

**To** UC Programme Board Members      **From:** Dave Brookes (HMRC)  
**Sponsor:** Myrtle Lloyd (HMRC)

**Date:** 15<sup>th</sup> February 2022

**Paper Title:** Paper 3: HMRC Migration Plans - 2022/23

**Issue:** This paper outlines the current position within the HMRC UC Programme and our future plans to support DWP/DfC in the migration of tax credits (TC) customers to UC.

**Recommendations/Decisions required:**

- For Discussion
- Programme Board members acknowledge the collaborative working between the two Depts.

**Timing:** Immediate and ongoing throughout 2022/23.

## Introduction / Overview

The HMRC UC Programme was formed in 2012 and has supported DWP in delivering their UC objectives consistently over the last 10 years. While there are clear differences between some of the strategic aims of the two Depts; both Programmes have worked collaboratively and corporately, with the core objective of completing the migration of TC customers to UC by March 2025. As of 1<sup>st</sup> February 2022 there were 1.49m in-payment (Live) claims for Child Tax Credits and/or Working Tax Credits. Over the next three years an ever-decreasing proportion of these customers will continue to naturally transition to UC following specific changes of circumstance. Between April 2013 and January 2022 HMRC has successfully stopped 1.74m TC awards following a claim to UC with no significant issues reported by the migrating customers or either Department.

## Current Position / Successes

The lingering effects of the pandemic and subsequent pause in Programme activity, plus the fluctuating volume of natural tax credits migrations have all impacted the revised projections and lifecycle costs which we have recently reviewed as part of the Winter 21 volumes process. We have been working extensively with DWP UC Comms/Stakeholder colleagues to implement additional communication products to support the 'Voluntary' phase of the Programme (specifically through the 2022 Renewals process). As part of this activity we have made changes to TC renewal letters, will be inserting a UC information leaflet in all TC renewal packs in 2022, changing telephony messaging and potentially revisiting the information in the Tax Credit Digital Service later in the renewals period.

## Future HMRC Plans

We continue to align our plans with the over-arching UC plans and attached is the latest high-level version for 22/23. We have recently embedded a tax credit/UC 'expert' into the UC Product Teams and continue to consider the viability of becoming more involved in the selection, communication and orientation of tax credits customers to UC through the Move to UC 'Discovery' phase. We are also planning to undertake some customer segmentation activity to supplement the case study work done by UCAD with the added advantage of being able to use live case data and incorporate both Childcare Costs and any TC Debts.

Alongside the ongoing migration of the live caseload, we will oversee ongoing delivery of historical TC caseload preparation activity; ensuring work is completed chronologically and resource and funding impacts are considered. This work is critical to ensuring TC customers can be selected for a Move to UC at the appropriate time and we hold accurate information/data at the point they move.

## 2022/23 Priorities

- Continue supporting DWP during the 'Move to UC' Voluntary phase, including the implementation and delivery of the changes to TC renewal letters, the testing and insertion of the A5 UC leaflet in all renewal packs in 2022 and to subsequently work alongside DWP to develop further bespoke communication products for TC customers. Additional communications with identified customer segments may be possible after the 2022 renewals period, but HMRC remains wary of telling people they will be better off as there remains a risk of mis-advice.
- Continue to support the Move to UC Discovery phase, embedding a HMRC UC Team SME in DWP's Move to UC Product Team; ensuring HMRC expertise, issues and priorities are represented and included as we develop and agree the HMRC Move to UC approach.
- Utilise our existing data, test and learn resource and analysts to carry out further detailed analysis of a broad spectrum of TC cases to improve our knowledge of customer segmentation and identify characteristics/groups who are likely to have higher entitlement on UC. This work will supplement the existing analysis completed by UCAD, building on our knowledge of the TC cohort and incorporating the key analytics around childcare costs and TC Debt.
- Carry out a bulk Nil Award withdrawal exercise in April 22 to remove circa 405k nil award cases from the total TC caseload of 1.9m. We will continue to monitor the volume of further Nil Award cases throughout 2022 and make an informed decision whether a further bulk withdrawal is needed in April 2023 towards the end of 2022.
- Submit a proposal paper to HMT requesting approval to undertake a bulk remission exercise to remit circa £133m of historical pending TC debts not viable for debt collection activity by either HMRC or DWP due to age, complexity, GDPR non-compliance etc. This exercise will be repeated in subsequent years to minimise the impact on DWP Debt Management of irrecoverable or reputationally damaging Debt.

## HMRC Challenges / Risks

The main HMRC challenges as a result of the ongoing delays to migration are:

- Difficulties managing workflows and subsequent resource requirements as natural migration to UC is unpredictable (with the potential impact of the Voluntary Phase unclear).
- Issues with building maintenance and leases, with offices housing tax credits staff (in Preston) in a poor state of repair and with insufficient space to house the required numbers (even post-pandemic).
- The tax credit IT system is in a critical state in the absence of investment (it has been operated as a sunset service since 2016). While there are plans to move it from the Data Centre to Crown Hosting in 2022 it is still an outdated system with ongoing improvements and upgrades required.

## Summary

This paper has been brought to this meeting following a request from the UC Programme Board to get an update on HMRC's plans for supporting the migration of tax credits customers to UC over the next three years. The three Depts and their Programmes are working collaboratively and effectively with strong stakeholder relationships in place and form plans for achieving the mutual objectives of the UC Programme in place.



Move to UC Phases  
High Level HMRC Tim

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