INSTITUTE FOR GOVERNMENT

Universal Credit

From disaster to recovery?

Nicholas Timmins

“[The change to Universal Credit will be] one of the boldest and most radical reforms since Beveridge.”

David Cameron, quoted in the *Financial Times*, 4 October 2010

“The first steps into the world of work for many in a low hours/low pay job are all but pointless.”

Diagnosis of the benefits system in 2009 by the Centre for Social Justice, in Dynamic Benefits, 2009, p. 5

“Simplification is not an easy option. Radical reform is a rare, costly, time-consuming, and potentially controversial act.”

National Audit Office, *Dealing with the Complexity of the Benefits System*, HC 592, 2005, p. 6

“Just don’t put this thing online… It is a complete security disaster.”

A member of one of the suppliers’ teams speaking to the Major Projects Authority in January 2013

"The practical operation of benefits and tax credits for low-income families… would be of greatest help to beneficiaries if they were assessed over short periods and paid promptly without retrospective adjustment."

Mike Brewer et al., *Means-Testing and Tax Rates on Earnings*, Institute for Fiscal Studies, 2008, p. 2

"This new government is committed to administer the Universal Credit programme in a careful, reliable and transparent fashion… For the first time since UC was announced in 2010, we [have] put specific contingency into the plan."

Damian Green, Secretary of State for Work and Pensions, written statement, July 2016

"The source of many problems has been the absence of a detailed view of how Universal Credit is meant to work."

National Audit Office, *Universal Credit: Early progress*, HC 621, 2013, p. 33

"At no point did the political dark days and the technical dark days coincide. If they had, it might have been stopped."

Stephen Brien, author of *Dynamic Benefits* and at various times an adviser to Iain Duncan Smith and deputy senior responsible owner for the Universal Credit project

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1. Introduction

This is a story of disaster and then of recovery. Recovery to the point where, many years later than on the original timetable, Universal Credit may yet become a success – although success needs defining, and will be towards the end of this piece.

For the Institute for Government, whose role in life is the pursuit of more effective government, this makes the story of Universal Credit much more interesting than just a story of disaster. After all, there have been plenty of those in public services over the years, and they have been endlessly analysed.[1] This one is potentially illuminating because Universal Credit plainly started out as a disaster and may yet become, with some qualifications, a success. Not that this account is predicting with any degree of absolute certainty that Universal Credit will eventually succeed.

At the outset, it is probably important to state an author's interest, or perhaps prejudice. As a journalist I have written on and off about the social security system for more than 30 years. Like many others, I had come by the mid-to-late 2000s to recognise that the means-tested part of it that affected work had become horrendously complicated – both in the way it handled the absence of work and in the support it offered once people were in low-paid jobs.

It was too often incomprehensible to claimants. They found themselves bounced from pillar to post in terms of dealing with different parts of their claim. It was also too often incomprehensible to the staff who had to administer it. They faced literally thousands of pages of guidance on how it was meant to be applied. It certainly produced substantial amounts of unintended error on both sides of the benefit counter, running into billions of pounds a year. Plus, up to a point, it almost actively encouraged fraud.

This was anything but a new problem. Staff guidance on how to run the system ran to many thousands of pages at many points in social security's history. There had been some genuine, and indeed temporarily successful, attempts to simplify things over the years by both Conservative and Labour governments. Take, for example, Norman Fowler's social security review of 1986, Peter Lilley's efforts in the 1990s and Labour's highly successful merger of employment and benefit offices into Jobcentre Plus in the 2000s – simplifications that then tended, as a result of subsequent policy change, to become complicated again. For all that, the system as it affected means-tested, working-age benefits in the mid-to-late 2000s looked to be in need of substantial reform. The way it was constructed could make the jump into low-paid work for those who had been out of it for any length of time feel very risky. If the job failed, for whatever reason, and at a time when they had next to no money, it could take weeks to sort their benefit back out.

Like Roy Sainsbury who helped to develop the idea of 'a single working-age benefit' ahead of the arrival of Universal Credit, I saw this as "essentially a technocratic change… an apolitical idea that was not rooted in any ideology at all".[2]

'Ideology' may need defining here. From my point of view, the meaning of 'not rooted in any ideology' is that seeking a simpler benefits system did not seem to me to be either a particularly right-wing or a particularly left-wing idea. That is not to say that there are not important big ideas involved in Universal Credit that some would see as ideology. Take just three, which are themselves anything but simple.

First, should the system be primarily designed to reward any amount of work at all, even just a few hours a week, a so-called 'mini-job' – a 'mini-job' perhaps being the first step towards getting inactive people into work? Or should it only provide substantial in-work support when people are in something that might more easily be defined as a 'proper job', even if that job is only part time – for example, 16 hours a week for a lone parent under the 'old' (that is, the existing) system?

To put that another way, should the system's primary aim be to reduce the number of workless households? Or should it be designed to encourage the second potential earner in a household also to work – often women, given the traditional divide of child care responsibilities – particularly when the current evidence shows that, even on low wages, two-earner families are a key contributor to lifting households out of the official definitions of poverty? To put it yet another way, should the prime aim be simply to get more households working? Or should the system have, as its central aim, the reduction of in-work poverty? And if so, what should the balance be between those twin goals, and how should that be achieved? Can you have both, as the designers of Universal Credit believe?

To take a second example. Because three-quarters of people these days are paid monthly, should the out-of-work benefits system work that way so that it reflects the world of work? Or should it recognise the research, which shows that many people who are in and out of work in fact budget fortnightly or even weekly – as do many of those on less than £10,000 a year (half of whom are still paid weekly) and whose weekly income, thanks for example to 'zero hours' contracts, can fluctuate hugely?[3]

And third, once people are in work, how far should the system help, encourage or indeed *require* people to earn more so that they become less reliant on in-work benefits and thus more independent?

These are important questions to which different people will give different answers, but without – or at least, so it seems to me – the answers necessarily being automatically 'right-wing' or 'left-wing' ones. However they are answered, they do not in themselves negate the case for a simpler system. And, however they are answered, they do not circumvent a key trade-off in the design of any system of social security:

- the simpler it is, the more it will involve forms of rough justice
- the more attuned it is to individual need, the more complicated it will be, both for claimants and for those running it.

That is, quite simply, a fact of life. Balancing that was to play a part in the story of Universal Credit.

It was obvious from the very beginning that this was an almighty administrative challenge: first to get Universal Credit up and running; and then to cope with the 1.6 million changes in circumstance that were likely to happen to its recipients *every month*[4] – changes that had to be understood, then altered and then paid.

Even so, the essential concept behind Universal Credit and its intellectual precursor (the 'single working-age benefit') seemed to me, as to many others, a good idea – a simpler and therefore potentially a more effective working-age benefits system. It is for readers to judge whether that initial position – that prejudice? – has warped the judgement in what follows.

Three final introductory points. First, the Institute for Government is politically neutral. It is interested in good operational government in practice, and that is what this study concentrates on, rather than an attempt to judge in detail the merits or otherwise of the policy. There are plenty of people who have differing views on that.[5] It is impossible, however, as illustrated by this introduction, to write about Universal Credit without pointing out at least some of the design implications, while leaving it up to readers to judge whether they are for good or ill. Handling that, however, has been made easier by the fact that, at a high level of principle, there has always been cross-party support for the essential idea.

Second, as one interviewee shrewdly put it, "there are at least three or four versions of this story" – the three being those of the Treasury, the Department for Work and Pensions (DWP) and the Cabinet Office; the fourth being Number 10 – "and they do not all align".[6] And that is indeed the case. In fact, it is worse than that. There are times when political and civil service accounts of this differ sharply. This leads to the third point.

Not everyone approached to help in this endeavour to tell the story of Universal Credit to date felt able or willing to do so, including some who have played a key role. That point is expanded in the Acknowledgements. So what follows can only be a partial – in both senses of the word – account of Universal Credit to date. Nonetheless, I hope it is an account sufficiently close to what has happened to allow at least some lessons to be drawn.

2. The days of darkness

It is 3 February 2014, and Iain Duncan Smith, the-then Secretary of State for Work and Pensions and former Conservative Leader, is in deep trouble. So is Universal Credit, the government's flagship welfare reform – a hugely ambitious drive to collapse six in-work and out-of-work benefits into one single, much simpler, system. It is a system aimed at ensuring not just that low-paid work pays more than being on the dole, but also that any amount of work, even just a few hours a week, pays. Universal Credit is a massive administrative challenge. It involves moving almost eight million households receiving means-tested in-work and out-of-work benefits – and roughly a third of the working-age population – onto the new credit. It is also a significant culture shift. It is not going well.

IDS, as Iain Duncan Smith is almost universally known, is facing angry members of the cross-party Work and Pensions Select Committee of the House of Commons. On the original timetable – a timetable that most people outside the programme who knew anything about welfare reform regarded as pretty insane – almost a million people were meant to be receiving Universal Credit.[7] In practice, fewer than 5,000 were, and they were the simplest possible cases. The vast majority were men aged under 25 who were single, unemployed, childless, non-home-owners and not claiming Housing Benefit. They would otherwise have been claiming the out-of-work benefit Jobseeker's Allowance.[8] At that rate of progress, as Rachel Reeves – Labour's Shadow Secretary of State for Work and Pensions – was tartly to remark, it would take more than 1,000 years to get everyone theoretically entitled to it on to Universal Credit.[9]

The programme had hit such trouble that in February 2013 a decision had been taken to 'reset' it entirely, a process that technically took some three months, but viewed with hindsight took appreciably longer than that.[10] IDS, however, had omitted to tell the committee of that decision in a hearing in July 2013, some six months after the reset started. In September 2013 he had told the House of Commons that Universal Credit 'will deliver on time and on budget' – even on the day that the National Audit Office (NAO) was disclosing major problems and the reset decision.[11] Despite that day's NAO report, he told Members of Parliament (MPs) that the plan 'is, and has always been, to deliver this programme within the four-year schedule to 2017'.[12]

Three months later, in December 2013, IDS had further irritated the committee by failing to publish, until a day after the hearing, a long-promised departmental report spelling out costs that had had to be 'written down' and 'written off' as a result of the reset.[13] The committee, to put it bluntly, felt it was being misled.

At the February 2014 session, IDS was accused of obfuscation, smoke and mirrors, and hubris. Even the mild-mannered chair of the committee, Dame Anne Begg, observed that 'you can imagine why some people are a bit suspicious' that the department is attempting to 'sweep things under the carpet'. It was a charge that IDS denied – in increasingly tetchy exchanges. His denials were not entirely convincing.[14]

Not long afterwards, IDS was accused in the House of Commons chamber of 'deception' by a senior Labour MP over whether the business case for Universal Credit had been approved by the Treasury – a dispute that turned on precisely which of the many versions of the Treasury business case was under discussion. In the same exchanges, Margaret Hodge, chair of the Public Accounts Committee – arguably the most powerful of Parliament's committees – said: 'I plead with the Secretary of State that he should be open and honest with all of us rather than hiding behind smoke and mirrors to create a false impression that Universal Credit is on time, in budget and delivering in full its intended objective.'[15]

In public, although not in private, these were Universal Credit's darkest days.

A beleaguered Secretary of State appeared to be in charge of a multi-billion pound programme – 'one of the boldest and most radical reforms of the welfare state since Beveridge', according to the Prime Minister David Cameron[16] – which was heading for nowhere but the rocks. The charge that the DWP was being evasive about the problems – a charge laid by Conservative as well as opposition MPs – was to run on well into 2016.[17]

This was all a far cry from the heady days of May 2010.

Then IDS – as much to his own surprise as anyone else's – had walked into the headquarters of the DWP clutching a 370-page document entitled *Dynamic Benefits*. He had made clear to officials that this was what he was intending to do. They had already guessed. Among the welcoming party in the ministerial suite on the fourth floor of Caxton House (the DWP's headquarters) were a couple of senior civil servants who were waving their own copy of this inch-thick document. With considerable enthusiasm, they told him: "We believe we can do it."[18]

That might seem something of a surprise. After all, Universal Credit had been one of the best-kept secrets of the 2010 general election.[19]

It appears nowhere in the manifesto of the Liberal Democrats who were to form the Coalition Government with the Conservatives – unsurprisingly as it was not their idea. But it also gets no mention in the Conservative manifesto. In the area of welfare reform, the manifesto concentrates almost entirely on a total replacement of Labour's welfare-to-work programmes and on continuing Labour's policy of replacing an existing disability benefit with a more work-focused one. It is silent about Universal Credit.

The top of the department, however, had instantly recognised that Universal Credit was what IDS would want to do – partly because it had rapidly done its homework as his appointment was announced; but partly because, on and off and then on again, the department had been looking at a similar idea for some time. The origins of all this, however, go back a long way.

3. From fix to fixture: the rise of in-work benefits

Quite how far back one could or should go to trace the roots of Universal Credit is a matter of taste and judgement. Behind Universal Credit lie two ideas that first entered the political and policy debate some 50 years ago as the benefit side of the modern welfare state grew in the decade and a half following its foundation in 1948.

The first of these was that to those with a certain sort of tidy mind it made no sense that people could both receive social security benefits – for example, the basic state pension or what was to become Child Benefit – and at the same time pay tax. And both the benefits and tax systems were becoming increasingly complex. Might it not make sense to try to merge the two into one seamless system – one that did not see people both claiming and paying? This idea at times appealed across the political divide.

In 1961, for example, a young Conservative lawyer called Geoffrey Howe, who was to go on to be Margaret Thatcher's chancellor and eventually her nemesis, advocated an early version of tax credits, or a form of negative income tax, as a means both of:

- producing a more seamless system
- concentrating financial help on the less well off in a more selective way than universal, non-means-tested benefits allowed.

Howe's argument, among many other points, was that 'the principal objection to the means test has always sprung from the fact that it was so ruthlessly mean'.[20] Later in the decade, Douglas Houghton, who had briefly been the social services overlord in the 1964 Labour Government, explored related ideas.[21] Intermittently over the years there was a stream of Liberal thinking – now Liberal Democrat – that favoured a negative income tax, or a form of 'citizen's income' to tackle the same issues.

As importantly, over the 1960s, it became clear that even with the benefits and the tax allowances that then went to children and to families, it was possible for a family to have someone in a low-paid job but for the family actually to be worse off than if they were not working. The reason being that benefits were withdrawn as earnings rose and tax and national insurance also started to be paid. This was shortly to be dubbed 'the poverty trap'.[22]

The first answer to that problem came with the introduction under a Conservative government of Family Income Supplement, the first means-tested cash benefit to be introduced for families with children who were in low-paid work. It is hard now to grasp the immense controversy this caused when Sir Keith Joseph announced it in 1970. Joseph found himself accused of recreating the 18th-century Speenhamland system where local magistrates in Berkshire had introduced a supplement to the incomes of working family men who had been driven to destitution by a string of bad harvests, the Napoleonic war, the enclosure of the countryside and the effects of the Industrial Revolution. Introduced with the best of intentions, employers took advantage of what was in effect a state subsidy to drive wages down further.

Family Income Supplement was meant to be a short-term fix. Joseph himself described it as a 'temporary measure' to address in-work poverty for families with children until something better could be devised. In its first year, just 71,000 families claimed the supplement. It remained a pretty miniscule part of the social security system until it was morphed in 1986 into the appreciably more generous Family Credit, a benefit that provided more help to more families but still did not entirely fix the problem.

Over the 1980s and 1990s, however, the labour market changed radically as globalisation first stripped out the jobs that the Industrial Revolution had created in coal, steel and shipbuilding and then led to a delayering of middle management. Much of the work that replaced these jobs, when it was available, was lower paid. Unemployment, even in the good times, remained stubbornly high. And the numbers on disability benefits rose, in part because of a deliberate if undeclared policy in the earlier part of these decades to shift workless people with health problems onto such benefits in order to keep the politically sensitive unemployment count down. Once on incapacity benefits, claimants rarely left them.

By the mid-1990s, there were more than six million people – or roughly one in seven of the working-age population – on out-of-work benefits, which included Jobseeker's Allowance, Incapacity Benefit and benefits for lone parents.

The reaction to this – which spread slowly across the political spectrum although not without bitter arguments about it within both Labour and Conservative ranks – was a crucial conceptual shift, namely a recasting of the role of the means-tested part of the benefits system.

Ministers in successive administrations began to move it from one that in the main paid people on condition that they did *not* work, to one that subsidised them to be in work, or at least actively looking for it. Better to subsidise people in work than simply to fund them to be out of it.

A two-pronged attack was involved:

- Welfare-to-work programmes were developed, which, over time, increased the conditionality attached to the receipt of out-of-work benefits – ever-stronger requirements, starting with unemployed people rather than those on disability benefits, actively to seek work and prepare for it. To that was allied more direct help, often from private providers, to find a job.
- More generous in-work support was offered to supplement low pay.

Kenneth Clarke, the Chancellor of the Exchequer, and Peter Lilley, the Social Security Secretary, took initial additional steps down this road during John Major's administration. Clarke declared that the job of the welfare system was to 'build bridges out of dependence' as he launched a baker's dozen of welfare-to-work pilots in his 1994 Budget. These included an experiment with a short-lived earnings top-up that effectively provided a version of Family Credit to single people and childless couples, plus a limited scheme of direct subsidies to employers to take on long-term unemployed people. Family Credit itself was made more generous to the point where, at its peak in 1999, some 780,000 claimants were receiving it – more than 10 times the numbers who originally received the much less generous Family Income Supplement. There were significant internal battles among the Conservatives over this approach. For example, Michael Portillo, the Employment Secretary, publicly opposed the measures, declaring that they would merely see subsidised workers being taken on at the expense of unsubsidised ones.

The Labour Government, after 1997, was to take this much further. Behind slogans such as 'work is the best form of welfare' and that the job of the state was to provide 'a hand up, not a hand out', it first launched the New Deal for the Unemployed – a much more extensive and intensive welfare-to-work programme for jobless people – and then replaced Family Credit with a more generous set of tax credits. These had the twin aims of ensuring that being in work paid more than being on benefits and of reducing child poverty.

The first of these tax credits, which drew in part on experience in the United States of the Earned Income Tax Credit, arrived in 1999 when the Working Families' Tax Credit (WFTC) replaced Family Credit. WFTC in fact retained many of the features of Family Credit. But, for a whole bunch of reasons, Gordon Brown, the Chancellor of the Exchequer, wanted to present the new credit as a tax cut, not a benefit – hence its name. 'Instead of the state paying out benefit through the social security system to working families on lower incomes, in future they will receive cash directly through the tax system,' he declared as he announced the change in his 1998 Budget.[23] The shift was, in the Government's words, 'a step towards greater integration of the tax and benefits system'.[24]

Receipt of a 'tax credit' was reckoned to involve less stigma than receipt of a benefit – something that might increase take-up, although in fact the take-up of WFTC proved to be lower than that for Family Credit. For a time, Brown even tried to treat the extra expenditure as income foregone – the way tax reliefs are handled in the national accounts – rather than as public spending. This would have been a way of spending more on welfare without appearing to do so, although the Office for National Statistics was soon to put a stop to that wheeze.[25]

To reinforce the message that this should be seen as a tax cut – and arguably to extend Brown's direct control over welfare expenditure – administration of the new credit was given to HM Revenue & Customs (HMRC) rather than to the-then Department for Social Security (DSS; now the DWP), which had run the now-abandoned Family Credit. This was to prove something of a mistake. The DSS and the later DWP were expert at paying out weekly or fortnightly benefits claims, and they were pretty good at dealing with people on very low incomes with no financial cushion whose circumstances – whether income, employment, housing or relationships – could change at bewildering speed. HMRC was used to bringing money in, not paying it out. And it did so on the basis of essentially annual tax returns and coding, not weekly or fortnightly payments. Some administrative nightmares were to lie ahead.

WFTC was appreciably more generous than Family Credit.[26] Recipients could earn more before the credit started to be withdrawn, and it was then withdrawn more slowly. There was additional help with child care costs. A similar credit for disabled people was introduced, although without the welfare-to-work stipulations. The 'New Deal' Brown declared was this: 'Your responsibility is to seek work. My guarantee is that if you work, work will pay.'[27]

WFTC roughly doubled to around 1.4 million the number of families eligible for this in-work support, and roughly doubled the cost. Alongside all this, and to answer the Speenhamland problem, the National Minimum Wage also arrived, part of its role being to help prevent employers lowering wages to take advantage of the in-work subsidy from the taxpayer.

Within a month of its introduction, however, it was already clear that WFTC was to be redesigned.[28] Effectively, it was split into two: it was turned into a Child Tax Credit and a Working Tax Credit. There were two drivers behind this. First, Brown ideally wanted his tax credits to arrive through the pay packet – underlining the link with work and the idea that this was, somehow, a tax cut, not a benefit. Opposing him was a powerful lobby, which argued that benefits for children should go to the main carer (which in practice usually meant the woman) on the grounds that there was evidence that women spent the benefits on their children while men could not always be relied on to do so. This was known as the 'purse versus wallet' argument. Benefits for children should come as a benefit, to the main carer, and not through the pay packet.

The second driver was that the Prime Minister, Tony Blair, had committed his government (and thus his chancellor) to eliminating child poverty over a generation. To achieve that it was necessary to get more money to poorer families. Brown, however, wanted to do it without a big increase in the non-means-tested Child Benefit, which would have given more to families way up the income scale who could genuinely be judged not to 'need' extra help. So the 'families' part of WFTC was brought together with some remaining tax allowances for children, to create the new Child Tax Credit to run alongside Child Benefit. Like Child Benefit, it was paid regardless of whether a family was in work. Unlike Child Benefit, it was means-tested. It was so generous, however, that 90% of families with children were expected to receive it. The benefit was not withdrawn entirely until families had an income of roughly £60,000 a year, and it was paid through a bank account or the Post Office to the main carer.

The 'working' part of WFTC became the Working Tax Credit and, as standard, came through the pay packet, although families could, with some effort, opt for it to be paid as a benefit. The other big difference from WFTC was that it was available not just to those with dependent children but also to childless couples in low-paid work and to singles provided they were aged 25 or over. Around a million people were expected to qualify for the new Working Tax Credit.

As Mike Brewer of the Institute for Fiscal Studies put it at the time, these new tax credits were:

> a much more important and far-reaching reform than the previous changes made by this [the Labour] government to the personal tax and benefit system. The child tax credit changes the entire system of child-related support [apart from Child Benefit], and the working tax credit represents the first substantial policy to help those without children when they are working.[29]

This was recognised as a huge administrative change. So while it was announced in principle in March 2000,[30] it did not take effect until April 2003.

It came to have its problems. As Mike Brewer shrewdly observed: 'the success or failure of the new tax credits [will depend] as much on the practicalities of administration and delivery as on calculations of the precise amounts of money involved'.[31] These practicalities included a key design decision.

Throughout what was by now a 30-year history of means-tested in-work support, there was an unavoidable trade-off. If awards were to be made for a short period – say a month – individuals would have to reapply repeatedly. That would be burdensome for them and very costly to administer, particularly before the days of email when all paperwork had to be managed by post. If awards were for a long period – say 12 months – the administrative costs would be much lower. But the risk of big swings in income as it rose and fell with changes in earnings or circumstances would be greater – producing significant underpayments or overpayments. There would also be potentially large changes in entitlement when the benefit was reassessed. That posed the question, particularly in the case of overpayments, what to do about them? Write them off, or claim them back?

Family Income Supplement, Family Credit and WFTC had all been assessed and paid for periods of six months, and had all involved a form of rough justice. If income had fallen during the payment period and the claimant did not report a change in circumstances, the benefit was not made up at the end of the claim period. It was increased for the subsequent claim. If earnings had risen and, in a sense, too much benefit had been paid, that was ignored at reassessment. In effect, it was written off, although the subsequent award would reflect the higher earnings.

The new tax credits, however, were to be assessed annually, which made the potential overpayments and underpayments larger. Annual assessments were chosen to:

- in theory, provide more stability for families
- make the Working Tax Credit look more like a tax cut
- in theory, cut administrative costs for both employers and HMRC
- ease life for HMRC whose standard business was based on annual assessment.

An award was made on declared income over the previous months or year, it was paid provisionally, and it was then reconciled at the year end. Claimants were meant to report any significant change in circumstances during the year; a stipulation that not all of them grasped. As a result, big overpayments and underpayments were built into the new system. But it made the issue of what to do about them – and particularly what to do about overpayments – larger.

The first £2,500 of overpayment was to be disregarded – that is, written off. Despite this, large overpayments above that threshold happened far more frequently than had been anticipated. In the first full year of operation they totalled £1.9 billion (bn) (a figure later revised upwards to £2.2bn), affecting 1.9 million families and some 16% of claims.[32] As those numbers illustrate, the average overpayment beyond the first £2,500 was £1,000. But that average hid much larger and much smaller figures, and the much larger figures could be considerable. Much the same happened in later years. Overpayments were to remain a permanent and ongoing headache for HMRC, generating much criticism and painful headlines, but also a grim experience for the families affected.

Tax credits, with their requirement to report in-year income changes, were never the easiest benefit to understand, and families could find themselves with huge swings in their level of state support. Low-paid people could find themselves with debts of £1,000 to £2,000 or more to repay, for reasons they found hard to grasp. In 2006, in an attempt to ease this, the disregard was raised to a mighty £25,000.[33]

But by the time Labour left office in 2010, some £9bn had been overpaid. Overpayments could be so big that they had to be reclaimed over several years, and over the years several billion pounds proved either to be un-reclaimable or had to be put into a category where the money was still being pursued but was unlikely to be received. The problem of overpayments persists even at the time of writing. Overpayments in 2013/14 were still running at £1.3bn a year.[34] Total debt – overpayments to be reclaimed – was £4.8bn. Provision for irrecoverable debt was £3.3bn.[35]

The Working Tax Credit undoubtedly made a significant further improvement to the lot of those in low-paid work. But its very complexity meant that it was little loved, and in some quarters much reviled. It also, of course, interacted with other benefits, notably Housing and Council Tax Benefits. And while it was true that, almost without exception, the new tax credits ensured that work paid, the 'better off in work' calculations that benefit officers had to go through with claimants in order to demonstrate that fact could be long and complex – often involving multiple parts of the DWP's information technology (IT) system and a calculation of what the local authority was likely to pay in Housing and Council Tax Benefits. In more complex cases it could take an adviser 45 minutes to do the sums. And the gains, while significant for most, were not always large. In certain combinations of circumstances and once in work, claimants could still be only 5p better off for each extra £1 they earned. Furthermore, the risks of taking a low-paid job and having one's Housing Benefit recalculated and then recalculated again, with a pause in payment, if the job failed for whatever reason, provided a deterrent to make the jump into work. This was a benefits system that, for many at the sharp end, remained horribly complex.

4. The simplification crusade: the Labour years

As outlined in the previous chapter, worries about complexity in the benefits system had been around since the 1960s. But the number of benefits and their interactions had grown markedly even since then, and by the mid-2000s, plenty of people were aware of the problem.

In February 2005, the DWP published a *Five Year Strategy* in which it declared that it would be ‘exploring and developing ways to simplify benefits’, the aim being to make them ‘easier… to understand and access’ – a move that could ‘substantially cut the large sums both overpaid and underpaid because of mistakes and misunderstandings’.[36] In the November of that year, the NAO published a report on the complexity of the benefits system, with its head, Sir John Bourn, warning that complexity ‘is one of the most important issues impacting on the performance of the Department’.[37]

To illustrate – although the following figures are not from that NAO report – it took 169 questions just to establish a lone parent’s right to income support[38] while a basic guide on all benefits and tax credits for benefit advisers, produced by the Child Poverty Action Group, ran to a mighty 1,700-plus pages.[39] The DWP’s own and fuller guidance to its staff on all of its benefits ran to more than 8,000 pages, with Housing and Council Tax Benefits covered by another 1,200.[40] As Sir John Bourn noted in the 2005 NAO report, the department had seen its accounts qualified for 15 years running, ‘in part… due to the extent of errors in the payment of benefits’, with many of those due to the complexity.[41]

These reports, his own academic experience and his personal experience set Roy Sainsbury (later Professor Sainsbury), an academic in the Social Policy Research Unit at the University of York, thinking. “The system had grown by incremental change over 100 years and become something of a monster,” Sainsbury says. “To the point where no one could even agree how many benefits there were – over 30 or over 50 if you counted some grants and other items as individual benefits.”[42] The NAO, normally a model of numeric precision, had felt the need to put the number at “around 40”.[43]

Sainsbury says:

> Working tax credits were certainly a good thing. But one of my relations had ended up with £2,000 to repay on her tax credit because her original income was estimated wrongly. So I thought, what do you do about all this? Why don’t we allow ourselves the luxury of thinking afresh?
>
> I was working on the official evaluation of some of Labour’s welfare-to-work reforms and as a result of that I was invited to a dinner hosted by Margaret Hodge [who was at the time Minister of State for Work at the DWP]. I talked about the need to simplify the benefits system and I remember being heavily shot down for being unrealistic by some of the senior civil servants there. But as a result of that evening I was invited in by Margaret Hodge for a chat, and I gave her a scrappy bit of paper, which was my first thoughts on what I called ‘a single working-age benefit’.[44]

Hodge was to go on to be chair of the Public Accounts Committee when it was to be highly critical of the implementation of what became Universal Credit.

“She was really interested, and she wrote to me thanking me for the contribution to her thinking about longer-term policy proposals. The next thing I knew was a chapter in a DWP green paper in January 2006 entitled ‘Long-term benefits reform’.”[45] This acknowledged that '[t]he present benefits system for people of working age is too complex. The many different rules may make sense in isolation, but together they make for a confusing and incoherent picture' and added that 'there may be advantages in moving in the longer term towards a single system of benefits for all people of working age, with appropriate additions for those who have caring responsibilities and those with a long-term illness or disability'.[46] The green paper also disclosed that a Benefit Simplification Unit had been set up in the DWP.

> So I thought 'great' and I wrote a short piece for the *Disability Rights Bulletin*, which set out how a single working-age benefit might be constructed to include Jobseeker's Allowance, Income Support, Incapacity Benefit and Carer's Allowance. At this stage this was just a single out-of-work benefit, not an in-work one.
>
> In the April I was invited to meet John Williams who was special adviser to John Hutton, the Work and Pensions Secretary, and I gave him a better version of the scrappy bit of paper I'd given Margaret Hodge, and following that I was invited to meet David Freud.[47]

Freud was an ex-City banker and former *Financial Times* journalist who had been brought in by John Hutton in December 2006 to review the Government's welfare-to-work programme – much to Gordon Brown's disapproval. Witnesses report "screaming matches" between Freud and Shriti Vadera, one of the Chancellor's special advisers, the latter arguing that Freud had no right to get into benefit reform when that was largely the Chancellor's business.[48]

Freud's report in March 2007 – which, according to Freud, Brown tried at the last minute to scupper[49] – concentrated on revamping Labour's welfare-to-work programme so that it adopted a much more 'payment by results' approach.[50] But the report also contained a chapter entitled 'Benefit reform – towards a single system', which canvassed three not very detailed options for moving towards a single system for out-of-work benefits. On its publication, Freud observed that "whether the answer is a single benefit system may still be a matter for debate, but that debate should certainly take place". He estimated, however, that it would take "at least eight years to introduce a new benefit system". Having got into benefit reform, Freud says, "I was *persona non grata* with Brown."[51]

John Hutton liked the idea but:

> I told David [Freud] 'we don't have time to do this now'. I thought it was a perfectly sensible set of proposals. But a lot of extra work would have been needed before we could legislate and we had a lot on our plate already with the Turner pension reforms, the reform of Incapacity Benefit, and other things. And I knew we would just not have time, half way through a Parliament in 2007, with a new prime minister coming in… the idea that we would get through a universal credit-type proposal as well was just hopeless. That's a first year of a government exercise, not a third-year one. And we had no mandate for such a change.[52]

Others, however, were latching on to the idea. Roy Sainsbury was promoting it in lectures and seminars, talking to Conservative advisers and to Danny Alexander who was the Liberal Democrat work and pensions spokesperson at the time, someone who was to play a significant later part in the implementation of Universal Credit. "He too was very interested," Sainsbury says. "I saw a single working-age benefit as essentially a technocratic change. I thought it was an apolitical idea that was not rooted in any ideology at all. We just needed a simpler benefits system. I talked to all three parties about it and they all got the idea."[53] Sainsbury then wrote a paper on the issue with Kate Stanley, the deputy director of the left-of-centre Institute for Public Policy Research,[54] while becoming an adviser to the Work and Pensions Select Committee of the House of Commons, which produced a report on benefits simplification in

July 2007. This report concluded that 'tackling dysfunctional complexity is an epic task' but that the Government appeared merely to be 'nibbling at the edges' of the problem. 'We ask the Government to consider the case for more radical reform, such as the development of a single working age benefit.' With Sainsbury's help – and to provoke debate – the committee took a stab at designing one that would have operated for both in-work and out-of-work benefits.[55]

By 2008, Gordon Brown was Prime Minister and James Purnell was Work and Pensions Secretary. Purnell became a single benefit advocate. A July 2008 green paper warmly trailed the idea, citing the work of Freud, Sainsbury and Stanley. It wanted to explore whether, in the long term, a single benefit drawing on the best features of Jobseeker's Allowance, Income Support and the new Employment and Support Allowance could be achieved.[56] Later in the year, an independent review by Paul Gregg, chiefly focused on conditionality, warmly backed the idea while warning that 'it raises a large number of complicated issues' and that 'change would have to be delivered over many years and carefully monitored to analyse the impact on child poverty, work incentives and health'.[57] The DWP was working on options, including, tentatively, what a single working-age benefit that covered both in-work and out-of-work benefits would look like – one that took in tax credits and included Housing Benefit – while being acutely aware that tax credits were Gordon Brown's baby and that the department was unlikely to be allowed to touch them.[58] Purnell, however, faced opposition both from Number 10 and from the Treasury.

Julian McCrae was deputy director of the Prime Minister's Strategy Unit at the time.[59] He says:

> There was no way we were going to support that. It wasn't that the idea was not a good one. But we had been through the tax credits debacle where beautiful models showed that they would ease the transition into work when in practice they proved damaging as no one knew what their income was going to be, and where the costs of running it all had turned out to be much higher than projected.
>
> The DWP had relatively small plans compared to the eventual Universal Credit – plans to join some of the benefits up in order to produce some savings and a somewhat simpler system. But we – Number 10 and the Treasury – quite simply believed it would be likely to cost vastly more than expected without any certainty that there would be any great benefit out the other side.
>
> Like Universal Credit, these moves towards a single working-age benefit looked very sensible, and very simple. But did we believe we would be able to execute it, in the light of the experience of tax credits? Our answer was 'no'. We weren't going to let it happen.[60]

The result in December 2008 in yet another government paper was the promise that 'we will explore whether, over the longer-term, a single working-age benefit is the right approach'. The paper added, however, that this 'radical change… is clearly a very significant reform and we will be undertaking further work to get both the structure of such a benefit and the journey towards it right'.[61]

Amid all the debate, what was still missing was a full, settled, definition of what a single working-age benefit would eventually involve. Would it include both in-work and out-of-work benefits? Would it take in Child Benefit and disability payments? Or would it be something much smaller? And there was a further problem. It had by now long become obvious that introducing a simpler system that ironed out the worst anomalies, overlaps and penalties was either going to cost billions of pounds or there were going to be large numbers of losers. By December 2008, there were no new billions of pounds available and absolutely no desire to create millions of losers as Labour's term of office headed towards its close amid collapsing banks and a soaring deficit.

In February 2009, frustrated by Brown's intransigence over his proposals and tempted by both a peerage and the promise of a shadow ministerial job that might become a proper one after a general election, David Freud, so to speak, defected. He ceased to be an independent adviser to Labour's Purnell and became instead a Conservative peer. By December 2009, in Yvette Cooper's day as Secretary of State for Work and Pensions, the idea of a single working-age benefit had been reduced in yet another Labour green paper to a brief reference to it being a 'long-term ambition'.[62] Work on it had largely been put into abeyance.

In another neck of the woods, however, other wheels had been turning.

5. The simplification crusade: the Conservative run-up to the Coalition Government

Back in 2002, IDS, while still the Conservative Party Leader, visited the Easterhouse housing estate in Glasgow. He was both shocked and inspired: shocked by what he was to describe as the effects of 'illiteracy, desertion and addiction'; inspired by the fact that despite the social devastation, parts of the community struggled to help other parts. There is no doubt that it affected this ex-Scots Guards officer, profoundly. The visit was later to be popularised in the media as the 'Easterhouse epiphany'. His then adviser, Tim Montgomerie, says that 'something suddenly clicked. He realised here was his personal mission and a mission for the Tory party'.[63] The Conservatives, IDS declared, had to become 'the natural party of those who want to make a better life for themselves and their children' and one that 'doesn't just drive past Easterhouse on the motorway'.[64]

Shorn of the leadership, in 2004 he founded the Centre for Social Justice, which produced a string of reports, notably *Breakdown Britain* and *Breakthrough Britain*,[65] which helped to provide some of the soundtrack for David Cameron's claims ahead of the 2010 general election about 'Broken Britain'. Over the years, the Centre for Social Justice produced some 350 recommendations around family breakdown, education, addiction and more to tackle 'the growing social divide in Britain' and what IDS dubbed an 'emerging underclass' who were 'trapped by dependency and left behind by society'.[66] He came eventually to the view that 'the biggest barrier to those entering work for the first time was the benefit system itself'.[67] It needed fundamental reform to ensure that work paid.

In 2007, IDS set up a 10-strong economic dependency working group within the Centre for Social Justice chaired by Stephen Brien, a partner at the management consultancy Oliver Wyman and then head of its London office. In helping to produce *Breakdown Britain*,[68] Brien had written a section on economic dependency and through that had himself come to the conclusion that informed IDS's view that to make a real impact on worklessness and poverty a reform of the benefits system itself was necessary.[69] He had a longstanding interest in this dating back a decade when, as an Oxford postgraduate student, he had read *Capitalism with a Human Face*,[70] a book by Samuel Brittan, the *Financial Times* chief economics commentator, which included a chapter on the sort of negative income tax approach outlined in Chapter 3. "I can remember talking to someone sitting in an Oxford café scribbling an outline out on a napkin of what a reformed system might look like," he says, "not that I had grasped then, as I was about to do in 2007, just how complex this would be."[71] He was to discover, once in government, that it was yet more complex than that.

A working group with some knowledge of the impact of the benefits system was assembled, having as its adviser, although not a formal member, Mike Brewer, one of the tax and benefits experts at the Institute for Fiscal Studies. An extensive literature review was undertaken. This included Roy Sainsbury's work. Kate Stanley, among others, was consulted. The working group did not, however, talk to Sainsbury, nor, at this stage, to David Freud. The executive director of the Centre for Social Justice at the time was Philippa Stroud who would go on to be a special adviser to IDS in government, as indeed would Stephen Brien. Over two years the group produced *Dynamic Benefits*.[72]

This report ran to 370 pages. It is not the easiest of reads. But its core diagnosis was that the high participation tax rates, and marginal tax rates, for those in low-paid work were a serious disincentive to start work in the first place, or to earn more once in a job.

'The swift withdrawal of benefits, offsetting earnings from work, creates a deeply regressive system that punishes low earners who are trying to earn more,' it said.[73] Many, particularly at lower earnings, faced a participation tax rate of 75% – keeping just 25p of each £1 they earned as benefits were withdrawn and tax was paid. Some, a minority, kept just 5p of extra earnings – a 95% tax rate – and all this before travel costs. Earning more led to the loss of 'passported' benefits such as free school meals and free prescriptions, which could be more significant than the gain from Working Tax Credit. And all that was happening, the report pointed out, when the highest rate for top earners from tax and national insurance combined was just 51%. 'All taxpayers are familiar with the idea that higher tax rates create a disincentive to work harder. For benefit recipients, the withdrawal of benefits as earnings increase compounds the disincentive caused by taxation.'[74] Its key conclusion was that 'the first steps into the world of work for many in a low hours/low pay job are all but pointless'.[75]

There was much else wrong. There were savings penalties and couple penalties. Any savings had to be run down fast if benefit was to be paid in full as the system assumed that a ludicrous rate of interest was being earned on them. Meanwhile, benefits were reduced for couples by far more than was saved by two people living together rather than separately. This penalised marriage, cohabitation and a family life with children and it encouraged fraud, the report declared. On some calculations there were 200,000 more people claiming tax credits as lone parents than actually existed. And one of the groups most hit by high participation rates were childless adults under the age of 25 who were not entitled to Working Tax Credit. They included the so-called NEETs – 16- to 24-year-olds not in employment, education or training. Their numbers were nearing a million and had obstinately refused to go down during the years of economic growth under Labour.

The solution, according to *Dynamic Benefits*, was a new system of 'universal credits'. Various designs were examined. The favoured route was that nine of what the report calculated to be a total of 51 different benefits should be simplified into 'a single benefit with two components'[76] – in effect, however, still two benefits:

- a Universal Work Credit covering those out of work or on very low wages
- a Universal Life Credit that would cover additional living expenses for those on a low income – this would bring together into one payment Housing Benefit, Council Tax Benefit, Disability Living Allowance, Working Tax Credit and Child Tax Credit.

The amount people could earn before benefits started being withdrawn would be made appreciably more generous. And, crucially, there would be a single, much lower rate of withdrawal – 55% of post-tax earnings – in place of differing withdrawal rates for different benefits and the tax credits. This single figure of 55% was much closer to the 51% the highest earners paid in tax and national insurance, below the 60% marginal deduction rate faced by almost two million working people who were on benefits, and well below the 75% and even 95% that some faced.

The report calculated that these larger incentives to enter work in the first place and earn more once there would have a 'dynamic' effect. More people would do both, thus reducing the cost of the much more generous taper (withdrawal rate) and the more generous earnings disregard before benefits started to be withdrawn. In the long run, it claimed, the reform would be self-financing through lower administration costs, much less error and more tax being paid as more people worked and earned more. Even so, it acknowledged that there would be some losers. And before these gains materialised there would be a short-term cost in a higher benefits bill of the order of £3.6bn – roughly 6% of the £60bn or so then being spent on working-age benefits other than the universal Child Benefit, which was unaffected by these proposals.

When the report was published in September 2009, it was IDS who, with Stephen Brien, touted it around the newsrooms of Britain's media, selling it as 'the most far-reaching review of the welfare system in 60 years'. It was, the pair declared, one that would move 600,000 households off welfare and into work and 'boost the incomes of the lowest paid by nearly £5bn'. The proposals, IDS said, 'have been presented to David Cameron and senior members of the Shadow Cabinet and are intended to provide an incoming Conservative government with a detailed blueprint for reform of the £74bn-a-year[77] welfare system'.[78]

The report made only a limited media splash. IDS was not on the Conservative front bench. As a freelance operation, so to speak, the report was too dense for many reporters. And the initial and official Conservative Party reaction was not wildly enthusiastic. A party spokesperson merely noted that it 'raises some very interesting questions', with newspapers reporting that 'party insiders' were 'privately sceptical' that it would be adopted, not least because of the upfront costs.[79]

Later that month, however, the sharp eyed would have noticed in Cameron's Conservative Party conference speech that he railed against '96% tax rates on the poorest'. The party had won an election 30 years earlier, he said, 'fighting against 98% tax rates on the richest. Today I want us to show even more anger about 96% tax rates on the poorest'.[80] He announced that IDS was to chair a Shadow Cabinet committee on social justice and that if the Conservatives were to win the election 'he will be responsible in government for bringing together all our work to help mend the broken society'.[81] This was a short passage in a long speech. And grand though it sounded, it did not make IDS a shadow minister, let alone put him on the Conservative front bench. It did, however, signal, in the later words of David Freud, now Lord Freud, that IDS was "being brought back into the fold by Cameron".[82]

Shortly after the party conference, IDS and Stephen Brien met Theresa May, the Conservative work and pensions spokesperson, with Freud alongside her. IDS presented his wizard scheme to a properly sceptical and cautious May. She nonetheless asked, according to one of those present, a key question – "Why two benefits? Why not one?". As IDS pressed the scheme on May with an intensity so ferocious that it did little to enamour her of the idea, across the other half of the same table Stephen Brien and David Freud were running a parallel conversation "like a couple of technical nerds" who were getting on "like a house on fire, going hammer and tongs about all this, but in a very positive way".[83] The outcome was that, while May was far from convinced, she agreed that Freud and Brien should carry on talking.

The subject of the conversation – *Dynamic Benefits* – was in a sense what Freud had been looking for. Frustrated by Labour's refusal to pursue the idea of a single working-age benefit with any rigour, he was later to say that "the only people who took up the challenge were Iain Duncan Smith and the Centre for Social Justice".[84]

Freud says that after that meeting:

> IDS essentially asked me to take the basic idea and turn it into practical politics. Between the November and the January Stephen and I worked it up and we had to take quite a lot of decisions. I thought having two benefits was a nonsense. So first we boiled it down into a single benefit for both in-work and out-of-work. And we had to decide what was in and what was out.
>
> We decided against including Child Benefit. If we had pulled that in, and means-tested it, that would have been seen as an attack on the middle classes. There would have

> been an imbroglio and that would have destroyed any idea of doing it. And the second big decision was to keep Disability Living Allowance (later to become the Personal Independence Payment) separate as a means of recognising the additional costs of being disabled. You basically can't afford when you introduce these things to go to war with virtually everyone. So we took those two things out and we concentrated on the real means-tested bits.
>
> We had some people working with us, including Pricewaterhouse[Coopers] (PwC). But by the end of January we came to the conclusion that it was un-doable. That we simply could not do it.[85]

Freud had estimated in his original report for Purnell that it would take eight years to introduce a single working-age benefit and PwC, Freud says, had confirmed that it would take that long to build, let alone roll out.

> So Stephen Brien and I were looking at this and basically it was dead in the water.[86] And then I had an almost accidental meeting.
>
> Peter Seymour, who was head of government and public service at Vocalink, which runs the BACS system [the banks' automated clearing system], had been to see Philip Hammond who was the Shadow Chief Secretary to the Treasury who passed him on to me. Basically, Peter said they had spent four years developing a real-time PAYE [pay as you earn] system for HMRC but in January the HMRC powers-that-be had decided to can it. He was desperately running around trying to find ways to revive it. So I had coffee with him in the Lords, not knowing all this, and suddenly realised that, if we had a prototype real-time information (RTI) system, that would give us the feed that we needed to run a Universal Credit system that was responsive to changing circumstances. As a result, we would jump many years of IT build – four in fact. So suddenly we had a viable timetable. George Osborne put me in touch with David Gauke who was the shadow minister for tax policy and he and I formed a very close alliance where he would deliver RTI if we got into government because he wanted that for a modernised PAYE system, while also providing it for us. We were back in business.[87]

RTI, which was to gather PAYE information from employers monthly, mattered because if it worked it allowed a fundamental change of approach. Awards would no longer have to be given for six- or 12-month periods. They could be adjusted monthly in close to real time and RTI would pick up multiple jobs, reducing the chance of fraud while allowing benefit payments – Universal Credit – to be adjusted as income rose or fell or circumstances changed. It was the key to the lock of Universal Credit. And it promised to tackle the overpayment and underpayment problem.

By now it was March 2010 and "much too close to the general election to start talking about rebuilding the tax and benefits system," Freud says, "so we didn't talk about it in the election".[88] On top of the closeness to the election, it was also clear that Universal Credit was nowhere near the top of the priorities of Theresa May, who was still the work and pensions spokesperson. It is doubtful if it was even on her agenda. According to senior civil servants, the idea of a big benefits simplification project was not mentioned by May in the customary talks where shadow ministers tell permanent secretaries what they would like to do ahead of general elections. "She wasn't interested at all in wholesale reform," according to one of those involved in the meetings." Her key focus was the Conservatives' new work programme, although she did raise the possibility of the DWP taking over the running of tax credits, an idea that George Osborne, as Shadow Chancellor, had floated in public on the principled grounds that the Treasury, which oversaw HMRC, should be purely a finance department, not a spending one.[89]

At Easter 2010, there was a meeting between IDS and George Osborne on the idea of Universal Credit. But – in an early sign of trouble to come – it did not go well. "The chemistry between George and Iain was not good," one insider says. "And to be honest, that was one of the things that has not helped all the way through this."[90] Another says that, throughout, "there was a lot of animosity between them".[91]

At the time, Osborne was merely Shadow Chancellor. But as that meeting took place, both the Treasury and the DWP were busy doing their pre-election homework. Stephen Brien was invited to present his latest version of the ideas in *Dynamic Benefits* to one of a series of seminars that the DWP held for its policy people and its analysts ahead of the vote, each designed to look at what a new government of any party might seek to do. The Treasury too was in repeated contact about the detail.

Stephen Brien says:

> The message I got from DWP was that they had heard all this before, that it was an immensely complex change that was full of problems and that it would not fly – from many of the same civil servants who immediately after the election were to be telling us that it was the best thing since sliced bread and that they were thrilled to be part of it!
>
> The Treasury offered much less of a view. But I had a lot of calls in the weeks running up to the election and it was clear that they were going through it with a fine tooth comb and really wanted to understand it.
>
> It was only much later that I realised, through a failure of editing on my part, that we had left in *Dynamic Benefits* a hyperbolic paragraph from an early draft of the report. It quoted the view of Nick Macpherson, the Permanent Secretary at the Treasury, that while employment would have an impact, it was money that was the key lever for tackling child poverty. We had said of that view, quite unnecessarily, that '[i]t sounds facile; it is facile'.[92] It did not, quite frankly, help us in our later relations with the Treasury that we had criticised the Permanent Secretary in that way before we had even started.[93]

With these pre-election exchanges between the Treasury, the DWP and the Centre for Social Justice over, the country voted on 6 May 2010. The electorate produced the hung Parliament that led to David Cameron's 'big, open and comprehensive offer' to the Liberal Democrats to form a coalition government.[94]

On Wednesday 12 May, IDS was appointed as Work and Pensions Secretary, as much to his surprise as anybody else's. So little had he been expecting an appointment that immediately after the election he had flown to Florence "to do the galleries" with his wife, Betsy, who was recovering from cancer. When he got the call from Cameron he even asked for time to think about the job, saying he had to consult Betsy to see if she was prepared to see him go into government. "I just wanted this [Universal Credit] done. But I did not think necessarily that I would do it. It was, however, my priority from day one."[95]

6. Universal Credit goes into government

When staff across the DWP learnt that they were to get IDS as their boss, they rushed to remember in more detail who he was. As a result, the Centre for Social Justice's website crashed as they looked up him and *Dynamic Benefits*. According to Philippa Stroud, the chief executive of the Centre for Social Justice who instantly became IDS's special adviser, when they entered the office they were greeted by Sue Owen, head of strategy, and Trevor Huddleston, the deputy chief analyst. They were clutching a copy of *Dynamic Benefits*. They told the new Secretary of State, Stroud says, that "we believe we can do it, and that it will cost less than you think".[96] Parties to that conversation remember it with one crucial difference: "We believe we can do it," they told IDS, "but it will cost a bit more than you think."[97]

Both IDS and Freud are clear that the department was keen to take this on. IDS says:

> As we went round the floors and talked about what we wanted to do, we got a big round of applause. What I found was that the staff desperately wanted to take control of this back from the Treasury because Brown had taken over a whole section of what this department should have been doing. They said: 'these are the changes that we have wanted to do for ages' – not in detail but general principle. And the Strategy Unit had been thinking about it and indeed had been talking to Stephen Brien and Philippa.[98]

Days before the election, Freud had written a two-and-a-half-page paper headed *Single Account Tax and Benefit System: Plan*, which stated that 'our aim is to integrate PAYE, benefits and tax credits into a single system within two years on a real-time basis'. This 'universal tax credit' would be withdrawn at a constant 55% taper on post-tax earnings, with the paper outlining the potential savings and employment impacts.[99] Within a day or two of taking office, Freud was taking senior civil servants through it, already knowing many of them from his days as James Purnell's adviser.

Freud says:

> Amazingly they were really enthusiastic. I think they were all utterly fed up with running the existing system that was creaking at the seams and saw this as the one chance in a generation to get out of that.
>
> They were very receptive. But at the end one senior official was sitting there looking rather angry. So I said 'what's the matter?' and the reply was: 'I am in a total rage. We've spent a lot of time talking to HMRC about the possibility of us taking over tax credits and at no point did they tell me about this real-time information system.' So it was one of those amazing occasions when someone outside government knows more about what is going on than people inside government itself.[100]

Some senior figures had long taken the view that pretty major reform was necessary. As one puts it:

> This part of the system was in my view, and in the view of many people in the department, simply not fit for purpose. It was hugely costly, with costs continuing to escalate, almost inexorably. It was a system which was at least arguably sending an awful lot of money to people who needed it least and not giving money to those who needed it most. It had become so complex that its staff couldn't understand it and its customers couldn't understand it. And it was creating and causing an awful lot of fraud

> and error. There was a case for looking fundamentally at its nature. The new Secretary of State did not meet a department saying: 'You must be mad to be thinking about fundamental reform.'[101]

Another says: "We were genuinely excited about this. After all, we already had the work we had been doing in James Purnell's time and earlier on a much simpler system."[102]

Furthermore, during the election campaign – a time when departments go into hibernation in terms of policy announcements but work up plans on the declared intentions of all the main parties – a tiny number of officials had undertaken some intensive work of their own on what a single in-work and out-of-work benefits system might look like, given that George Osborne had hinted strongly that tax credits would be transferred to the DWP. One of them says:

> We weren't really allowed to go near tax credits in Purnell's time because they were Gordon's. But if tax credits were going to come over to us there was an opportunity. Furthermore, there was a lot missing from *Dynamic Benefits*, which was still two benefits, not one. It didn't have anything in it about in-work conditionality and the need to deliver it through a single agency – Jobcentre Plus. So we did quite a lot in the purdah period to sort all that out, not knowing we were going to get Iain Duncan Smith and Universal Credit, but aware that there was an opportunity here if tax credits were transferred to DWP to get to a single working-age benefit. So we had a plan that was close to their plan.[103]

As another official puts it:

> In a sense we already had one of these [a version of Universal Credit] on the shelf so to speak. It was, of course, different to Universal Credit, and it was clear that whatever we did it was going to cost more than *Dynamic Benefits* because there were things that Stephen Brien had not factored in. So the two were different. But not wildly so.[104]

The transfer of tax credits did not in fact happen. The DWP had done extensive preparation for it and senior figures favoured it. But it became clear shortly after the election that the Treasury had gone cold on the idea.

The big bout of initial mutual enthusiasm about Universal Credit over, the department took away all these outline plans and assessed them somewhat more soberly. It came back and said:

> We think this is deliverable, Secretary of State, but it is the mother and father of all challenges. And it will depend absolutely critically not just on the ability of DWP but on the ability of the revenue to do its part – real-time information. What then followed was a series of discussions with a highly sceptical Treasury, over whether this should happen. Their scepticism was around deliverability and cost. [Speaking in 2014, this interviewee added:] The Treasury's scepticism has probably proved fully justified.[105]

To describe the Treasury as sceptical is something of an understatement. Burned by the experience of tax credits, it had – along with Number 10 in Brown's day – killed off earlier attempts at a single working-age benefit. Here was the same idea again only many times more ambitious. IDS says that he had talked to the Chancellor, George Osborne, about Universal Credit ahead of the election but "George didn't really engage at that stage because he had other priorities". The real problem, in IDS's view, was senior Treasury officials:

> They were damned if they were going to engage with this. And if you are the chancellor and you are engaged in this massive plan for deficit reduction, which we had to have, you have to rely on your officials. So we had our moments in the first few months. But I knew we had to get this signed off in the first few months or we would never get it.[106]

One senior DWP official said that, deliverability aside, the Treasury was deeply suspicious of the department's and IDS's claim that, while Universal Credit would cost more in the short term, it would save money in the long run:

> … because the higher return from taking work would provide a huge incentive for people to do more work and receive less benefit. That was the department's argument. But the Treasury had heard all that before, from so many people in different departments, so many times. 'I promise you the most wonderful treasure, so long as you invest in a few more galleons.'[107]

Among its core worries, according to another official, was the real risk that lone parents in particular who were working 16 hours a week, and couples who qualified for tax credits at 24 hours a week if one of them worked at least 16 hours a week, might reduce their hours given the larger work allowances and the less punitive withdrawal rate that IDS wanted. Given that they would only lose, for example, 25p in real income for the extra pounds they earned, some might judge they would be little worse off if they still worked, but worked less. In addition, there were clearly going to be extra costs from paying an in-work benefit to those working up to 16 hours when, under the existing system, they did not qualify for any in-work benefit. In other words, those 'mini-jobs', which IDS saw as a key component of the design in order to reduce worklessness, would cost more than the existing system, which, a tiny disregard of earnings aside, provided no additional assistance over out-of-work benefits unless the job was at least 16 hours a week. Furthermore, the Treasury regarded the profile of winners and losers from the change as 'horrific'[108] and took the view that transitional protection would be needed – protecting the income of people already on benefits at the point of transfer – which also added to the costs.

The holding position, which reflected the Treasury's profound scepticism, came in a DWP green paper entitled *21st Century Welfare*, published in July 2010 – barely two months after the general election.[109] This canvassed not just Universal Credit but also four other options for making the benefits system simpler. Those four were seen by IDS and his advisers as 'the spoiler options' in there at the Treasury's insistence. And it was clear to even an untutored eye that the only one that IDS and the DWP favoured was Universal Credit itself. The battle for Universal Credit had advanced. But it was far from over.

George Osborne was deep at work on the 2010 Spending Review, which was intended to eliminate the deficit by the end of the Parliament. In October 2010 it produced £99bn of spending cuts by 2015/16, 'the longest, deepest, sustained period of cuts to public services spending at least since World War II', in the words of Robert Chote, the director of the Institute for Fiscal Studies at that time.[110]

Osborne initially sought some £18bn of cuts from the DWP, according to Philippa Stroud. The final figure was to end up at £12bn, but at the beginning of this process the DWP and the Treasury were at loggerheads. "Iain refused to agree to anything on that scale until he had a guarantee on Universal Credit, that the investment to introduce it would be there, to the point that he actually stopped all officials from engaging between the DWP and the Treasury," Stroud says.[111]

In August of that year, the core of this dispute spilled out into the media as newspapers as disparate as the *Financial Times* and the *Daily Mail* reported a 'blazing, shouting, grade-A row' between IDS and Osborne about Universal Credit in particular and the scale of welfare cuts that the Treasury was seeking in general, with the two men 'hurling insults at each other'. IDS reportedly accused Treasury officials of trying to block his simplification crusade and of treating his officials with a total lack of respect. Clare Lombardelli, the Deputy Director who headed the Treasury's labour market team, was said to have described IDS's plans as 'unaffordable and impractical'. IDS branded her 'that woman' as the Chancellor reportedly defended his officials by telling IDS: 'If you come up with proposals that work, they will be treated with respect'.[112] It was, says one of those present:

> … a horrible meeting. I have not seen two grown adults have such an obvious row in front of the children for a long, long time. There was no effort to say: 'Let's step outside and have a chat.' They were almost wanting to have this row, in front of the civil servants, the special advisers and everyone.[113]

It was to take two attempts and the intervention of the Prime Minister, David Cameron, to get Universal Credit through the relevant Cabinet committee.[114] In the end, according to Stroud, a deal was brokered at a Cabinet 'away day' at Chequers when she, Rupert Harrison, who was the Chancellor's chief economic adviser, and Oliver Letwin, who was the Minister for Government Policy in the Cabinet Office, held a side meeting "and it was agreed that Iain would allow his officials to re-engage with the Treasury on the condition that there was £2.5bn invested into Universal Credit".[115]

It was also important in the midst of this dispute that IDS turned out to have allies elsewhere in government. Cameron, who may not have grasped every aspect of the immense detail involved in what IDS wanted to do, had appointed IDS knowing what was in his mind. And IDS had other support close to the very top of the Government in the Liberal Democrats in the shape of Nick Clegg, the Deputy Prime Minister, and Danny Alexander, the Chief Secretary to the Treasury who was therefore Osborne's number two.

Universal Credit may not have been the Liberal Democrats' idea, but the party had a long track record of desiring some unification and simplification of the tax and benefits system and Alexander had engaged with the idea of a single working-age benefit in Labour's time. He favoured it. In Universal Credit's darkest days, he was to be a key ally. Clegg too, as the big bust-up between Osborne and IDS was being reported, was quoted as being in favour. 'We have a problem: the welfare bill has got bigger and bigger and welfare dependency has got bigger and bigger,' he told the *Daily Mail*. 'People have ducked this because it is controversial and complex. I believe in work – it is vital to your self-respect and self-worth.'[116] He helped to manoeuvre the eventual approval through the Home Affairs Committee of the Cabinet. IDS was later to say: "It would have been touch and go whether I could have got this through a purely Conservative government with that kind of interest from the Treasury. The Liberals were very helpful."[117]

There was an added element to all this. IDS was determined to do Universal Credit. It was his mission. As one senior civil servant put it: "He was in that sense a very dangerous minister. He had no ambition for himself because he had been Tory Leader and that had ended in tears. This was the only thing he wanted to do. And he would have walked away, if he had not been allowed to do it."[118] That, incidentally, was to be proved in 2012 when Cameron offered IDS a move to be Justice Secretary – a shift of responsibility that the Work and Pensions Secretary quietly but firmly declined. He did not want to move to justice. But at least as importantly he wanted to see this through, even though – and perhaps because of the fact – in mid-2012 as the offer was made, he knew that Universal Credit was in deep trouble.[119] As he put it in an interview with *The Daily Telegraph* in November 2010, he was 'in here for this. That's it.'[120]

While not directly engaged in the post-election altercations with the Treasury, it was equally true that Lord Freud had no political ambition beyond Universal Credit. As was to be proved on the odd occasion by his public utterances, he was rather more a technocrat than a politician, albeit a technocrat who had learnt about the benefits system on the job, so to speak. But he believed, as passionately as IDS if that were possible, in a reform into which he had personally invested much time and effort.

These private and not-so-private spats passed, and following at least two meetings in Number 10, and with Cameron's support,[121] the white paper *Universal Credit: Welfare that works* was published in the November.[122] This announced the amalgamation into one, of six means-tested in-work and out-of-work benefits:

- Child Tax Credit
- Housing Benefit
- income-related Employment and Support Allowance
- income-related Jobseeker's Allowance
- Income Support
- Working Tax Credit.

A notable omission was Council Tax Benefit. In an entirely separate decision, the Coalition Government, in the name of 'localism', had demanded a piece of devolution from every government department. The DWP had accepted, or had been forced to accept, the devolution of Council Tax Benefit. It was handed over to local government to define its rules and administer it, along with a 10% – a £500 million (m) – cut in its generosity. This raised the prospect of 100 or more different eligibility schemes, depending on what councils decided to do. The decision undermined the idea of a single benefit, complicated the 'better off in work' calculations, and was regarded by all ministers within the department, and their advisers, as quite simply "barmy".[123] Nonetheless, it happened.

Philippa Stroud says that it was the size of the cut that accompanied the change that forced ministers to agree:

> Had it not been localised there would have been another half a billion of other cuts to DWP benefits because there was a savings tag attached to it that the Treasury was insistent on. Eric [Pickles, the Local Government Secretary] didn't want it localised, and we didn't. But we were looking down the lens of £12bn of benefit cuts and felt we couldn't do yet another half billion. Localisation of Council Tax Benefit was entirely Treasury driven.[124]

It was IDS's first defeat on his original plans. Aside from Council Tax Benefit, the time-limited but non-means-tested versions of Jobseeker's Allowance and Employment and Support Allowance for those who had paid enough national insurance contributions were left outside this 'universal' credit, as were Child Benefit, Disability Living Allowance, Carer's Allowance and much else. Nonetheless, the scale of the challenge – six benefits replaced by one – was obvious to all. The six benefits that were going into Universal Credit amounted to more than £60bn worth of expenditure a year.

There was a carefully phrased promise in the *Universal Credit: Welfare that works* white paper: 'The Government is committed to ensuring that no-one loses as a direct result of these reforms. We have ensured that no-one will experience a reduction in the benefit they receive as a result of the introduction of Universal Credit.'[125] Careful reading of that saw that this amounted only to transitional protection, one that applied only at the moment when people already in the benefits system were moved across from the existing benefits to Universal Credit. As their circumstances changed there would be losers compared with where a comparable family would have been under the existing system. And those joining Universal Credit for the first time, not having been on benefit before, could also be worse off than they would have been under the existing system.

Existing rules that saw significant jumps in income as lone parents worked 16 hours a week and couples 24 hours and then 30 hours a week – the so-called 'hours rules' – were scrapped, as were different withdrawal rates for different benefits. In their place came a single withdrawal rate or taper. This was all judged likely to increase the uptake of unclaimed benefit, and the evident cost of that contributed to IDS's second defeat over his original plan. The withdrawal rate was to be 65%, not the 55% that *Dynamic Benefits* and Freud's immediate pre-election paper had advocated.[126] This remained a rate appreciably lower than some faced under the existing system. It was still appreciably higher than the combined 51% top rate of income tax and national insurance. For those who earned enough to pay tax and national insurance – and the Government was raising the threshold for basic-rate income tax – the withdrawal rate hit 76%. As the *Financial Times* noted slightly acidly, that was better than withdrawal rates of 95% plus, 'but few bankers would get out of bed to earn extra if their tax rate were 76p in the pound'.[127]

The disappearance of the 'hours rules', the arrival of the single taper, plus a more generous disregard of initial earnings, were a dramatic change in design. Combined with other changes, they also involved a big cultural shift.

The aim now was to ensure that any amount of work – a 'mini-job' of even just a few hours a week – would pay more than inactivity. This contrasted with the existing rules that in almost all cases literally made it not worthwhile to work below 16 hours.[128] But with that came two other changes. First, there was yet greater conditionality to seek work when out of it – an approach that was dubbed the 'claimant commitment'. This required spending up to 35 hours a week job searching and it was allied to much tougher sanctions. There was to be a maximum disqualification from benefit of three years rather than six months for those who persistently refused to comply.

Second, with all that came a fundamental recasting of the role of the state. Because in theory any amount of work would pay, the state was no longer just interested in whether someone was in work or actively looking for it. The taxpayer now had an interest in ensuring that people did not do only a few hours a week. It now had an interest in people doing more work, or earning more, in order to restrain the benefit bill and the overall cost of the reform, and ideally to get them off Universal Credit. So, *in-work conditionality* was to be introduced for the first time. In other words, the state had an interest in requiring those in less than a full-time position to earn more, through more hours, an additional job, or a better-paying one. Sanctions were to be applied if the DWP judged that claimants were not making reasonable efforts to do that. Quite how that was to work was far from clear. Would people in work – but judged to be earning less than they could – lose their benefit in part or entirely if they failed to earn more? Even when their employer refused to give them extra hours? Or they could not find a better-paying job? Or an additional job? And how would that judgement be made? All that was something of a mystery even as the white paper stated that 'conditionality will push people to do as much work as is reasonable for them'.[129] And there was something of a paradox here. Universal Credit was intended to encourage independence – pushing people to have higher earnings and reducing their reliance on benefits – but in doing so it would be more intrusive into, and would seek more control over, the lives of people already in low-paid work.

There was a litany of other unanswered questions:

- How would child care costs be handled?
- What support for disabled children would be provided?
- What would be the precise mechanism for paying Housing Benefit for those in council and housing association properties?
- What mortgage help would be provided?

- Fairly crucially, what would happen to the ‘passported benefits’ that entitled those in receipt of Jobseeker’s Allowance and Income Support to additional benefits, including free prescriptions, free school meals and dental treatment?

In other words, for a white paper, much of it was very green. According to DWP insiders, this was largely at the insistence of a still deeply sceptical Treasury, which resisted the greater detail that would have nailed down aspects of the policy ahead of the legislation. The top of the DWP, however, judged it was better to get the white paper launched than to fight the Treasury over issues, some of which – for example how in-work conditionality will function – have not been fully resolved even at the time of writing.

An added twist in the white paper was that because 75% of the working-age population was paid monthly rather than weekly, Universal Credit was to be assessed and paid that way, in place of the weekly or fortnightly payment that applied to many out-of-work benefits. This was intended to accustomise those out of work to the financial discipline of a monthly pay cheque or salary – another part of the cultural shift that Universal Credit implied.

And in the light of later events, the white paper contained some fairly breathtaking statements. Universal Credit, it said, ‘would involve an IT development of moderate scale, which the Department for Work and Pensions and its suppliers are confident of handling within budget and timescale’.[130] The timescale was in fact set out only in the broadest outline. New claims for Universal Credit were due to start in October 2013, with the provisional timetable seeing all eight million households affected – and thus millions more people – transferred to the new benefit by October 2017; a provisional timetable that was shortly to be nailed down with more detail as the real one.[131]

Despite the many unanswered questions – and there were more than outlined here – it is important to stress that Universal Credit always had cross-party, and much other, support, at least in principle. The Coalition Government was signed up to it. Labour recognised in it its own somewhat half-hearted attempts to get to a single working-age benefit. And bodies as diverse as the Citizen’s Advice Bureaux – advocates for those grappling with an immensely complicated benefits system – and the Institute for Fiscal Studies, a genuinely independent source of expertise on tax and benefits, all saw the potential gains in a simpler system.[132] It was the practice, the detail and the implementation that they and others – wisely – worried about.

The white paper argued that the new simpler system, with its real-time information on earnings, would:

- reduce fraud and error
- cut administration costs
- increase take-up because the system was easier to understand
- increase employment and earnings
- shift as many as 350,000 children and 500,000 adults out of poverty.

However, this would be at the expense of some of the top-end recipients of child tax credits and Working Tax Credit, who would lose out.

In remarkably short order, the November white paper became a Welfare Reform Bill in January 2011. It took until March 2012 to become an Act but it was then to take another whole year (until March 2013) to complete all the regulations – the secondary legislation that filled in the detail of its operation. Nonetheless, Universal Credit was on its way. So what happened?

7. An initial diagnosis

What happened is that everything that could go wrong did go wrong – and that is scarcely an exaggeration. One of the prime Whitehall rules is that projects should have a single senior responsible owner throughout their life – someone with a complete oversight of the project and personal responsibility. This is only rarely achieved – although the creation of Jobcentre Plus (see below) is an example of how it can help to engender success. Being the senior responsible owner of Universal Credit, however, proved to be only too like being one of Henry VIII's wives: divorced, beheaded, died; divorced, beheaded, survived. Over little more than five years, two retired through ill-health. Two were interims, although one of those was key to the attempt to rescue it. One died in harness. One survives. Over little more than five years, Universal Credit has had six senior responsible owners. At one point it had five within a year.[133] And at a level just below that, it has had six programme directors.[134]

Universal Credit was partly hampered by being launched just as the Government was seeking to revamp across the board, and totally, the way it managed large IT projects. Francis Maude, the Cabinet Office minister, was in charge of making the Coalition Government work more efficiently, and he was one of those rare politicians genuinely interested in how to manage government. In the wake of a string of IT fiascos of varying scale, Maude ruled that the traditional way in which Whitehall managed these projects had to go – namely writing large turnkey contracts for suppliers that ran over many years and could amount to £2bn to £6bn and more of expenditure.

The days of 'mega IT contracts' and 'big bang' IT solutions 'are over', he told MPs not long after the general election. There would be 'a presumption against projects having a lifetime value of more than £100 million' and if ministers proposed programmes costing billions of pounds in IT, with four- or five-year lead times, and which required a whole new system to go live on a given day, 'we will say no to that policy early on'.[135]

Furthermore, wherever possible, services for citizens would become 'digital by default' – that is, citizens would use web-based means to access services rather than via the post or telephone.[136] Ironically, within a year of taking office, Maude was to cite Universal Credit as a flagship example of how that was being done. In truth, one of the complicating factors for Universal Credit was that the department took 'digital by default' to its heart without, as it turned out, knowing how to do it.

For the layperson not versed in these things – which includes this author – the full implications of the changes to the way IT was to be handled are not easy to grasp. But essentially the traditional way of managing such projects was what was known as the 'waterfall' approach. Government would legislate on a programme and set the rules. Suppliers would then design in detail how these would operate before testing them and then cascading a finished system down to the front line. This would then be implemented in phases, or all on one day. Its strength – if all went well – was that implementation would be rapid once it was all in place. Its weakness was that it could take a long time to get the system built, work not starting until all the requirements were defined. A further weakness was that any errors or misjudgements early on or mid-way through the design and operation tended to be baked in, and thus very hard to change. Users could find that it did not meet their needs because requirements were wrongly specified early on.

The opposite approach – which the private sector had increasingly adopted over the previous decade – was known as the 'agile' approach. This, as one practitioner put it, is "a much more humble approach. It is really a mindset of humility around how little you should expect to understand about how real people use your service. So you optimise your whole approach by working with them and learning to iterate quickly based on learning in the real world."[137]

The requirements emerge through repeated engagement with users, rather than being defined from above. Systems are developed in small, iterative steps, with fresh code released regularly; fortnightly in the case of Universal Credit once a genuinely agile approach to it was adopted. Each release involves changes in the way staff operate and clients interact with it.

The agile approach has the advantage that this can be done by small teams, not large ones. And in theory it raises the chances of spotting complex problems early, while avoiding the risk of building mistakes in at an early stage. By repeatedly interacting with users, it can help to define what is needed in a real, rather than theoretical, world. It can involve much smaller contracts. It also clearly sees the problem as being one of business change – changing the way the provider and the user interact – rather than the project being merely 'an IT problem'.[138]

Neither approach, it should be said, is guaranteed to deliver success.

One key difficulty, however, was that the department had no experience of using agile methods, any more than did most of the rest of government. The DWP's record on IT was in fact better than many departments. It runs on mighty legacy systems. But for all the fraud and error involved in benefit payments, it churns out literally millions of benefit payments a month pretty efficiently and with relatively few disasters given the scale of its operations. Its record for updating its systems compared with other departments, while far from perfect, compared tolerably well. It had, using its traditional waterfall approach, successfully delivered the IT that underpinned the Employment and Support Allowance, which had begun operation in October 2008, but that had not involved anything on the scale of Universal Credit. And it had earlier, with huge success, played the central part in the creation of Jobcentre Plus, a mighty merger of the old employment offices, run by the-then Employment Department, with its own benefit offices, to create a one-stop shop for both benefit payments and job search. Academic research had shown that this had improved the ability to get people into work,[139] and indeed its success had seen other countries adopt a similar approach. Much of that had been led by Leigh Lewis, the department's Permanent Secretary between 2005 and 2010. He had been chief executive of the Employment Service and then chief executive of Jobcentre Plus as the new organisation was formed. This £2.2bn project had been delivered to all intents and purposes on time. It had also come in comfortably under budget while generating operating savings and producing, for a government service, high levels of satisfaction from its users – 86% were either fairly or very satisfied with the results, according to one survey.[140] The department thus felt that it had both a track record on major projects and something to prove, given the lingering resentment over Gordon Brown's decision to give tax credits to HMRC.

DWP ministers were under no illusion that Universal Credit was a huge business change that also involved a big cultural shift – seeking to ensure that any amount of work paid, while seeking also to design a system that would encourage, and indeed require, people to work more or earn more once in a part-time job. It expected people to take more financial responsibility – handling their benefit money monthly, not weekly or fortnightly, and no longer having Housing Benefit in the social rented sector paid directly to landlords. Furthermore, when out of work, the DWP would notionally be their employer – requiring up to 35 hours a week of job search. The whole thing would also, obviously, depend crucially on the IT. Lord Freud would explain to reporters that it would be built line by line by working out what individually needed to be done for the literally scores of different changes of circumstances that claimants can go through – earning more, earning less, entering a job then leaving it, being sacked, acquiring by whatever means children, new partners, divorce, separation, getting back together, or any of the myriad other factors than can affect people's lives and incomes. This was one description of an agile approach. But not one that worked, or, of which DWP had any experience.

Contracts were let to three of the DWP's traditional suppliers – Accenture, HP and IBM – for different components of the system of which there were many – well over a dozen at a minimum definition.[141] According to one insider, there was not an agreed database of claimants from which to work. And there were soon to be tensions.[142] The two civil servants in charge of the day-to-day IT side of things had their fans within the department but also their critics. Hard driving, they were determined to see it through. But there were also personal tensions with some of the suppliers. As one put it of one of these two principals: "never trust someone who is not a Texan but who wears cowboy boots to work".[143] The IT development was headquartered, so to speak, in Warrington. At the peak there were more than 1,000 people developing the IT, in Warrington itself, in Newcastle, London, India and elsewhere. But as the NAO was later to put it: the DWP 'experienced problems incorporating the agile approach into existing contracts, governance and assurance structures'.[144]

Other factors influenced the programme. In common with other departments, the DWP was facing a huge cut in its running costs as the Coalition Government sought to drive down the deficit. It had to reduce them by £2.7bn – a 26% cut – between 2009/10 and 2014/15. But Universal Credit was far from the only big project on its plate. It was also undertaking a total rebuild of Labour's welfare-to-work projects, revising the Employment and Support Allowance, introducing a new Personal Independence Payment for disabled people – the latter two of which required complete reassessment of all claimants and which were to prove a sea of troubles – introducing automatic enrolment for pensions and, soon, devising and introducing a new single-tier state pension. And more. All the while making big cuts to the welfare budget.

The department was to have no fewer than 12 projects with the Major Projects Authority (MPA) – all of them involving big business change, not just the physical construction of roads, aircraft carriers or submarines. Universal Credit was to have its budget ring-fenced, and other departments in fact had as many projects with the MPA – although few on the scale of the things that the DWP was up to. To the outside eye at least, and to the eye of some former departmental insiders, all this looked like overload – for both the department and ministers – at a time when its operational budget was being reduced by more than a quarter. "For those of us who know just how difficult welfare reform is, achieving one of these [major programmes] would have been difficult," says Jonathan Portes, the former chief economist at the department.[145] The NAO was later to judge that 'the Department did not have sufficient understanding of its portfolio of programmes or overall capacity'.[146]

Finally, the Coalition Government was also revamping the way it oversaw major projects. Back in 2001 the Labour Government had established 'gateway reviews'. These looked at projects at various stages of their development – seeking to ensure that they were on track; raising warning flags for action when they were not. This process had strengthened over the years. But it had its weaknesses. The reviews were mandatory, although even so they did not always happen. Implementation of the recommendations was not mandatory. As the NAO was later to observe, the reviews relied 'on departments' or SROs' [senior responsible owners'] willingness to comply'.[147] While they reviewed documentation and interviewed those responsible for projects, they were also reliant on the willingness of departments to be honest about progress. Indeed, the reliance on honesty was the key reason why the Labour Government and subsequent administrations have repeatedly refused Freedom of Information requests for the results of the reviews to be put in the public domain. People would not be honest with the process if flaws in programmes were instantly exposed to public scrutiny, the argument ran. But as failures among the projects that the Office of Government Commerce had reviewed continued to happen, it became plain that not everyone was honest, even if all they were suffering from was an occasionally profound 'optimism bias'[148] that all would turn out well in the end.

The fact that the process was far from perfect led Nigel Smith, chief executive of the Office of Government Commerce, which ran the gateway reviews, to invite a study of them, in 2008, by David Pitchford. Pitchford was an Australian who had been a chief executive of Melbourne City, chief operating officer for the Melbourne Commonwealth Games in 2006 and general manager of Palm Jumeirah in Dubai, at the time the world's largest land reclamation project. His report recommended that:

- the reach of the reviews be extended
- its staffing be strengthened – the reviews were heavily reliant on private sector consultants
- they be given more teeth.[149]

Pitchford returned to Australia. In 2010, however, he got a call asking him in effect to come over and implement his recommendations. He became executive director of major projects in the Office of Government Commerce and then chief executive of the MPA as it was turned into that new body under Francis Maude.

The MPA was a joint exercise between the Cabinet Office and the Treasury. Cameron made engagement with the MPA compulsory and enactment of its recommendations mandatory, while giving the MPA the right not just to make recommendations but also directly to intervene where projects were going awry. A much tougher initial approval process was put in place. And tranches of Treasury funding as projects progressed were to be made dependent on recommendations for action being implemented. All these changes, however, were being devised and put in place rather than being fully operational as Universal Credit was getting going. Universal Credit was never subjected, for example, to the full initial 'starting gate' assessment that the authority was to introduce and the MPA itself did not formally come into existence until March 2011. David Pitchford says that the MPA was:

> a rollover from the Office of Government Commerce and its gateway process and, to be fair, in the first year we were establishing the portfolio and how we were going to operate, rather than doing deep dives. As we were able to recruit more people with more understanding we were able to do that, with site visits and face-to-face interviews with people doing the work, [rather than relying on the previous process where] mainly people were called into London and told their story and were quizzed, and that was about as far as it goes.[150]

8. The gory story of implementation, 2010 to 2013

With the far from perfect white paper out in November 2010, the timetable established, and the bill on the way, Leigh Lewis, the Permanent Secretary at the DWP, took one of his final pre-retirement decisions. Fully aware from his experience with Jobcentre Plus of the need for a senior responsible owner for this mighty project, he appointed what he was to describe to friends as his "very, very best person" – Terry Moran. Moran's career in the department had been that of an operational expert. At the time he was head of the Pension, Disability and Carers Service. Lewis reportedly told Moran: "You will have the team you need to deliver this, and you will have removed from your shoulders every other task", because everything Lewis knew about delivery "was that you had to have a totally dedicated team of your best people".[151]

Moran began the task in December 2010. But in October 2011, Robert Devereux, the new Permanent Secretary, who had arrived from the Department for Transport, also made him chief operating officer for the entire department while remaining senior responsible owner for Universal Credit. This decision seems all the more odd because Devereux was not a social security newbie. Between 1996 and 2002, Devereux held a series of increasingly senior appointments within the department, including being director of working-age strategy and then, briefly, of performance and planning. He had been away from the DWP for the better part of a decade, but he must have grasped the scale of the task that Moran was being asked to undertake. The decision to combine the jobs was part of a huge restructuring of the department that Devereux undertook as it was required by the austerity programme to shed jobs – 39,000 of them as it turned out, or 32% of the total between March 2010 and March 2015. Further cuts in the years to 2020 are due to produce a 41% cut in its administrative spend over a decade.[152] The revamp at the top of the department saw the remit of other senior leaders doubled, or even trebled – none of them, however, quite on the scale of being both senior responsible owner for Universal Credit and chief operating officer for the entire £160bn business.

There was, at least arguably, a rationale behind this. The department had a problem. "Policy designed without regard to deliverability, programmes and IT developed without regard to operability, and operations not knowing the objectives of the change," as one insider puts it[153] – an analysis that is reflected later in this piece in both attributable and non-attributable quotes about a "caste system" (page 43) or a "hierarchy" within the department (page 71). Merging the running of the business – chief operating officer – with responsibility for its single biggest change programme (which at the time still involved finalisation of policy and IT development in a way that would be operable) might just provide a solution for the Government's flagship welfare reform programme. It proved not to.

According to one insider, "Terry Moran being given the two jobs was against Iain's instructions. Iain repeatedly asked Robert not to do this and Robert repeatedly gave him assurances that this would be okay" – an account IDS confirms.[154] In September 2012, Moran was to have a breakdown that led to early retirement in March 2013. He recorded later for the mental health charity Time to Talk that "eventually, I took on more and more until the weight of my responsibilities and my ability to discharge them just grew too much for me".[155]

According to one director within the DWP who was not directly involved in Universal Credit, and thus has no particular axe to grind for it either way:

> Terry was a star. A real 'can do' civil servant. But he couldn't say no to the twin posts. And the job was overwhelming.
>
> And IDS said to him, very early on, that 'losing the party leadership was a personal humiliation. If Universal Credit were to fail that too would be a personal humiliation and one that I am not prepared to contemplate'. That was very different from the usual ministerial joke that 'failure is not an option'. The underlying message was that 'I don't want bad news', almost in words of one syllable. And this was in a department whose default mode is not to bring bad news to the top. 'We will handle ministers' is the way the department operates. So to put that message into that department is an extremely dangerous thing to do.[156]

IDS denies that he ever said any such thing. "Utter rubbish," is his comment. "No such conversation ever took place. I only ever said that I wanted to know everything that was going on, not just the good bits but the difficult bits as well."[157]

If that is *a* civil service view of where the 'no bad news' culture that was to dog the programme came from, Stephen Brien is clear that from early on, IDS was saying that he wanted to be told what was going wrong but the civil servants managing the programme were telling him that they saw their job as fixing the issues, not telling the Secretary of State about them.[158]

During the first three years of Universal Credit's life, Stephen Brien, the author of *Dynamic Benefits*, was there in a variety of shape-shifting roles – a part-time adviser, then a private sector consultant to the programme, then back as a full-time adviser. Later he was, both formally and informally, the programme's deputy senior responsible owner before he became once again an adviser after the reset. He left in mid-2013. At times he had an office just along from IDS's. At times his meetings with the Secretary of State had to be decidedly more informal, almost clandestine.

In his view, "things started to go wrong by degrees from relatively early on. The challenge became very stark in the summer of 2012".[159]

The essential problem, Brien says:

> … is that not for a very long time could we get the department to write, so to speak, the Bible – a document that actually articulated what Universal Credit is. What is 'it', so to speak? *Dynamic Benefits* was two years old [and was a proposal for two credits, not one]. It was an advocacy paper, not an operational blueprint. A lot had changed on the way through to the white paper, which by definition did not spell out in detail what the 'it' was. The white paper itself was clearly not an operational blueprint. There was a failure to grip the policy, write it all down, sweat the detail of how it would all actually work.[160]

For the civil servants, the problem of defining what 'it' was lay in large measure in the fact that the primary legislation was not in place until March 2012, while the last of the regulations, which contained much crucial detail, took another year to complete. The final ones only made it into law six months ahead of the date when the whole of Universal Credit was meant to 'go live'. As a result, as one senior departmental figure puts it: "We were embarking on delivery before we could really write the plan, and that was the root of much trouble."[161]

Added to that, Universal Credit for all the changes it made to tapers and disregards was essentially, in Brien's view, a new contract between the DWP and claimants – one that, when people are out of work, effectively makes the DWP their employer, requiring up to 35 hours a week of job search. As he puts it:

> You do what is expected of you, and we then pay you. Your full-time job is to find paid employment and your jobcentre adviser has now effectively become the manager for your work. And you report in to your manager once a fortnight, or more frequently, about how your work – your work search – is going. And we pay you.[162]

All of this was being constructed by way of a three-cornered stool:

- First, the department in Caxton House in London was defining the policy and writing the primary and then the secondary legislation, not all of which was finally completed until 2013.
- Second, up in Warrington, Brien says that "the suppliers, who were under enormous time pressure, were starting to do stuff – to write stuff – but they didn't have enough to go on in terms of what the 'it' was".[163] At the same time, they were attempting to construct a hybrid between a waterfall and an agile approach that was not going well.
- Third, and separately, the new 'claimant commitment', with its tougher requirements to seek work along with the new sanctions that went with them, was being constructed by a different team in Sheffield with much less connection to the policy people in London.

The three legs were insufficiently tied together.

The MPA took a look at the programme in March 2011. MPA reports are not in the public domain. But it is clear that the first of these flagged up a string of issues that needed to be tackled – unsurprisingly as it is a rare project that receives nothing but green lights. In June, a member of the team developing the new government's pan-government website – gov.uk – was invited up to Warrington to give a presentation on how it was using an agile approach to do that. At the end of the presentation, according to one insider, a small number from the audience stayed behind, eyeing each other warily, but all wanting to talk. Most of them were freelancers working for the suppliers. "Their message," the insider says, "was that this was a train crash on the way" – a message that was duly reported back to the Cabinet Office,[164] but not, apparently, to the DWP and IDS.

In November of that year, the MPA returned. The report highlighted a lack of sufficient substantive action on the points raised in the March study. It raised 'high' levels of concern about much of the programme – 'high' being a lower level of concern than 'critical'.[165] But according to those who have seen the report, it did not yet say in words of one syllable that the programme was in deep trouble.

It was, however. And rumours of that were beginning to circulate in the department. According to one director not directly involved in the programme: "You would hear that more and more people were joining Universal Credit and you would ask how it was going, and people would suck their teeth. There was nothing coming out. You just knew it was going wrong. The whole agile approach was nonsense."[166] Among those starting to be worried were the major suppliers – Accenture, HP and IBM. They started writing formal letters to the department. "Our message," according to one supplier, "was: 'Look, this isn't working. We'll go on taking your money. But it isn't going to work'."[167] Stephen Brien says of those letters: "I don't think Iain saw them at that time, and I certainly didn't see them at the time."[168] Stroud says likewise.[169]

All sorts of issues were bubbling up. These included, for example, how Housing Benefit was to fit into this where, it turned out, the policy people and the Warrington outfit had different views, while local authorities – the people who actually administered Housing Benefit – had a whole bunch of worries, including that the department lacked the local knowledge and the information cross-checks needed to establish that claimants and landlords were who they said they were.[170] The most crucial issue became one of security.

From the beginning, and partly because it had become a government-wide demand, the aim had been for Universal Credit to be 'digital by default' – as far as possible, entirely web based, with at least 80% of claimants using the digital method. That, of course, involved people entering their bank account and other personal details over the internet. It gave claimants, as opposed to DWP staff, direct access to the department's computers. The security risks, if this proved to be hackable, were obvious. Indeed, an attempt, years earlier, to allow online claims for Working Tax Credit had been abandoned because of security issues. Lord Freud says he had been worrying about security from the spring of 2011:

> I remember having the team in very early on and underlining to them just how crucial this was, and they all looked at me in shock, as though it hadn't occurred to them. So they went away and built this big security team. But by then what they were doing was trying to build the security on top, retro-fitting it, when what you need to do is build it into the architecture from the beginning. In my view, security was the key reason we had to reset the programme.[171]

The MPA returned in April 2012. This time its report was decidedly more worrying. Again, actions recommended in its earlier studies had not been completed. It judged many of the major areas of the project to be 'critical', from its governance to its capabilities and security, to its control over suppliers and expenditure, and on to the chances of it reaching a steady-state solution.[172] Its report went to the Major Projects Review Group in May – a joint oversight committee of very senior Treasury and Cabinet Office civil servants. The alarm bells were now starting to ring all across Whitehall.

Stephen Brien says that the department did itself no favours in the MPA reviews.

> Iain was under siege all the time, having to battle with the Treasury to keep the money going for all this. He had to demonstrate that it was on time and on budget. The department wanted to support him in that, and didn't tell him all the things that were going wrong. I found out about some of them, but I didn't push as hard as I should have. And looking back, the MPA meetings and the MPA reports were all handled with a siege mentality. We all felt we had to stand shoulder to shoulder defending where we were and not really using them to ask: 'Are we where we should be?' As a result we were not helping ourselves, and we certainly were not helping others, including the MPA. But we did get to the stage between the end of 2011 and the spring of 2012 where we said: 'Okay, let's get a red team in with the time and space to do our own challenge.'[173]

Brien says that this idea was first conceived in 2011 as the first MPA reports landed.

> But it took just ages to get it set up. The department had 101 reasons and justifications and explanations of why it would be challenging, including the difficulty of hiring people to do it. So in the end Iain said: 'Look, you have got all these suppliers under contract, get them to give you people to do it.' Which is why it was an independently chaired, supplier-led review – not as a way to get them to mark their own homework but as a way of cutting through all that.[174]

IDS dates the origin of this idea earlier – an external challenge, which he dubbed his 'red team', on how well the programme was going. But he too says he had to "push, and push and push" to get it set up.[175] In his view, the Major Projects review process "failed me" by not warning early enough of fundamental problems. It was the 'red team' report that did that, he says, and its contents made grim reading when it landed at the end of July in 2012.[176] According to evidence that he gave to a committee of MPs who found it hard to believe that he had not clocked the problems earlier, Robert Devereux, the department's Permanent Secretary, says that this was "the point at which it became apparent to me that action needed to be taken".[177]

To cut a long story short, the project was given a month, over August, to produce a proper set of plans and then another 10 days when the first response appeared inadequate. At the end of what became a series of crisis meetings that ended in early September, Moran felt unable to continue. A new senior responsible owner was appointed in the person of Philip Langsdale, in whose home the last of these meetings had been held. At the request of IDS, Brien was made his deputy. At this stage, the primary legislation was through Parliament, but not all the detailed regulations – the secondary legislation that would help to define the granular detail of how Universal Credit would operate in practice.

And the programme was shortly to face a further blow. It had become increasingly clear over the summer that the Cabinet Office was anything but on side. Wedded as it was to its agile and its 'digital by default' approach, distrustful of the major suppliers, and deeply worried by the view of the Communications-Electronics Security Group (CESG) – the information security arm of Government Communications Headquarters (GCHQ) – that the system was insecure, in October it used its power to approve contracts to block the next big step in the IT development – a £55m infrastructure and network contract, which included security. Instead, it agreed only to a paltry £2m to get the four pathfinders, or pilots, planned for April 2013 up and running.[178]

Langsdale had originally been brought in to be the department's chief information officer, a remit that stretched well beyond the IT component of Universal Credit. He had been recruited in May but only started in the September having come from the British Airports Authority where he had played a part in the launch of Heathrow's Terminal 2. A former chief executive of BBC Technology with an earlier background in banks and retail, he brought in one person both experience of big service change – which is what Universal Credit at its heart was – and of IT. This was just what the department needed. For a brief period, according to Brien, "these felt like halcyon days".[179]

Langsdale, according to departmental insiders, got a grip on the project. A number of senior staff were replaced, and the focus was switched from working on the national roll-out to making sure that the pathfinders due in April were deliverable. "All the debate became simply how to land something – anything – on April 29th 2013," according to one supplier.[180] Less than four months in, however, at Christmas 2012, Langsdale, who was suffering from motor neurone disease, died.[181] Across almost all levels of the department, this was seen as 'a hammer blow'. His death came just at the time when, to those on the inside – ministers, civil servants and advisers – it felt as though Universal Credit was entering recovery mode.[182] Instead, as one insider puts it: "this was the moment when the vultures started circling".[183]

By the end of 2012, the newly constructed MPA had been up and running for a while. It was better staffed, with its new mandate in place, and with a clear view of what it was there to do. It had been due anyway to take another look at Universal Credit. Langsdale's untimely death made that all the more urgent. In January, it was back in.

According to one insider:

> This was very different to the previous reviews. First it was a two-week, not a one-week, review. And in addition to reviewing the documentation and talking to the senior people on the programme, the review team went up there [to Warrington]. It had a better mix of skills on it. People who really knew about agile. And it took someone who really knew about security because Cheltenham [GCHQ] had been flagging concerns about security to Number 10 for some time but had been being fobbed off by Warrington. They had this fortress mentality.
>
> And the review team decided that to get to the truth they had to make people not scared to tell the truth. So they did a lot of one-on-one interviews, assuring people that what they said would not be attributable. And under nearly every stone was chaos. People burst into tears, so relieved were they that they could tell someone what was happening. There was one young lad from one of the suppliers who said: 'Just don't put this thing online. I am a public servant at heart. It is a complete security disaster.' There was no way this could be launched as a digital service.[184]

David Pitchford says: "Once we got to Warrington it was clear that what we were being told in terms of the capability of the department to deliver the project, and the progress and the timeline, was clearly unachievable."[185]

The MPA's conclusions were grim. Some 67% of its earlier recommendations had not been implemented. The project still lacked 'a coherent and realistic blueprint for the safe delivery of Universal Credit'[186] – the absence of 'the Bible' that Brien had talked about. Every major area of the programme required 'urgent action', the MPA said. It recommended that the project be paused immediately.[187] Pitchford's message to government was that "there had to be a radical assault on the project and that if progress could not be sorted, then it should be considered to be shut down, or radically changed".[188]

The MPA's report went to the Major Projects Review Group and a huge ministerial and official gathering that included Danny Alexander, Francis Maude, DWP ministers, Treasury and DWP officials, along with Sir Jeremy Heywood and Sir Bob Kerslake. The Treasury was now so worried that it looked like significant sums of public money were being wasted that at the end of it, Sharon White, director general for public spending at the Treasury and chair of the Major Projects Review Group, took what in Whitehall terms is a nuclear option. She 'called in the auditors', so to speak – calling in the NAO, which, in the Treasury's view, had been held at arm's length by the DWP, to crawl all over Universal Credit and its history.[189] This was the trigger for the NAO's report in the following September. With its scepticism about the project fully confirmed, the Treasury more or less cut off funding. The intention was to release money only as and when recommendations from the MPA were implemented.

Shortly afterwards, Pitchford was called in to see Maude, IDS and the Prime Minister. Essentially he was "instructed to go in there and see if it could be fixed".[190] This was the first example of the MPA's new mandate allowing it not only to make recommendations that had to be fulfilled, but also being able directly to intervene when projects were going awry.

IDS had specifically asked for Pitchford.[191] Stroud says that IDS:

> knew Pitchford because he had been in and out of the department [during the MPA reviews], and he knew that Francis [Maude] had confidence in him. And the one thing Iain knew was that if this project was going to survive, the person who headed it up needed to have the confidence of both the Treasury and the Cabinet Office as well as of the DWP.[192]

The interim senior responsible owner who had replaced Langsdale was removed and, from February to May 2013, Pitchford became the project's fourth senior responsible owner in a little over two years.[193] For this 13-week reset, he took with him key staff from the MPA and from the Government Digital Service (GDS), who were based in the Cabinet Office and who were aggressive advocates of the 'agile' and 'digital' approaches.

Pitchford says:

> So immediately we had people who knew what to do and we set up a 'war room', which we ran across the first three weeks, seven days a week, mapping out where the project was at, where it needed to be and how to fill in the middle ground between those two. I wasn't very popular with the families of the people involved. But the 'war room' approach is a common way of rescuing major failing projects.[194]

During this period, serious consideration was given to suing the suppliers. But they had written their warning letters and it rapidly became clear that that was not an option.

As all this was happening, a new team was created, chiefly because of the involvement of the GDS in the reset. It went to work in Victoria Street, London – away from Warrington but outside the DWP's Caxton Street headquarters. It started to take a genuinely agile approach to the new system. One of those involved says:

> We did a three months 'proof of concept', testing everything, bit by bit, with users, rewriting code as we went along and doing a 'show and tell' with ministers, with that starting to surface the policy decisions that had to be made in order for this to cope with the huge numbers of different changes of circumstance there could be. I remember Freud at one point saying: 'I've probably made some 300 decisions around this but not once until now has anyone come back to me and said that was probably the wrong decision.'
>
> For example, the programme had been fixated with paying people every 30 days to get them into the rhythm of a monthly pay packet. So the suppliers had written it to pay out monthly only when it was obvious that there would always be a significant minority who could not cope. So the smart thing to do was to write it so that it could pay out much more flexibly.
>
> It had all been hampered by this caste system in the department where there is a policy elite, then the operational people, and then the technical people below that. And you would say to the operational people: 'Why have you not been screaming that this will never work?' And they'd say: 'Well, we're being handed this piece of shit and we are just going to have to make it work with workarounds, to deal with the fact that we don't want people to starve. So we will have to work out our own processes, which the policy people will never see, and we will find a way to make it work.'[195]

A key early decision for the reset was that the first four pilots or pathfinders of Universal Credit would be due to start, using the original system, in the April. But there was a question of whether they should go ahead. A decision was taken in March that they would, but that they would initially be cut back to just one – starting at a single benefit office in Ashton-under-Lyne and with single, simple, cases who would otherwise have been only in receipt of Jobseeker's Allowance, not with the many different claimant groups originally intended.[196]

This was the first significant public sign – other than in the weekly computing press, which had been charting the changes of senior personnel[197] – that Universal Credit was in trouble. The first cases were put on Universal Credit using the old code, so to speak, but checks to prevent fraud had to be done manually and when changes of circumstance occurred – for example if a single person became a couple, or if someone moved onto Housing Benefit – they too had to be entered separately, by hand so to speak. Even getting to that, according to one of the IT suppliers, "was a pretty heroic effort".[198]

At the end of May, Pitchford returned to the MPA, having helped to recruit another big gun to follow Langsdale as senior responsible owner. This time it was Howard Shiplee, who had been director of construction for London's 2012 Olympics. "I made 99 recommendations," Pitchford says, "and the Government accepted them and so did the department and Howard started implementing them." These included that 'digital by default' should go and be replaced by 'digital as appropriate'.[199] In September, and for genuinely family reasons, Pitchford was to return to Australia.

Shiplee arrived armed with Pitchford's recommendations, but promptly did his own 100-day review of the programme, deciding what could be rescued. Meanwhile, in parallel, the Victoria Street team were being allowed to work up a fuller version of their first prototype of a more agile approach.

Shiplee recognised that he had no experience of complex IT systems and software development. But he did know all about project management. He found the programme, he says, "in a very bleak place. The only real activity was in Victoria Street, while the main programme team in the department was without direction and with no meaningful plan other than to prepare to run a number of very limited pilots to test the systems on the simplest class of claimants." And they had next to no money given the Cabinet Office's decision the previous October to block the next big stage of the IT development. Added to that, those involved in the MPA reset had come to the conclusion that "much of the current IT cannot be re-used".[200]

A key issue, Shiplee says, was that the new digital team "would not even discuss the preceding work done by the DWP and its IT suppliers". They had, he says, "a messiah-like approach that they were going to rebuild everything from scratch".[201]

Shiplee, however, asked himself "how it could be that a very large group of clever people drawn from the DWP IT department with deep experience of the development and operation of their own massive IT systems and leading industry IT suppliers had combined to get the entire process so very wrong?" Equally, "how could another group of clever people [the GDS team] pass such damning judgement on this earlier work and at the stroke of a pen seek to write off millions of pounds of taxpayers' money?"[202]

Shiplee commissioned a review from PwC on the work carried out to date – in the face, he says, of Cabinet Office resistance and misgivings even within the DWP – to discover that the major suppliers "were genuinely concerned to have their work done properly, support DWP and recover their reputations". In addition, when funding had been blocked at the end of 2012, the suppliers "had not simply downed tools but had carried on development work for almost three months" as they ran down the large teams that had been working on it.[203] As a result, they had completed the development for single claimants that was being used in the pathfinder and made considerable progress on claims for couples and families. And their work, the PwC evaluation said, was of good quality.

Rather than write everything off, Shiplee's view was that the ideal solution would be to marry the "front end" apps that the GDS/DWP team in Victoria Street were developing with the work already done. But "entrenched attitudes" made that impossible. The only sensible solution, he decided, was a "twin-track" approach.[204]

During this period, the Treasury approval of cash became particularly acute. Lord Freud says:

> We faced double approvals. We had approval about any contract variation from the Cabinet Office and then approvals for the money separately from the Treasury. The Government Digital Service got impatient because they wanted to make sure that the department had the ability to build internally rather than going out to Accenture and IBM, who they hate. The approvals were ricocheting between the Cabinet Office and the Treasury and when we were trying to do rapid iteration. That was producing huge delays, which were undermining everything. So in the end Danny Alexander said: 'I will clear this on my own authority.' And that was crucial. Danny cut through all of that.[205]

The Cabinet Office remained adamant that the DWP should simply switch to the new digital version – which it had now become clear, by late summer, would take far longer to build than they anticipated – telling the DWP that the problem was that using the original software would mean "creating a temporary service, and temporary will become permanent".[206]

All of which led to the next big decision, which, to date, has been one of the defining ones. In November 2013, a mighty and fraught meeting of ministers and officials was convened. Pretty much everyone was there. The DWP ministers, Francis Maude, Oliver Letwin who was Cameron's policy overlord, Sir Jeremy Heywood, the Cabinet Secretary, Sir Bob Kerslake, the head of the home civil service, plus a clutch of DWP officials including Robert Devereux and Howard Shiplee as the senior responsible owner along with Danny Alexander and Treasury representatives. The decision was whether to give up on the original build, or run a twin-track approach: in other words, to extend the use of the original build that was by now being used in just over a dozen offices – what became dubbed the 'live' service – before the new, and hopefully much more effective, digital approach was finished and on stream. It was a tough and far from pleasant meeting that is etched in the memories of those who were there.

One of those present who favoured the twin-track approach says:

> There were voices for writing the whole of the original off. But that would have been too much for Robert Devereux [the Permanent Secretary] and IDS. So the twin-track approach was settled on – writing a lot of the original IT down rather than simply writing it off. That, in fact, has had some advantages even if technically it was probably the wrong decision. Better and cheaper to start again.
>
> It has, however, seen parts of the culture change that Universal Credit involves being rolled out into DWP offices as more have adopted Universal Credit, even if the IT still requires big workarounds. More and more offices, for example, have been using the new claimant commitment, which is itself an important part of Universal Credit. So it has been possible to train thousands of staff in that, and get more and more claimants used to it, while also providing feedback for the new build.[207]

Maude was among those who objected to the twin-track approach, according to leaked minutes of the project oversight board at around this time, and to those present at the meeting. Lord Freud says:

> Francis was adamant that we should not go with the live system [that is, the original build]. He wanted to kill it. But we, the DWP, did not believe that the digital system would be ready on anything like the timescales they were talking about then – I think they were talking about the following September at this stage. But I knew that if you killed the live system, you killed Universal Credit. If we did not get something out there working in the real world, with all these enemies circling, it would be labelled a failed project and would be all too easy to stop. And, just as importantly, if we had at least *a*

> system that was operating then our people could learn about it and see how claimants behave and react, so we could have a 'test and learn' approach. And that indeed is what we have had.
>
> So we had Howard Shiplee as the senior responsible owner who had come in from outside, who was saying we should keep the live system and have a two-horse approach and Francis being very bitter about wanting to kill the live system off as a waste of money. I suspect, but don't know, that he believed that if we kept the live system we would dump the digital one.[208]

In the end the twin-track approach was agreed by a majority. But the development of the 'agile' digital service was immediately hampered by a spat over how quickly staff from the GDS were to be withdrawn.

According to the leaked minutes, 'GDS wished to accelerate their withdrawal from the design-and-build team to allow DWP to take ownership. However, as GDS have supplied most of the expertise and resource to date, and a recruitment exercise needs to be undertaken to fill the technical vacancies, there is therefore the likelihood of some delay.'[209]

Some in the DWP saw the withdrawal of staff referred to in the minutes as almost an act of pique on Maude's behalf. Others in the GDS say that the intention had always been that its staff would leave once a full 'proof of concept' for the new digital service was complete – thus handing over its further development to the department around the turn of the year.[210] By contrast, according to the NAO, the DWP had hoped or expected GDS staff to stay for the first 'test of service' for the new approach, originally planned for May 2014. There was, however, 'no written agreement for this', according to the NAO.[211]

Whoever was at fault, it is clear that this held things up. The leaked minutes state that '[a]s senior reporting officer, Howard Shiplee felt that it was disappointing that this situation had occurred and felt we needed to look at how the impact could be minimised'. The minutes record that during the meeting, one other senior civil servant remarked that 'friction between DWP and Cabinet Office' was making things more 'difficult than necessary'.[212]

There were some brutal battles in the run-up to this, with reputations and careers at stake, and there was much blood on the floor. Some GDS staff did return to Victoria Street and replacements were recruited, although the 'test of service' had to be pushed back from May to November 2014.[213] While the twin-track approach looked likely to cost more than starting again, the hope was that by rolling out what could be achieved with the original system, useful lessons about how Universal Credit would work in practice would continue to be learnt.[214] For those most closely involved, it began to feel by the end of 2013 that the February reset and subsequent events had made Universal Credit viable – not back on track as timetables were slipping all over the place, despite IDS's public insistence that nothing had changed; but, perhaps, deliverable after all.

9. Recovery begins: implementation from 2013 to 2015

What was remarkable was how little of this was in the public domain. The weekly computer press had been charting the changes in personnel that suggested that all was not well. Answers to written parliamentary questions had become less precise about the roll-out programme.[215] The shrinking of the four original pathfinders to one in April 2013 had suggested that there was trouble.[216] The much-delayed first annual report from the MPA had appeared in May 2013 and had disclosed that on its 'red, amber, green' traffic lights system, Universal Credit was 'red/amber'; but with no detail as to why.

The very limited statistics that the DWP was publishing on the April pathfinder project and its successors showed only tiny numbers involved. There had been rumours, but no confirmation ahead of the NAO report, that large parts of the IT had been dumped,[217] and that 'digital by default' had been scrapped – it had been scrapped for the pathfinder project as it was insecure and unworkable.

The Work and Pensions Select Committee had been chipping away for two years over key but still unresolved practical and policy issues around Universal Credit. For example:

- How were 'passported' benefits, for example for free school meals and prescriptions, to be handled?
- How was 'in-work conditionality' to function?
- How was Housing Benefit to be integrated?
- How were those who were not knowledgeable about IT, and those unable to budget, going to be protected in this switch?

The committee had been looking at these issues with a mounting sense that it was not really being told the truth, the whole truth and nothing but the truth. Despite all that, in early September 2013, there was remarkably little information in the public domain to indicate how much trouble Universal Credit had seen.

All that changed, however, on 5 September 2013 when the NAO published *Universal Credit: Early progress*.[218] What this report chiefly charted was the lack of progress.

It listed the dozen separate reviews to which Universal Credit had been subjected and the repeated failure to implement recommendations from them. It spoke of the 'fortress' mentality within the programme and the 'good news' reporting culture in the department – one 'that limited open discussion of risks and stifled challenge'.[219]

The source of many problems, it said – somewhat damningly given that this was three years in – 'has been the absence of a detailed view of how Universal Credit is meant to work'.[220]

It reported that there was 'confusion' over how the three main suppliers' systems would function together. Some £34m worth of IT had been written off with the prospect that more would have to be. There was poor governance, poor management and poor financial control, with suppliers defining the programme rather than the other way around. The department, it judged, would 'need to revise the programme's timing and scope'. It said that it was 'unlikely that Universal Credit will be as simple or cheap to administer as originally intended… Delays to roll-out will reduce the expected benefits of the reform.'[221]

NAO reports are normally agreed with the department concerned, and the NAO did add – in a sentence that felt as though it had been beaten out of it and which IDS was repeatedly keen to quote – that it remained 'entirely feasible' that the programme would go on to achieve considerable benefits for society.

But the headlines were gruesome. The parliamentary reaction was strong. The Public Accounts Committee was soon crawling over the details, as was the Work and Pensions Select Committee, which made clear that it felt it had been misled:

> Our ability to scrutinise UC [Universal Credit] implementation [has been] seriously impeded by DWP failing to inform us of the serious problems it was experiencing. It also, on two occasions, announced major changes to its implementation timetable at, or just before, evidence sessions, giving us no time properly to assess the implications in advance. It is not acceptable for Ministers to provide information about changes to major policy implementation only when forced to do so…[222]

IDS and, to an only slightly lesser extent, Lord Freud were furious about the NAO report; and thus highly defensive. In public it was to be the next few weeks and months that were to be Universal Credit's darkest days. Its worst ones in private, however – when it had been paused, and reset and might even have been cancelled – had occurred six to 12 months earlier. The NAO report arrived some months after the end of the reset, which, ministers fervently wanted to believe, had set the project back on track.

Thus, IDS tried to present the findings as being purely 'historical'. He had sent in his 'red team', he told MPs – although with a repeated lack of precision about exactly when he had done that. The report 'relates to the period during which I was making the changes. Those changes have now been made, and all the outside advisers and experts believe that Universal Credit is deliverable,' he told Parliament[223] – a statement to which not everyone, even inside the programme, would have subscribed, not least because at this stage the twin-track approach had yet to be agreed.

Labour continued to support Universal Credit in principle. But it made hay over the implementation problems. One minister could be heard complaining that the way the NAO had provided the ammunition for that had turned it into "the provisional wing of the opposition".[224]

IDS formally took responsibility but at the same time appeared to shift the blame onto his civil servants. He told MPs that 'when I arrived, I expected [to find] the professionalism to be able to do this properly'.[225] From whatever source, there was much media briefing – in *The Daily Telegraph*, *The Times*, *The Spectator*, *The Sun*, on *Sky News*, in political blogs and elsewhere – that the real culprit was Robert Devereux, the department's Permanent Secretary, or that IDS was trying to pin the blame on him. The Work and Pensions Secretary was left denying that he was trying to do any such thing.

This got so bad that *The Independent* was soon reporting that Sir Jeremy Heywood, the Cabinet Secretary, had personally intervened with the Prime Minister about the 'concerted political briefing campaign' against Devereux who, Heywood reportedly felt, was being 'hounded out of office' by his political masters.[226] *The Daily Telegraph* followed up with an allegation that Heywood had also blamed Francis Maude as a source of the briefings.[227] Some in the department are convinced that Maude was the chief agitator for Devereux to go.[228] As one minister puts it:

> Francis was at the height of his attacks on the competence of the civil service at this stage and he wanted a scalp, and he wanted a big scalp. It all got very nasty and very personal, and it stopped being: 'How can we sort this out?' It became very politicised so it was all very ugly and difficult.[229]

IDS found himself issuing a statement that he had 'every confidence' in the team delivering Universal Credit, and 'that team includes Robert Devereux'.[230]

According to one director at the DWP, this was, for a time, all very damaging:

> The relationship between Devereux and IDS very largely broke down for a time, with IDS manoeuvring to get him sacked. And that of course made things even more difficult for people a rank or two below who owed loyalty both to the Permanent Secretary and the Secretary of State. So people shrank back into their bubbles, did what they had to do and could control, with none of the creative energy you get when people are working together.[231]

The Public Accounts Committee's inquiry into the NAO report and the Work and Pensions Select Committee's hearings produced more bad news. The £34m write-off that the NAO had identified became a £40m write-off and it emerged that another £90m had been 'written down'[232] – that is, the software was to be used for five years rather than its build life of at least 15 years. In other words, it was to be used as the original system was rolled out to more offices, before the new agile build, which was meant to take over from it, became available. The £130m-odd involved was approaching half of the IT spend to date.

Even in retrospect, when reading the evidence sessions at the end of 2013 and indeed a ministerial statement on 5 December,[233] it is hard to work out that a twin-track approach was being adopted. An original and highly limited version of Universal Credit – known, somewhat misleadingly, as the 'live' version – was to be rolled out to increasing numbers of offices. It remained dependent on workarounds as circumstances changed, with fraud checks having to be done manually. But that brought with it some of the key 'behaviour change' elements of Universal Credit, not least the claimant commitment, which came to be applied to all new claims, including for Jobseeker's Allowance in those offices where Universal Credit had yet to be adopted. And it is crucial to keep emphasising that behaviour change – yet tougher demands actively to seek work but with some additional support to do it – is a crucial part of Universal Credit.

The pathfinders also appeared to show that what many had initially seen as one of the key vulnerabilities of Universal Credit was apparently working pretty well – the HMRC's real-time information system. This allowed changes to entitlement as earnings rose or fell to be worked out more or less in real time, a key change on which Universal Credit depended. It was also rapidly spotting fraudulent claims – people who were already working but claiming – in a way the old system could not. Meanwhile, the other track of the new approach was that a new and separate system, dubbed 'the digital one', was being built. And this one was being built in-house in London, rather than being contracted out to the department's traditional suppliers.

The bad news did not end with the larger write-offs and write-downs now being disclosed. There were more awful headlines as the Public Accounts Committee and Work and Pension Committee published fresh reports on the programme. The former produced a report that damned most aspects of the programme for various forms of 'failure' – to 'understand', 'monitor', 'challenge', 'be candid' and 'control' – while attacking the department's 'flawed culture of reporting good news and denying that problems had emerged'.[234] The Work and Pensions Committee extracted from ministers some detail about how the programme's end date was, unsurprisingly, slipping. IDS disclosed that the 700,000 people in receipt of Employment and Support Allowance – those with disabilities and health problems – would not now be moved onto Universal Credit until after 2017, the original date for everyone to be on it. 'This is a very vulnerable group… And I would not want to rush them through,' he told MPs.[235]

All this was not, of course, happening in isolation. It was being played out against ongoing controversies over the 'bedroom tax' or 'spare room subsidy', large reductions in Housing Benefit, a less generous indexing of working-age benefits (pensioners were protected) and then a freeze in them, along with a 'welfare cap', plus other spending cuts – all of which were intended to lop a total of £12bn a year off the social security bill by the end of the Coalition Government. Some of these were themselves directly to do with the introduction of Universal Credit.

As noted earlier, part of Universal Credit's problem – part of the reason it did not progress under Labour – was that it was going to cost more if large numbers of losers were not to be created. The precise figures around the costing have moved somewhat over the years. But on the DWP's own estimate, the simpler, more comprehensible system was expected to add £2.6bn a year in higher take-up. There were implementation costs that were put at £2bn. There would be gainers under the new system, but also losers, so there was the added cost of transitional protection – protecting the cash benefits of people at the time of transfer until such time as their circumstances changed.

To offset all this, and to get Universal Credit going, IDS in effect had agreed to make cuts in advance to the existing welfare bill in order to pay for Universal Credit when it came in. One of these, as early as the June 2010 emergency Budget, included a £1bn cut in Disability Living Allowance (DLA), as a key trade-off simply to keep Universal Credit on the table.[236]

'Iain at this very early stage did not really understand DLA,' according to one senior civil servant, 'or listen to our warnings that reform of disability benefits has always proved immensely tough. The amount the Treasury was demanding would be really hard to get without a big political fall-out. But Iain did a bargain – the DLA cuts for Universal Credit – which handed us yet another big change programme to go alongside Universal Credit'.[237]

Other cuts followed, which were there to reduce the deficit but also to help fund Universal Credit in advance. By the time of the full Spending Review in October 2010, the Treasury's 'red book' disclosed that £7bn of the welfare cuts were there 'to provide a fair and affordable platform for the introduction of the Universal Credit'.[238]

By 2014, however, and at first sight somewhat paradoxically, slowing down the implementation of Universal Credit was saving the Treasury money – some £200m in 2014/15 and £500m in 2015/16 'as households that would have been eligible to slightly more generous entitlements under the new benefit no longer move across'.[239]

If that, at the very margins of public expenditure, was good news for the Treasury, there was more mixed news – some good, some bad – for the DWP that year. Among the good news was that over 2014 the original 'live' version of Universal Credit was slowly rolled out to more jobcentres. Overwhelmingly, this was still only for single people who would have been in receipt of Jobseeker's Allowance, and with all the workarounds detailed earlier.

From June 2014, however, in a tiny number of areas, new claims came to be accepted from couples, and from November from those with children, although this mainly occurred only in the north west of England and again involved much manual inputting by DWP staff as circumstances changed, or as Housing Benefit came into play. As a Channel 4 *Dispatches* programme in March 2015 showed, this was a far from an entirely painless exercise.[240] In the same month, a limited survey by the Public and Commercial Services Union, who were not, by any definition, IDS's biggest fans, showed that nine out of 10 of its members who were working on the original 'live' version of Universal Credit believed the IT to be 'inadequate'.[241] On the other hand, early research that the department had commissioned showed that most claimants were finding this limited version of Universal Credit easier to handle, while the accompanying claimant commitment – which was being introduced increasingly across the country regardless of Universal Credit – was upping the number of hours of job search for those who were inactive.[242]

If further evidence were needed that, mistakes aside, the programme also suffered a dose of bad luck, in December 2013 Howard Shiplee contracted Bell's palsy and was off work for several weeks. He was then able only to return to work on a very part-time basis.

Shiplee had taken the view, however, that Universal Credit could not be 'pushed' from the centre into the DWP's 700 offices. It needed to be 'pulled in' by someone with deep operational experience.[243] Thus, in the September, Neil Couling became the project's sixth senior responsible owner. Couling was a DWP lifer, an operations specialist who had also been principal private secretary to Labour's Alastair Darling and Andrew Smith when they had been the Work and Pensions Secretary. He was at the time Director of Work Services. In other words, he was responsible for the operational running of all its jobcentres and thus the by now universal application of the claimant commitment and the operation of the original 'live' version of Universal Credit in the offices where it had been introduced. Prior to that he had been Director for Working Age Benefits where he had policy responsibility for all working-age benefits including those that were to be replaced by Universal Credit. At the very beginning, when Universal Credit was simply a policy project, he had briefly been its programme director, having already helped to develop ideas for a single working-age benefit, and he had done much to see the legislation through Parliament. During the reset, he had taken time out from his day job to get the first pathfinders operational. He came to Universal Credit with plenty of knowledge of it, warts and all.

At the end of November 2014, the NAO reported again on Universal Credit. It once more disclosed something that ministers had not announced – that the timetable had again been put back, this time more spectacularly. In effect, the whole programme had been pushed back two years. Existing claimants – so-called 'legacy' claimants – of Jobseeker's Allowance, Housing Benefit and Income Support would not now be transferred to Universal Credit by the end of 2017. Instead, that process would not start until January 2018, the aim being to complete it by the end of 2019. Rather than mass transfers of those on tax credits, these existing claimants would move onto Universal Credit only as their circumstances changed and not all of those would make it by the end of 2019. And there were no plans for the final transfer of Employment and Support Allowance cases (as IDS had already announced) until after the end of 2019. A few days later, the Office for Budget Responsibility judged even that scenario to be over-optimistic, given the 'optimism bias' of the previous timetables.[244] To compound all that, the Chancellor in his Autumn Statement froze the work allowances in Universal Credit for an additional year until April 2018. This was the third reduction in their real value since the programme was originally announced, amounting in total to a 6% real-terms cut.

Out of the eye of all this public storm, the team in Victoria Street were iterating their way towards the new system. According to one DWP insider:

> It took much longer than they originally thought it would. But they started to do all the things we should have been doing up in Warrington. And they were close to the centre of policy. And that was fantastic. In the old days the policy people would go up to Warrington, there would be a complete clash of cultures, and they'd get the train back down to London to recover with a gin and tonic in the evening. Victoria Street got the

> project out of the dog's breakfast that was policy in London, conditionality in Sheffield and IT in Warrington. It became a good process, with endless engagement with the ministers, particularly Lord Freud, making the decisions that needed to be made as they went along.[245]

The reason it took 'much longer than they originally thought it would', according to Lord Freud, was that the GDS team were initially "very naïve" about just how complex it was to build Universal Credit. He says:

> They were messianic about building the front end, doing it in an agile way, front facing, with their beautiful apps, and they were right about all of that. But they had no grasp of how complicated it was to tie the front end to the legacy back-office, these old and creaky legacy systems we have with which it had to work – the customer information system, the debt management system, the payment system and all the things you need to run 20 million people and their records, and with all that implied.[246]

The decision to pull out the GDS staff had delayed development of the digital service by six months but by November 2014 it looked sufficiently robust for it to be trialled in a tiny number of postcodes in just one jobcentre in Sutton, Surrey. An initial 30 or so claimants were put on the new service, which was paused over Christmas to see how they reacted and how well it was working. The new service was then expanded to 100, and then expanded again. But these pilots, unlike the original roll-out of the 'live' service, involved a much fuller range of claimants, not just single people. As this was getting going, Neil Couling told MPs that Universal Credit was only going to be rolled out as it was ready.

He praised ministers for revamping the timetable:

> They have taken quite a lot of flak for only proceeding when the next step is doable. That has brought a whole series of other criticisms but it was the right thing to do because at the end of this service are people who are very vulnerable and we are the last resort.
>
> So personally I make no apologies for taking this one very carefully and whilst I am senior responsible owner I will continue to take things very carefully because the costs of getting it wrong are too great in social terms, forget the reputation of ministers and the department and the like.[247]

At this time it also became clear that one of Howard Shiplee's key decisions had been to revamp the governance of the project, bringing in Sir Robert Walmsley, a vice admiral who had been chief of defence procurement, to chair the programme board for Universal Credit.[248] No longer was it chaired by the senior responsible owner, a shift that, according to insiders, helped to begin to tackle the 'good news' culture that had plagued the programme. As Shiplee puts it: "How could I conduct a meeting to review and perhaps question my own plans?"[249]

"It was absolutely the right thing to do," one DWP director says. "It meant that people could talk about what wasn't going well without feeling that they were insulting the chair of the meeting who was responsible for the programme."[250] Neil Couling was later to claim that "there's really good challenge in the system now".[251]

In May 2015, the UK was back at the polls for that month's general election. The outcome was a Conservative majority, and both IDS and Lord Freud returned to the DWP to finish the job.

10. 2015 on

Over 2015, the original 'live' version of Universal Credit was rolled out to many more jobcentres, still concentrating mainly on new claims from single people who would have been claiming Jobseeker's Allowance but with some more complex cases slowly being added. By December 2015, 530 out of the 700 jobcentres were using it, although the number of live cases remained small – some 140,000 compared with the four million plus who should have been on it under the original timetable.[252]

The sense was growing, however, that Universal Credit might be going to make it. The Public Accounts Committee, the programme's fiercest parliamentary critic, acknowledged in January 2016 that 'Universal Credit has stabilised and made progress' even if the committee noted ominously that 'there remains a long way to go' and that it remained 'disappointed by the persistent lack of clarity and evasive responses by the Department to our inquiries, particularly about the extent and impact of delays'.[253]

By now, the timetable for full roll-out had slipped further. Universal Credit was not now expected to be fully operational until March 2021, four years later than originally planned.

But independently reviewed research on 8,000 of the first claimants in the pathfinders, using the original 'live' service, was showing that nine months in, Universal Credit claimants were eight percentage points more likely to have been in work than their equivalents on Jobseeker's Allowance. They were spending 10 hours more a week looking for work when out of it, had worked on average 12 days more over the nine months and were three percentage points more likely to be in work nine months in. These claimants all started out as single people who would otherwise have been on Jobseeker's Allowance. However, the numbers were still relatively small, and there was only very tentative evidence that they were earning more than equivalent Jobseeker's Allowance claimants.[254]

Nonetheless, this was evidence of a genuine labour market effect that piqued the Treasury's interest and helped to move it towards a belief that Universal Credit might offer some real gains. Furthermore, the digital service had been running since May in three South London jobcentres using its 'test and learn' approach. It was providing, according to Robert Devereux a 'full' service. Furthermore, an MPA review, he told MPs, now judged the programme to be 'amber' – the definition of which is that successful delivery appears feasible.[255] Significant issues remain when a programme is judged to be amber, but they appear resolvable. The best Universal Credit had had before was 'amber/red', which judges that major risks exist that require urgent action, including a judgement on whether those risks are in fact resolvable. The MPA, Devereux told MPs, had judged that it was safe to start rolling this service out nationally, starting with five more jobcentres in May 2016, then five more a month, building up to 50 a month from 2017.[256]

How far that precise timetable would be stuck to would depend on how it went, he told the Public Accounts Committee. There would be breaks in the roll-out 'to ensure learning can be applied to subsequent delivery with new features deployed'.[257] There were other qualifications: whether the Cabinet Office's new Verify system, aimed at ensuring that the DWP knows who is online, worked smoothly. But as the digital or 'full' service went live, the committee was told, the original 'live' service would be turned off.[258]

As MPs were being told this, something else that was crucial also changed. In the first Budget of the new Parliament in the summer of 2015, George Osborne, in his continued struggle to reduce the deficit, had proposed more than £4bn of additional cuts to tax credits. The House of Lords rejected that, triggering a mini-constitutional crisis. In his Autumn Statement, the Chancellor abandoned the cuts. But he left in place precisely the same cuts for Universal Credit when it came in. So suddenly the Treasury, which had been sceptical all along about Universal Credit and whose finances (for reasons explained above) had been made better by the slowing of the timetable, now had a direct and very financial interest in the programme being rolled out successfully.[259] Doing so would save it money. For the first time since IDS won his battle to get Universal Credit launched, the interests of all parts of government in making it a success – the DWP, the Cabinet Office, HMRC, the Treasury and the Prime Minister – were finally aligned.

It is that fact that may well have made possible IDS's resignation in March 2016. Universal Credit may just have reached, so to speak, the point of no return. "It was the thing that allowed Iain finally to say this thing is now not dependent on me," according to Philippa Stroud. "This thing will now happen so I don't have to be here. If it is not going to happen, it will not happen for reasons other than my absence or my presence. So the Treasury getting behind it was huge. Absolutely huge."[260]

The proximate cause of IDS's resignation within 48 hours of Osborne's 2016 Budget was a cut of £1.3bn to Personal Independence Payments to disabled people, announced in a Budget that also brought tax cuts for higher earners. This new reduction to disability spending was 'a compromise too far', IDS said, given the other mighty cuts that had been made to the welfare budget since 2010, and not least when the government had been refusing to reduce benefits for better-off pensioners.

His resignation letter, however, also made clear that the cuts to the generosity of Universal Credit had played their part in his decision to go. He said:

> Too often my team and I have been pressured in the immediate run up to a budget or fiscal event to deliver yet more reductions to the working age benefit bill. There has been too much emphasis on money saving exercises and not enough awareness from the Treasury, in particular, that the government's vision of a new welfare-to-work system could not be repeatedly salami-sliced.[261]

He asked the Prime Minister to look again at 'the balance of the cuts' and whether enough had been done to honour the Chancellor's repeated phrase that 'we are all in this together'.[262]

At every fiscal event since 2010 – emergency Budget, Budget, Autumn Statement and Spending Review – the Treasury had been back for more cuts to the working-age benefit budget. Indeed it had done so four times in a year between the pre-election 2015 Budget and the 2016 Budget over which IDS quit.

"He had been close to quitting before," according to one source.[263] Indeed, in the run-up to the post-election Budget in July 2015, both he and Lord Freud had let it be known that they would resign if George Osborne, as part of his planned £4bn of cuts to tax credits and to Universal Credit, took money out of the Universal Credit taper – raising the withdrawal rate above 65% when IDS had already had to abandon his original goal of a 55% taper. "Doing that would have wrecked the architecture," one DWP insider says. "Sixty-five per cent is already too high. The single taper is an important part of the work incentives, and if it had gone any higher then frankly you would have killed it [Universal Credit]."[264] The result was that all the cut was taken on the work allowances.

If the judgement was that the continued development of Universal Credit was now secure, even if its delivery remained in question, that was confirmed in the first significant speech by IDS's successor Stephen Crabb who underlined the Government's determination to see it through.

'I am absolutely committed to leading a continued, successful roll-out of Universal Credit. That is a priority for me, as is continuing to embed it as the spine that runs through the welfare system,' Crabb said. His speech in April 2016 was being made as Universal Credit was becoming available in every jobcentre for new claims – even if, as he failed to mention, still chiefly on the old 'live' system. 'The next stage will be the ambitious full roll-out [of the digital system], so that every person, in every circumstance, who steps into a jobcentre to make a new claim will be on Universal Credit. That will be my focus in the months ahead.'[265]

Three months later, following the referendum that produced a slim majority for the UK leaving the European Union and a new Prime Minister, Damian Green took over as Work and Pensions Secretary.

In his first written statement to Parliament he said that Universal Credit – 'the biggest transformation of the welfare state since its inception' – 'has formed and will continue to form a key part of this government's action to reduce reliance on benefits and increase incentives to work'.[266]

As he did so, he announced a further slowing down of its roll-out but one that this time was caused chiefly by policy changes rather than a fresh problem with the programme. As part of the welfare cuts, Cameron and Osborne in the summer Budget of 2015 had decided to limit Child Tax Credit to the first two children for new claims from April 2017, and remove the higher-rate element for the first child.

That, inevitably, required changes to the IT for Universal Credit, as did other announcements in the Budget, including removing housing support for 18- to 21-year olds. So now the roll-out of the full service to five jobcentres a month was to continue for an additional six months, until June 2017, before ramping up to 30 and then 55 a month, the aim being to complete the roll-out in September 2018.

In addition, in response to reports from the NAO and the Public Accounts Committee, Green said that 'specific contingency' was being built into the plan 'for the first time since Universal Credit was announced in 2010'.

As a result, the migration of existing benefit claims will now at the time of writing start in 2019 rather than 2018, being completed in March 2022, a year later than on what had been the most recently announced timetable.

As the Secretary of State made that announcement, Neil Couling, who had just become its longest-serving senior responsible owner, told the Public Accounts Committee that the announcement was "a big step forward" and he was now "on a plan that I am confident I can deliver". That came with a string of qualifications – continued development of the IT, no more policy changes, staffing levels in jobcentres being right, and good relations with local authorities which are "key to the delivery of Universal Credit" but are "under their own stresses and strains with resourcing". Plus adaptations that the Scots and Northern Irish may want under their devolved powers, and the risk that any 'economic shock' post the referendum pushes up the volume of claimants with which the DWP has to deal.

But "based on what we know now for the policies, settled as they are now, I am confident we can deliver to this timetable".[267]

11. Universal Credit: is it what it was?

The short answer to 'is it what it was?' is 'no' – neither entirely in principle, nor in practice, despite still being entirely recognisable as the original idea.

Its principal aim – a significant simplification of working-age benefits for those both in and out of work – remains. This may not quite be 'the biggest reform since Beveridge', as ministers claimed. But it remains six benefits replaced by one. Council Tax Benefit, however, was removed early on, reducing the simplification and complicating the 'better off in work' calculations outlined below.

Other than for the better-off recipients of the existing tax credits, Universal Credit was designed for most to be more generous than the system it replaced – providing real incentives to leave inactivity for work. But it was launched into a period of austerity. The original aim of both *Dynamic Benefits*[268] and Lord Freud's immediate pre-election paper[269] had been to have a 55% taper, one close to the highest marginal tax rate (income tax and national insurance combined) faced by the highest earners – that is, 51% at the time of design. That, however, proved to be too costly for a deficit-reducing Chancellor. So the taper – the withdrawal rate for Universal Credit – was raised to 65%.

And that proved to be just the first in the cuts to the original generosity of Universal Credit as the Chancellor sought further benefit reductions to eliminate a deficit that was not coming down as fast as he had promised.

Thus, at the time of writing in mid-2016, work allowances – the amount that can be earned before the taper starts to take effect – have been cut four times since Universal Credit was originally proposed. They vary by circumstance. But as originally set out, a single person with no children would have been able to earn £114 a month before withdrawal – the taper – took effect. A couple with children not claiming housing support would have been able to earn £551 a month, or £228 if they were claiming housing support. By 2016, however, singles and couples without children had no work allowance at all, while other family types – those with children, whether couples or lone parents – had seen reductions ranging from 16% to 47% in the value of the work allowance.[270] The net effect was to cut nearly £5bn off the long-run cost of Universal Credit compared with the original proposal, according to the Institute for Fiscal Studies.[271]

Against that, the level of subsidy for child care costs had increased against the original proposal, with 85% of child care costs up to £175 a week being covered for one-child families and £300 a week for families with two or more children. That compared with 70% under the original plan and under Working Tax Credit. That added £375m to the long-run costs of Universal Credit against the near £5bn cut from the other changes.

As the Institute for Fiscal Studies puts it: 'The combined effect of all this is that Universal Credit will now provide less support to working families, on average, than the legacy system it replaces – a reversal of the original intention.'[272]

Nonetheless, when put alongside other tax changes since 2010, the original intention of reducing the numbers facing very high participation tax rates – the proportion of earnings lost as tax is paid and benefit is withdrawn – remains, although complicated by the impact of Council Tax Benefit not being within Universal Credit, and thus, because the way it works varies locally, not being part of the calculations that follow.

On current plans, only some 700,000 people now face participation tax rates of 70% or more, against 2.1 million people under tax credits – a reduction of two-thirds. The number facing a participation tax rate of between 50 and 70%, however, rises by 1.9 million, from 4.7 million to 6.6 million. But the net effect remains that many fewer people face very high rates of 70% or more, even if for some 200,000 it will, at the time of writing, still be 80% or more, and for 100,000 of these over 90%. So while all this is a very real improvement over the participation and marginal tax rates in tax credits, Universal Credit still does not entirely get rid of the 90% rates against which both David Cameron and IDS were railing back in 2009.

Two of the harshest bits of the current system that *Dynamic Benefits* sought to address – the ludicrously high assumed rate of interest on any savings people have when they seek to enter the benefits system, which encourages them to run them down, and the so-called 'couple penalty' – remain either unaddressed or only partially so. Changing either would have been expensive.

The world of people and work is a complicated one – differing sorts and sizes of families with differing housing arrangements, earnings and costs – so average figures hide significant differences. But the Institute for Fiscal Studies' best calculation in 2016 was that compared with the legacy system of out-of-work benefits and tax credits, some 2.1 million households will get less in benefits due to the introduction of Universal Credit, with an average loss of £1,600 a year (hence the need for transitional protection) and 1.8 million will get more, with an average gain of £1,500. Overall, Universal Credit will cut benefit spending by £2.7bn a year in the long run compared with the legacy benefits, according to the Institute for Fiscal Studies.[273]

These calculations, however, do not take into account the potential 'dynamic' effects of the new system. Quite how employers and claimants will react can only be guessed. At present, particularly in the retail and hospitality sectors, many jobs are offered at around 16 hours a week because that is where there is a jump in support, notably for lone parents. That incentive disappears in the new system, thanks to the single taper and the abolition of the hours rules. So how will employers react? By asking existing employees if they want more hours? Or by creating more 'mini-jobs'? Or with more 'zero hours' contracts? How will claimants react to that, to the financial incentives in Universal Credit and to the introduction of the National Living Wage, which was not planned when Universal Credit was conceived?

On average, and as currently constructed, those in rented accommodation and single-earner couples see increased entitlement under Universal Credit, increasing the incentive to work. The incentive for both members of a couple with children to work is weaker than under tax credits. It is also weaker for most lone parents. And there must be a risk that some may choose to reduce rather than increase their hours, given that, in the right circumstances, giving up a few hours produces only a 20p to 30p loss for each pound they would otherwise have earned. In-work conditionality has the potential to counter that.

And the policy debate around Universal Credit will, inevitably, continue. Take just one example. The Resolution Foundation, an independent think-tank with a particular interest in the low to medium paid, concluded in May 2016 that all the changes combined 'have taken Universal Credit too far from its original purpose… Unless changes are made it risks being reduced to little more than a very complicated vehicle for cutting the benefits bill.' The foundation underlined its longstanding support for Universal Credit and acknowledged that it still addresses 'the very worst disincentives for entering work' in the first place. It argued, however, that with the proportion of workless households at a 30-year low, encouraging first earners into part-time work is no longer the country's big labour market challenge. Rather, with two in every three poor children now living in *working* families, Universal Credit should instead focus on encouraging second earners to enter work – where the incentives are 'far worse' than under tax credits – and by supporting pay progression. 'Raising work allowances for single parents and second earners is the most effective way to boost employment,' it argued, recommending also that Housing Benefit should be paid direct to landlords and that reporting requirements for self-employed people and for child care costs should be eased to reduce complexity.[274]

12. What remains to be done?

What remains to be done? An awful lot, is the answer. And it is still too soon to tell if Universal Credit will finally do the business.

Adopting the twin-track approach has, on the latest figures and despite the IT write-offs, lowered the initial estimates of what it was going to cost to build Universal Credit. The original figure agreed in 2010 was £2.4bn, but that has now fallen to £1.7bn, according to the DWP.[275]

The roll-out of the 'full' service for new claimants has begun, with the way it operates being repeatedly adjusted as it uses the test and learn approach.

The London Borough of Sutton has most experience of it, having been the original pilot starting in May 2014. Unlike the 'live' service, it has taken all types of new claimant from the start and currently has around 1,000 people on the 'full' service version of Universal Credit. The result, to date, has been mixed, according to Julian Clift, the council's lead on welfare reform. For those able to cope well with its online approach – some 40% of claimants on his estimate – it has worked well, and better than the benefits it replaces. For the remainder – who include the most vulnerable on Employment and Support Allowance, those subject to domestic violence or those who have to leave their home for whatever reason, for example – it has proved more difficult. And within that group some 20 to 25% of claimants face 'significant issues', Clift says. These include difficulties in applying, in coping with the IT and in budgeting.[276]

The council has had to do more to help such people apply. It has also had to take on budgeting advice because the local Citizen's Advice Bureau could not cope. There has been a rise in applications for crisis loans and grants to the council's cash-limited local welfare budget, Clift says. This has resulted from a seven-day wait before a claim can be made followed by a seven-day wait for an assessment of a claim, plus a 30-day wait for the first payment of a successful one, even though an advance on benefit (which has to be repaid) can be made available. On top of all that there has, at least initially, been a rise in rent arrears.

"It is definitely putting more of a load on local authorities with regard to vulnerable customers," Clift says, while adding that the working relationship with the DWP to try to crack these issues – some of which, two years in from the original pilot, feel more than just immediate teething problems – "is very good". [277]

The DWP's own figures on the 'full' or digital service paint a rosier picture of how easy claimants are finding it to claim online. In the year to July 2016, some 99% of claimants submitted their personal, social and financial information online, and almost 90% submitted changes of circumstance online, although it is not entirely clear whether they did so only after help from others, including jobcentre staff.[278]

In Sutton, free school meals are being handled by awarding them to everyone on Universal Credit with school-age children, regardless of how small or large their award. "That's good for the schools and for us financially," Clift says, "but it's not good in the long run for the public purse, so I suspect that will have to be changed."[279]

As Sutton's experience shows, quite how 'passported' benefits are to be handled has still finally to be resolved. Universal Credit can, at the request of other departments, build in 'hooks' – the level of income that a claimant or family has to qualify for free school meals, or free prescriptions, or any of the other benefits that, locally, can even include fishing licences. Councils and the NHS can then use these as qualifying conditions for the free services. But precisely how all that will work at scale is still not crystal clear.

As part of the digital or 'full' service, the DWP is developing its own programmes to support those who struggle with the online or smartphone application. It is working with local authorities to build more budgeting advice. It is also creating a 'trusted partner' status with registered social landlords, allowing them to designate which claimants should have their rent paid direct to their landlord. All these are aimed at addressing issues that Universal Credit inevitably throws up.

Questions remain about how employers will react to the disappearance of the hours rules, with the numbers on Universal Credit not yet large enough to provide an answer to that. The long run-up to get a claim paid – seven days before a claim can be made, followed by assessment and then a wait of up to a month, in other words up to six weeks in total – may need revision. And there are queries about how well Universal Credit will cope with the growing numbers of self-employed people in low-paid jobs, who face different reporting conditions from those who are employed, with all the controversy around Uber and some of the delivery companies about how far such people are genuinely self-employed.

It remains important for both claimants' income and the reputation of the DWP that this time round – unlike under tax credits – claimants grasp the need to report change of circumstance. Some of this is relatively easy – new accommodation, for example, or a new baby. But anyone who has been through separation, divorce or the beginning of a new relationship, whether or not that involves children, will recognise that there may well be easier ways to report that than on a monthly basis.

At least as fundamentally, it is not yet clear how in-work conditionality will be applied.

Conceptually, this is arguably Universal Credit's biggest change, bringing a new relationship between claimants and the state. Those earning less than they would on the minimum wage at 35 hours a week will face for the first time pressure and possible sanctions that require them to earn more. By 2020, in-work conditionality is expected to apply to some 1.3 million people who have never faced this before.[280] Pilots are being run on how it might be applied, but the answer, including how vigorously sanctions will be applied, is not clear. The pilots of in-work conditionality are not due for completion until 2018 when decisions are due on how it will be applied. What is clear is that if a million-plus cases are to be subject to it, then some of the cuts in DWP staffing will have to be reversed. If they are, a paradox of Universal Credit remains. That in seeking to drive people to higher earnings and more independence from the benefits system, there will be more intrusion into and control over the lives of people who are in work than under the current benefits system.[281] And there are those who believe that such an approach – sanctioning people who are already working – will prove to be 'political dynamite'.[282]

The limited research to date on those claiming Universal Credit does point to a labour market effect among the earliest, single, claimants.[283] But the 'dynamic' bit – that more generous work allowances and slower withdrawal rates will see more people enter work and then earn more, driven by greater conditionality both in and out of work – remains largely untested and uncertain. It is a key aim of the reform, and its success or otherwise will be a factor in whether Universal Credit will save money in the long term.

It is also worth noting that Universal Credit raises the stakes for the DWP in terms of its payment performance. If a tax credit or a Jobseeker's Allowance payment or any of the others in the group of six go awry, claimants are rarely left penniless in the sense that other payments – for example, Housing Benefit in the case of Jobseeker's Allowance or tax credits, – continue. If a Universal Credit payment fails, then all the support from the state, other than Child Benefit or disability benefits not included within Universal Credit, disappears.

Aside from those unanswered questions, huge steps remain – rolling the 'full' service out nationally for new claimants, and then migrating those already on tax credits across to Universal Credit and then, at some point, those already on Employment and Support Allowance. Achieving all that could yet see the timetable slip further.

It remains very much a work in progress. Recovery is not the same as recovered. At the time of writing there are some 280,000 people receiving the 'live' version of Universal Credit – still mainly single people although with a slowly growing number of more complex cases. There are no official figures for those on the digital or 'full' service, which is, so to speak, taking all comers so long as they are new claims. On an educated guess, something over 20,000 are receiving the 'full' service, with the numbers now growing as more offices switch to it. That remains a long way short of the eight million households who will eventually be affected by Universal Credit.

For all that, however, Universal Credit now feels as though it is in recovery mode. Something at least recognisable as Universal Credit now looks more than likely to survive. To that extent, it seems as if it has reached the point of no return. But will it be a success?

The answer to that depends on how success is defined. If it finally replaces the existing benefits and tax credits, that will be one, minimal, level of success. If it is indeed simpler for the overwhelming majority of both claimants and staff, that will be a higher level of achievement, particularly if it does smooth the transition into work.

Will it, then, be cheaper to administer than the old system? If the digital or 'full' service works well at scale, that may well be the case. Were that not to happen, it is highly questionable whether the original or 'live' service, with all its security problems and workarounds, would be a cost-effective solution.

But if Universal Credit proves cheaper to run and easier to use for both claimants and the DWP, will it achieve that without shifting significant additional costs – displacement costs – onto:

- social landlords and tenants who, on the limited current evidence, are facing a rise in arrears as people move onto Universal Credit
- local authorities, which, again on the current evidence, are having to provide more budgeting advice and help to Universal Credit claimants, and which are also facing more claims on their now devolved and cash-limited budgets for Social Fund loans and personal hardship payments?

Or will it still leave those less able to cope with the digital world struggling and in financial as well as other trouble? More help for those facing such challenges is being built into the 'full' version of Universal Credit as it is rolled out.

Will it, then, not only get more people into work, but also get them earning more and thus claiming less? At least some of the answer to that question depends on how employers react. And if more people do get into work and earn more, will that then free up more time within Jobcentre Plus to provide significant additional assistance to those whom the benefits system has tended to 'park' – those who want or would like, or are able to do at least some work but who have real health or disability problems?

If it manages all of those, then six or more years down the road from now, its progenitors will be able to claim that Universal Credit is indeed a success.

The current funding of it – the big cuts to the work allowances since it was originally outlined in 2010, and a taper less generous than originally envisaged – may have made it too mean to achieve the 'dynamic' effects originally intended, although that is not yet clear.

But Universal Credit is a framework. If the incentives to take work are now too small, this or a future government could make them more generous, altering the taper or increasing the work allowances, and possibly choosing to do that rather than raising the threshold for basic-rate income tax, which, these days, does nothing for the six million lowest-paid people who are among the potential recipients of Universal Credit. They already do not pay income tax.[284] Admirably and unusually, the legislation allows for much experimentation within that framework. Would a more generous taper significantly affect behaviour or not? Would bigger work allowances help? Would significantly changing the child care element make a big difference? Would doing more to incentivise second earners have a bigger overall impact than simply getting inactive people to do at least a few hours' work a week? All these and more, if and when Universal Credit is up and running at scale, can be tried locally against a set of controls elsewhere.

13. What went right and what went wrong? A fuller diagnosis

The context in which Universal Credit was launched

Universal Credit was caught by four factors outside the programme's immediate control, some of which, nonetheless, clearly needed to be taken into account as it was designed. These were set out in detail in Chapter 7 and, while not spelt out in the same detail here, they are a key part of any fuller diagnosis.

First was the broader cross-government decision taken by Francis Maude to seek to change fundamentally the way government handled large IT projects. No more 'mega contracts' and 'big bang' solutions. There was undoubted merit in that. But it was a decision that landed just as the department was seeking to launch one of the most heavily IT-enabled business changes in its existence. With that went Maude's desire to switch from a waterfall to an agile approach in designing programmes, and the 'digital by default' strategy. The department, accustomed only to the more traditional waterfall approach, struggled to adapt, with the Warrington operation proving an unhappy hybrid of agile and waterfall that proved as much a problem for the suppliers as the department.

Second, government oversight of big projects was changing in parallel. There was a move from the Office of Government Commerce with its 'gateway reviews', to the more interventionist approach enshrined in the MPA. The MPA, however, was being built as Universal Credit was launched and its early existence involved much internal work:

- building its project portfolio
- strengthening its staffing, not least people who understood business change as opposed to construction projects
- building and then implementing its stronger intervention powers.

Universal Credit, for example, did not go through the more rigorous 'starting gate' assessment that the MPA was to introduce, and it was not until the MPA actually visited Warrington that the scale of trouble that Universal Credit was in became transparent to outside eyes.

Third, Universal Credit was launched into a period of austerity, which saw the department having both to implement £12bn of benefit cuts and reduce its operating budget by a quarter, shedding 39,000 staff while merging a number of jobs at the top of the organisation. Universal Credit's own programme budget was ring-fenced. But the department had a lot else on its plate.

Fourth, there was an element of sheer bad luck. Two of the project's senior responsible owners retired through ill-health, although one can legitimately ask, certainly in one case, whether the load that they were being asked to carry in fact contributed to that. One died in harness. With the best will in the world, it is difficult to plan for that.

Issues specific to Universal Credit

If that was the broader context, there were plenty of issues specific to Universal Credit itself. They come under headings. But in fact they all interacted, as indeed they did with the factors outlined above. This explains why there is some repetition here, both within the sections of this chapter and with Chapter 7.

The timetable

The original timetable was just nuts. In a 2014 interview, one of the suppliers who had signed up to try to deliver it described it simply as "madness"[285] – six benefits into one that affect a third of the working-age population, including some of the most vulnerable, with 1.6 million calculations for changed circumstances, which had to be understood, and then altered and paid, every month; all due to start in 2013 and be completed within four years of the final legislation being in place.

Freud's original estimate in 2007 that it would take eight years,[286] and that of PwC in its advice to him ahead of the election that it would take the same, and – if the current timetable holds – the fact that it will have taken nine years from the last bits of legislation in 2013 to the completed roll-out in 2022, look a lot more realistic.

National roll-out was originally due to start in October 2013 with completion in 2017 – yet the final regulations for Universal Credit were not due to be laid until October 2012, a timetable that itself slipped so that they were not finally completed until April 2013.

Why did it take getting on for two-and-a-half years to get all the legislation through? One answer is that in the breakneck dash to get the project up and running, the white paper was greener than it should have been. Key decisions had to be taken later as the bill went through Parliament. Another is something that on first hearing sounds like a paradox. That the drive for simplicity was itself complex. Shrinking into a simpler system the huge number of rules around six benefits, with their many hundreds of pages of guidance, was itself a complex task. Which should go in the interests of simplicity? And which should stay? And what would be the impact of that on different individuals and families?

One senior policy person says:

> There were, inevitably, compromises along the way as it went through Parliament, and there were endless detailed design decisions that had to be made to deal with the complexity, which is one of the things that you get into with the regulations. One of the difficulties was that we were trying to design something to be very simple against lives that are very complicated. If you go for something very simple there will be a lot of rough justice involved. And when you get into the weeds you find that 'if we do this, it will mean that in these circumstances, and that doesn't feel right'. So there is a compromise. So you are chipping away at the simplicity all the time, having to get that into the way the software and the system will work, and you can lose the big picture.[287]

So throughout the legislation the detailed design was evolving – as it had to yet again when the 'test and learn' agile approach was finally adopted in 2013 and some of the previous decisions aimed at simplicity had to be unpacked.

IDS agrees that "starting before the bill without all the policy done" and "trying to build a system piecemeal before we had completed all the policy work" was indeed "one of the problems".[288]

It would be easy to argue that eight or nine years is longer than it took to win the Second World War – as Margaret Thatcher once did when told it might take six years to get a decent costing system across the NHS.[289] But that sort of war – with a nation's survival at stake – allows even a democratic government that is supported by its population to commandeer and order in a way that is simply not possible with a major benefit change affecting millions of people in a peacetime democracy that has many more ways of communicating with government than in 1940.

In purely technical terms, quite where the original timetable came from remains something of a mystery. Even the NAO, which has access to departmental papers in a way this author does not, could not find its origin. 'The department was not able to explain to us how it originally decided on October 2013 or evaluated the feasibility of roll-out by this date,' the NAO said.[290]

IDS is adamant that the timetable was given to him by the civil service: "It was their proposal on timescales. We definitely left the timescale proposals to them… I asked them to give me a timescale. And they gave me the timescales. And I said: 'Are you sure you can meet these?' And they said: 'Yes'."[291]

Stephen Brien and civil servants, by contrast, are crystal clear that the timetable was political. The background, after all, was that the Coalition Government was committed to abolishing the deficit over the life of a Parliament. It was legislating to create fixed-term, five-year Parliaments. But certainly at the start it believed that there was a high chance its austerity measures would be sufficiently unpopular to make it a one-term government. If it wanted to make permanent change it had to complete its policies swiftly. And across a whole range of areas – health and schools, for example, as well as welfare reform – it moved at lightning speed, leading to it being dubbed the 'breakneck coalition'.[292]

"Politically, it had to have started by the end of the Parliament to make it irreversible," Stephen Brien says.[293] Or in the words of one senior insider: "IDS quite simply believed it had to be up and running by the election in 2015 otherwise it risked being killed off. That was the driving thing the whole time."[294] As another puts it: "He believed he had three to four years to get this established. So when he was told it might take eight to 10 he'd say 'but we haven't got eight to 10 years'."[295]

The timetable dominated issues well into the recovery period. As late as October 2013, six months after the reset, the leak of the risk assessment was still describing 'volumes and timelines' as being 'red lines' that ministers did not want crossed – even as the same risk assessment was bluntly stating that 'the plan is not achievable within the preferred timescales' and that the 'assumptions underpinning ramp-up are unrealistic'.[296]

Sir Bob Kerslake, the head of the home civil service at the time, says that the timetable was quite simply "too tight… It was undeliverable and that should have been said at the beginning."[297]

David Pitchford puts it this way:

> It was announced before it was planned. This is a common issue in major public enterprise projects worldwide because a prime minister or a minister wants to make an announcement and get under way.
>
> There was a lot of work put into the concept of it, and I have to say that Iain Duncan Smith is probably the most committed minister to his portfolio that I have seen in my worldwide travels. So it certainly was not a lack of passion or a lack of desire.
>
> But the programme was commenced before the new end state was mapped. And so what the business needed to look like at the other end was not the starting point.[298]

New government syndrome

This is a repeated challenge for the civil service, and a very hard balance to get right, particularly after a long period of government by another party. The department was keen to do Universal Credit, and as with the Department of Health and Andrew Lansley's Health and Social Care Act 2012, it was keen to demonstrate its willingness to support the new government and its ability to move fast.[299] Too fast. The white paper was insufficiently detailed – partly, it appears, the result of the clashes with the Treasury. And it is fair to point out that the original timetable had been established by the time the new permanent secretary Robert (now Sir Robert) Devereux arrived.

Overload

The department had 11 other major projects on its plate in addition to Universal Credit – all involving big business change. Some in technical terms went remarkably well – the introduction of automatic enrolment for pensions and the new single state pension, for example. Some – including the new assessments for those moving onto Employment and Support Allowance and the new Personal Independence Payment, which was to replace Disability Living Allowance – proved a nightmare for both the department and those subjected to them.

In the course of interviews, a minority maintained that overload for both the department and for ministers was not an issue that affected Universal Credit. But to the outside eye that looks very much to be the case, and it was described as such by some current and former DWP civil servants. Overload had a number of aspects. A key one was the decision to make the first senior responsible owner, however talented, also the department's chief operating officer – at a time when the department had a dozen major projects on its hands in addition to its day-to-day operations.

"You cannot have someone running the biggest operational part of government [paying out £160bn of benefits a year] and devising Universal Credit. That was simply unsustainable," as one insider puts it. There remains a view among some former and current DWP civil servants that had that not happened, the programme would not have hit the trouble it did. "Had he been left solely with responsibility for UC [Universal Credit], I and others believe he could have delivered it, not withstanding the huge challenges of the task," one says.[300]

Overload may well also have applied to a permanent secretary new to the job – Devereux – even though he was one with past experience of the DWP's operations. Aside from being accountable for the 12 major projects and the day-to-day operations of a department that accounts for roughly a third of all government spending, Devereux was also having to restructure an organisation that was losing a quarter of its operational budget as part of the Coalition Government's austerity drive. This resulted not just in the department shedding 39,000 posts, or more than 30% of its staff, over five years. It also resulted in a significant restructuring of the top of the office. That included the decision to combine a bunch of senior positions – including making the senior responsible owner of Universal Credit the chief operating officer – plus a decision to bring Jobcentre Plus, the Pension Service and the Disability and Carers Service, which had been operating as arm's length agencies, back into the DWP. In at least some parts of the core department, people had to reapply for their existing position in order to prevent an exit of the best talent under a purely voluntary redundancy scheme. The net effect – certainly in the judgement of some, including MPs on the Public Accounts Committee and people in Devereux's own department – was that the Permanent Secretary in the early years of Universal Credit paid too little attention to its most ambitious change programme.[301]

Certainly the judgement of the NAO was clear. 'The Department did not have sufficient understanding of its portfolio of programmes or overall capacity,' it said.[302]

The department's technical capability

There is no doubt that the department wanted to do this. Simplification of the benefits system was a noble aim that the department itself had long fostered. And both ministers and other interviewees confirm that there was lingering resentment in the department at Gordon Brown's mistaken decision to give tax credits to HMRC. The department felt that that was a mistake, and wanted to prove that it was a mistake.

It had in the 2000s undertaken the huge and successful merger of unemployment and benefit offices, and it had more recently, using the traditional waterfall approach, introduced the Employment and Support Allowance, where the IT itself worked well, whatever the other problems that its introduction engendered.

"There was an issue about capability and project management," Sir Bob Kerslake says.[303] That was reflected in, for example, the failure to produce what Stephen Brien defined as "the Bible"[304] or as the NAO put it the absence of 'a detailed view of how Universal Credit is meant to work'.[305] But nailing that down ahead of all the legislation being put through was not easy, as we have seen.

There were further issues around capability. One of the fundamental mistakes made in the 1990s and early 2000s when the outsourcing of all IT was a Whitehall-wide given, was that once it had been outsourced, anything that went wrong was, by definition, the suppliers' problem. IT expertise in Whitehall, other than seeking to write the contract in the first place, was largely handed over to the private sector. If things went wrong, the theory went, the penalty clauses would kick in. The supplier's reputation would be at stake. They would respond and all would be well.

In other words, what got outsourced was not just Whitehall's in-house ability to build major IT, but also the ability to manage the contract once it had been let. When it became clear in the later 1990s that the theory was not working – that reputational risk would ensure that suppliers performed – the standard response was to hire a client-side adviser to provide the contract management skills that Whitehall had also outsourced – someone, in other words, to do the contract management on behalf of the department in question. How well that worked is a matter of dispute.

But what was also absent in the case of Universal Credit was a client-side adviser. The department chose to handle the contract management of its suppliers itself without having, it appears, the expertise to do that. As a result, as things began to go wrong, it ended up having to commission reviews of governance and much else as it went along – including in January 2012 hiring IBM, which was already a supplier, to act as the applications development integrator in order to provide 'some oversight and overall management of IT development', as the NAO put it. That, however, created the risk of 'supplier self-management'.[306]

The new service – the digital one – ended up being built in-house rather than being contracted out, partly thanks to the changes Francis Maude wanted to the way government handled IT. As Rob Thompson of the DWP's digital service has put it: 'It is the first development of a system in-house for 20 years and we have had to build the capacity to do that from scratch, bringing all the engineering knowledge back into the business.[307] That in itself could well benefit future DWP projects, and indeed those in other departments in so far as it is adopted elsewhere.

The 'waterfall' plays 'agile'

Maude was determined to end 'mega IT contracts'. 'Digital by default' was set as the Coalition Government's strategy. Both ideas had merit. As did Maude's and the Cabinet Office's desire to use an agile rather than a waterfall approach to building new systems. But the department had no experience either of agile or of digital.

The result – when allied to development beginning way ahead of a full understanding of what Universal Credit would look like as a finished product – was an attempt to combine an agile approach with a waterfall approach, which failed to gel.[308] The security involved in trying to go 'digital by default' became a crisis issue.

Interestingly, the department estimated that using its traditional waterfall approach, roll-out would have started in April 2015[309] – two years later than the 2013 deadline that was settled on, and barely a month before the already known date of the 2015 election. It was too late, in other words, for what many in the department saw as a politically driven timetable.

In an interview for the Institute for Government in March 2011, Steve Dover, the DWP's corporate director of major IT programmes, said that if the department had used the traditional waterfall approach, it would not have seen "a real solution emerging" until the latter part of 2014. "When you consider that we have to go live in 2013, that's a little bit late," he said. Using the version of agile that the department was, back then in 2011, seeking to implement, the department would have "the first cut of the real solution… end to end, the real deal ... with the majority of the components that will build the solution actually working properly" by that summer. He did note, presciently, in this 2011 interview, that there was "some nervousness around the place" about the approach. "But the majority of that is because they [we] just haven't done it before."[310]

Under the waterfall approach, there would typically have been six months or so of specifying the requirements as the legislation was crystallising, rather than the IT build starting well ahead of that. That would have been followed by detailed design work for, say, a year, and up to 18 months of testing and amendment before roll-out. Scrabbling to meet the 2013 timetable left Warrington and the suppliers designing software for a system that was way, way short of being fully defined.

In David Pitchford's words, that led to the suppliers designing the system: "The way the contracts were being managed, it was being led by the consultants rather than by the project team. So what that leads to, unfortunately, is that you get what they give you, and the components were not all linked up, and there was no guarantee that it was all going to work in the end."[311]

Or as the NAO put it, citing a report in June 2012 from Communications-Electronics Security Group (CESG), the information security arm of the Government Communications Headquarters (GCHQ), 'the lack of an agreed, clearly defined and documented scope' led to 'each supplier setting out what they should provide'. That led to 'confusion about the interactions between systems developed by different ones [different suppliers]'.[312]

Philippa Stroud says:

> The difference between waterfall and agile was a huge issue and we didn't really see it coming. Back in 2011 there was only one way to build government IT and that was the traditional one. But in another corner of government [the Cabinet Office], which has responsibility for procurement and contracts, separate from what's going on in DWP, you have the creation of a whole new way of doing things without the civil servants being trained in that. So you have a new government digital strategy, with all

> the personalities involved, very big brains, and very purist, but without them being the greatest communicators in the world. So this huge philosophical battle emerges with neither side really understanding the language of the other.[313]

"Through much of 2011," Stephen Brien says, "it was a whole load of little things building up that weren't going right. It was like the frog in the slowly heating water. It doesn't realise until too late that it's being boiled."[314]

Governance

Governance at various levels of the programme, and not just the repeated changes in senior responsible owners and programme directors, was a long-running issue, and subject to repeated change, as evidenced by the MPA and NAO reports.

One key change, however, was the restructuring of the programme board in Howard Shiplee's time. It is now much broader and independently chaired. According to Neil Couling, the current senior responsible owner:

> It has now got senior representatives from the Cabinet Office, the Treasury, HMRC and local government, and it's chaired by Sir Robert Walmsley, a former civil servant who is now independent of government. That has really strengthened the scrutiny of what's going on, so now I take my plans to them and they give them a good going over, and there's really good challenge in the system now.[315]

Personalities and the 'no bad news' culture

Studies like this tend to look purely at structural issues and avoid personalities. But policies are implemented by people. And, as with, for example, the demise of the Audit Commission and the Coalition Government's Health and Social Care Act 2012,[316] they are sometimes unavoidable.

IDS and Osborne were never the best of friends. There were some blazing rows between the two that to some in the room did not seem always to be strictly about the policy. IDS's relations with Francis Maude waxed and waned, and their engagement in government came after Maude, who had run Michael Portillo's campaign for the Conservative Party leadership back in 2001, had declined IDS's invitation to join his Shadow Cabinet. At times, as one observer puts it, "they broke bread". At others, the relationship crackled with tension and IDS felt that Maude's Cabinet Office was being decidedly unhelpful, if not deliberately obstructive.[317]

Danny Alexander as Chief Secretary to the Treasury, and Nick Clegg as Deputy Prime Minister, were crucial to the project's survival. They were supportive early on when IDS and Osborne were at loggerheads about whether Universal Credit should even be launched. Alexander's intervention to keep the money flowing in 2013 was critical. There were tensions up in Warrington between some of the suppliers and the civil servants in charge. And there was the dispute about who was responsible for the 'no bad news' culture.

Some civil servants attribute it to IDS for the clarity with which they believe he said that Universal Credit must succeed – although IDS denies ever saying what is attributed to him. Others blame the department, with even some pretty senior civil servants within it agreeing that its default mode was to solve things – to work around them – not to bring bad news to the top.

And however you read the parliamentary statements and evidence sessions, it is hard to conclude that IDS was being entirely transparent with MPs on what was going wrong with the programme. Even some from his own party were criticising him for that, as late as 2016, just ahead of his resignation.

Optimism bias

Optimism bias is such a common cause of failure in both public and private projects that it seems quite remarkable that it needs restating. But it does – endlessly. It was there in the original white paper, which stated that this was 'an IT development of moderate scale, which the Department for Work and Pensions and its suppliers are confident of handling within budget and timescale'.[318] It was there in the department's annual reports, almost to the point of denial. The one published in July 2012 – just as the 'red team' was reporting and following a report from the MPA in May that listed key areas of the project as 'critical' – stated that 'the design and contractual work for Universal Credit progressed well and in January 2012 the implementation strategy was agreed'.[319]

David Pitchford says:

> One of the greatest adages I have been taught and have learnt over the years in terms of major projects is that hope is not a management tool. Hoping it is all going to come out all right doesn't cut it with something of this magnitude.
>
> The importance of having a genuine diagnostic machine that creates recommendations that are mandatory just can't be overstated. It just changes the whole outcome completely. As opposed to obfuscation and optimism bias being the basis of the reporting framework. It goes to a genuine understanding and knowledge of what is going on and what is going wrong.[320]

IDS would argue that his 'red team' report – commissioned, he says, because he was being given a 'panglossian' view of how it was all going – provided that, and did so ahead of the MPA report in early 2013, which led to the reset: "I kept thinking to myself that if this was industry I would want a group of people to come and rip this thing apart the whole time and tell me 'actually it is a heap of crap' and then work out if it is. So I instituted that back in 2011."[321]

Sir Bob Kerslake, who also identified the 'good news culture' of the department as being a problem, says:

> All organisations should have that ability to be very tough about what is and isn't working. The people at the top have rose-tinted specs. They always do. It goes with the territory. And unless you are prepared to embrace people saying that 'really, this is in a bad place'… I can think of points where I have done big projects where it was incredibly important that we delivered the unwelcome news of where we were on that project. But it saved me, and saved my career.[322]

Recovery

There are two views of recovery. One unprovable, and one that is entirely dependent on something as yet unknowable but which looks increasingly likely – that something that is recognisable as Universal Credit eventually emerges to replace the existing benefits.

The unprovable version of recovery is the view of ministers, their key advisers and some senior civil servants that the appointment of Philip Langsdale as senior responsible owner was getting the programme back into a deliverable shape. Langsdale's appointment followed an MPA report that listed every area of the project as 'critical' and then the 'red team' report that IDS had commissioned. Langsdale, hugely unfortunately, died. So no one will ever know.

IDS argues that the events that flowed from his 'red team' report were the real reset of the programme.[323]

More visible to outside eyes is the arrival of the MPA as the recovery team, and all that flowed from that. This was far from a bloodless exercise. It is beyond the reach of this study to assess whether the MPA – now the Infrastructure and Projects Authority – has more generally been a significant improvement over the previous Office of Government Commerce and 'gateway review' process.

But there is no doubt that it, followed by Howard Shiplee's arrival as senior responsible owner, made a significant difference here, even if the final outcome proves to be failure. IDS asked for David Pitchford to ride to the rescue, but equally it was the first time that the MPA used the power that David Cameron had given it to go into a project with the aim of sorting it out.

What eventually emerged from the MPA's intervention and Shiplee's own review was, some eight months later, the twin-track approach. And entirely in hindsight – though it is clear that it did not remotely feel like that to those involved at the time – this now looks more like one process than two. In effect, Universal Credit was started again using a genuinely agile approach to its build, while continuing to use, with some enhancements, the original build – the 'live service' – which allowed a lot of learning about how claimants and staff would react to key elements of the behaviour change and business change that is at the heart of Universal Credit.

The test and learn approach is part of agile. But it became embedded with the twin-track approach. That meant, essentially for the first time, that the staff who operate Universal Credit and the claimants on the receiving end, became part of the design and build process. That too – the involvement of frontline operational people in its design and adaptation, using feedback from claimants – looks to have been crucial to recovery. "When we started," Lord Freud says, "the operational people did not talk to the policy people, let alone to ministers." There was, he says, "this hierarchy" – a reference almost to a similar unattributed quote earlier about a 'caste system' in the department. "Once we had test and learn, that put the operational people at the centre of the process so that what we were building became operationally effective."[324]

The governance was revamped to provide more independent challenge and scrutiny internally, and while the timetable now runs out to 2022, there is more flexibility in it to allow the test and learn approach, with room to rewrite when elements do not work or can be improved. There is now, for the first time, some contingency built into the timetable. There have now been more than 40 releases of the digital service, with many more to come, as what is now dubbed the 'full' service tangles with the real world.

The department continues to build up its in-house IT expertise, a correction of the mistakes made in outsourcing across government in earlier times, and one that is being reflected in some other government departments. What may well prove a better way of handling business transformation projects is being demonstrated – engaging much more closely with the staff and the recipients than in the traditional waterfall method, and adopting a test and learn approach. And there is now a cross-government programme to help train civil servants in project management. How well all that will work in the long run remains to be seen, and not all of that is due to the experience of Universal Credit. But its history has contributed to that.

Finally, the Treasury has had, since November 2015, and for the first time, a direct financial interest in Universal Credit succeeding, so that all parts of government are now finally aligned behind it. For many interviewees, this was one of the absolutely critical moments in Universal Credit's history, along with the adoption of the twin-track approach, which, some way down the road, finally saw agreement about how the 'digital' version of Universal Credit was to be built.

From a DWP perspective, Philippa Stroud says:

> If the government commits to a £2.5bn programme, they can't give their support to it reluctantly. They have to view it as a whole-of-government priority, and all the players, right from day one, need to buy into it and not constantly attack it. The introduction of Universal Credit could be one of the key things that the Coalition Government is remembered for. But the battle to keep it alive, thriving and healthy, was off the scale. It should not be that difficult to achieve good things in government. There were way too many incoming missiles.[325]

Appendix 1: Universal Credit – a simplified timeline

JANUARY 2006

A Department for Work and Pensions (DWP) green paper says 'there may be advantages in moving in the longer term towards a single system of benefits for all people of working age'. A Benefit Simplification Unit is set up.

MARCH 2007

Freud report: 'whether the answer is a single benefit system may still be a matter for debate, but that debate should certainly take place'.

SEPTEMBER 2009

Centre for Social Justice publishes *Dynamic Benefits*, proposing two 'universal credits'.

MAY 2010

A Coalition Government is formed. IDS becomes Work and Pensions Secretary.

JULY 2010

21st Century Welfare canvasses Universal Credit as one of five options.

NOVEMBER 2010

The white paper *Universal Credit: Welfare that works* is published.

JANUARY 2011

The Welfare Reform Bill is published. This includes Universal Credit. The design and build process starts. Terry Moran formally becomes first senior responsible owner.

MARCH 2011

A first Major Projects Authority (MPA) review is carried out.

NOVEMBER 2011

A second MPA review is carried out.

MARCH 2012

Primary legislation is passed.

MAY 2012

The third MPA report lists security, capability, control over suppliers and chances of reaching a steady-state solution as all 'critical'.

JULY 2012

The 'red team' review, commissioned by IDS, reports.

SEPTEMBER 2012

Philip Langsdale replaces Terry Moran as senior responsible owner.

DECEMBER 2012

Final regulations are laid in Parliament. Langsdale dies.

JANUARY 2013

A fourth MPA review is carried out with a visit to Warrington. The Treasury calls in the National Audit Office (NAO).

FEBRUARY – MAY 2013

The 'reset' happens. David Pitchford, chief executive of MPA, becomes fourth senior responsible owner, replacing an interim appointed on Langsdale's death.

MARCH 2013

Regulations pass Parliament, a mere six months before the original planned 'go live'.

APRIL 2013

The first pathfinder is launched. Three more follow.

MAY 2013

Howard Shiplee becomes senior responsible owner, launches a 100-day review and commissions a review of information technology to date.

SEPTEMBER 2013

Universal Credit's problems become public as the NAO publishes a report on 'early progress'.

OCTOBER 2013

The original date for all new claims to start on Universal Credit. Pathfinders are extended to 10 more sites.

NOVEMBER 2013

A 'twin-track approach' is agreed following the Shiplee review.

FEBRUARY 2014

5,000 cases are on Universal Credit. The original target by this stage was one million.

APRIL 2014

The original date for all new tax credit claims to be closed. The 'claimant commitment' starts to be rolled out.

JUNE 2014

A very limited number of new claims from couples are added to the 'live' service, and from November for some with children.

SEPTEMBER 2014

Neil Couling becomes the sixth senior responsible owner.

NOVEMBER 2014

The first trial of the new digital service takes place in Sutton, Surrey.

MAY 2015

A Conservative Government is formed. IDS returns as Work and Pensions Secretary. The roll-out of the 'live' service to jobcentres continues, chiefly for single people and for new claims only.

JUNE 2015

Digital service trials are expanded to include Croydon and Southwark.

NOVEMBER 2015

The Autumn Statement gives the Treasury a direct financial interest in Universal Credit succeeding. IDS resigns. Stephen Crabb becomes Work and Pensions Secretary.

JANUARY 2016

The Public Accounts Committee acknowledges that Universal Credit has 'stabilised and made progress' while complaining about a 'persistent lack of clarity and evasive responses' from the DWP.

MAY 2016

All 700 offices are now on the 'live' service for single new claimants. The total caseload is 262,000, of whom 40% are in work. With an estimated 10,000 now on the digital or 'full' service, roll-out to five jobcentres a month begins, with plans to raise that to 50 a month in 2017.

JULY 2016

Theresa May becomes Prime Minister. Damian Green becomes Work and Pensions Secretary. The timetable is further adjusted, with contingency built in for the first time. Completion is now due in 2022 rather than in 2017.

Note: The NAO reports contain much more detailed timelines up to 2014.

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About the author

Nicholas Timmins is a senior fellow at the Institute for Government and reported for the *Financial Times* on Universal Credit from its inception until 2012.

He is also a visiting professor in social policy at the London School of Economics and in public management at King's College, London. He was public policy editor of the *Financial Times* from 1996 to 2011 and is the author of *The Five Giants: A biography of the welfare state* – a narrative history of the welfare state from the Beveridge report of 1942 to 2001 – with a third edition to bring it up to date due out next year.

He has two potential conflicts of interest. He co-chaired the Resolution Foundation's 2015 report *Making the Most of UC*, although it was others who provided the understanding and did all the hard work. Since November 2015, he has been a trustee of the Institute for Fiscal Studies.

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In a number of cases, there were repeat interviews at various stages in the development of Universal Credit – from the development of the initial idea both in Labour's time and when the Conservatives were in opposition, to periods when it was heading for disaster, to the more recent period of recovery. So the study has had the advantage of not being purely retrospective, and of covering both official and ministerial views, and those of some special advisers. It developed with the development of Universal Credit.

It remains the fact, however, that some of those most intimately involved in Universal Credit felt, for entirely honourable and understandable reasons, unable to help – at least for now. As a result, their account is missing. Had they been available, the picture presented here may well have been different – possibly very different. And while the author did receive help from Treasury and Cabinet Office sources, it would be fair to say that while Treasury and Cabinet Office views are reflected here, the prism through which this comes is mainly that of the Department for Work and Pensions.

So it is a simple fact that this report can only be a partial account of Universal Credit to date, and one day, a better account will be written of its history so far, let alone of its finality, which appears to be many years off.

It nonetheless felt worthwhile, given the scale of Universal Credit, its troubled history and the number of people that it will affect, to try to make some assessment of its story to date.

Drafts of this study were read at various stages by many of the interviewees, and there remained disputes not just about interpretation but also, from some of them, about facts. Some of that might be resolvable by access to the huge welter of documents around Universal Credit that are not in the public domain. But that, by definition, is not possible at this stage.

So it is important to understand that none of what this report contains comes with any endorsement from any of those interviewed, or anyone named in it. Any errors of fact and judgement, and indeed judgement about facts – and there are undoubtedly some – remain those of the author.

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