysis of earnings data found that almost half (49%) of households who claimed Universal Credit in the four years to mid-2018 had no earnings in the three months before they claimed Universal Credit.

1.19 The Department's research with eight housing associations showed that many claimants who claim Universal Credit have pre-existing debt in the form of rent arrears (**Figure 7** overleaf). These arrears increase more rapidly after people make their Universal Credit claim, peaking around 13 weeks following the claim, after which they begin to decline. It takes around a year for claimants' arrears to return to the level they were at the start of a claim. More recent Universal Credit claimants (in the period April 2017 to March 2018) had lower arrears, both before and after their claim than earlier claimants (April 2016 to March 2017). The Department does not know whether this improvement is due to an increase in the availability of advances, benefit run-ons or other factors, such as landlords intervening to help claimants make a new claim.

Figure 7

Four-week moving average: average tenant arrears across all tenants for three annual cohorts

Tenants' rent arrears increase in the weeks before they make a Universal Credit claim. They continue to increase until around seven to eight weeks after the claim, when they begin to decline. Average arrears have improved over time



	-14	-13	-12	-11	-10	-9	-8	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
April 2015 to March 2016 cohort	3.9	3.9	4.0	4.0	4.0	4.0	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.7	4.9	5.2	5.6	6.1	6.7	7.0	7.2	7.3	7.4	7.4	7.4	7.4	7.3	7.3	7.3	7.3	7.2	7.2
April 2016 to March 2017 cohort	3.0	3.0	3.1	3.1	3.1	3.2	3.3	3.4	3.4	3.5	3.6	3.8	3.9	4.1	4.4	4.7	5.1	5.5	6.0	6.3	6.6	6.7	6.8	6.9	6.9	6.8	6.8	6.8	6.8	6.7	6.7	6.6
April 2017 to March 2018 cohort	3.0	3.0	3.0	3.1	3.1	3.2	3.2	3.3	3.3	3.4	3.5	3.6	3.7	3.9	4.1	4.3	4.7	5.0	5.4	5.8	6.0	6.2	6.4	6.5	6.5	6.5	6.6	6.6	6.6	6.5	6.5	6.5

Note

1 Annual cohorts are based on tenants with the Universal Credit start date in the given year.

Source: Department for Work & Pensions

Delayed claims

1.20 Claimants who are already in debt or have no income may experience further financial difficulty if they delay making their Universal Credit claim. The Department's survey of Universal Credit claimants in 2018 asked respondents with experience of claiming legacy benefits (66% of all claimants surveyed) if they had delayed making a claim to Universal Credit.[4] Just over one fifth (22%) of these claimants reported that they had not made a claim for Universal Credit as soon as they became eligible.[5] The main reasons claimants reported delaying a claim were: they did not know what to do (28%); and they thought they would get another job quickly (27%).

1.21 Our consultation with claimants and support organisations indicated that a "fear factor" about Universal Credit is also likely to play a part in some people delaying a claim, or not claiming at all. This may result from people hearing about bad experiences from friends, family or the media, for example. Some respondents told us they were worried about whether they would be able to cope during the wait.

1.22 Some stakeholders told us that any fear factor may be compounded by the fact that deciding when to apply for Universal Credit is not always simple. Claimants may need to make rational personal calculations, such as:

- considering the timing of the last payment from a previous job. Final payments, such as payment for outstanding holiday pay, that are made in the assessment period could reduce the amount of Universal Credit claimants receive; and
- working out whether they are better off on existing benefits. Some people are entitled to less money under Universal Credit and, if they move over before they need to, may lose their entitlement to transitional protection (a top-up payment to ensure there is no change in their income).

The impact of advance repayments and deductions for other debts

1.23 Advances can help claimants in the short term but are repayable. These repayments are usually made from future Universal Credit payments and can therefore reduce already low incomes and increase households' risk of accruing further debt. Claimants may also have to repay a range of other debts from the Universal Credit payments, such as historic overpayments of other benefits.

4 The Department did not ask claimants who had no previous experience of legacy benefits if they had delayed making a claim to Universal Credit.

5 Department for Work & Pensions, *Universal Credit Full Service Omnibus Survey*, February 2019. Base: All who claimed benefits before claiming Universal Credit (956), all who delayed making a claim (219).

1.24 Some claimants who take advances struggle to understand the implications of taking an advance on their future payments. The Department's research in 2019 found that those with poorer financial management skills were likely to have a less clear understanding of how they would repay their advance payment. They lacked clarity about how much they would repay each month, the timeframe over which they would make the repayments or for how much longer they would be making repayments. Stakeholders told us that some people, who may already be in debt or have no income, use advances to pay immediate bills such as utilities and food. They also said that advance deductions make it difficult to get out of the debt accrued during the initial wait period.

1.25 Our analysis of the Department's data from January to September 2019 (**Figure 8**) shows that, excluding sanctions and fraud penalties, 61% of new claims due for payment had deductions applied to their first payment, rising to 70% by the fourth payment. Claimants can delay repayment of their advance for up to three months. A higher proportion of claimants with low incomes or a disability (or a disabled child) were repaying advances and other debts.[6] This suggests that they are more likely to claim an advance and join Universal Credit with existing debt. These groups are therefore more likely to have deductions in place. For example:

- 80% of claims from low-income households had a deduction in place in the first assessment period, compared with 61% of all claims; and
- 67% of claims that include a limited capability for work element and 70% of claims which included the disabled child element had deductions in place.

1.26 The scale of deductions can be significant in the context of the core amounts of money the Department considers claimants need to live on (the standard allowance). A claimant's standard allowance is designed to cover their food, bills and daily living costs. Claimants with no additional income from employment must also cover any shortfall in their rent created by the cap on the local housing allowance. **Figure 9** on page 30 shows that, excluding sanctions and fraud penalties:

- 27% of all claims had deductions of more than 20% of the standard allowance (equivalent to a loss of at least £64 a month for a single claimant over 25); and
- 16% of claimants had deductions of more than 30% (a loss of at least £95 a month).

6 The Department classes a couple with no children as having low income if their total income from Universal Credit and all other sources (excluding their housing costs, childcare costs, disability benefits, Discretionary Housing Payments and Hardship Payments) is under £395.20 per month. This equates to the Universal Credit standard allowance for a couple under 25. Households of different sizes are assessed as low income at their equivalent rates.

Figure 8

Proportion of Universal Credit claimants repaying different types of deductions or penalties from their first payment

People with low incomes or whose claim includes additional costs, such as costs for a disabled child, are more likely to have deductions applied to their first Universal Credit payment to cover advance payment and other debts

Claim type	Percentage repaying					
	Any type of deduction (excluding sanctions and fraud penalties) (%)	Advance repayment (%)	Other government debts (%)	Third-party debts (%)	Fraud penalties (%)	Sanctions (%)
All claims	**61**	**57**	**19**	**2**	**<0.01**	**0.35**
Low income	80	77	34	6	<0.01	1.91
Disabled child	70	64	28	4	0.01	0.07
Limited capability for work	67	63	25	4	0.01	0.14
Carer	65	60	25	3	0.01	0.12
Housing	64	58	23	4	<0.01	0.25
Child	59	54	23	3	<0.01	0.16
Childcare	50	44	16	1	0.01	0.04
Employed	47	41	17	2	<0.01	0.10
Self-employed	45	38	17	2	<0.01	0.20

Notes

1 Analysis of claims due for payment from January to September 2019.

2 Disabled child, limited capability for work, carer, housing, child and childcare claim types refer to claims which include that specific element.

3 Proportions do not sum to 'any type of deduction' column, as each claim can have a combination of deductions including advance repayments and other debts. Low income, employed and self-employed claims can include any combination of elements.

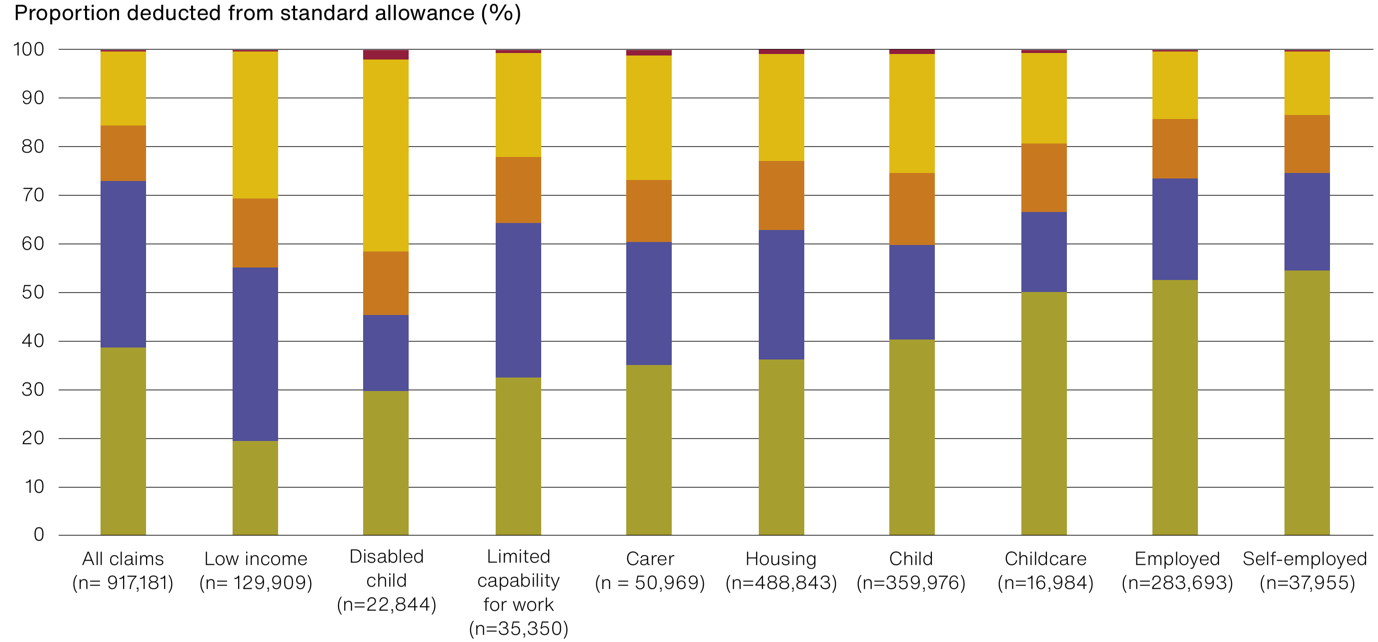
4 Third-party debts include rent or service charges, council tax, water arrears, fines and child maintenance payments.

Source: National Audit Office analysis of Department for Work & Pensions' data

Figure 9

Proportion of Universal Credit standard allowance deducted in the first assessment period by claim type

Just over one quarter (27%) of all claims had deductions of more than 20% of their standard allowance deducted in the first assessment period. Almost half (45%) of claimants on low incomes had 20% or more deducted



	All claims	Low income	Disabled child	Limited capability for work	Carer	Housing	Child	Childcare	Employed	Self-employed
Deductions above 40%	0.4	0.3	1.9	0.5	1.0	0.8	0.9	0.6	0.3	0.4
Deductions >30% and <=40%	15	30	40	21	26	22	24	19	14	13
Deductions >20% and <=30%	11	14	13	14	13	14	15	14	12	12
Deductions <= 20%	34	35	16	32	25	27	19	16	21	20
No deductions	39	20	30	33	35	36	41	50	53	55

Notes

1 Analysis of more than 917,000 new claims due for payment between January and September 2019. All claims included in the analysis were in payment.

2 Disabled child, limited capability for work, carer, housing, child and childcare claim types refer to claims which include that specific element. Low income, employed and self-employed claims can include any combination of elements.

Source: National Audit Office analysis of Department for Work & Pensions' data

Use of food banks

1.27 There is some evidence that has linked Universal Credit with significant hardship. In its November 2019 report *The State of Hunger*,[7] the Trussell Trust found five benefit system-related factors that increased demand for food banks after allowing for contextual factors and an increase in the number of food banks. The roll-out of Universal Credit was statistically associated with distributing 27 additional food parcels for every additional 100 claimants on Universal Credit rather than legacy benefits.[8]

1.28 It is not clear how much of this increase is directly attributable to the initial wait for Universal Credit rather than people delaying claiming, the amount of Universal Credit they receive or their longer-term financial difficulties. However, in the Trussell Trust's recent research with more than 1,000 people who have been referred to food banks (conducted by Heriot-Watt University) more than one quarter (27%) of households reported "a long wait for Universal Credit" as the reason for their visit. The Trussell Trust found that most people referred to a Trussell Trust food bank (around 60% of respondents to its survey) had not received a benefit advance or other discretionary benefit. Interviews it conducted suggested that this was due to a lack of awareness of these schemes and claimants not wanting to go into debt.

1.29 The Department told us it is keen to better understand the relationship between food bank use and Universal Credit. In order to do so, it wants to explore linking data on the provision of food bank parcels to specific Universal Credit claims. It thinks that this approach, similar to that used to analyse rent arrears (Figure 7 on page 26), would enable it to assess what it is about the claim that leads to the use of the food bank.

7 The Trussell Trust, *State of Hunger: a study of poverty and food insecurity in the UK*, November 2019 available at: www.stateofhunger.org

8 The other four factors associated with higher food bank use were the number of benefit sanctions; the number of households subject to the removal of the spare room subsidy ('the bedroom tax'); the number of failed Personal Independence Payment assessments; and the benefit freeze and cap on benefit uprating.

Part Two

The Department's operational performance and management of the first claim process

2.1 In this part we set out the Department for Work & Pensions' (the Department's) approach to managing and improving the new claim process and how it attempts to balance four key indicators of quality:

- customer experience;
- fraud and error;
- cost-efficiency; and
- sustainability.

The Department's approach to improving Universal Credit

2.2 The Department uses a 'test and learn' approach to deliver Universal Credit.[9] Although the Universal Credit digital system was rolled out across the country in 2018, the Department continues to use this agile approach to continuously improve and automate the system and supporting administrative processes.[10]

2.3 The Department gathers feedback from its staff and stakeholders and uses research with claimants to identify necessary improvements to the customer experience, countering fraud and error, and cost-efficiency. The stakeholders we spoke to were generally positive about the improvement, since we last reported, in the Department's engagement and willingness to listen to their concerns. However, many would still like to see changes to both Universal Credit policy and how it operates.

9 See Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017–2019, HC 1123, National Audit Office, June 2018 for further details.

10 'Agile' is a software development approach characterised by the division of tasks into short phases of work and frequent reassessment of plans to reflect changes in priorities and feedback from customers testing and using the system.

2.4 The Department prioritises planned improvements into development phases, which last around six months each. The number of improvements or changes the Department can make to its digital system at any one time is limited. This is because teams must test each change to make sure it is working and delivering value before they can alter other areas. The Department also needs to avoid overloading its front-line team with changes and new processes.

2.5 Unplanned changes, such as changes in government policy, cannot always be made immediately and may require the Department to reprioritise and push back planned work. For example, following changes announced in the 2018 Budget, including the introduction of legacy benefit run-ons, the Department had to deprioritise certain changes, including a reduction in the surplus earnings threshold. This is the amount claimants who leave Universal Credit can earn before their recent earnings are taken into account, in the event they restart their claim.[11] The Department estimated this change would have saved it an estimated £100 million if it had been delivered as planned in 2019.

Customer experience

2.6 The Department monitors various aspects of customer experience including payment timeliness, claimants' ability to communicate with its staff and the number of claimants able to verify their identity online. The Department has focused on payment timeliness – particularly of first payments – as the key indicator of the customer experience.

2.7 The Department's most recent satisfaction survey showed that 80% of claimants expressed satisfaction with the service, a slightly lower level to those claiming other benefits. Just over one third (34%) of claimants reported that they were "very satisfied" and 10% reported they were "very dissatisfied".

Payment timeliness

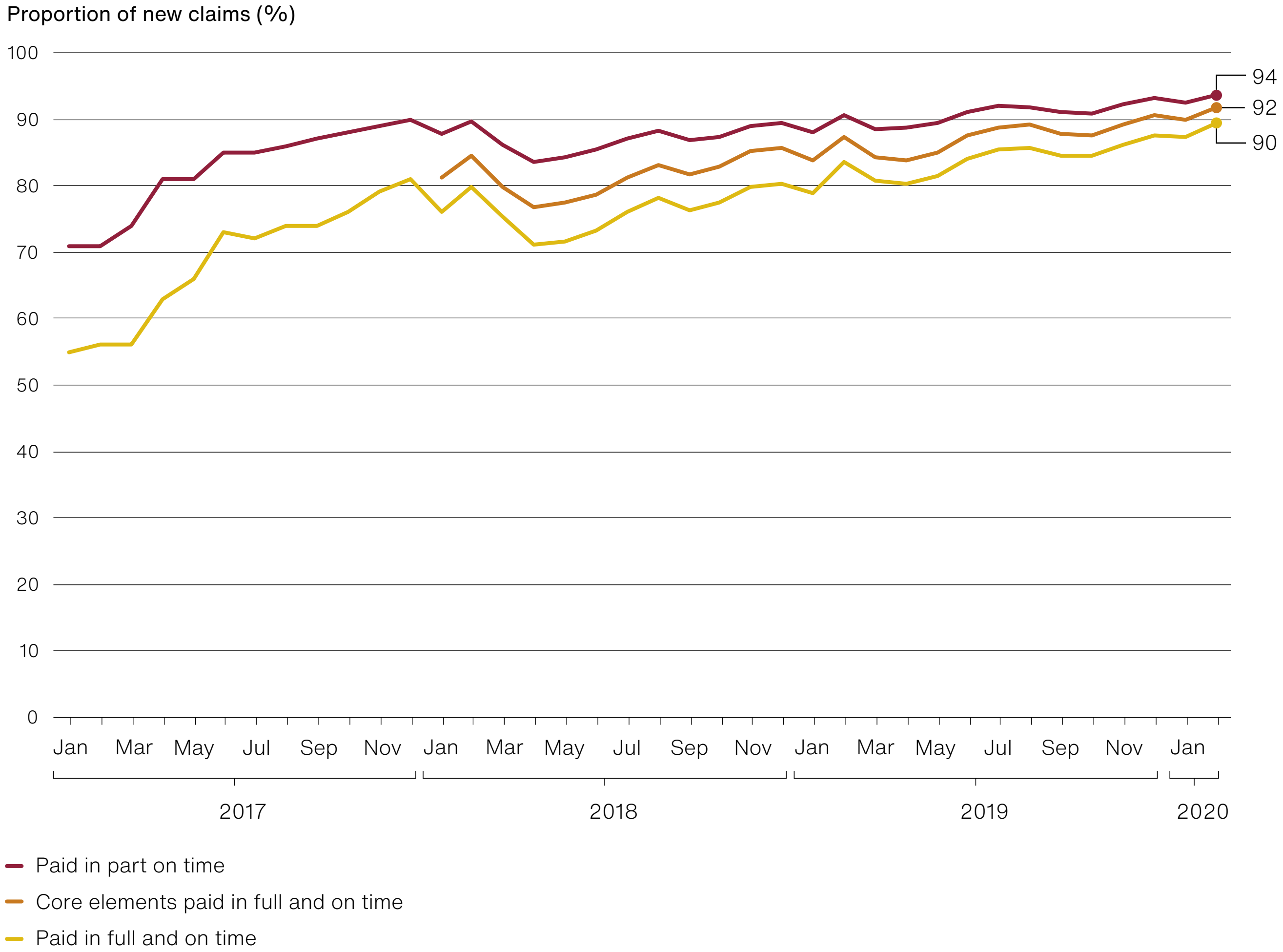
2.8 The Department has improved payment timeliness significantly in the past few years. Payment of new claims in full and on time (that is, claimants paid all the elements they are entitled to within the five weeks) improved from 55% in January 2017 to 90% in February 2020. Similarly, 94% of claims received at least part of their payment on time in February 2020, compared with 71% in January 2017 (**Figure 10** overleaf).

11 The Department pauses a claimant's account if their earnings mean they are no longer entitled to Universal Credit. If their monthly earnings are more than £2,500 over the amount where their payment stops, this becomes 'surplus earnings'. Surplus earnings will be carried forward to the following month. This allows it to take account of people with high but irregular earnings.

Figure 10

Universal Credit payment timeliness

Payment timeliness has increased significantly in the past few years



Notes

1 The chart shows 'recalculated' payment timeliness measures. The Department for Work & Pensions' 'recalculated' methodology allows sufficient time to pass to identify claims which receive some or all of their payment late.

2 Data for 'core elements paid in full and on time' is only available from January 2018.

Source: National Audit Office analysis of Department for Work & Pensions' data

2.9 Although the percentage of claims the Department pays late has fallen, late payments continue to affect a large number of people. 113,000 claims in 2017 were not paid in full and on time; this increased to 226,000 claims in 2018 and 312,000 claims in 2019.[12] This is because the number of new Universal Credit claims each month that go on to payment has increased: in 2018 there were 1.33 million new claims for Universal Credit, almost five times the number in 2017 (290,000). People who are not paid on time can face long waits for payment. For claims due for payment in 2019:

- those not paid on time faced an average delay of three weeks in addition to the five-week wait;[13] and
- 6% of all claims waited 11 weeks or more in total for full payment (105,000 households).

2.10 Backlogs and slow or lengthy processes in other parts of the Department can affect the timeliness of Universal Credit payments. For example, new claims which include the limited capability for work and work-related activity element, paid to people who cannot work because of a disability or health condition, require claimants to undergo a Work Capability Assessment (WCA). On average, it takes around four months from a claimant declaring a health condition until the WCA decision is due.[14] These claims are not classed as being paid in full and on time in the payment timeliness data the Department publishes.

2.11 A fairer way to assess the underlying performance of Universal Credit as an operational system is to focus on those aspects that are not reliant on other processes. The Department calculates a 'core' measure, which includes only the standard allowance, and the child and housing elements, to understand its performance in processing claims. In February 2020, using this measure, 92% of claims were paid in full and on time.

Which claimants are affected most by late payments

2.12 The Department is more likely to pay claims late if they include elements or characteristics that need verification, such as claims with childcare costs and claimants who are self-employed (**Figure 11** overleaf). However, the gap in its performance in paying these claims and more basic claims has narrowed over the past year.

12 This is lower than our estimate of late payments in 2018 in our previous report Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017–2019, HC 1123, National Audit Office, June 2018. This is due to a lower number of new claims than the Department forecast for this period and a lower number of these claims that were due payment than we had estimated.

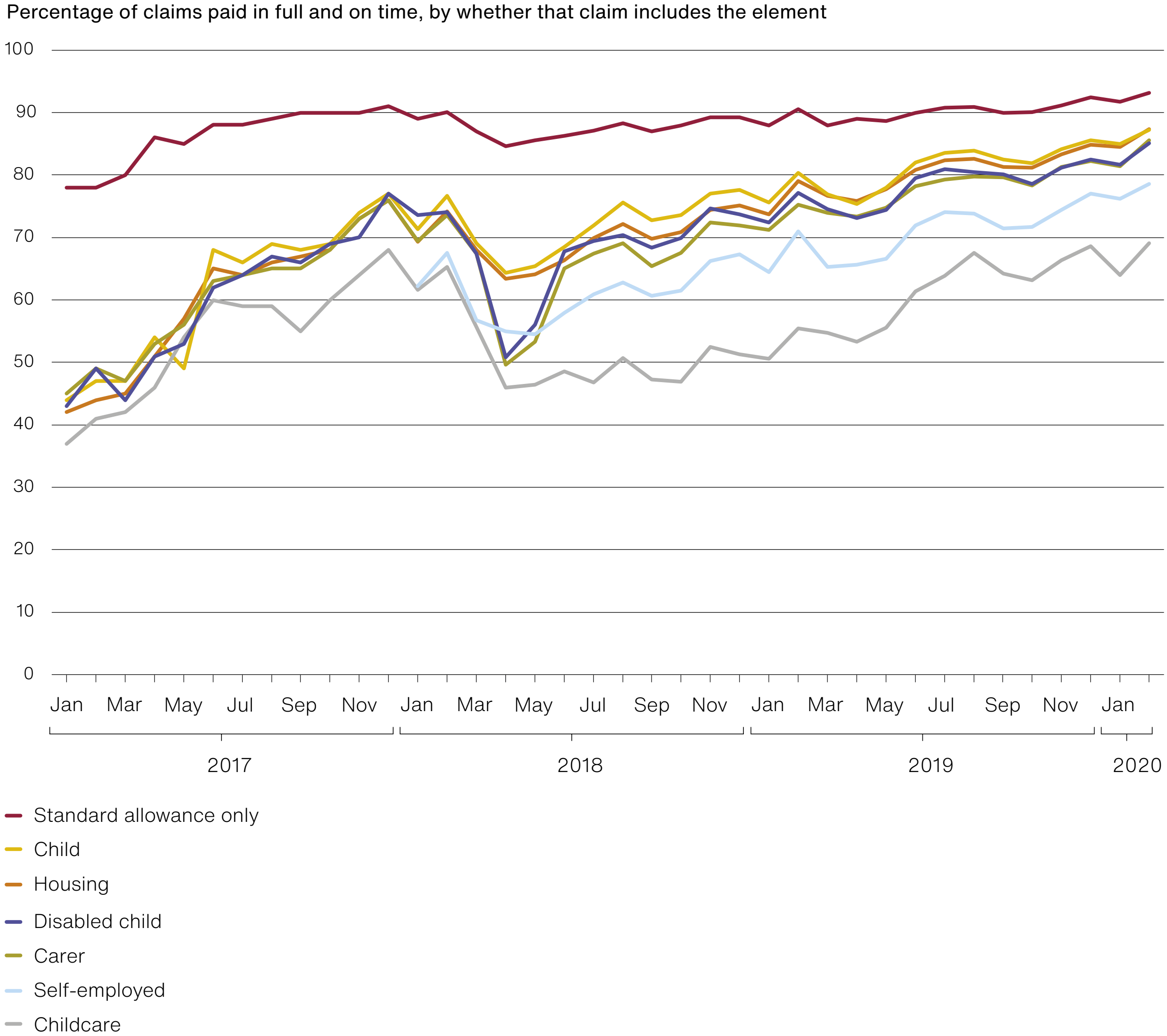
13 Here average delay refers to the median additional wait.

14 Here average refers to median.

Figure 11

Universal Credit payment timeliness for individual elements and claim types

Claims which include elements other than the standard allowance are less likely to be paid in full and on time, although the gap has narrowed over the past year.



Notes

1 Self-employed data refer to claimants who are self-employed and can include any combination of elements.

2 We have excluded payment timeliness for claims including the limited capability for work and limited capability for work-related activity elements from this chart. The data the Department for Work & Pensions (the Department) provided to us showed a significant improvement that could not be verified and the Department agreed would need to be investigated further before being used. This element has generally taken the longest to pay and been the least likely to be paid on time. This is because the Department does not aim to carry out the Work Capability Assessment within the first assessment period. The majority of these claimants receive their standard allowance, child element and housing element on time.

Source: National Audit Office analysis of Department for Work & Pensions' data

2.13 People of certain age groups and family types are more likely to have their claims paid late. The Department's data on claims due for payment between January 2017 and August 2019 showed that:

- payment in full and on time decreased as the age of the claimant increased: some 82% of claimants aged 25–29 were paid in full and on time, compared with 74% of claimants aged 60–65;[15] and
- 82% of claims for single claimants were paid in full and on time compared with 72% for couples.

2.14 Disabled people are also less likely to be paid on time, but the Department does not hold data on whether a claimant is disabled. It uses proxies such as claimants' entitlement to limited capability for work elements of Universal Credit, which are paid to people who the Department assesses as not fit for work due to a disability or health condition, or who receive disability benefits such as Personal Independence Payment (PIP) or Disability Living Allowance (DLA). The Department's latest available data show that, in March 2019, 75% of claims from people receiving PIP or DLA were paid in full and on time, compared with 82% of claims not in receipt of PIP or DLA. However, 84% of claimants in receipt of PIP or DLA were paid their core elements in full and on time. The Department's data suggest that delays in full payment for disabled claimants are due to long waits for Work Capability Assessments (see paragraph 2.10).

2.15 The Department has less data on other claimant characteristics, which limits its ability to assess any direct or indirect diversity impacts of late payments. For example, it does not collect data on specific claimant vulnerabilities, such as how many people have mental health issues, or literacy or language comprehension problems. It does collect some data on ethnicity through an equality questionnaire, but only 50% of claimants complete this. At the time of our fieldwork, an issue with the Universal Credit IT system meant that it held only 40% ethnicity data for people who had made new claims since January 2017.

15 Analysis based on the average age of individuals in one claim.

The Department's approach to improving payment timeliness

2.16 The Department has succeeded in improving its payment timeliness over the past three years due to three key factors:

- **A clear operational focus**

  We observed a clear focus on payment timeliness within the Department's performance data and weekly operational meetings. We found that the Department makes effective use of a range of performance metrics at local and national level to manage the customer experience. This includes close monitoring of lead indicators for late payments (such as verifying identity within the first 10 days of a claim).[16] Data are available at both a national and local level, and senior managers challenge local service providers on local variations and investigate problems where necessary.

- **Improving systems in problem areas that affect large numbers of people**

  The Department has focused on developing its systems in areas where large numbers of people were experiencing delays. For example, in spring 2017, the Department introduced a 'landlord portal', an online tool that allows social landlords to upload data on rent details for their properties, which is then used to verify the information that tenants provide about their rent. Previously, the Department verified claimants' rent with landlords via an email inbox, which led to backlogs and delays. Following the introduction of the landlord portal, social rent verification in the first assessment period rose from around 82% in May 2017 to more than 90% by 2018. This corresponded with a rise in overall payment timeliness from 66% to around 80% over the same period.

- **Better behavioural insights**

  The Department has carried out research to identify issues with the claimant journey and tests solutions to 'nudge' claimant behaviour. For example, the Department found that claimants were missing appointments or were not bringing the correct evidence to their initial evidence interviews, meaning they had to make multiple visits to the jobcentre. The Department ran trials to test the impact of sending claimants text message reminders of the time of their appointment and the evidence they needed to bring. Results from the trials showed that appointment attendance rates increased by four percentage points and the failure to attend rate decreased by two percentage points.

16 We set out the development of these lead indicators in Comptroller and Auditor General, *Supporting disabled people to work*, Session 2017–2019, HC 1991, National Audit Office, March 2019.

Contacting the Department

2.17 While claimants are encouraged to manage their claims online, they can also contact the Department, and in some cases their own case manager (who helps claimants to create and maintain their claim) over the phone. From October 2018 to September 2019, the Department answered 88% of claimants' calls. Those who were able to get through waited four minutes on average.

2.18 The Department has had to reduce its ambitions for the numbers of claimants that would be able to verify their identity (ID) online. It had originally expected that 90% of claimants would be able to verify their ID this way but, following problems with the government's Verify service, it has recognised this will not be achieved.[17] In January 2020, 20% of new claimants verified their ID online. Of those who attempted the online process, 40% were successful. Claimants who do not verify their ID online must usually do so at the Jobcentre.

2.19 Our review of a sample of cases (see paragraph 3.5) showed that some claimants had different expectations around the use of the Universal Credit digital journal. The journal is an online system linked to each claim which claimants and the Department's staff can use to exchange messages. In some cases we reviewed, claimants had attempted to use the journal as a messaging service, seeking advice on issues such as their payment amount or timing, or evidence required for their claim. Some journal messages from claimants went unnoticed because the Department was not expecting the claimant to contact them about their new claim using the journal. The Department intended the journal to have various uses including: documenting the claim history; allowing claimants to provide updates on their work search activity; and contacting work coaches. However, it told us that the journal has been used more heavily for messaging than it had foreseen.

Fraud and error

2.20 As with any benefit, fraud and error is a particular risk at both the initial claim stage and when claimants' circumstances change. The Department's data from 2019-20 indicate that around one fifth (22%) of fraud and error enters Universal Credit at the new claim phase, a higher proportion than for the other benefits the Department measures continuously (9%). Most of the rest is because the Department is not informed of, does not accurately record, or fails to act on a change in the claimant's circumstance.

17 We set out some of the problems with the Verify service in Comptroller and Auditor General, *Investigation into Verify*, Session 2017–2019, HC 1926, National Audit Office, March 2019.

2.21 The Department estimated the total monetary value of fraud and error in Universal Credit, arising from both new claims and changes in circumstances, as 10.5% of all Universal Credit payments in 2019-20.[18] This was made up of 9.4% (£1,730 million) overpayments and 1.1% (£200 million) of underpayments. Universal Credit has the highest rate of fraud and error of any benefit the Department measures and the highest ever recorded rate of overpayment for any benefit other than Tax Credits (administered by HM Revenue & Customs), which peaked at 9.7% in 2003-04.

2.22 Within the estimated 10.5% total fraud and error rate:

- 1.8% was official error, when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department;
- 1.1% was claimant error, when claimants make mistakes with no fraudulent intent, for example if they provide inaccurate or incomplete information; and
- 7.6% was fraud, when claimants deliberately seek to mislead the Department to claim money to which they are not entitled.

2.23 The Department had expected Universal Credit to increase the level of fraud and error but to reduce the cost of overpayments to the taxpayer. This is because of how it assesses people's income monthly compared to Tax Credits. Under the Tax Credit regime, HM Revenue & Customs makes a provisional award to claimants based on the information it holds and then calculates their actual entitlement after the end of the year. Any overpayment due to a change in the claimant's income during the year does not count as fraud and error. Universal Credit involves a monthly assessment of claimants' income. Any monthly change in income is adjusted for earlier (saving the taxpayer money), but any change that is not adjusted for counts as fraud and error.

2.24 However, Universal Credit's overpayment rate is significantly higher than expected. In 2019-20, the Universal Credit overpayment rate was 9.4%, whereas the Department's forecast for the same year, based on a range of assumptions, was 6.4%. The Department has not yet calculated the impact of this on its financial savings target for 2019-20 but, for context, in 2018-19 when the overpayment rate was 8.6% against an expectation of 6.3%, it calculated that it made only £62 million of the £141 million net savings it expected from reduced overpayments at that point. The Department found five areas of unexpectedly high fraud and error overpayments in Universal Credit (statistics in brackets relate to 2019-20 actual statistics versus start of year assumptions):

- **Claimants' capital** (2.8% actual versus 0.7% predicted). The Department has found it difficult to assess and verify capital rules in Universal Credit due to a lack of data, leading to an increase in this type of fraud.

18 Department for Work & Pensions, *Fraud and error in the benefit system: financial year 2019 to 2020 estimates,* May 2020.

- **Earnings and employment income** (2.4% actual versus 1.1% predicted). The Department expected the use of the Real Time Information (RTI) data on employees' income, provided by employers through HM Revenue & Customs, to reduce fraud and error. However, the Department appears to have underestimated the number of employees whose income is not recorded on RTI, or who are self-employed, and whose income is harder to verify.
- **Housing costs** (1.2% actual versus 0.1% predicted). The Department found that it had underestimated the amount of knowledge needed to verify housing costs.
- **Official error excluding conditions of entitlement** (1% actual). The Department's internal monitoring found standards were not met in 45% of case managers' work that was tested. Unlike other benefits, no targets are in place for accuracy of processing for Universal Credit, but these figures are higher than their equivalents across nearly all its other benefits.
- **Conditions of entitlement** (0.4% actual vs 0.1% predicted). This includes cases where the Department's staff have signed the claimant commitment on behalf of the claimant and has fallen from 1.3% in 2018-19 after the Department focused on ensuring staff stopped this practice. The Department does not view this type of fraud and error as resulting in a loss to the taxpayer as the claimant would otherwise have been entitled to Universal Credit anyway.

2.25 The official estimates of fraud and error above do not include fraudulent advances, which have proven to create an additional and significant risk of fraud in the new claims process. We found an estimated range of between £148 million and £221 million additional fraud in Universal Credit advances between June 2018 and December 2019.[19]

2.26 We believe the Department's test and learn approach, which it has applied effectively to improve payment timeliness, could also help it reduce fraud and error. However, it is not clear that fraud and error has been a top priority for Universal Credit, and it is not monitored to the same extent at a senior level. Several counter-fraud and error initiatives have been postponed due to other urgent requirements. This includes further testing and risk assessment techniques, which have been deprioritised several times and not fully implemented. The Department believes that these techniques could reduce the amount of manual verification in some areas and enable it to increase verification in areas of higher risk.

19 Comptroller and Auditor General, *Universal Credit advances fraud*, Session 2019–2021, HC 105, National Audit Office, 20 March 2020.

Cost-efficiency

2.27 The administrative cost of each claim largely reflects the amount of effort the Department's staff need to put into each claim. The Department seeks to reduce costs by automating processes and training its staff so they can take on more claims. The Department records the overall cost per claim but does not hold data on the specific cost of administering the new claim process.

2.28 Since our last report in June 2018:[20]

- the number of claimants per case manager has increased from 154 to 573 as at February 2020;
- the number of claimants per work coach in the intensive search group (who require the most time with work coaches) has increased from 78 as at April 2018 to 125 as at February 2020;[21] and
- the overall cost per claim has reduced from £699 to £301 as at February 2020.

2.29 At £301, the cost per claim was higher than the £277 the Department forecast it would be at February 2020. The Department told us this was due to lower numbers than expected moving onto Universal Credit. As a result, it is still not certain that Universal Credit will be cheaper to administer than the benefits it replaces. In its Full Business Case, the Department estimated that the cost per claim will fall to £173 in 2024-25 after it is fully rolled out. This would enable the overall annual cost of administering Universal Credit payments to be £335 million cheaper (29%) per year than that of the benefits it replaced, or £99 million (9%) per year cheaper after the additional cost of administering Universal Credit's work search reviews is included.

Process integrity and efficiency

2.30 Although the cost of processing claims is reducing, the Department told us that it recognises that some parts of the Universal Credit process are still inefficient. Despite Universal Credit being primarily a digital system, making payments on time still requires manual work for some payments. For example, we observed case managers manually calculating and checking claimants' payment amounts to process payments. Manual processes take longer, therefore increasing the risk of late payments, and potentially increase costs.

20 Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017–2019, HC 1123, National Audit Office, June 2018

21 The number of claimants per work coach has been restated from our previous report so as to exclude claimants that are unlikely to require meetings with or interventions from a work coach.

2.31 Habitual Residency Tests (HRTs), a process used to determine a claimant's residence in the UK, are an example of a process which can involve unnecessary work. For example, the system can trigger a review of an HRT decision when certain other actions are completed on the claim, even when these might not actually necessitate a review of the HRT decision itself. Minor human error when making a referral can also lead to the process being reset. The Department is currently piloting improvements to this process and has recently amended the actions that trigger a review of the HRT decision.

2.32 We also found that some of the Department's processing of individual cases could be improved to help reduce late payments and extra work. In particular:

- the Department did not always take a holistic view when assessing claimants' entitlement or the progress of a claim. We reviewed cases where important aspects of the claim were missed because the Department focused on a specific issue or request from the claimant without looking at the claim in the round; and
- some claimants have multiple work coaches and case managers working their claim, which can lead to mistakes. Although the Department tries to ensure claimants speak to the same case manager, staff are not always available, and some claims are passed between multiple staff members. For example, in one case we reviewed, a claimant who had already completed the HRT process mistakenly requested an additional HRT via their journal. The work coach who processed this request was not familiar with the case and did not check the claim history, so the claimant went through the HRT process again unnecessarily.

Volume of claims

2.33 The large number of new claims which need to be checked presents an ongoing challenge for the Department. To manage this, the Department has created a 'trigger point' prioritisation system. The system prioritises payment timeliness over accuracy.

2.34 Prioritising 'payment blocker' triggers over accuracy is likely to have an overall positive effect on payment timeliness, but inevitably means that fraud and error and the wider customer experience is a lower priority, which is reflected in the high rate of fraud and error overpayments. Case managers can also struggle to get to the bottom of their 'to-do' list, which means actions affecting accuracy may not be processed in a timely manner. In November 2019 an Internal Audit report also found staff struggling to process the tasks assigned to them. For example, in its sample of 25 claims the internal audit team found 48 errors on 21 claims that were linked to unactioned 'to-dos'.

Sustainability

2.35 The Department's ongoing challenge is to continually improve the customer experience, accuracy and efficiency of Universal Credit as its caseload increases. The Department expressed some concerns to us about pressure on its front-line staff, many of whom it considers are spending more time than expected on certain processes to ensure claimants are paid on time. Some staff are spending a substantial amount of time 'nudging' claimants, via their online journals, or by phone to ensure their payment goes through on time.

2.36 The Department became increasingly concerned over the course of 2019 that the volume of telephone calls case managers receive from claimants posed a risk to sustainability. In October 2019, the Department noted that the volume of calls to case managers was high, and that this may be linked to signs of stress in some service centres, with "increased absence levels and ongoing threats of industrial action". In December it noted that telephony contact continued to increase, which meant that staff were "having to do more work to keep Universal Credit going".

2.37 Before the onset of the COVID-19 pandemic, the Department was working to understand and reduce pressures on its staff. This included additional recruitment and spreading out complex cases more evenly between offices. It stated that caseloads per case manager should not go above 650 to 750 next year and that it would not go beyond this figure until it is safe to do so.

Part Three

Support for new claimants

3.1 In this part we look at why claims are paid late and assess how well the Department for Work & Pensions (the Department) supports people through the initial claim process. We focused on those cases where people are paid late, building on two earlier reviews undertaken by the Government Internal Audit Agency (GIAA) and the Department.

Why payments are made late

3.2 Both the Department and the GIAA have undertaken case reviews to identify whether late payment was due to the Department or the claimant not fulfilling their responsibilities. Both reviews found that the main reason for late payments was claimants not engaging with the claim process or not providing relevant evidence in a timely manner.

3.3 The GIAA found that in 24 of 25 late payment cases sampled claimants had not completed actions on a timely basis. The key issues were claimants failing to: attend their initial interview; accept their claimant commitments; or provide relevant evidence. Only one late payment was attributable to slow action by the Department.

3.4 The Department told us that it reviewed a sample of 415 late payment cases and found that:

- one-third were paid late due to outstanding action by the Department. The most common problems were with making a Habitual Residency Test (HRT) decision, checking customer information against benefit system records, and making a backdating decision; and
- two-thirds were the claimant's responsibility. The most common issues were verifying bank details, reporting other income, and checking further education or self-employment.

3.5 Given the majority of late payments appear to now stem from claimant behaviour, we undertook an in-depth review of 26 cases to identify root causes of late payments. We selected our sample to develop deep understanding of each case and cover a reasonable range of different claimant types and common problems. Our sample was not designed to be statistically representative and purposely included a variety of both common and less common 'payment blocking' issues.

Who struggles with their claim

3.6 We found that a range of factors can overlap in any one case, including: the claimant's individual needs and capacity; claimant engagement; the quality of communication from the Department; and the accuracy of the Department's systems and administration of claims. This is demonstrated in the case study examples (**Figure 12** and **Figure 13** on page 48), which show how multiple issues can be encountered in a single claim. Our review identified three key themes relating to particular groups who had been paid late.

- **Self-employed claimants**

  The Department's data show that 79% of self-employed claimants were paid in full compared with 90% of all claimants in February 2020. The process for self-employed claimants is relatively complex and requires specially trained staff. Where claimants experienced issues these included waiting a long time for an appointment with their self-employment work coach, and incorrectly reporting their self-employed earnings, including because they misunderstood how to report the wage they paid themselves through their business, leading to this income being double-counted on their claim.

- **Issues with English-language proficiency**

  Claimants with limited English-language proficiency appeared to find it harder to complete their claim form accurately or understand what was required of them. Issues in these cases included claimants making incorrect declarations or submitting the wrong evidence, or not taking required actions promptly. We also found that some were not able to successfully dispute errors on their claim. For context, in one piece of research conducted by a cohort of local Citizens Advice offices in the North of England on barriers faced by claimants accessing their Help to Claim service, around one in five claimants identified reading or writing in English as a barrier to accessing Universal Credit.

- **Issues with the Habitual Residency Test**

  We reviewed cases where claimants experienced unnecessary delays in their claim due to inefficiencies in the Habitual Residency Test (HRT) process. We set out issues with the HRT process in paragraph 2.31.

Figure 12

Case study one – issues with limited English-language proficiency, reporting self-employment income and communication on a Universal Credit claim

This case study illustrates how multiple issues can be encountered in a single claim, leading to a more complex claim, and an increased risk of late payment

Claimant	Issues encountered with the claim	Consequence
Claimant X is a self-employed citizen of a non-UK country. They run their own business and pay themselves a wage.	Self-employed Universal Credit claimants must report their self-employed earnings monthly. The Department for Work & Pensions (the Department) also receives Pay As You Earn (PAYE) information through HM Revenue & Custom's Real Time Information system. Claimant X misunderstood what needed to be reported as self-employed earnings and included the wage they are paid through PAYE in their declaration, so this was double-counted on their claim. They received a statement with a nil payment, which they queried. The Department carried out a mandatory reconsideration, but the underlying misunderstanding was not picked up or resolved. The mandatory reconsideration decision letter was difficult to understand. The claimant did not appeal the decision.	In this case, the nil payment was correct because it coincided with a genuine double payment month, nulling the payment for that month; however, this case demonstrates how claimants can misunderstand what is required of them for reporting self-employed earnings and how miscommunications and potential errors on a claim can go unresolved, especially when claimants may have some barriers to communicating with the Department.

Source: National Audit Office sample review of Universal Credit cases

Figure 13

Case study two – issues with communication and timely action on a Universal Credit claim

This case study illustrates how poor communication can exacerbate issues with a claim and increase the risk of late payment

Claimant	Issues encountered with the claim	Consequence
Claimant Y is a single parent who submitted a claim to Universal Credit.	Universal Credit claimants who are students must provide evidence of their student income. Claimant Y's first language is not English. The claimant explained to the Department for Work & Pensions (the Department) on several occasions, via their journal, that they did not understand what evidence was required for their application and that they were experiencing hardship due to receiving no payments. There was no evidence that the Department communicated those requirements to the claimant when they requested information or responded to their concerns around hardship, instead issuing a closure notice due to evidence not being submitted. Following this, the claimant was able to have a conversation with the Department and subsequently submitted the correct student loan documentation.	Even though the documentation indicated this claimant was entitled to Universal Credit, due to issues with miscommunication the claimant received zero payment for the first four months and nearly had their claim closed by the Department. This resulted in an underpayment of more than £2,500. It was nearly 20 weeks after the initial payment of around £500 was due before the Department made this payment, causing undue hardship for the claimant in the interim.

Source: National Audit Office sample review of Universal Credit cases

3.7 Stakeholders told us that people who experience delays may be more vulnerable and therefore may suffer a more significant impact from having their payment delayed. This may be because they struggle with the digital aspects of Universal Credit or to keep appointments. Vulnerable people include those with: physical or mental disabilities; literacy issues; limited English-language proficiency; digital illiteracy or digital access issues; or chaotic lives. Stakeholders also acknowledged that people with comparatively simple cases, such as single people, those working but on a low income and those who are digitally literate, find the Universal Credit process relatively simple.

3.8 Given the challenges some vulnerable groups are likely to face, it is important that the Department communicates with claimants clearly. The Department's communication was not always tailored to the claimant in the cases we reviewed (Figure 13). Some claimants clearly struggled to understand their entitlement or what the Department was requesting, but the Department did not adapt its language accordingly. The Department's own survey of Universal Credit claimants found that only 48% of claimants felt they were made aware of all the main requirements when they first made their claim.

Support for claimants

Help to Claim

3.9 In 2019-20, the Department made available up to £39 million of grant funding for the 'Help to Claim' service, delivered through Citizens Advice and Citizens Advice Scotland. The aim of the service is to provide claimants with "enhanced, free, confidential and impartial" support to help them make a claim. This is a significant change in the way the Department commissions support for claimants, engaging directly with the advice sector rather than organising this through local authorities as it had in previous years. At the time, local government representatives expressed some concern about the lack of notice they received for the change, although other stakeholders we spoke to were more positive. The Help to Claim service went live in all of the Department's jobcentres and service centres in England, Wales and Scotland from 1 April 2019.

3.10 The Department awarded funding to Citizens Advice and Citizens Advice Scotland as a 'direct grant award', which is a grant awarded without competition. The Department, in consultation with the Cabinet Office, decided that a direct grant award was appropriate because it considered that Citizens Advice and Citizens Advice Scotland occupy a unique position in the market, offer a specialist function and have an established track record. The Department also explained that it wanted to get the service up and running quickly in response to the feedback it was getting on Universal Credit at the time.

3.11 The Department is aware that a direct grant award is not an appropriate long-term funding model. Cabinet Office guidance sets out that government grants should be competed by default. The Department is considering the possibility of running a competitive tendering exercise once the current arrangements come to an end in 2021. A grant is also generally considered appropriate for funding an organisation's core activity, whereas a contract is a more effective mechanism for managing a service. A contract could also better enable the Department to integrate Help to Claim with its Universal Credit service.

3.12 Currently, only a minority of claimants use the new service, although the Department expects volumes to increase steadily as the service matures. Between 1 April 2019 and 31 July 2019 around 75,000 people accessed the service (12% of new claims). Provisional data showed that between 1 April 2019, when the service was first put in place, and 22 October 2019, 130,853 people accessed the service.

3.13 The Department's interim evaluation of the service found that claimants accessing the service were on average older than the average claimant and were more likely to access the service in person than by phone or online. This may reflect the fact that some groups are more likely to find the online Universal Credit claim process challenging. The Department found that:

- just over 50% of those accessing the service did so in person at a Citizens Advice office, 40% by phone and only 5% using the web chat channel;
- people accessing Help to Claim were older, on average, than Universal Credit claimants as a whole. In England and Wales, 60% of people accessing Help to Claim were over 40, compared with 35% of claimants overall; in Scotland 50% were over 40 compared with 25% overall; and
- 21% of claimants in England and Wales and 11% in Scotland were from a black or minority ethnic background. The Department does not have robust data to compare this with the profile of all claimants.

3.14 The Department does not know whether those using the Help to Claim service are those that need the most help. There are multiple referral routes into the service, including self-referral, direct referral by the Department, or referral by other support agencies such as local authorities or charities. In the case of self-referrals and referrals from external organisations, the Department will not know that the individual has accessed Help to Claim. This means it cannot currently track, in all cases, how this extra support affects the actual outcome of the claim, including on payment timeliness.

3.15 More broadly, although the Department provides a range of support for vulnerable claimants, it does not use data 'flags' to record claimants' vulnerabilities or complex needs within the Universal Credit digital system. The Department's staff use a range of resources to support vulnerable claimants. For example, local jobcentres maintain a complex needs plan to help work coaches signpost claimants to relevant support. Staff can also use 'pinned notes' in the Universal Credit digital claim system to highlight people's vulnerabilities. However, the Department cannot currently use these mechanisms to produce consistent, national-level management information on vulnerable claimants, nor can front-line staff use the information within the system to easily identify all the vulnerable people they are working with. We have observed jobcentre staff manually recording claimants' complex needs to enable them to offer targeted support, indicating that there is demand from the Department's front-line staff for this type of information.[22]

22 Comptroller and Auditor General, *Supporting disabled people to work*, Session 2017–2019, HC 1991, National Audit Office, March 2019.

Appendix One

Our audit approach

1 This study examines how the Department for Work & Pensions (the Department) is managing the process of getting to first payment in Universal Credit. We describe how the process is working and the impact on claimants.

2 We do not assess all aspects of the Department's performance in rolling out Universal Credit and providing services to claimants in this report, nor do we update the conclusion on value for money we reached in our 2018 report, *Rolling out Universal Credit*.[23] We do conclude on the Department's performance specifically in managing and improving the first payment process before the COVID-19 outbreak. An assessment of Universal Credit policy and rules, including who is eligible and how much money they are entitled to, is outside the remit of the National Audit Office.

3 This report considers:

- the initial wait for Universal Credit and the impact of this on claimants;
- the Department's operational performance and management of the initial claim process; and
- the issues faced by new claimants and how the Department is supporting them.

4 Our audit approach is summarised in **Figure 14**. Our evidence base is described in Appendix Two.

23 Comptroller and Auditor General, *Rolling out Universal Credi*t, Session 2017–2019, HC 1123, National Audit Office, June 2018.

Figure 14
Our audit approach

The objective of government

Universal Credit is an in and out of work benefit, which aims to increase incentives to work, simplify the benefit system by replacing six legacy benefits, reduce fraud and error, and reduce the cost of administering benefits. Universal Credit is based on the claimant's costs and their earnings, which are assessed over monthly 'assessment periods'. Claimants who provide all necessary information should receive their first payment at the end of the first assessment period – around five weeks after their application. The Department aims to pay as many people on time as possible. It has to manage payment timeliness alongside maintaining control of the cost of the process and minimising fraud and error.

How this will be achieved

The Department for Work & Pensions (the Department) has an established process for processing new claims to Universal Credit, which we reported on in our June 2018 report *Rolling out Universal Credit*. Since then, it has focused on improving payment timeliness through increased automation and centralised performance management. The Department has also built controls into the Universal Credit system designed to prevent and detect fraud and error.

Our study

This study examines whether the Department has done all it can to improve the process of getting to first payment and how well it is supporting claimants.

Our evaluative criteria

Part One of the report explains Universal Credit's design and the Department's process, and sets out the impact on claimants. We do not evaluate whether this equates to a good or bad departmental performance.

Part Two examines whether the Department has an effective approach to managing and improving the new claims process which balances: customer experience; fraud and error; cost-efficiency; and sustainability.

Part Three assesses whether the Department understands characteristics of claimants not paid in full and on time and has put in place effective structures to support claimants.

Our evidence

(see Appendix Two for details)

We considered the Department's new claims process and the impact on claimants by:

- reviewing documents and management information;
- analysing data on deductions and rent arrears;
- visiting a jobcentre and service centre to observe and map the process; and
- interviewing stakeholders and a thematic analysis of stakeholder submissions.

We assessed the Department's approach to managing and improving the new claims process by:

- reviewing documents and management information;
- analysing data on payment timeliness and fraud and error;
- interviewing officials from the Department; and
- interviewing stakeholders and a thematic analysis of stakeholder submissions.

We assessed how the Department is supporting claimants by:

- reviewing a sample of late payment cases;
- reviewing the findings of sampling exercises by Internal Audit and the Department; and
- reviewing documents and management information for the Help to Claim service.

Our conclusions

Many people claim Universal Credit at a challenging time in their lives. As such, the initial wait, which is an inherent part of Universal Credit's design and operational processes, does not cause all the issues that claimants may face but, in the context of many claimants' existing financial difficulties, can exacerbate their problems.

Since we last reported, the Department has improved the proportion of people getting their first Universal Credit payment on time and in full to around 90%. It deserves credit for its organised approach to making changes and its improved performance. Although the cost of administering each claim is still higher than expected, the Department has demonstrated an ability to gradually make Universal Credit claims more cost-efficient by automating and improving processes. It needs to demonstrate a similar determination to tackle the high levels of fraud and error.

The Department has succeeded in improving payment timeliness so far by improving processes that affect large numbers of people. However, as the Universal Credit caseload has grown, a large number of people still do not receive their full payment on time. Vulnerable people may be particularly likely to struggle with their claim. The Department needs to better understand and address the needs of vulnerable people and those with more complex claims, who may be at greater risk of struggling under the Universal Credit regime.

Appendix Two

Our evidence base

1 Our independent conclusions on how the Department for Work & Pensions (the Department) is managing the process of getting to first payment in Universal Credit were reached following our analysis of evidence collected between September 2019 and February 2020.

2 We applied an analytical framework with evaluative criteria which consider what arrangements would be optimal for managing and improving the new claims process and supporting claimants. Our audit approach is outlined in Appendix One.

3 We tested our findings through peer review and quality assurance processes and triangulated these against our consultation with a range of stakeholders.

We considered the Department's new claims process and its impact on claimants

4 We conducted a document and file review of published and internal client documents, including departmental research on the initial claim process. This included its research on rent arrears; claimants' earnings before they join Universal Credit; and the impact of advances.

5 We analysed internal client data on levels of deductions and rent arrears among Universal Credit claimants.

6 We reviewed internal client documents and data on programme costs and forecasts.

7 We visited one jobcentre site and one service centre site both co-located in Stockton-on-Tees to observe the new claims process in practice. We observed initial evidence and first claimant commitment interviews and conducted a focus group with work coaches. We also observed case managers as they worked through their 'trigger' process and accepted incoming telephony calls, and conducted a focus group with case managers.

8 We interviewed a range of key stakeholders including: Mind, Citizens Advice, Curo housing association, The Trussell Trust and Child Poverty Action Group.

9 We also undertook a broader stakeholder consultation through our website which was open to both stakeholder organisations and the public for submissions. We received 1,183 responses: 159 were from organisations and groups; 1,024 were from individuals. This was a self-selecting sample and not intended to be representative. We undertook a thematic analysis of the submissions and our findings are intended to represent the range and diversity of responses.

We assessed the Department's approach to managing and improving the new claims process

10 We conducted document and file reviews of published and internal client documents, including programme board papers and minutes, departmental management information and documentation relating to Universal Credit system developments.

11 We analysed published and internal client data on payment timeliness, cost-effectiveness and fraud and error.

12 We conducted interviews with senior officials at the Department. We also drew on findings from our stakeholder interviews and consultation as set out in paragraph 8 above.

13 Our assessment on fraud and error included detailed analysis of its approach to managing income-related fraud and error using our fraud and error audit framework. This included document review, walk-throughs of controls and interviews with staff. Findings from that evaluation were agreed with and reported to senior management in June 2020 and also informed the Comptroller and Auditor General's Report in the Department's 2019-20 Annual Report and Accounts.[24] The fraud and error audit framework evaluates whether the Department has:

- a **strategy** in place, both at a high level and at individual benefit stream level, that demonstrates how the Department seeks to reduce fraud and error to a cost-effective level. This strategy should be supported by a robust governance structure;
- a control environment that is well **designed** to tackle the key fraud and error risks the Department faces. These should encompass controls that seek to deter, prevent and detect fraud and error;
- a control environment that is well **implemented** to ensure that controls are optimised in their use and are sufficiently resourced;
- a robust **measurement** base for all key controls; and
- an **evaluative** framework that enables the Department to understand whether progress is being made in reducing fraud and error and whether individual controls are proving effective.

24 Department for Work and Pensions, *Annual Report & Accounts for 2019–2020*, Session 2019-20, HC 401, June 2020.

We assessed how the Department is supporting claimants

14 We conducted a review of a sample of 26 Universal Credit cases which had been paid late. We used a purposive sampling approach, focusing our review on the most common payment blockers while also ensuring coverage across a range of payment blockers and claimant characteristics. For each case, we reviewed the claim history and journal in the digital Universal Credit system to understand the issues causing the late payment.

15 We reviewed findings from the Government Internal Audit Agency's internal audit report on the *Universal Credit first payment process*. This included a sample review of 25 Universal Credit cases.

16 We reviewed findings from the Department's internal sampling exercise, which reviewed 415 Universal Credit cases.

17 We reviewed documents and management information from the Help to Claim service, including the Department's business case, interim evaluation and progress reports given to the Universal Credit Programme Board.

Appendix Three

Universal Credit programme update

1 **Figure 15** on pages 58 and 59 sets out an update on the Universal Credit programme against the key metrics we used in our last report.[25] The table gives the current position before the full impact of COVID-19 is known.

25 Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017–2019, HC 1123, National Audit Office, June 2018.

Figure 15

Universal Credit programme update (forecasts do not take account of the surge in claims due to COVID-19)

This table provides an update on key performance indictors to give a picture of the Department for Work & Pensions' (Department's) progress in implementing Universal Credit as a whole. While roll out is now complete nationwide, the caseload at February 2020 was still less than half what it is eventually expected to be

Topic	Position at last report[1]	Current position (pre-COVID-19)	Full Business Case forecast for 2024-25
Programme timetable	Full service had been rolled out to 258 out of 638 jobcentres (April 2018)	Full service was rolled out to all jobcentres in the UK by December 2018	The Department expected to complete managed migration by March 2022[4]
Programme implementation cost	£1.3 billion spent	£1.7 billion spent (March 2020)	£2.0 billion budget
Programme running costs (net additional costs of running Universal Credit and legacy systems during the implementation period 2010–2022 to 2024-25)	£0.6 billion	£1.0 billion on running costs (March 2020)	£1.2 billion[5]
Caseload (claimants)	815,000	2.9 million (February 2020)	8.5 million
Caseload per work coach (intensive work search group)	78 (April 2018)[6]	125 (February 2020)	280
Caseload per case manager	154	573 (February 2020)	919
Payment timeliness	80%	90% (February 2020)	N/A
Fraud and error[8]	7.2% overpayments and 1.3% underpayments (only live service measured)	9.4% overpayments and 1.1% underpayments	5.9%
Cost per claim	£699	£301 (against a target of £277 in February 2020)	£173
Labour market outcomes	Unproved	Unproved	200,000 more people expected to move into work

Notes

1 Position at our last report is as we reported in our June 2018 report, *Rolling out Universal Credit*, except where stated otherwise.

2 The current forecast (2024-25) refers to the Department's latest forecast prior to the impact of COVID-19.

3 National Audit Office analysis of Department's reported progress.

4 The Full Business Case was based on the assumption all claimants on legacy benefits would have migrated to Universal Credit by March 2022. This had been extended to March 2023 at the time of our 2018 report *Rolling out Universal Credit*.

5 The programme running costs in the Full Business Case have been restated as the nominal cash cost. Our 2018 report gave the discounted real terms value as £857 million.

Current forecast (2024-25)[2]	Department's explanation of the reason for changes[3]
Managed migration is now due to finish in September 2024	The Department extended the completion date due to lower numbers than expected migrating from legacy benefits as result of changes in their circumstances. In July 2019, the Department began a six-month pilot of its 'managed migration' process, 'Move to Universal Credit', which began with a small number of claimants in Harrogate. The Department has temporarily suspended the pilot in response to COVID-19.
£2.9 billion	The increase in programme costs is as a result of the extension of the programme timetable for the reasons set out above. This includes £342 million of increased staff costs for 'Move to Universal Credit'. The remainder is mostly the additional cost of managing the programme to support both that migration and Universal Credit's test and learn approach through to September 2024, instead of winding the programme down in 2022.
£1.8 billion	The net cost of running the programme in parallel with the legacy systems up to 2024-25 rose by £570 million. Universal Credit is now expected to cost less to run during the implementation period. However, it will achieve fewer savings from winding-down the legacy systems during this period, mainly because more claimants were expected to remain on those benefits for longer before moving to Universal Credit. The Department still expects Universal Credit to be cheaper to run than the legacy systems it replaces, but this remains uncertain.
8.7 million	The two main factors impacting the steady state caseload estimate are counterfactual forecast changes and policy changes that impact the generosity of Universal Credit compared with legacy benefits. The net impact of these factors has been a small increase of 200,000 in individuals on Universal Credit. However, these people will join Universal Credit later than previously expected.
280[7]	Expected increase in work coach caseload.
919[7]	Expected increase in case manager caseload.
N/A	Department's focus on improving performance.
7.2%	Greater than expected self-employed and other income fraud and error and capital-related fraud.
£173[7]	Cost per claim has primarily fallen due to an increase in claims.
200,000 more people expected to move into work	The Department has completed only limited evaluation, which suggested a marginal benefit in terms of finding work faster and staying in work longer for some claimants. It plans to carry out a "rigorous" comparison of outcomes for claimants who joined Universal Credit in 2017-18 compared with legacy benefit claimants. However, it acknowledges that the lack of a counterfactual (that is, claimants on legacy benefits) for later cohorts will prevent it from identifying the scale of the impact for these claimants.

6 The number of claimants per work coach has been restated from our previous report so as to exclude claimants that are unlikely to require meetings with or interventions from a work coach.

7 The Department told us it had not updated its forecast for the caseload per work coach and case manager or cost per claim in line with its latest caseload forecast.

8 Fraud and error forecasts are the Department's assumptions based on internal modelling figures implied by the savings targets in its Universal Credit Full Business Case.

Source: National Audit Office analysis of Department for Work & Pensions' data

Appendix Four

Update against previous recommendations

Figure 16

The Department's progress in implementing our previous recommendations on Universal Credit

The Department for Work & Pensions (the Department) has made progress against all the recommendations in our June 2018 report *Rolling out Universal Credit*, particularly in improving its operational performance monitoring and stakeholder engagement

Recommendation in our 2018 report *Rolling out Universal Credit*	The Department's progress
Improve the tracking and transparency of progress towards Universal Credit's intended benefits. It should set out clearly how it calculates those benefits and encourage third parties to review and monitor assumptions. The Department should assess the impact of Universal Credit on third parties and include this in its calculation and budgeting of the implementation costs.	The Department has worked with HM Treasury and others to improve its ability to track the benefits of Universal Credit. It has published the Universal Credit business case and the methodology used to calculate its efficiency, labour market and fraud and error benefits. Each benefit has a dedicated owner and a governance structure is in place that includes reporting to the Programme Board, key operational bodies, and to an engagement group of stakeholders. The Department has also made a number of changes in terms of the cost impact of Universal Credit on third parties. The Department: • offers funding to local authorities for the additional costs associated with administering Universal Credit if they provide evidence of their expenses; • meets any shortfall in funding for HM Revenue & Customs for the continuing cost of administering tax credits; and • provides funding for the 'Help to Claim' service delivered via Citizens Advice and Citizens Advice Scotland to support vulnerable claimants.
Ensure that operational performance and costs improve sustainably before increasing caseloads through managed migration. It should formally assess the readiness of automation and digital systems to support increased caseloads before migration begins, and ensure the programme does not expand before business-as-usual operations can cope with higher claimant volumes.	The Department made substantial progress in this area, putting in place governance structures to monitor performance. Key measures such as payment timeliness have improved from 80% at our last report to 90% in February 2020, and caseload per case manager has increased from 154 at our last report to 573 as at February 2020. The overall unit cost of £301 is above the business case target of £277 as at February 2020 but was trending downwards. The Department expects this to continue, but at a slower rate than anticipated in the business case. Before the impact of COVID-19, the Department had reduced the risk of managed migration by beginning with small numbers of claimants (only 13,000 claimants were expected to be migrated by March 2021). The Department was yet to set out its criteria for moving to scale, but had committed to making its assessment of those criteria public before moving to scale in late 2020. Subsequent to taking these steps, COVID-19 has led to many more claims than the Department was expecting and managed migration has been temporarily suspended.

Recommendation in our 2018 report *Rolling out Universal Credit*	**The Department's progress**
Work with delivery partners to establish a shared evidence base for how Universal Credit is working in practice. The Department needs to ensure that delivery partners' feedback on both implementation issues and the impact on claimants is considered alongside the existing feedback from front-line staff and programme managers. It needs to systematically collect, analyse and publish data and evidence from delivery partners and produce a shared understanding of what is happening on the ground and how it is addressing any issues raised.	The Department told us it has taken an extensive stakeholder engagement approach, including regular workshops with stakeholders. Through this, it has co-developed a set of problem statements with stakeholders based on a shared understanding of areas for improvement, and produced a complex needs and barriers framework, which is now used by product development teams to ensure products are being designed in line with the shared design principles it has agreed with stakeholders. The Department conducted a stakeholder survey to evaluate its revised approach to stakeholder engagement. Of the 122 stakeholders surveyed, 89% of respondents felt that their organisation had had the opportunity to contribute to the discussion about Universal Credit, and 78% reported noticing a real difference in the Department's engagement since the change in approach to stakeholder engagement in October 2018. Around 62% of respondents reported engagement on Universal Credit becoming more open, honest and collaborative. The Department is now taking steps to further improve its stakeholder engagement approach based on the findings of the consultation.
Make it easier for third parties to support claimants. This might include: • extending the concept of the landlord portal to simplify verification processes (for example, for childcare costs); • sharing, with the claimant's consent, appropriate information with third parties, such as information on additional support requirements; • allowing the bulk upload and download of information helpful to the support of claimants, such as changes in rent; and • allowing those supporting claimants access to a version of the journal through which they can view appropriate shared information and communicate with the Department.	The Department is testing a digital process to support claimants who need help with their Universal Credit claim and expects to introduce it later this year. It is too early to say whether this will be successful. The Department is yet to evidence that it has considered our recommendation to extend the concept of the landlord portal to simplify other verification processes.

Source: Comptroller and Auditor General, *Rolling out Universal Credit*, Session 2017–2019, HC 1123, National Audit Office, June 2018 and National Audit Office analysis of Department for Work & Pensions' data

Appendix Five

Stakeholder Consultation

Figure 17

Key themes from our stakeholder consultation

More than 1,000 claimants and organisations, such as charities and local authorities, responded to an open consultation on our website. Their responses highlighted issues with the initial wait for Universal Credit from their perspective. These included concerns about how people with lower levels of literacy and digital skills manage the claim process and worries about getting into debt and hardship. Respondents were self-selecting and the views they expressed may not represent all Universal Credit claimants or support organisations. Not all respondents answered every question. The themes presented below are indicative of the range and diversity of responses received

Key issues raised by respondents	Examples of what people told us
Design of Universal Credit	
Customers face difficult decisions during the initial wait. These can include choices about whether to pay for housing, gas and electricity or food. Some people may not receive the same amount of benefit they did under the legacy system. Deductions from payment to repay previously existing debts, including advances of Universal Credit.	*"People face financial hardship when they have no money for the first five weeks of Universal Credit. As a result, they must take out an advance payment which then causes further hardship when it is deducted especially when there are other deductions in place. This is a growing concern and the number of clients I have referred to a food bank is astonishing."* *"The five-week wait. It puts people at a huge risk of long-term debt, risks their housing situation, invites food poverty and causes massive amounts of stress."*
Processes	
Verifying identity (ID), housing cost, childcare costs and processing of Habitual Residency Tests can challenge some claimants.	*"People sometimes can't make a claim because they misunderstand the instructions about Verify.gov to verify their ID online and get stuck. It's not obvious enough that you can opt out of this."*
Claimants' capability and individual needs	
Lack of access to computers to submit and maintain a claim is a problem for some. Claimants with less ability to use computers to submit and maintain a claim may struggle while those with better language and IT skills may not. Inability to read or write to the level necessary to submit and maintain a claim is a problem for some. Claimants who are hospitalised or arrested often have claims closed as they are unable to keep appointments. This leaves them at risk of hardship when they return home. Home visits are available for those who cannot travel to the jobcentre. However, these appointments are hard to get, and the wait may delay the claim.	*"The Universal Credit claim process assumes a level of literacy and IT literacy which many Universal Credit claimants don't have."* *"[There is a] particular problem around them maintaining the claim after it has been set up, as we [the charity] can't be with them every time they log in or phone up. Claims are often 'closed' (= benefit not paid) if they miss something in their To Do list, which they might never get to see, read or understand. By contrast, clients with reasonable English and good IT skills often get on perfectly well."* *"The digital-only and English-only approach. A client may have perfect English and lack digital skills, or perfect digital skills and lack English, or lack both! This alienates and excludes a huge chunk of claimants."* *"There is also an assumption that everyone, regardless of disability, is able to attend appointments at [jobcentres], often miles from their home with no available parking, and if they are unable to attend appointments their claims remain unfinished and they cannot receive Universal Credit. There is very little support provided during the claim stage to improve accessibility."*

Key issues raised by respondents	Examples of what people told us
Apprehension and fear of Universal Credit	
Losing money by migrating from legacy benefits to Universal Credit. Worries about managing day to day needs and bills while waiting for first payment or getting into debt. Negative media coverage of Universal Credit may add to claimants' worries. Hearing peers' experiences of Universal Credit including hardship, rigidity of system and difficulty may impact people's perceptions of what Universal Credit will be like for them.	*"People are aware that a claim for Universal Credit is a commitment to five weeks without benefit or potentially a significant hit to their income going forward if they accept an advance."* *"Clients tell me they are scared to claim Universal Credit, even when they might be better off overall, due to the five-week gap in payment, variable monthly payments that would make it difficult to budget, that they don't want to be in debt or increase their debt."* *"Everyone I know has extreme difficulty, most have to turn to family and friends, everyone I know has had to use food banks [...] A lot of people I know have got into debt, trying to pay bills and put food on the table."*
Other key issues raised	
Customer perceptions of the approach of the Department for Work & Pensions' (the Department's) staff vary. The Department used third parties to support the harder-to-reach customers. This includes Citizens Advice and other charities, housing associations and local authorities. Some claimants reported hardship and struggling to get by on Universal Credit after they were established on the benefit.	*"Because of the complexity of this benefit, your work coaches do not know enough to advise people, often stating the... decision-makers will make final decisions on people's claims/questions."* *"The Help to Claim service is great for helping people navigate the initial claiming process."* *"I cannot afford to heat my home or eat – it's a choice of one or the other."* *"I too have relied on food banks and rationing what myself (usually skip at least one meal a day) and to some extent what my children eat (no seconds, no dessert, very little fruit)."*

Source: National Audit Office analysis of consultation responses

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