

To: UC Programme Board

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UC Full Business Case Update

Summary:

- The Outline Business Case was approved in December 2015 alongside the Spending Review, providing funding approval through to September 2017.
- Since Budget 2017, we have been developing the Full Business Case (FBC), where we would seek funding approval for the rest of the transition, through to July 2019, a period agreed at PDE in December 2016
- Our aspiration had been to provide a fuller update at this Programme Board, however the modelling required to achieve this has taken longer than first anticipated. We instead provide a partial update and next steps below.

The purpose of this paper is to:

- Set out our progress in developing the FBC to date;
- Report on the latest forecasts; and
- Outline the next steps required to deliver the FBC in time for Investment Committee, PAR and our Treasury approval point in September.

Next steps:

We will be producing 3 versions of the Full Business Case to enable sufficient scrutiny and assurance by stakeholders:

1. Full Business Case Version 1 will issue on 4 August, giving stakeholders a week to feedback their comments on the FBC ahead of the stakeholder review
2. Full Business Case Version 2 will issue on 16 August, to underpin the stakeholder review which will take place on 18 August
3. Full Business Case Version 3 will issue on 29 August, which will be assured by PDE on 30 August and Investment Committee on 31 August. This will then be shared with the PAR team in September before being submitted to HM Treasury for approval

We have also submitted an interim funding approval request to HM Treasury for October to December 2017, as contingency in case we do not receive FBC approval in September.

Decision:

Programme Board are asked to:

- Note the revised schedule
- Take note of our current forecast

Full Business Case Progress

Since commencing the development of the Full Business Case at Budget 2017, we have:

- Re-baselined and assured all assumptions from the Outline Business Case
- Agreed an improved analytical approach to calculating the Economic Case
- Taken ~100 changes through the Digital Cost Model. They reflect delivery assurance findings, Work Study costings and the latest overall Digital Service delivery backlog. These has been assured through the Digital Cost Model Steering Group, which is chaired by Operational Planning Director and PDE.
- Produced a new 10 year volumetric forecast
- Produced a new 10 year legacy savings, operational cost and FTE forecast
- Produced a new 10 year investment profile
- Completed the Commercial and Programme Management Cases
- Reviewed and revised our Benefit Realisation Plan and Profiles

This has taken longer than we had first anticipated to achieve. We have not had the time to achieve the below, which are critical to achieving signoff for the FBC:

- Refine the economic modelling involved in producing our Labour Supply estimates, so that they are robust as possible
- Assure all our modelling outputs so that the forecast can be complete and assured as possible
- Reconcile all movements from the Outline Business Case, so that we are better able to explain the movements we are seeing
- Updating Benefit Realisation Plans with the FBC Economic and Financial Case outputs

Full Business Case Current Forecast

The following information comes from the current draft of Version 1 and should be treated as such. These reflect for the first time, the 10 year impact of the significant changes to policy and delivery caused by the 2016 Welfare Reform Act.

All of the numbers below may continue to change as our modelling develops. For example, assumptions around the level of quality checking, auto calculation and debt resourcing are not yet finalised.

Our economic case is currently forecasting a ten year Net Present Value of £23bn compared to £21bn in the Outline Business Case. The increase in the Net Present Value is driven primarily by scoring the benefit of reducing error in AME payments for the first time and the Full Business Case having a forecast period through to 2026/27. We are also forecasting 190k additional entrants into work now, compared to 250k at the OBC.

Total FBC lifetime investment cost is £1.6bn compared to an OBC position of £1.46bn. Overall managed migration costs have increased slightly from £252m (OBC) to £259m (FBC) reflecting better understanding of key assumptions as our Alpha has progressed.

We will update on our net DEL and AME position when Version 1 is circulated on 4 August, once these have been assured internally. Although these are early forecasts, we

believe that these demonstrate that Universal Credit remains affordable, deliverable and value for money.

Programme Board are asked to note the progress to date and the slightly revised timetable for the reasons outline above.

