Department for Work & Pensions

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Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee
House of Commons
London
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21 December 2020

Dear Stephen,

Thank you for your letter of 7th December, concerning the Universal Credit (Earned Income) Amendment Regulations 2020.

Please accept my sincere apologies for not formally notifying the Committee before the regulations were laid.

I had explained previously to Parliament that we would need regulations to be able to provide a remedy to the Court of Appeal Judgment on 22nd June. Our primary focus was implementing a solution to this issue as quickly as possible, and we worked at pace to refer the regulations to the Social Security Advisory Committee for consideration.

We received the Social Security Advisory Committee's formal response on Thursday 15th October and confirmed in response to your Parliamentary Question on Monday 19th October our intention to lay regulations on Tuesday 20th October. I apologise for not sighting you sooner.

I will now respond to the questions in the letter:

1. **For a claimant who is subject to the error these Regulations are designed to address, will the adjustment to their Universal Credit claim be made automatically, or will they have to alert the Department and ask for their income to be applied to the correct assessment period?**

2. **If it is not automatic, how do you plan to communicate this to claimants and support organisations?**

   The regulations, which came into force on 16th November, mean that a claimant who is paid each calendar month should have no more than one set of earnings from the same employer taken into account. These regulations also ensure that a claimant can benefit from any applicable work allowance during each assessment period. This can be achieved in the same way as other exceptions in this regulation, by the claimant raising a dispute, or by the Secretary of State applying it on her own initiative, following either a manual or an automated decision.

   In terms of the initial implementation of this change, you will be aware that the Court of Appeal in their Judgment recognised that this issue is complex and there is no easy solution for all cases. We agree, and have therefore taken the decision that in order to meet the Court of Appeal Judgment as soon as was practicable we would introduce a solution based on a streamlined dispute process currently in place. This response was only possible at this pace because, as we successfully appealed the much broader High Court judgment, the numbers are small so it can be a manual process. Whilst we don't generally recommend manual processes within UC, given the difficulties they create in administration and customer service we expect this specific process will enable those who are affected to benefit under this new regulation.

We expect to automate identification of affected claimants early in 2021. This will allow us to proactively correct awards before they are paid, without the need for the claimant to raise the issue.

Additionally, to improve understanding amongst UC claimants more widely, general information was made available via the Understanding Universal Credit website and the relevant UC pages on the GOV.UK website. Moreover, guidance was prepared and issued to staff, including decision makers, to ensure they were aware of the issue and the proposed amendments. In cases where individual claimants and/or households are identified as being affected by the new regulations, Work Coaches and Case Managers are making sure they are aware and are working with these claimants to resolve any questions or issues.

3. **Setting aside the time required to prepare the necessary legislation, how much work was required to make the necessary changes to the UC system in this case? How long did that work take?**

The necessary changes to the UC system were designed and developed by one of the UC Programme's interdisciplinary delivery teams over the course of three months. Around half of the team's resource was dedicated to delivering this change during this period.

4. **What has been the impact, if any, on the wider Universal Credit programme? Have you had to delay other improvements that you had hoped to make?**

In order to deliver these changes in time, the UC programme had to re-prioritise other work, which included looking at changes to help us understand whether claimants who need to report their own earnings are doing so accurately, as well as changes to help us support other types of earnings disputes.

5. **Did the process of fixing this allow you to address any other problems in Universal Credit? If so, which ones?**

The introduction of these changes provided us with an opportunity to iterate and improve the triage process for UC agents to identify and refer instances of disputes of earnings reported to UC via HMRC's Real Time Information (RTI) system. The work has also enabled us to improve the quality of the information we receive about earnings from employers via HMRC's RTI system, further reducing the risk of errors and disputes in relation to claimant's earnings.

I hope you and the Committee find the above responses helpful and, as always, I am happy to answer any further questions or observations you may have.

Your sincerely,

Will Quince MP

Minister for Welfare Delivery

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From the Chair

Will Quince MP
Minister for Welfare Delivery
Department for Work and Pensions

7 December 2020

Dear Will,

I am writing about the Universal Credit (Earned Income) Amendment Regulations 2020.

As you know, the problem which these Regulations correct has been an area of interest for the Committee for some time. With the Committee's support, I asked you an Urgent Question about it on 25 June; we asked you further questions about it on 15 July in the course of our inquiry into the wait for a first payment of Universal Credit, and referred to it in the report of that inquiry last month.

I was grateful for your assurance, on 25 June, that you would keep the Committee updated as the Department's work on this progressed.[1] You repeated that undertaking on 15 July, saying "I do commit to keeping the Committee updated on progress."[2]

We were therefore disappointed that the Regulations were laid on 20 October with no notification—either formal or informal—to the Committee. I recognise that the Regulations were laid before the House, but we would in future be grateful for a more proactive form of update in cases of this kind.

We do, of course, very much welcome the fact that the Government has responded relatively promptly to the ruling of the Court of Appeal in June. I would, however, be grateful if you could answer the following questions:

1. For a claimant who is subject to the error these Regulations are designed to address, will the adjustment to their Universal Credit claim be made automatically, or will they have to alert the Department and ask for their income to be applied to the correct assessment period?

[1] HC Deb, 25 June 2020, col 1456
[2] Q245

2. If it is not automatic, how do you plan to communicate this to claimants and support organisations?

Neil Couling, Senior Responsible Owner for Universal Credit, told us in July that “this is quite hard to do”. You described your own frustration “at how long it takes to get things in the UC programme and to get things built”.

You also expressed to us an ambition “to also look at whether a fix for one thing can also be a tool and a mechanism to address other issues” with UC that this Committee and other stakeholders had asked you to look at.

3. Setting aside the time required to prepare the necessary legislation, how much work was required to make the necessary changes to the UC system in this case? How long did that work take?

4. What has been the impact, if any, on the wider Universal Credit programme? Have you had to delay other improvements that you had hoped to make?

5. Did the process of fixing this allow you to address any other problems in Universal Credit? If so, which ones?

Yours sincerely,

Stephen Timms

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee