INSTITUTE FOR GOVERNMENT

Learning the lessons from Universal Credit

Briefing paper

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September 2016

Summary

Nicholas Timmins' report *Universal Credit: From disaster to recovery*[1] looks at the failure and potential recovery of Universal Credit, the ambitious government project to simplify the welfare system by creating one single working-age benefit. In this separate commentary, we look at the wider lessons for government projects that can be drawn from this story. We also include additional research on the delivery of the Olympics, automatic enrolment into pensions, fuel poverty policies and schools reform. These are what we think are the five critical lessons from the story of Universal Credit for future government projects:

- **Never skimp on planning for implementation:** Universal Credit was a huge change from the benefits system it sought to replace. But despite the scale of the change, there was underinvestment in policy design and planning. There was a failure to 'sweat out' what the end state would look like, or to engage with users early enough on issues like the move to monthly payments. A deep understanding of the people a policy is supposed to affect is a vital starting point for policy change.
- **Beware system overload – get the right capability and capacity in place:** The Department for Work and Pensions (DWP) had 11 other major projects on its books at the same time as Universal Credit, all of which involved major business change. But cuts at the top level meant senior personnel were stretched very thinly and could not always give Universal Credit the time it needed. Ensuring sufficient capacity at the top of the organisation and investing in project management capability across government are crucial.
- **Create a culture for delivery:** Two different culture challenges got in the way of delivering Universal Credit effectively. First, the separation of policy, operational and technical professions who worked in different places and with little or no collaboration: all three groups should have worked together from the start. There was also a tendency to not acknowledge or report bad news. The latter is not unique to Universal Credit – optimism bias is common. But projects fare better when established on an open-book basis.
- **Avoid too much innovation:** With stretched timetables and inadequate resourcing, it can be attractive to replace the old ways of doing things with a new technique, approach or technology. But big, high-profile projects are not necessarily the best places for testing new approaches. In Universal Credit, greater attention should have been paid to adopting 'agile' and 'digital by default'. Where new approaches or technologies are used, they need to be tightly controlled and managed.
- **Build resilience into the project:** Universal Credit has at various points been described as an 'unlucky' project. It was certainly beset by a series of challenges, some of which were less predictable than others. But successful projects must be able to weather changes in internal and external context. Universal Credit might have been less susceptible to bad luck if it had more resilience built in – including strategies for limiting the turnover of senior staff and creating spaces for external challenge (something that has now happened in the programme board).

Introduction

Nicholas Timmins' report should give senior civil servants charged with implementing large government projects substantial food for thought. There are many lessons to be learned looking backwards – but in this brief paper, we bring together what we think are the most important messages for the future and link them to earlier Institute for Government work on delivering policies and projects effectively. These lessons are particularly important now, as time and money are squeezed in the post-referendum landscape and effective, efficient delivery becomes more necessary than ever.

It is important to take full account of the context that set the backdrop for some of the early decision making on Universal Credit. In 2010, there was a new government who had taken power after 13 years of opposition. This included politicians with no prior ministerial experience, as well as civil servants keen to establish relationships with new bosses. This churn and sense of uncertainty was amplified by changes in personnel at the top of the DWP at a critical time, with Permanent Secretary and social security veteran Leigh Lewis standing down after six years.

Another part of the backdrop was austerity. This meant not only substantial changes to other parts of the benefit system that had to be delivered to meet the Government's overall spending goals, but also reductions in internal capacity within the DWP.

There were also wider changes that affected the environment for implementing Universal Credit. There was pressure to adopt new ways of doing digital projects and a new role for the centre of government with the creation of the Government Digital Service, while the new Major Projects Authority (now the Infrastructure and Projects Authority) – which played a critical role later on in Universal Credit – was not yet fully established. The development of Universal Credit was part of the Major Projects Authority's learning curve too. Many of those changes are now bedded in – and the revamped Infrastructure and Projects Authority should, for example, now be capable of playing a bigger and earlier role in any future project of such ambition, complexity and cost.

There are other pieces of context too that are highlighted in the Timmins report: the lingering rivalry between the DWP and HM Revenue & Customs (HMRC) over who was in charge of the benefits system; the fact that Universal Credit proceeded in spite of initial Treasury scepticism; the personal tension – to add to the institutional fractiousness – between the Work and Pensions Secretary and the Chancellor; and the Cabinet Office's insistence that government information technology (IT) needed to be done in an entirely new way. Last (but not least) there was the personal commitment of Iain Duncan Smith to his particular version of benefits reform, developed by the Centre for Social Justice in opposition. While having a political champion is critical for policy success, Duncan Smith's longstanding commitment to the project arguably made it difficult for officials to be honest about the problems it was encountering.

“Turnover of senior staff is a persistent challenge for project delivery in Whitehall”

Similar factors will also be present to different degrees in future major projects: existing projects must always establish relationships with new ministers; turnover of senior staff is a persistent challenge for project delivery in Whitehall; and the addition of new priorities and ways of working which have (sometimes undesirable) implications for existing work is commonplace. Although the combination of all these factors at one time was unusual, this cannot be an excuse for failure – successful policies and projects have to be able to cope with these and an array of other pressures, and still make it to the finish line.

The story of Universal Credit – both its failures and the green shoots of recovery – has much for other projects to learn from. Below we set out the critical lessons from the story of Universal Credit for future government projects.

1. Never skimp on planning for implementation

Universal Credit – a project to simplify the welfare system by creating one single working-age benefit – was a huge change from the highly complex system of six in-work and out-of-work benefits that it sought to replace. But despite the scale of the change, there was underinvestment in policy design and planning. Although Iain Duncan Smith and others at the Centre for Social Justice had produced a paper called *Dynamic Benefits*[2] outlining in some detail how a proposed new system might work, the white paper on Universal Credit that was published in November 2010 left many questions unanswered. It set out a very ambitious draft timetable – new claims for Universal Credit would start as early as October 2013 – which rapidly came to be seen as unrealistic. The scale of the IT challenge was underestimated and the capability of the department to manage the project overestimated.

“The white paper on Universal Credit … set out a very ambitious draft timetable”

Sweating out the detail

Partly, this was down to a failure to ‘sweat out’ the detail of what Universal Credit would look like in practice. While there was agreement on what Universal Credit was trying to achieve, its architects embarked on reform without clarity on how it would work when fully implemented. Even by early 2013, there was still no ‘bible’ that outlined detailed plans for the operational delivery of the project. This is in stark contrast to a successful project like London 2012, where the Olympic Delivery Authority had a ‘Yellow Book’ that outlined the scope and operational plans for the Games, against which progress was rigorously measured.[3]

Engaging users in policy design

Perhaps the biggest planning gap of all – and one that, if it had been fixed, could have brought more clarity to the desired end state of the project and supported more detailed operational planning – was the failure to sufficiently engage with Universal Credit’s intended users, in particular with their capacity to deal with one of its biggest proposed changes – a move to ‘digital by default’.[4] This proved a major stumbling block that was only addressed at a reset which redefined the goal to ‘digital as appropriate’ and began a full ‘test and learn’ approach with both staff and claimants. There are still question marks about the impact on users of the move to a monthly payment. As our previous work has made clear, a deep understanding of the people a policy is supposed to affect is a vital starting point for policy change, but in the case of Universal Credit there appears to have been little engagement with proposed users until quite late on.[5] Once that happened, the programme appears to have made better progress.

Interestingly, at the same time as the DWP was moving ahead rapidly on Universal Credit, it commissioned an external scrutiny of its plans for implementing automatic enrolment into pensions – which led to some simplification. External scrutiny was also a feature of the Olympics project – the Olympic budget reset, which happened when the London bid won against expectation, was also accompanied by a thorough review of the plans for delivery by David Higgins, who went on to head the Olympic Delivery Authority.[6] There was no such external challenge to the DWP's initial assessment that it would be able to deliver Universal Credit. An honest 'pre-mortem' – an assessment of why the scheme might fail or where further planning was needed – early on, could have helped identify potential sources of risk and allowed managers to work out how to counter them in advance.

2. Beware system overload – get the right capability and capacity in place

The second message that emerges strongly is the danger of overload – and therefore the importance of ensuring sufficient capability and capacity is in place.

Capacity at the top

In addition to Universal Credit, the DWP had 11 other major projects on its books at this time, all of which involved major business change. Cuts at the top level also meant senior personnel were stretched very thinly. This is perhaps best demonstrated in the decision to combine the roles of senior responsible owner for Universal Credit and chief operating officer of the whole department. Combining two such consuming roles either showed an unrealistic understanding of the requirements of the project, or simply demonstrated how overstretched the DWP was at this time.

“In addition to Universal Credit, the DWP had 11 other major projects on its books”

Assurance from the centre

Demand for expertise outstripped availability outside the department too. The Major Projects Authority was being developed by the Government as Universal Credit began. The Authority was focused on internal work – in fact one of the areas it was investing in was increasing the number of people who could support and assure business change projects. Its unformed state meant that the more rigorous 'starting gate' assessments were not yet in place and it was not until the Authority visited Warrington in early 2013 that it heard from people on the ground that things were going badly wrong. The Government Digital Service was able to provide additional digital capacity for Universal Credit to begin with, but then moved out to work on other projects – leaving technical vacancies that took time to fill.

Project management and delivery capability

The Institute has written before about the lack of capability in place to manage major projects in government.[7] When people with expertise got hold of Universal Credit they were able to make significant improvements. But people like this were in short supply. This is a vital role in government – and one where it should be possible to create a good career path, but where governments in the past have underinvested and failed to grow their own talent (which is why the majority of the senior roles in delivering and assuring delivery of the Olympics infrastructure went to highly paid people from outside government). In the last few years, the Government has taken steps to mitigate the shortage of project management capability: all senior responsible owners of major projects must now have passed through the Government's Major Projects Leadership Academy (MPLA), run in conjunction with Oxford University's Saïd Business School. The introduction of more flexible pay for senior commercial specialists also aims to make it easier to recruit and retain talent. But government needs to stay focused on building the project management profession if progress is to be sustained.

The overload highlighted in the Timmins report also illustrates the importance of government taking a portfolio approach to its major projects – rather than looking at projects individually – and bringing the Infrastructure and Projects Authority in earlier to make sure it can assure on the capacity to deliver. The DWP had 11 other major change projects on at the time – some of which interacted with Universal Credit and all of which competed for resources. The Government needs to make sure that it can resource priority projects well – and if it does not have, or cannot find, the people to do that, it needs to reduce the number of projects it is doing.

3. Create a culture for delivery

Two different culture challenges got in the way of delivering Universal Credit effectively.

Building stronger links between professional disciplines

The first of these challenges was the separation between different disciplines in Whitehall. Universal Credit was a complex policy, operational and technical challenge that required people with different skill sets to work together from the beginnings of policy formulation. It could only be developed and delivered effectively with the full co-operation and collaboration of all those people.

“When the operations, technical and policy sides were tied much more closely together, progress resulted”

But this did not happen – the suppliers were working in Warrington, the new claimant commitment was being developed in Sheffield and the policy machine was in Whitehall. Nicholas Timmins describes Universal Credit as being constructed by way of a 'three-cornered stool' with the legs 'insufficiently tied together'. This is in stark contrast to findings from our previous research on policy success, which showed that policies succeed when those with technical and operational delivery expertise are involved at the outset of the policy process and are given opportunities to provide feedback into Whitehall throughout delivery.[8] After 2013, when the operations, technical and policy sides were tied much more closely together, progress resulted.

Combating the 'no bad news' culture

The second, no less significant, culture challenge was the tendency to not acknowledge bad news, or to acknowledge it insufficiently. As a National Audit Office investigation (and the Timmins report) have brought out, the good news culture that prevailed within the DWP, with a reluctance to tell ministers of emerging problems, was a real barrier to identifying and addressing them.[9] This is not unique to Universal Credit – exactly the same problems were identified in the initial stages of the development of the Obamacare website, and indeed optimism bias is a common feature of major projects.[10] But a culture of denial (and blame) is inimical to the success of any project, and senior leaders need to make sure they have robust measures in place to avoid it.

However, in this case, there is some suggestion that ministers amplified this culture rather than combatted it. Iain Duncan Smith was Universal Credit's creator and champion. He was by all accounts passionate about the policy, was at the heart of its development in opposition, and was determined to see it succeed in some form. This deep commitment to the reforms arguably made it difficult for officials to be honest about its problems. The 'siege mentality' that insiders note as taking hold within the project team as things started to unravel is typical of other failing institutions we have studied, where those inside the project become increasingly divorced from external expectations – and reluctant to face up to the problems they are experiencing. For instance, in our research into failure in the public sector, we were told in our case study of Eltham Foundation School that the school was increasingly isolated from peers, which accentuated falling standards.[11]

In retrospect, the Universal Credit project would have fared better if it had been established from the start on an open-book basis. After the success of such an approach for the London 2012 Olympics, we recommended that the Government should implement it for all major projects.[12] This would mean being open on plans (including resourcing, timetables and roll-out) and then keeping ministers and Parliament up to date with progress. This might look burdensome, but in the case of London 2012 it repaid dividends by forcing earlier acknowledgement of problems; it would also have been beneficial for Universal Credit.

Ministers have a role here too. In our earlier work on implementation, we noted the important role junior ministers can play in overseeing and maintaining momentum on implementation, as well as using their extensive external networks to keep on top of how delivery is progressing.[13]

4. Avoid too much innovation

It is tempting to assume that innovation is the solution to any problem. But the decision to use a number of ambitious new approaches and methods in the delivery of Universal Credit created as many challenges as it solved.

Waterfall vs. agile project management

Universal Credit became an early adopter of an 'agile' approach to projects, but the DWP had no experience of managing this technique successfully. This was compounded by the fact that the scale of Universal Credit was very different from most projects where agile had been successfully applied. The department did have a track record on delivery – not least on the successful creation of Jobcentre Plus – but the IT successes it had achieved were based on traditional 'waterfall' project management approaches. The result was what Timmins describes as an 'unhappy hybrid' of agile and waterfall that failed to gel.

Digital by default?

As well as agile, Universal Credit was also an early outing for the Government's new mantra of 'digital by default'. This assumed that most Universal Credit beneficiaries would be required to access the service online rather than by post or telephone. This has proved a problem elsewhere, for example the experience of single payments to farmers, where farmers struggled to use the online system.[14] Added to this, serious security concerns arose over the way Universal Credit would provide claimants with access to the department's computers. After the reset, the project backed away from 'digital by default', to the more reticent 'digital as appropriate' and built security in from the start for the new version of Universal Credit.

With stretched timetables and inadequate resourcing, it can be attractive to replace the old ways of doing things with a new technique, approach or technology that appears to promise a better solution. But as our study of London 2012 warned, big, high-profile projects are not necessarily the best places for testing new approaches. In the case of London 2012, the teams responsible for delivery relied mainly on tried and tested methods to minimise risks.[15] Where new approaches or technologies are used, they need to be tightly controlled and managed.

5. Build resilience into the project

Universal Credit has been described as an 'unlucky' project. It was certainly beset by a series of challenges, some of which were less predictable than others. But as our previous research suggests, successful projects must be able to weather changes in internal and external context. Universal Credit might have been less susceptible to bad luck if it had more resilience built in.

> “Universal Credit has been described as an 'unlucky' project. It was certainly beset by a series of challenges”

Churn

Universal Credit suffered from a high level of turnover among its senior team. David Pitchford and Howard Shiplee were the fourth and fifth senior responsible owners in just four years. Major projects thrive with stable leadership – indeed we have argued before that Whitehall needs to ensure incentives are in place for senior leaders to stay with projects until their successful completion.[16] However, multi-billion pound projects also need to have resilience to significant personnel changes built in. In the case of Universal Credit, decision making at the top amplified the instability – by putting in post people who were on loan from other roles, or making decisions that made staying power unlikely.

Building resilience into the top team would have involved creating conditions and appointments that were likely to promote more stability in leadership and ensuring that progress was not so dependent on individuals. In other successful projects we have heard that building a strong senior team meant individual change – while undesirable – could be managed and overcome.

External environment

As we have noted before, projects also need to be resilient to changes in the external environment. In our case study of the 2001 Fuel Poverty Strategy, we noted that the strategy had failed to plan for fluctuations in energy prices and, as a result, lost many of the gains it had achieved as prices began to rise.[17] While Universal Credit has been moving off the drawing board it has suffered from a number of policy changes, most notably on the steepness of the benefit 'tapers' that apply as a person's income rises on returning to work, which may affect incentives to work and thus behaviour of potential recipients. The framework is still there – but the potential benefit of Universal Credit in making work pay has been reduced. It will be impossible to prove the counterfactual – what would have happened if those changes had not been forced onto an unwilling DWP – but this risks losing one of the claimed benefits of the upheaval.

Challenge

Another source of resilience is building in sufficient internal and external challenge – particularly in a project like Universal Credit where there appears to have been a culture that worked against transparent reporting of problems. However, key opportunities to build in external challenge appear to have been missed. The implementation of automatic enrolment into pensions was strengthened by creating spaces that allowed DWP civil servants to hear directly from suppliers about what was and was not working.[18] No such space seems to have existed for much of the Universal Credit project – suppliers and developers had to create opportunities themselves to come forward with their concerns about security and other aspects of the project. Governance reforms introduced by Howard Shiplee appear to have improved this situation, by ending the old practice of having the senior responsible owner chair the programme board, which some thought had contributed to the 'no bad news' culture. Instead Sir Robert Walmsley (former chief of defence procurement) was brought in. Now, the board also has broader representation – from the Cabinet Office, the Treasury, HMRC and local government.

The other opportunity for challenge (and support) is through major projects assurance from the centre of government. Indeed, Universal Credit demonstrates the importance of having rigorous central assurance in place to challenge and support the riskiest projects being delivered by government. The body charged with playing this role – then the Major Projects Authority, now the Infrastructure and Projects Authority – was still in the process of being set up during the early phases of Universal Credit. By the end of 2012 though, it was fully operational and played a critical role. We have previously argued that the Infrastructure and Projects Authority should play a substantial role in assessing the deliverability of major projects prior to their implementation.[19] The story of Universal Credit further emphasises the importance of getting that early challenge right.

Conclusion

Universal Credit is an ambitious project that has taken place in a difficult – if not unique – context. There was a new government that was operating in a context of austerity, leaving departments with squeezed resources. There were also wider changes that affected the environment for implementation: pressure to adopt new ways of doing digital projects and a new role for the centre of government, with the creation of the Government Digital Service and the Major Projects Authority. But the problems it experienced cannot be wholly discarded as bad luck. If there is one key lesson to be taken from Universal Credit it is that an astoundingly ambitious timetable led to the system being built before the detail of how it was meant to work had been mapped out. Any one of the lessons above might have helped avoid this, or at least have highlighted problems and had them addressed at an earlier stage.

For all its problems though, Universal Credit is not yet a story of failure. The journey that the project has taken the DWP on has helped it overcome wider problems – including the legacy of years of outsourcing IT. And since the reset, something recognisable as Universal Credit looks likely to survive, even if it is too early to judge whether what survives will be a success. If it is successful, we can perhaps add another lesson to our list: resets can work.

> “The journey that the project has taken the DWP on has helped it overcome wider problems”

Universal Credit provides rich material for understanding how to deliver other major projects in government more effectively. We hope this short paper contributes to that understanding.

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September 2016

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