Cabinet Office

Major Projects Authority
Project Assessment Review (PAR)

Version number:	Final
Date of issue:	12 February 2013
Programme or project:	Universal Credit Programme – ID 1830
Organisation:	
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Business Case stage reached:	OBC
Decision/approval point this report informs:	MPRG Panel
Review dates:	28th January to 5th February 2013
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Previous review:	May 2012

About this Report

This report is a snapshot review of a programme or project, reflecting the conclusions of an independent Assurance Review Team. It is based on information from project documents reviewed and from interviews carried out within a short timeframe (over 5 days) and is delivered to the Senior Responsible Owner for the programme or project at the conclusion of the review.

Brief Programme/Project Description

UC is the centrepiece of the Government's policy on Welfare Reform based on a commitment made in the Coalition Agreement and through public consultation. Its aim is to change the nature of the relationship between benefit claimants and the state, focusing on getting more people into more work more of the time. UC will have a wide ranging impact on the payment of benefits to both unemployed and in-work individuals, with significant changes to claimant and staff interactions and processes. The delivery of UC will be introduced in controlled phases, starting with an initial Pathfinder (Phase 1) to be launched in April 2013, with national rollout (Phase 2) beginning in October 2013. Roll out of UC is expected to be complete by the end of 2017, when all current benefits (JSA, ESA, IS, HB) and Tax Credits (WTC, CTC) systems will have been completely shut down. Details of the phases are still being defined.

Note: In this report we consider the scope of Phase 1 and Phase 2 to be as defined within the business case.

Delivery Confidence Assessment (DCA)

Please see Annexe D for DCA definitions

The Delivery Confidence for this programme is **RED**.

This is as a result of the accumulation of the significant issues set out in the Executive Summary and expanded on in the body of the report.

DWP's self-assessment of delivery confidence rates Phase 1 as Amber, Phase 2 as amber/red and Phase 3 and beyond is rated as red. DWP's view is that there is time for delivery of the initial Pathfinder to start in April 2013, and while it is important to maintain the momentum of the programme, it is of equal importance that the recommendations made are pursued and addressed as a matter of urgency and certainly in advance of finalising plans for later phases.

The cumulative effect of the issues in this report is to challenge the successful delivery of the policy intent. We therefore recommend a complete re-think of the delivery approach together with streamlining of potentially overly elaborate solutions. The Pathfinder approach is a largely manual service and will deliver some value by exploring the feasibility of behavioural change - the core of the policy intent – and therefore should go ahead provided operational readiness is assured. We recommend that subsequent work should not proceed until the complete re-think of the delivery approach (e.g. Blueprint, business architecture, system architecture) is concluded.

2. Executive Summary

UC policy intent is universally vested and understood across the programme, front line and business partners who have a deep commitment to bringing about the required changes in claimant behaviour. There is strong ownership from Ministers, senior officials and the leadership team.

Historically, the Programme had been purely IT driven with little, if any interface with the business and a reputation for impermeability. The commercial construct and lack of rigour and discipline in the IT methodology has led to an ineffective programme which appears to be unlikely to be delivered without substantial changes.

The Programme commenced in January 2011 with an aggressive timetable to start delivery in 2013. Development work on supporting IT started in July 2011 in parallel to progress the Welfare Reform Bill and final decisions on the overall policy and design. The programme adopted an Agile approach.

Shortly after Royal Assent in March 2012, the Secretary of State initiated a 'Red Team' review to provide a comprehensive stocktake of the progress to date and to make recommendations that guaranteed delivery in 2013. As a result, a Programme Director and leadership team with a focus on delivery was introduced under the leadership of a highly experienced SRO, who unexpectedly died in December 2012. To maintain the essential momentum, an acting SRO, with exceptional operational experience, has been appointed and he is:

- Consolidating the leadership team who have impressive knowledge of the business and its customers. Claimants and their predicaments understood, analysed and modelled realistically.
- Executing the new approach to delivery, namely the introduction of phases to integrate and control work strands which were previously siloed together with a welcome injection of Programme management expertise to execute the delivery of Phase 1 & 2.

These measures are eminently sensible and are beginning to deliver some clarity to the early phases of the programme, but the approach remains incremental and does not recognise key aspects of what is required to turnaround and deliver a business transformation on this scale.

The shape of the steady state and articulation of how DWP will do business differently is not known as there is no Blueprint or Business Architecture and the need to develop and communicate one is not understood or deemed to be a priority for the leadership team. There is no bridge between the high-level vision and the prolific detail in the programme. Hence strategic direction and coherence is hard to maintain across the community of partners constituting the UC enterprise. Directing and guiding effort efficiently, including managing plans, key milestones/critical path and integration risk, without a sense of the end result to be achieved, will be problematic. Whether Phase 1 and 2 contribute or detract from the end state cannot be assessed.

This lack of a Blueprint/business architecture is a root cause of other critical problems:,
- It has impeded the development of an end to end Security (Cyber, F&E, IDA) solution, encompassing the entire business and its supporting business processes not just IT. As a result, current proposals for security cannot be landed effectively which seriously affect the deliverability of Phase 2.

- It has caused incoherence in IT developments, which now are based on differing assumptions, scope and solutions. Consequently the scalability of Phase 2 and the extensibility for Phase 3 and beyond is questionable. UC does not have agreed and aligned High Level Business, Application, Data, Security and Infrastructure Architectures.
- The resulting architecture is incoherent and does not provide a sustainable platform for this programme.

Successful delivery will require very effective leadership in the face of severe capability gaps. There are significant questions over:

- The business readiness for Phase 1, a largely manual process, which is getting perilously close to go-live without the key materials essential to front-line preparation and delivery (customer journeys, learning and development, business processes etc.).
- Poor initial design discipline coupled with the abrogation of responsibility to suppliers has resulted in substantial re-work, re-scoping and nugatory effort: it is extremely unusual to find suppliers conducting user acceptance testing and working client side and supplier side simultaneously. DWP needs to take back control of its suppliers. Significant constraints within the commercial construct (IPR, exclusivity and pricing mechanism) will require robust re-negotiation.
- The lack of robust, defensible financial management relating to IT spend and staff costs should also be corrected.

Other issues to be noted are:

- The business case and accounting treatment is constructed so that the benefits will be realised at the end of the programme, although they begin to accrue in the programme's later stages. The benefits associated with reduced worklessness which are at the heart of the policy intent do not start until steady state is reached in 2018/19. But slippage, which is likely given the considerations above, will move benefits and significant costs into the next SR which have not yet been assessed.
- Blurred accountabilities between the Acting Senior Responsible Officer, Deputy Senior Responsible Officer and Programme Director are causing some confusion as staff and stakeholders do not know who to go to for key decisions and escalation/resolution of critical issues.
- Critical disciplines (IT, Commercial, Security, Financial) expected in a transformation programme remain outside of the Programme's direct control.
- The continuing risk of burn-out:
    - the requirement for SROs to combine this role with other duties (COO, CIO, DG Change) will lead to overload
    - critical capabilities at Director level such as IT, Commercial, Transformation delivery are stretched very thinly across the whole of DWP.

The cumulative effect of these issues is to challenge the successful delivery of the policy intent. We therefore recommend a complete re-think of the delivery approach together with streamlining of potentially overly elaborate solutions. The Pathfinder approach is a largely manual service and will deliver some value by exploring the feasibility of behavioural change - the core of the policy intent – and therefore should go ahead provided operational readiness is assured. We recommend that subsequent work should not proceed until the complete re-think of the delivery approach (e.g. Blueprint, business architecture, system architecture) is concluded.

3. Summary of Recommendations

1	As a matter of urgency, the SRO develops and communicates a Blueprint to steer the programme and engender coherence and realism across the UC enterprise immediately followed by the development of a coherent programme plan, critical path and realistic risk management.	p.11	Urgent
2	To intercept a critical risk, the SRO actively manages the timely delivery of programme products for Phase 1 go-live to operations.	p.13	Urgent
3	The SRO contains the scale and complexity in P2, while the UC IT architecture is reconstituted to produce a secure, sustainable, extensible architecture closely aligned with the output of the Blueprint. Co-location of the teams working on both the Blueprint and the reconstituted architecture is essential.	p.14	Urgent
4	To manage hard dependencies, the SRO establish a Business Partner team to lead the deep exploration of business imperatives of each partner, create joint plans, develop and share data and assumptions (Master Data and Assumptions List) and mitigate risk (i.e co-destiny partnership management). The SRO may wish to consider a separate de-commissioning team.	p.15	High
5	The SRO clarifies the accountabilities of the leadership team and addresses significant capability and capacity gaps in Business Architecture, IT Architecture, IT Delivery, Commercial, Contract management and PMO teams	p.16	Urgent
6	The SRO urgently commissions an internal review of the actual and forecast expenditure and how it is controlled. Critical to this will be gripping supplier management (IT, commercial, contract management and contract finance) effectively.	p.17	Urgent
7.	As a summary of the recommendations above, the SRO should conduct a complete re-think of the entire delivery approach to safeguard the successful delivery of the policy intent.	p.19	Urgent

4. Additional comments from the SRO

The Department already recognises and indeed has been acting on many of the report's recommendations.

Recommendation 1: As a matter of urgency, the SRO develops and communicates a Blueprint to steer the programme and engender coherence and realism across the UC enterprise immediately followed by the development of a coherent programme plan, critical path and realistic risk management.

We have moved to a phased approach to delivery and the new arrangements have given clarity to the revised implementation approach, with each 'Phase Director' having clear leadership and accountability for delivery and outcomes. But we accept that a clear, comprehensive and detailed picture of the end state is essential and we are committed to having a developed such a Blueprint by April 2013.

Recommendation 2: To intercept a critical risk, the SRO actively manages, with the Programme Director, the timely delivery of programme products for Phase 1 go-live to operations.

Phase 1 plans have been subject to rigorous scrutiny, at Director led operational readiness reviews, which have assessed the extent to which products and processes are in place in time for the delivery of Phase 1. The SRO will actively assure himself of the timely delivery of programme products for the Phase 1 go-live.

Recommendation 3: The SRO contains the scale and complexity in P2, while the UC IT architecture is reconstituted to produce a secure, sustainable, extensible architecture closely aligned with the output of the Blueprint. Co-location of the teams working on both the Blueprint and the reconstituted architecture is essential.

Phase 2 currently includes extending the geography of our Greater Manchester initial Pathfinder. We are currently considering the scale and complexity of Phase 2 in light of decisions on the IT architecture.

Recommendation 4: To manage hard dependencies, the SRO establish a Business Partner team to lead the deep exploration of business imperatives of each partner, create joint plans, develop and share data and assumptions (Master Data and Assumptions List) and mitigate risk (i.e co-destiny partnership management). The SRO may wish to consider a separate de-commissioning team.

We acknowledge that delivery partners are central to the secure implementation of Universal Credit.

To that end, HMRC are on the Programme Board We have a new partnership forum with local government. I will reinforce these arrangements, as I will the relationships with programmes within DWP, to make sure we capture the spirit of this recommendation.

Recommendation 5: The SRO clarifies the accountabilities of the leadership team and addresses significant capability and capacity gaps in Business Architecture, IT Architecture, IT Delivery, Commercial, Contract management and PMO teams.

I accept this recommendation. I am working to clarify accountabilities. We had already identified gaps in capability and capacity on IT and Commercials, Contract Management and the PMO. Many have been filled, including the appointment of a new Programme Co-ordination Director who undertook a similar role in London 2012.

Recommendation 6: The SRO urgently commissions an internal review of the actual and forecast expenditure and how it is controlled. Critical to this will be gripping supplier management (IT, commercial, contract management and contract finance) effectively.

I accept this recommendation.

Recommendation 7: As a summary of the recommendations above, the SRO should conduct a complete re-think of the entire delivery approach to safeguard the successful delivery of the policy intent.

I accept this recommendation. It will however be essential to maintain delivery momentum to extend coverage beyond the current Phase 1 pathfinder in Greater Manchester. We therefore intend to undertake this review in parallel to preparing for the safe extension of Phase 1 coverage, both geographically, and in terms of selected claimant type, later in 2013

I do remain confident in the safe, phased, delivery of Universal Credit, in securing the significant benefits it will bring to society, and in realising the value in the business case. Our swift implementation of the recommendations in this report will help achieve that, accompanied by continued momentum in delivery.

5. Scope of the Review and Lines of Enquiry

The scope and lines of enquiry of the review are provided in the Term of Reference for the Review at Annex E.

6. Summary of the Programme

Background and context

The delivery of UC is a Strategic Reform Priority 1 for DWP. It is the centrepiece of the Government's policy on Welfare Reform based on a commitment made in the Coalition Agreement and through public consultation. The White Paper (2010) included various options for the redesign of the benefits system and UC was adopted as the preferred option. UC aims to reduce complexity in the current means tested system and address systemic issues that act as disincentives for claimants to move off benefit and into employment.

DWP will create a new single modern benefit system, offering a predominantly on-line claimant experience. The new service will replace a number of working age benefits and tax credits. In order to deliver successfully it will need to be work-focused, easy for claimants to use, secure, reliable, and make support flexible and accessible. The service will go-live in October 2013 (with Pathfinders from April 2013).

Projects contributing to the programme

There are a number of related Programmes across government which, whilst outside the scope of UC, are critical to support successful delivery. These include the:

- HMRC RTI Programme, which will provide the interface between DWP and HMRC systems to support the access to real-time earnings information; and
- DWP Fraud and Error Programme, which will deliver the IRIS system to provide risk management and trust capability to support the UC service.

Current situation

The UC Programme Business Case (2.02) has received the relevant internal approvals, including sign-off by the DWP Portfolio Board.

The Programme has shifted from service design to delivery, with major changes to the Programme leadership team. The focus on delivery has moved to phased implementation, the Phases are:

- April-October 2013: Pathfinding;
- October 2013-April 2014: National roll-out of new claims for unemployed households;
- Spring 2014: extension of gateway to all new benefit claims; and
- 2014/15-2017: managed migration.

Programme Aims and Objectives

The objectives of UC are to:

- Encourage more people into work and to make even small amounts of work pay and be seen to pay;

- Smooth the transition into work by offering a single benefit that removes the distinction between being in and out of work;

- Encourage in-work claimants to increase their earnings;

- Offer a simpler support, with one system replacing multiple systems, therefore reducing administration costs and the propensity for error; and

- Tackle poverty both through increased take-up since the system will be simpler and increased reward form employment for the claimant.

7. Detailed Review Team Findings

DELIVERABILITY

Deliverability - Business transformation

UC has not been constituted as a business transformation programme: perhaps due to its IT driven history; and perhaps due to its Learning From Experience philosophy which takes an incremental approach, often quoted as "starting small". Currently the need to grapple with practicalities of regaining control against hard delivery timescales is leading the team to focus on the nearest deadlines without a real sense of how they contribute to the overall scheme.

Consequently, the need for an overarching statement of how the business is expected to work in its steady state has been de-emphasised. (The roadmap we were shown relates partly to migration and partly to phase development with increasing functionality but it doesn't dock with a steady state).

Many of the steps to turn vision into practical reality are missing, for example:
- There is no Blueprint or business architecture describing *what* is the shape of the steady state and how DWP will do business differently. (There are varying views about the end date). Envisaging the future is not any easy process especially in such a complex programme but we would have expected at least a rudimentary articulation of how core business would be conducted, expecting it to be expanded and refined as knowledge accumulates through each successive stage of the programme. It is difficult to direct activity coherently without a clear statement of the results to be achieved and how each element of the programme contributes to them.
- There is no strategy for *how* the steady state is to be achieved: the priorities, sequence and activities necessary to direct and control the programme and its interdependencies
- Accordingly there is no plan for the full programme, defining *when* essential activities must be complete in a critical path, delineating the long lead time items and integrating business partners' programme plans and treatment of legacy systems.
- Without a Blueprint there is no way of knowing if the Programme is on track; what effect Phase 1& 2 will have on the steady state business; nor indeed if these phases will contribute to it or detract from it. It will be extremely difficult to avoid unintended outcomes. Risk can't be fully identified and therefore can't be actively managed. Integration plans of the key components (RTI, Tax Credits, etc.) are not of sufficient depth to mitigate this risk.

There is no bridge between the high-level vision and multiplicity of detail. As a result many of the parts of the programme have been built in isolation based on different and sometimes conflicting sets of

assumptions with no clear understanding of how the parts will be ultimately assembled. The potential for significant levels of unknown risk is high.

One vitally critical consequence of the lack of a clear Blueprint/Business Architecture is that it has impeded the development of an end to end Security solution, encompassing the entire business and its supporting business processes not just IT. As a result, current proposals for security cannot be landed effectively and have led to over-engineering in IT.

The lack of a Blueprint (and its accompanying plans, critical path and risk assessment) is a root cause of many of the problems the Programme is experiencing. The widely acknowledged problems of IT and Security are deep-seated symptoms of this problem which are unlikely to be cured if the underlying ailment of lack of a Blueprint is not remedied first.

This situation is recognised by key staff most intimately involved and engaged with the programme and there is an urgent plea from them for a Blueprint to bring coherence and realism to the entire endeavour and then subsequently to align plans, milestones, critical path etc with the end state.

It is a moot point as to whether the entire leadership team recognise or understand the significance of this issue. The workshop planned for Phase 3 due to be held on 5/6 Feb appears to be reinforcing the incremental approach rather than addressing this issue.

Recommendation 1: As a matter of urgency, the SRO develops and communicates a Blueprint to steer the programme and engender coherence and realism across the UC enterprise immediately followed by the development of a coherent programme plan, critical path and realistic risk management.

Deliverability: Business readiness

Phase 1 is broadly on track to be delivered by the due go-live date of 29th April 2013. There is still time for the operations teams to be ready but there is no contingency available between now and the go-live date and the timeline to the delivery date is not without risk. Much depends on clear and timely information being made available and training completed in good time. Pathfinder operational sites will want to see the physical evidence at least 4-6 weeks lead time ahead of go-live to confirm they will be fully ready to implement Phase 1 of UC. Mid-March is the drop deadline for operations to confirm readiness.

Front-line offices (jobcentre and service centre) report the current situation on readiness for Phase 1 as very confused. There is clearly a good deal of enthusiasm from operational staff for the introduction of UC and understanding of the policy intent. A "can do" attitude exists within operations but pressure is mounting as the Phase 1 go-live date is only 11 weeks away and important products are not available to front-line staff. These products include training packages, descriptions of claimant journeys and definitions of the manual processes necessary to operate UC in Phase 1.

Claimant journeys are being developed but are not yet available to the front-line offices included in Phase 1and they have not been socialised or agreed with business partners. Delay to the understanding of the claimant journey increases the risk to the delivery date for Phase 1and increases the risk of reputational damage for DWP. Understanding claimant journeys is essential to operational managers to

be able to answer detailed questions about the new procedures/processes from staff and deal with enquiries from claimants.

Considering the UC vision is dependent upon a culture shift for both unemployed and in-work claimants, there is little evidence of education material for these target customer cohorts.

The Phase 1 programme team relies on "readiness assessments" to gauge the state of operational readiness. DWP assessments show that the Phase 1 delivery date is currently amber and there is no reason to challenge this situation report but there does not appear to be particularly strong communications channels from the programme to operations so that they feel sufficiently engaged and reassured.

Training of operational staff is due to begin in early April but the manual process definitions are not yet available, which means this date is at risk. Feedback from operations includes a plea for resources to backfill posts so that day-to-day delivery of services is not adversely affected when staff are released to take part in UC training events.

There is a concern that no formal go/no-go decision criteria have been set. Operations do not appear to be embedded in user acceptance testing, which is IT led. This will make it difficult for operational managers and staff to see physical evidence that the IT is working (even in its limited form for Phase 1), which in turn increases the risk of reputational damage should the technology fail on day 1.

There appears to be a disconnect between the Service Design function and operations insomuch design products thought to be "signed-off" by front-line managers have not yet reached operations teams. Furthermore, there is no formal process for sign off and handover of programme products to operations. UC has a hard dependency on data feeds on individuals from the Real Time Information system owned by HMRC. This system is new and not due to go-live until 6th April 2013. The interface between Phase 1 of UC and RTI is low impact and on track to be ready by go-live at the end of April. However, continuing small changes to the UC requirement and failure to freeze the specification going to RTI is creating concern and adds risk to successful delivery of Phase 1. Also, there is still a need for better alignment between RTI and UC PMOs on planning and although end-to-end processes are understood at headline level, there is still a need to finalise the supporting detailed architecture.

Phase 1 will have minimal impact on HMRC's plans for the managed and natural migration of tax credit claimants to UC. There is still more work to be done between HMRC and DWP to plan and define claimant (customer) journeys and this will be progressed in February 2013. It is notable this joint working does not include local authorities, which is a significant gap.

There are plans to create a rapid response team to help Phase 1 sites deal with critical incidents and this approach could be further strengthened by implementing a Gold Command structure for a limited period to formalise the escalation of issues to the programme's top team. This approach will help the operational teams deal with immediate problems but there is also a need to formalise procedures to capture learning from Phase 1 so that it can be evaluated and used to inform the design and development of Phase 2. There is no evidence of transition plans to show how manual processes will be removed from Phase 1 and replaced by automated processes in Phase 2 and beyond.

Recommendation 2: To intercept a critical risk, the SRO actively manages the timely delivery of programme products for Phase 1 go-live to operations

CRITICAL PATH

There has been a lack of an agreed and aligned overarching architecture coupled with the absence of a structured methodology, in spite of investments made in Agile training. This has led to significant amounts of rework and nugatory effort in the early stages and continuing concerns over the stability and extensibility of the architected solution. Further, there are questions over the size of the supply side teams and the historic and forecast costs to deliver UC. A value for money assessment should be undertaken.

The phased approach to delivery has introduced some welcome rigour to scope control, however this is likely to create pressure on later phases. Time should be spent now on introducing a more structured approach to the delivery of Phase 2 and beyond.

The absence of an end to end architecture has led to tactical decisions being made without a full appreciation of the impact on DWP's longer term ambition for the UC IT platform. Although it is believed that the UC components are well-engineered and individually should be reusable beyond Phase 2, the system architecture (the manner in which they are assembled) is "hard-wired" and not extensible without significant rework to transition to a more flexible service-based architecture.

Security has been identified as a key issue for UC as it is halting progress on infrastructure and is likely to cause significant rework to the application development. The consequence of not having an integrated, system-wide approach to security from the outset is that DWP may be exposed to external threats including cyber. Work is underway to address this issue however there is no single owner to direct this effort. Current proposals are both technically over-engineered and lacking in system-wide assurance.

A key component of the end to end security solution is identification of fraud and error. Assumptions have been made throughout the Phase 2 design around the delivery of IRIS which is not expected to be available until mid 2014. Delays to IRIS require business process and application redesign as yet unplanned.

Two key issues have been identified which give rise to concerns over the scaling up of operational rollout of the UC solution. The Work Services Platform has been developed in isolation from the core UC application and will result in front line staff double keying claimant details until October 2014 on current plans. Secondly, we understand that the data model has been implemented in such a way that it limits the relationship between payments made to households and claimant. This will result in clerical intervention for more complex cases.

We were unable to identify an end to end test strategy and test plan for UC. (We understand end to end testing on the production platform for Phase 1 applications has not yet taken place.) Suppliers are currently running all of the IT related testing. DWP should take responsibility for running an end to end User Acceptance Test to validate IT, processes, training and organization. DWP should also witness end to end performance testing of the system to validate that it is fit for their purposes.

If these issues are not addressed with a clear view to future requirements for both UC and DWP there is a significant risk that the solution implemented will be neither effective nor efficient. To address the concerns identified around IT and architecture requires specialist capability that does not exist within DWP at this time. Immediate attention should be paid to identifying and resourcing the required roles.

Recommendation 3: The SRO contains the scale and complexity in Phase 2, while the UC IT architecture is reconstituted to produce a secure, sustainable, extensible architecture closely aligned with the output of the Blueprint. Co-location of the teams working on both the Blueprint and the reconstituted architecture is essential.

TIMESCALE

The UC team have developed an in-depth understanding of the behavioural attributes of their claimant base and used this knowledge together with detailed operational volumetrics to model comprehensive migration plans for managed and natural migration. The models are the basis for the roadmap which explores the expansion of claimant and geographic coverage together with the necessary extension in functionality. The elegance and sophistication of the models is almost seductive, as these migration plans are seen by many to be the programme plans – the problem being that it is unclear without a Blueprint what these claimants are migrating to. These migration plans also delineate the closure points of the legacy systems and by extension, the point at which benefits to UC kick-in.

We understand that there has been a major effort on the part of the programme to engage deeply with those affected by migration plans but this is not always recognised by key partners, some of whom complain of poor engagement and being unsighted on critical timings. For example, the impact of any delay on NISSA will affect their Ministerial commitments and the legislative timescale.

The success of UC rests on some very hard dependencies with a few, vital organisations which transcend the normal needs for information and engagement of other stakeholders. The way in which UC is conducted and articulated overtime impacts the business and financial operations of external entities such as RTI, tax credits, housing benefits as well as those internal to DWP (Personal Independence Payments, Pension Credit Plus, Benefit Cap, Work Programme, Joint HMRC/ DWP Fraud and Error Programme)

Although these entities are described by the programme as business partners with some joint working on policy (e.g. agreed treatment of the vexed question of debt) we found no real evidence of the intensity of joint planning and management necessary to ensure that all the partners were working closely in lock step to ensure successful delivery. There was insufficient recognition of co-dependencies, the potential for unintended consequences both ways, the impact of slippage on each others' costs, staff and benefits realisation plans, the shared risks around data quality and more simply, deep understanding of each others' business imperatives.

The programme is missing a real opportunity to work these issues through in genuine co-destiny · planning and management. It is unsighted on critical handover points and we could find no recovery plans should failure at these points occur (which is normal planning for any service business).

We appreciate that is hard to think of decommissioning when struggling to get the Programme designed and built but transformation requires that this thinking/work is conducted in parallel to ensure successful delivery without residual resentment ("good endings, good beginnings").

Recommendation 4: To manage hard dependencies, the SRO should establish a Business Partner team to lead the deep exploration of business imperatives of each partner, create joint plans, develop and share data and assumptions (Master Data and Assumptions List) and mitigate risk - known as co-destiny partnership management. The SRO may wish to consider a separate de-commissioning team.

AFFORDABILITY AND CONTROL

Supplier Management

DWP, in line with most government departments, makes extensive use of third party suppliers to deliver both BAU and programme activity. UC being a large and complex programme has a significant dependency on third party suppliers for a wide range of services from Estates to IT development. The review team has focused on the IT development contracts and suppliers. However many of the findings are likely to be true for the wider set of contracts and suppliers involved in the programme.

The IT development for UC is being delivered largely through the existing ADep contract which presents a number of constraints to the programme namely 6 monthly deliveries into live, use of Time and Materials pricing mechanism, supplier owning the IPR and most significantly the absence of competition through exclusivity clauses. Urgent consideration should be given to renegotiating the terms of the ADep contract for use on UC.

Supplier management is referred to here as encompassing day to day management of IT delivery, contract management and related contract finance management.

Contract management is carried out by the DWP Commercial team of which 30 individuals are dedicated to UC. The Review Team has identified concerns over both the bandwidth and the experience of the current team to deliver the required scope to an appropriate standard. Over 60 strands of commercial activity have already been identified for Phase 1 and Phase 2 with limited confidence that this is a complete set. The team is constantly playing catch up e.g. negotiating contracts after work has commenced and it is likely that quality is suffering. Their workload is exacerbated by the recent use of short term approvals for spend (ERG Controls). There is no evidence of active management of the ADep contract to address issues such as increasing Average Daily Rates (IBM) or late delivery of products (Accenture Phase 1 test). Without active contract management DWP is not in control and will be at a disadvantage in any future disagreement over failure to meet expectations.

Management of the IT Delivery is now the responsibility of the DWP Corporate IT function who act on behalf of the UC Programme. CIT staff are expected to be Programme Delivery Managers, delivering a highly complex IT solution in a multi-supplier environment. There are a small number of Corporate IT staff with this experience and these individuals are stretched across the wider DWP portfolio. Insufficient attention has been paid to the skills and capacity required for these IT delivery roles which currently sit outside of the core UC programme team.

There was no evidence of a contract finance function. Invoices are signed off by CIT and there does not appear to be one person holding the suppliers to account for work completed or any measurement of value delivered.

Recognising the paucity of client side capability to manage the integrated design and development work, UC contracted with IBM to be the 'Application Development Integrator' (ADI) in addition to their application development responsibilities. There is evidence that DWP is not getting value for money with the ADI and DWP retains all integration risk. Consideration should be given to redistributing the work out to the new Programme Integration Director and an expanded, suitably experienced DWP IT Delivery team.

Allowing for the fact that DWP have provided the instruction for IT suppliers to proceed with the various stages of design and development there is a question around a professional duty of care on the part of the suppliers. To have continued, for a prolonged period of time, to accept instructions to develop software in the absence of a clear Blueprint and without a clear set of requirements is not acceptable behaviour and should be challenged.

It is clear that many of these issues were identified by the last SRO. However it is imperative that they be revisited by the new senior team.

Recommendation 5: The SRO clarifies the accountabilities of the leadership team and addresses significant capability and capacity gaps in Business Architecture, IT Architecture, IT Delivery, Commercial, Contract management and PMO teams.

Business Case

The latest version of the UC Business Case has received all the necessary internal DWP approvals, including Portfolio Board sign off on the 28th January. The next Treasury Approval Point (TAP) is expected at the end of March to align with the Phase 1 delivery and go-live plans / milestones. The total funding envelope of £2bn is ring fenced within the DWP SR10 allocation. The current NPV is £29bn. The impact and effects of any slippage in the Programme, which could potentially move aspects of delivery to within the yet to be agreed SR14 settlement, need to be understood and documented.

The key assumptions within the Business Case are being reviewed and revised in flight, for example the impact of the INFORM model on benefit caseload forecasting. There is a lack of confidence in the stability and ongoing viability of certain cost budgets, specifically the £551m capital IT spend which we were told is predicted to run out by the end of Phase 4. We found inconsistencies in the timing and magnitude of the forecast IT spend and the Business Case.

There is an exponential rise in the financial value of the predicted benefits from 2017/18 (£2.7bn) to 2018/19 (£7.7bn) partly due to accounting treatment. This profile reflects the fact that the vast majority of big ticket benefits, specifically AME reduction in Fraud (£1.5bn) and Reduced Worklessness (£16.4bn), are backended and primarily realised when steady state is reached in 2018/19. The benefits anticipated from "digital by default" (£391m component of the Reduction in Administration savings) are relatively small although channel shift is a critical enabler to deliver the UC vision.

There is a lack of clarity over the Programme's internal spend approval process. The absence of an easily identifiable, clear and demonstrable supporting audit trail for previous spend decisions, specifically

IT, is a major concern. Historically it would appear that there is a lack of robust, defensible financial management, the effects of which are compounded by the absence of key supporting financial metrics such as burn rate and earned value. Additionally, the Programme's structural constraints, specifically the separation between finance, contract management and IT prevent "intelligent" challenge, the detailed analysis of supplier spend, impacting the ability to undertake "due diligence" on supplier costs. Current ICT approvals are also drip fed on a monthly basis, leading to supplier uncertainty and instances of working at risk without commercial cover. This situation is symptomatic of the limited financial confidence which both Cabinet Office and HMT have in the Programme's ability to effectively manage its spend. It is critical that this credibility is re-earned to smooth delivery moving forward.

Recommendation 6: The SRO urgently commissions an internal review of the actual and forecast expenditure and how it is controlled. Critical to this will be gripping supplier management (IT, commercial, contract management and contract finance) effectively.

LEADERSHIP GOVERNANCE AND RESOURCING

The leadership team has been strengthened since November 2012, including the introduction of a newly appointed Programme Director, Phase 1 and 2 Delivery Directors and head of PMO. The leadership team continues to evolve with new appointments e.g. Phase 3 Delivery Director appointed 31st January 2013.

The Programme has an acting SRO, appointed at the beginning of this year and is also supported by a Deputy SRO. There is a lack of clarity over the accountabilities and responsibilities of these two roles and that of the Programme Director. All three bring a wealth of welfare business knowledge and experience at policy and operational levels and this makes them highly credible within the DWP, with business partners and Ministers. This top team would benefit from further strengthening by adding additional capability to bridge gaps in the full range of skills required to turnaround this large-scale transformation programme. This manifests itself in the lack of grip of commercial arrangements, contract management, technology supplier management and dependency management (within and external to the DWP).

Furthermore, the SRO role for a programme the size and political profile as the UC is clearly demanding and a full time role. Adding the SRO responsibilities to other high profile posts, such as the Director General for Change in a department with such a broad transformation agenda does run the risk of overload for the individual filling the post, leading to possible burn out in a short space of time. This creates further risk to the programme. There are capability gaps at the next management level down and burnout at this level is also a risk if the programme is not able to provide adequate and appropriate resourcing e.g. to increase support to the programme's IT and PMO functions.

The UC programme relies upon external support to manage commercial arrangements and IT, rather than embedding these functions inside the programme itself. This is giving the effect of fragmented and ineffective controls of technology delivery and costs. This means that decision making happens by way of commissioning rather than controlling IT.

Programme coherence is weak and there is little evidence of clear alignment between PMOs within DWP and with external business partners. The lack of architecture (overarching business and technology) expertise is of great concern and the lack of a detailed Blueprint to show how processes, people, technology and estate come together in a single integrated view of the future state of welfare reform

creates significant risk to the successful delivery of the government's policy intent and the realisation of benefits in the full business case.

There is no individual or supporting unit looking at the entirety of the cross-Whitehall contribution to the delivery of the most important welfare reform programme in decades. This has an impact on funding approvals, supplier management, budget management, alignment of cross-department interfaces and education of a diverse customer base.

The reconstitution of the Programme Board has reduced the size of its membership, which has helped it to focus better on making decisions. However, key partners such as local authority representatives and HMT have been removed from the board and this is creating some tension, largely because there is a lack of meaningful engagement with these organisations and no vehicle for them to contribute to the design and development of the implementation of UC at policy or operational levels.

Conflict management is escalated to the Programme Board but Local Authorities are not represented at this level and yet there is tension with local government, particularly around the migration of housing benefits to UC. This creates a disconnect with an important business partner and increases the risk to successful delivery of the broad range of welfare reforms on the government's agenda. There remains a risk that external stakeholders, particularly local authorities are not fully engaged and will not be ready to act as champions of change for UC by April 2013. The current stakeholder map has not been updated since October 2012 and the programme team to manage external stakeholders is being formed at the time of this report.

The Programme Board and its business partners are not served with good quality management information to be able to grip important questions such as the programme's burn rate; progress in product development; value analysis; operational readiness; and dependency management. Dashboards are helpful but are not data driven, which means that decisions are less likely to be evidence based and well informed.

POLICY

As referred to earlier in this report, it is evident that DWP operational managers and staff have a clear understanding of UC's policy intent. There is obvious enthusiasm among front line and Programme staff for delivering the change from complicated benefits systems to the cultural change inherent in Universal Credit as part of a wider transformation agenda.

There has been comprehensive work on customer insight, segmentation and modelling of customer migration onto UC and this forms the basis for migration plans and the roadmap.
Initial work has been done to develop support arrangements for claimant monthly budgeting and to accommodate the transition of the most vulnerable claimants (localised claimant support) to the new system. This is embryonic and needs further development.

There is a clear understanding of debt policy and how it will be managed but implementation plans are yet to be developed. HMRC accept that they retain liability for debt, coming from the recovery of tax credit overpayments. DWP will own the management of debt recovery.

CONCLUSION

The tenor and thrust and cumulative effect of these findings dictate the need for a reality check to ensure that all aspects of the Programme are fully aligned and have realistic prospects for delivery.

Recommendation 7: As a summary of the recommendations above, the SRO should conduct a complete re-think of the entire delivery approach to safeguard the successful delivery of the policy intent.

8. Suggested Lines of Enquiry for the Major Projects Review Group (MPRG) Panel

Phase 1

- Are business operations ready for go-live? Are the staff trained and ready? Do they have the business processes, customer journeys, scripts and so on that they need?
- Regarding the supporting IT, has the application been tested end to end on the production infrastructure? Does it meet the necessary performance and operability standards and is it fully available?
- What is your assessment of the risk in Phase 1

IT

- Security (Cyber, F&E, IDA) has been a continuing problem in UC. Do you have a viable security solution given that IRIS will not be available until after Phase 2? Is this likely to be a strategic solution that will endure and scale?
- Because the programme ramps up exponentially it becomes increasingly dependent on automation – how extensible and scalable is the supporting IT?
- With respect to Phase 2 and subsequently the steady state, how mature and reliable is the IT agreed and aligned i.e. High Level Business, Application, Data, Security and Infrastructure Architectures).
- Are suppliers delivering value for money?

Directing the transformation

- How are you steering the programme without a blueprint of how the steady-state will work and a transition plan of how to get there (plan, critical path)?
- How are you managing the risks?
- What reassures you that the current incremental approach will dock effectively with the end state? How do the phases fit and what do they contribute?
- How are you gripping the external (e.g. RTI, HMRC) and internal (e.g. F&E, CPS) hard dependencies

Supplier Management and Financial Control

- Given the poor history, what are the new team doing to grip supplier management to ensure that suppliers' deliverables are fit for purpose and are value for money?
- Constraints in the commercial construct (IPR, exclusivity and pricing mechanism) will need to be overcome if contracts are to be effectively renegotiated. How do you propose to do this?
- How are you going to achieve robust, defensible financial management?

Affordability and Benefits

- There is a positive NPV (£29bn) in the business case but the major benefits appear to be back end loaded. When do the big ticket benefits kick in? What is the break-even point?
- In a turnaround there is likely to be slippage – what are the tolerances for the business case to accommodate slippage and/or is slippage already factored in?

Capability and Resources

- What do you need to lead the turnaround of this large-scale, high-profile transformation programme?
- There are critical capability gaps – how will you overcome this problem?

ANNEX A – Progress against previous review recommendations

Key recommendations	Summary of progress
Recommendation 1: The next PAR and related Internal Audit need to test that this improving focus on active risk and issue management is effective (and commensurate) at all levels across the programme, both strategic and operational.	Subsumed into the Terms of Reference of the PAR 28 January - 5 February 2013.
Recommendation 2: The Programme should use the opportunity provided by the further work on the Business Case over the next 3 months, to strengthen the focus on embedding Benefits Realisation throughout the Programme's activities.	A programme of Benefit Realisation activity has taken place, including presentations to each Programme Board sub-group. A series of 1-2-1s with individual benefit owners is currently rolling out.
Recommendation 3: We recommend that DWP continue to give the staffing and skills needs of Universal Credit and its associated projects high priority. The Programme must actively monitor and manage resource utilisation and availability on an ongoing basis and take swift action to plug identified gaps, and to develop on-going and robust succession planning around key skills and personnel.	A further recruitment exercise took place in Summer and Autumn 2012, with vacancies filled in the Programme. A capability review of Programme deployment is planned for the first quarter of 2013.
Recommendation 4: We recommend that the Programme increase its inclusion of HMRC staff (particularly around the areas of Fraud and Error and Business Change) as part of transitioning to delivery and implementation over the next 3 months.	HMRC staff have joined the Programme on secondment from RTI and from Benefits and Credits.
Recommendation 5: The Business Case milestone plan should be shared at all levels with HMT and OBR as soon as possible. This should include a clear timetable for senior engagement; against which key players from all areas can be held to account for their level of personal engagement in the necessary detail.	Milestone plan shared. Regular checkpoint arrangements now in place.
Recommendation 6: We also encourage the Programme to confirm (as part of the work on the Business Case refresh over the next 3 months) that all costs for known changes to existing corporate IT systems have been captured, and/or to identify these separately in order to support the management of these additional dependencies.	Costs captured an included in the June 2012 business case.
Recommendation 7: We recommend that the programme satisfies itself that satisfactory arrangements exist to ensure that policy colleagues and Ministers are fully aware of the timescales and costs of any IT programming changes that may be required to take account of policy concessions that may need to be made at short notice during the passage of the Regulations.	All policy changes were to be impacted against OPA. Regulations laid on December 2012.

Key recommendations	Summary of progress
Recommendation 8: We recommend that the programme rigorously oversees the embedding of the new assurance regime over the next 3 months, and the next PAR and Internal Audit should review the impact and working of the new assurance regime.	Programme assurance protocols were embedded across the programme through a range of initiatives including the assurance workshops at the key stages of the programme (Design Specification, Pre-Build, Post-Build and Model Office Assurance). Subsequent redesign of Programme requires review of assurance arrangements (ongoing)
Recommendation 9: We recommend that the programme ensures that any additional costs and requirements that are established by the current work on integration are fully reflected in the refresh of the Business Case and critical path; and that next PAR and Internal Audit review the approach to integration, and the progress made in identifying potential contingencies should significant challenges emerge from that work.	Integrations costs (as known at the time) included in the June 2012 business case and again in January 2013.
Recommendation 10: We recommend that any issues and costs around the data quality of claimant information on existing systems be clearly identified in time to be taken account of in the current refresh of the Business Case.	Built into June 2012 business case.
Recommendation 11: We recommend that the minimum fraud and security requirements that need to be in place for the Pathfinder and the Go Live date should be clearly defined and agreed as soon as possible, and that a Contingency Plan needs to be developed to de-risk the potential impact of delays in these key dependencies on these 2 key phases of the UC implementation. This may well have an impact on resourcing and on the timing and coverage of the Pathfinder in particular (depending on the level of manual intervention needed.)	Pathfinder security requirements now clear. Work on Phase 2 ongoing.
Recommendation 12: We recommend that a specific plan for addressing all the elements of staff fraud across UC should be drawn up over the next 3 months.	Taken forward as part of work on security.
Recommendation 13: We recommend that specific mitigations are put in place within 3 months for the other risks and issues identified in Paragraph 5.26, and that progress on them is reported regularly to UC.	Paragraph 5.26 refers to fraud and error, which is now under designated senior management within the Programme, rather than being treated as an IT issue.
Recommendation 14: We recommend that the programme urgently identifies the appropriate skills and resource necessary to prepare a high-level design for the culture (behaviours, values, attitudes and skill sets) that will be	A Transformation Team was set in place. A Universal Credit Operations Director is now in place, and the first Universal Credit operations staff have

required for the new organisation in time for these to be consistently embedded from the outset in the detailed designs of job roles, training and communications, "branding", terms and conditions and leadership style of the programme as it moves into implementation and business change phases.	been selected. Universal Credit "branding" has now been agreed.

ANNEX B Supporting Information

B1 - Conduct of the Review

The Review was conducted between 28th January and 5th February 2013 in DWP, Caxton House, London.The Review team would like to thank all of those interviewed for their openness and willingness to contribute to the success of the review. Particular thanks are due to [redacted] for their exceptional management of the complex logistics in a very compressed timescale.

B2 - List of Interviewees

Name	Role/title	Organisation
Lord Freud	Minister for Welfare Reform	DWP
Iain Duncan Smith	Secretary of State for Work and Pensions	DWP
Robert Devereux	Permanent Secretary	DWP
Mark Fisher	Acting Senior Responsible Owner	DWP
Stephen Brien	Deputy Senior Responsible Owner	DWP
Hilary Reynolds	Universal Credit Programme Director	DWP
Janice Hartley	Phase 1 Delivery Director	DWP
Liz Pattison	Deputy Director PMO	DWP
Ann Harris	Portfolio Management Director	DWP
Victoria Hughes	Stakeholder Engagement	DWP
Sue Moore	Phase 2 Delivery Director	DWP
Richard West	Service Design Deputy Director	DWP
Cath Hamp	Interim Resolutions Director	DWP
Neil Couling	Work Services Director	DWP
Sue Owen	Strategy Director	DWP
Jeremy Groombridge	Director External Relations	DWP
John Michalski	Head of Strategic Sourcing	DWP
Mike Baker	UC Operations Director	DWP
Stuart Proud	Finance Director	DWP

Name	Role/title	Organisation
Noel Shanahan	Chief Operating Office and Director General	DWP
Stefan Czerniawski	Business Transformation Director	DWP
Bill Parnham	Director Integrated Business Design	DWP
Jim Yates	Senior Partner	Accenture
David West	Senior Partner	Accenture
Michael Foley	Senior Partner	IBM
Stuart Bladen	Senior Partner	HP
Bill Cook	Senior Partner	Capgemini
Paul Martin	Local Authority Chief Executive	SoLACE
Paul Raynes	Local Government Association	LGA
Jen Ashby	Deputy Director Welfare Reform	Department for Communities and Local Government
Bill Crothers	Chief Procurement Officer	Cabinet Office
Lesley Hume	Executive Director Fraud, Error & Debt	Cabinet Office
Liam Maxwell	ICT Spend Approval	Cabinet Office
Ruth Owen	Personal Tax Director General	HMRC
Nick Lodge	Director General Benefits and Credits	HMRC
Mark Cope	HMRC Universal Credit Programme Director and B&C Change Director	HMRC
Jane Andrews	Deputy Director Head of Universal Credit Design and B&C's Customer Strategy	HMRC
Indra Morris	Director General Tax & Welfare	HMT
Stephen Kerr	Deputy Director Welfare Division	Scottish Government
Colin Sullivan	Director for Universal Credit	Northern Ireland Social Security Agency

B3 - Programme/Project documents reviewed

The following documents were reviewed by members of the Review Team and informed the findings and recommendations in this report:

- UC attitudinal Segmentation and sub Group analysis. Insight team 06.03.2012.
- Business case Financial position Assumption workshop 04.01.2013
- UC business case Final 21.12.2012
- Annex: UC Benefit logic Map
- Annex: Value for money
- Annex: Financial Benefits
- Annex: Scope of contingency
- Annex: Assumptions and Sensitivity
- Annex: Costs by Phase
- Annex Summary of Affordability
- Annex: Risk Register
- Annex: Commercial Impact sheet
- The Benefit Realisation Plan. Final 15.01.2013
- UC Roadmap (19.12.2013)
- Research report "Work and the Welfare System" A survey of Benefits and Tax Credit recipients.
- UC performance environment. 16.01.2013
- Key Messages from JSAOL Trailblazers in Operation
- Programme Brief .
- Programme dashboard
- Last Secretary of State update note
- Draft Integrated Assurance and Approvals Plan
- Phase 1 programme plan
- Phase 1 critical path
- Phase 1 dependencies
- Phase 1 key milestone path
- Operational Readiness Review "tests" for Phase 1
- Governance diagram
- Terms of Reference (draft) for the governance boards
- Minutes of Programme Board
- Minutes of Assurance and Approvals Board
- Programme Target Operating Model
- Phase 1 Target Operating Model
- Spend by third party provider
- Accountabilities for budget sign-off of dependent systems
- Contract tracker
- "Red Team Review" final slide deck
- Latest Internal Audit reports
- The Universal Credit "narrative" document for staff
- The Intranet site "what is in this for staff?"
- Communications Strategy preparation paper – "bringing the Communications Strategy to life"
- Internet pages of communications products
- Organisation chart (senior) – current
- Organisation chart (senior) – proposed
- The High Level Plan
- Assurance and Approvals Board. Evaluation and Monitoring Document.
- Assurance and Approvals Board. Activities document

- Assurance and Approvals Board. Business Case progress and Next Steps.
- Assurance and Approvals Board. Minutes of Meeting held 17.12.2013
- Assurance and Approvals Board Action point log
- Copies of the Programme risk Register
- UC Commercial outlook Timeline
- Internal Audit Recommendations and Implementation 16 Jan 2013
- Internal Audit Final Report May-August 2012
- Internal Audit Follow up review 24.04.2012
- Suppliers update for IT spend Profile
- UC programme UVC. PGM. 1669 2203.2011
- List of Stakeholders
- Phase 1 Readiness Review (16 Jan 2013)
- UC Governance chart tier 3&4
- Communication Plan / Brief
- High level Governance Summary Tier 1-3
- UC PMO Dashboard (10.01.2013)
- Pathfinder Presentation
- The Vision Presentation
- UC SOBC 12 May 2011.
- Universal Credit Programme Business Case 03.11.2012
- Universal Credit Programme Business Case 12.07.2012 V2.0
- Phase 2 Service overview
- Operational and Executive team. Finance, Planning and Performance report. (Dec 2012)
- Operational Costs / FTE Key Drives
- UC Phase 2 high Level Plan
- UC impact assessment on Work Programme
- UC Phase 1 Service Definition, Executive Summary
- UC Phase 2 Service Definition. Executive Summary
- UC Volumes-Detailed
- Universal Credit Partnership Meeting 11.01.2013
- Technology Planning Viewpoint
- IT story List
- Components Interaction Phase 1
- Components Interaction Phase 2
- System Context Phase 1
- System Context Phase 2
- Architecture: 3 Docs
- Temporary Absence, Claim Termination
- Process Map Examples
- Universal Release Strategy V1.5 (17.12.2012)
- Phase 2 solution stability(Scope) – initial review 21.01.2013
- Security Deliverability Assessment by Option
- Secure Online Transactions for UC Phase 2
- Universal Credit: Inclusion of new claims to Tax Credits
- Transformed Universal Credit. Looking towards 2020. (29.06.2012)
- Critical success factors
- Paradigms Document

- Universal Credit: Inclusion of new claims to Tax Credits Overview, timelines and handover notes.
- Latest copy (Jan 2013) of the Commercial Impact
- ADI overview
- Copy of UC Bits. CR Log V2 130129
- Universal Credit Review of Delivered Value
- cost per day per supplier assuming 60 days over last three months
- ADEP Contract summary
- ADI Service
- Review of Delivery Value HP, IBM and BT

Annex C: Financial Data

C1 - Budget and Cost Profile

Annex D: DCA Definitions

Green	Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly
Amber Green	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun
Amber Red	Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible
Red	Successful delivery of the project/programme appears to be unachievable. There are major issues on project/programme definition, schedule, budget required quality or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project/ programme may need re-baselining and/or overall viability re-assessed

Annex E

Universal Credit Project Assurance Review – Terms of Reference

Purpose

1. This paper sets out the Terms of Reference (TORs) for a Project Assurance Review (PAR) of the Universal Credit (UC) Programme. The purpose of this PAR is to make a robust appraisal of the status of UC, in terms of readiness for Phase 1, its plans for Phase 2 and overall deliverability for the remaining phases to 2017. Through the Major Projects Review Group (MPRG) the findings will inform the advice provided to the CST for the first stage of the Treasury approval for the Full Business Case (FBC), as part of the rolling approach to UC approvals. It will also inform advice to the Minister for the Cabinet Office (MCO) regarding ICT and other spending approvals. The scope of the Review, agreed by HMT, Cabinet Office and DWP, is at paragraph 5 below. After the Review, HMT, CO and DWP will meet to consider the outcomes, the full range of options available and to agree next steps.

Summary of Universal Credit

2. UC is the centrepiece of the Government's policy on Welfare Reform based on a commitment made in the Coalition Agreement and through public consultation. UC will have a wide ranging impact on the payment of benefits to both unemployed and in-work individuals, with significant changes to claimant and staff interactions and processes. The delivery of UC will be introduced in controlled phases, starting with an initial Pathfinder (Phase 1) to be launched in April 2013, with national rollout (Phase 2) beginning in October 2013. Roll out of UC is expected to be complete by the end of 2017, when all current benefits (JSA, ESA, IS, HB) and Tax Credits (WTC, CTC) systems will have been completely shut down. Details of the phases are still being defined.

Outcomes

3. The Chief Secretary to the Treasury has agreed a 'rolling approach' to approvals, which reflects DWP's approach of rolling implementation. This means that although HMT will continue to agree overall programme spend through the FBC, they will do so on the basis that they will approve plans in relation to phases, concentrating in more detail on DWP delivery plans for earlier phases. To this effect, the CST has signed off DWP plans and associated spending in relation to the delivery of Phase 1 and is expecting to sign off Phase 2 plans within the next version of the FBC, returning to plans for later phases in future versions of the FBC. The PAR team will conduct their review in a way which reflects this phased approach to approvals and delivery, focusing in more detail on Phases 1 and 2, whilst also considering the overall scope of later phases and the key dependencies and milestones across all phases.

4. The Review will take into account (a) the overall costs and Value for Money (VfM) (b) readiness for Phase 1 launch, (c) plans for Phase 2 (d) DWP's high level delivery plans for successive phases, and (e) how well the latest plans meet the original policy intent. The PAR will inform the MPRG/HMT review of the FBC, which is expected to decide on the following priority areas:

a) Whether funding requested in the FBC is approved in full or part, and if the programme remains affordable;
b) The level of actual readiness through formal confirmation of the delivery confidence assessment;
c) Whether the scope defined in the FBC is considered deliverable, and what (if any) plans for de-scoping and/or changes to current timescales are required; and
d) Whether changes made to the overall programme are realistic and whether these provide the capability and capacity to deliver Phases 1 and 2, and the elements of later phases (e.g. Phase 3) currently being designed/ implemented.

5. The MPRG will operate using the FBC submitted to the Portfolio Board to express the baseline. MPRG will expect evidence of a realistic and holistic delivery programme, clear plans for realising the benefits, measures of success, and an improved understanding of the cost implications (and assumption on which these are

based). MPRG will consider the evidence on progress made so far and DWP's latest plans for the end to end programme to 2017.

Scope

6. In autumn 2012 DWP undertook a fundamental review of the programme, resulting in a new phased approach to delivery and revised governance. To reflect this phased approach to delivery and approvals, the PAR team will consider the adequacy of progress against these items as they apply to Phases 1, 2 and later phases, recognising that less detail will exist for later phases of the programme. Evidence will be expected for the end to end programme, even if it only exists in high level scoping documents. The PAR will take account of progress made on specific issues highlighted by the previous MPRG Panel as well as the overall VfM, affordability and deliverability of the programme. These include:

a) **Deliverability and interdependencies:** DWP should provide evidence that they have an adequate grasp and plans in place to manage the significant integration risks associated with this complex programme. This includes delivery of the core ICT system; integration with the Real Time Information (RTI) programme (delivered by HMRC) and testing with live data to prove operational readiness; processes for preventing errors (e.g. overpayments), making deductions for debt (whether new or legacy); and delivery of the Fraud and Security protection system. DWP should also provide evidence that they are managing dependencies with closure of Housing Benefit, requiring effective engagement with Local Authorities, and with HMRC to enable successful closure of tax credits.

b) **Critical Path:** DWP should provide evidence on (a) progress to date (what has been built and what remains) and (b) that the components (IT, security, business processes, etc) of each Phase are adequately defined. Evidence is also required that the build and integration of components can be completed in time for each Phase Go Live, and that DWP are tracking progress (against expected costs and earned value) and have assessed the impact of slipped milestones on future IT delivery on UC and other affected programmes. Given the change to a phased approach, DWP should evidence their choice of deferral or cancellation of functionality, set out how the effects of any scope changes are managed by the programme, and how they affect the critical path.

c) **Timescale:** DWP should provide an end to end timetable to 2017/18, showing the migration plans of different client groups by number, geography and year, plotted against the closure dates of legacy systems. There are wider cost, time, technical and operational implications of delay to UC delivery on other DWP programmes and services (e.g. Personal Independence Payments, Pension Credit Plus, Benefits Cap, Joint HMRC/ DWP Fraud and Error Programme) and DWP should provide evidence to demonstrate how these are being managed. DWP should provide evidence to demonstrate that their current implementation timetable is realistic and that risks and issues are being addressed in a timely manner to improve the level of confidence of successful delivery.

d) **Affordability:** DWP should demonstrate their understanding of what is driving long term costs and the options they have considered to ensure Universal Credit remains affordable in the long and short term if some cost risks (such as those around take up) are realised. Evidence should also be provided that adequate controls are in place to ensure the additional expenditure on UC will deliver the labour market progression and participation outcomes stated in the FBC and that there are contingency arrangements if these are not being delivered. DWP should demonstrate that there is scope to manage delivery pressures within the existing budget, and to manage the risk of costs moving to the right so that the programme remains affordable.

e) **Leadership, Governance and Resourcing:** The programme is without a permanent SRO, there have been recent senior management changes and the UC governance has been redesigned. DWP should provide evidence that the interim leadership arrangements are adequate for a programme of this scale and complexity, and that these changes will deliver more effective programme management. DWP should also demonstrate the strong collaboration with interdependent programmes that is a prerequisite for the successful implementation of UC.

f) **Policy:** DWP need to evidence their plans for fully translating policy into operations (including plans for outstanding policy issues such as migration of legacy debt, localised claimant support, in-work conditionality and passported benefits). DWP should demonstrate that the desired changes in claimant behaviour are achievable (improved work incentives, channel shift, monthly budgeting, etc) and that they are able to respond in a timely manner to the lessons learnt to improve 'in phase' delivery and inform progression from one phase to the next.