To: UC Programme Board

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<u>Universal Credit (UC) Programme – Revised Move to UC volumes</u>

1. This paper updates Programme Board on changes to the assumptions underpinning UC and their impact on forecasts of the number of cases the programme will need to move to UC.

2. In particular, Programme Board are asked to note:

   - Analysis of data from UC and legacy claims shows there are approximately 25% fewer natural migrations and fewer claimants closing their legacy claims than previously estimated.
   - There is some sensitivity to the analysis. We know that legacy caseloads are running down more slowly than forecast. That means we expect the number of claimants we need to move to UC to be higher than 1.8m. The initial central estimate suggests 2.7m and the final number may be in the range of 2.2m to 2.7m
   - The slower than forecast rundown of legacy caseload and the associated increase in Move to UC volumes introduces a risk to the current plan.
   - In order to de-risk the plan and having considered all available options, we recommend the UC programme plan should now complete nine months later, in September 2024.

<u>Recap of original forecast and description of current issue</u>

3. Our previous forecast of legacy claimants indicated that we would need to move around 1.8m cases to UC.

4. Since 2017, actual data showed that we originally overestimated the rate of people starting UC. To compensate for the start-up effect of UC, we established more accurate geographic forecasts and reduced flows from legacy benefits.

5. This approach helped bring UC forecasts in line with actuals but highlighted the need for better data to underpin forecasts.

6. Since then, UCAD have built a new data set which brings together all legacy and UC benefit information at a site level. This means we can model how legacy caseloads fall in each jobcentre. This in turn enables us to produce more robust estimates of how quickly legacy benefits fall and how many claimants we will need to move to UC.

What is underlying changes to volume forecast?

7. It is not clear at this stage what is driving the changes but it is likely to be a combination of factors including:

   i) Using legacy behaviours as a basis to forecast UC. UC is a new benefit and is more than a combination of existing benefits, so direct correlations may not work.
   ii) Since UC volumes ramped up we are at a better point in economic cycle than the time at which legacy behaviours and data are based on
   iii) Lower than expected take up of UC, driven by conditionality, the 5 week wait and negative press coverage.
   iv) Legacy claimants deferring or not reporting changes in circumstance that would trigger a claim to UC.
   v) Potential for legacy claimants to remain on legacy benefits after they have made a claim to UC by failing to attend their UC ID interviews.
   vi) Overestimation of the level of churn in the legacy system, such as double counting changes to HB and DWP benefits for the same claimant.

8. As stated above, UCAD acknowledge they do not yet fully understand why the forecasts are higher than originally stated. The new dataset has more detail and we will continue to use evidence from the Move to UC pilot to improve the accuracy and confidence in the modelling approach and outcomes.

9. It may be impossible to identify why our forecasts of legacy run down were inaccurate and, as long as the forecasts give an accurate assessment of future volumes, it does not matter. However, a build-up of undeclared changes of circumstances in legacy benefits could lead to significant issues when it comes to migrating the legacy claims through Move to UC. In order to understand whether this is an issue, we propose the following:

- Review the level of claimant error and fraud identified in the legacy system claimant reviews to see if this is increasing.
- Look at the natural migrations that have happened to see if they seem to not include any particular groups or characteristics.
- Follow-up any issues identified above with research with legacy claimants and jobcentre plus staff.

10. Later phases of the pilot will enable more focus on this area and this will be built into the test and evaluation. The early phases of the Move to UC pilot will focus on cases known to DWP staff and they are therefore less likely to have outstanding undeclared changes of circumstances.

Current Forecast and maximum monthly Move to UC volumes

11. This latest forecast means there will be an increase of around 1 million Move to UC cases, from 1.8m to around 2.7m.

12. Given current UC programme resources, the current plan allows for no more than 100k per month. Moving this additional volume and maintaining the December 2023 end date for UC rollout would increase monthly levels to 160k per month. This is not operationally deliverable and would put the support we offer claimants at risk, especially complex cases.

13. It is also important to note that the Move to UC pilot will help us confirm the optimal monthly Move to UC caseload. The 100k per month assumption is based on the best available current data. Evidence from the Move to UC pilot will confirm whether this is a sensible level and we will review this as more actual data emerges.

Recommended Action

14. In light of this revised analysis, we recommend extending UC rollout by nine months to September 2024. This would increase forecast AME spend by approximately £0.5bn per annum by 2024/25.
15. This will maintain confidence around UC planning as DWP goes into fiscal events in the coming months, which involves scrutiny from the OBR.

Other options considered – do nothing

16. UC programme considered maintaining the current plan, without moving the planned end date or recruiting additional staff to meet increased volumes. This option was largely discounted because we are confident that volumes will be higher than anticipated, even though we may not completely understand why the forecasts are higher and by how much.

17. If the UC programme did not change its plan to reflect known changes to forecasts, this would affect confidence in the UC plan across government as we head into a Spending Review and the 2019 Budget.

Other options considered – increase FTE to meet increased volumes and December 2023 deadline

18. Increasing UC resource to cope with the 160k volumes would require an additional 7,900 FTE, costing £187m DEL in the year to 2023. This would require 14K total FTE, costing £400m. That would be inefficient workforce planning, as well as creating pressures for new estate to house the workers. The Department would then face significant redundancy costs to reduce this temporary uplift in staff resource, taking us from feast to famine. It is also highly doubtful that we would be successful in securing this funding through the Spending Review.

19. More importantly, at this level of volume, we could not assure an acceptable level of customer service, particularly to a larger monthly numbers of vulnerable cases. For these reasons, this would not be a deliverable course to follow.

Other options considered - increase Natural Migration rates

20. The overarching ‘trigger’ of natural migration is that if a claimant has a change of circumstance that necessitates a new claim for benefit, then that claimant can only make a claim to UC. It is not possible to make changes to Natural Migration policy to increase Natural Migration, as the individual natural migration ‘triggers’ depend on the different rules of the individual legacy benefits that UC replaces and are not the same throughout the legacy system e.g. a change of LA area necessitates a UC claim for someone claiming HB, but not for someone on ESA, JSA or IS who is not receiving HB.

21. There is anecdotal evidence that legacy claimants are putting off changes in circumstance that would trigger a move to UC. A targeted communication strategy might address this. However, the effectiveness of a marketing campaign is difficult to quantify. Given this uncertainty, we do not recommend this as a way to manage the increased forecast.

22. The current process for terminating legacy benefits allows for a ‘cooling off period’, because the stop notice is tied to the ID rather than the UC claim. In legislation it is tied to the UC claim. If someone does not show up for their ID interview, then the UC claim never shows up on the system and that person can remain on legacy benefits, even though legally their legacy benefits should have terminated.

23. If we better aligned the sending of the stop notice to the legislation – i.e. tied to the UC claim, rather than the ID check, then this loophole would be closed.

24. There are risks of misdirection if the is an active campaign to encourage people to move to UC and potentially an increase in AME costs if large numbers of claimants who may gain in UC chose to migrate ahead of doing so in their Move to UC phase.

25. The Move to UC pilot will help us pick up on some cases that should have migrated naturally and give us some insight on the reasons why that hadn't happened.

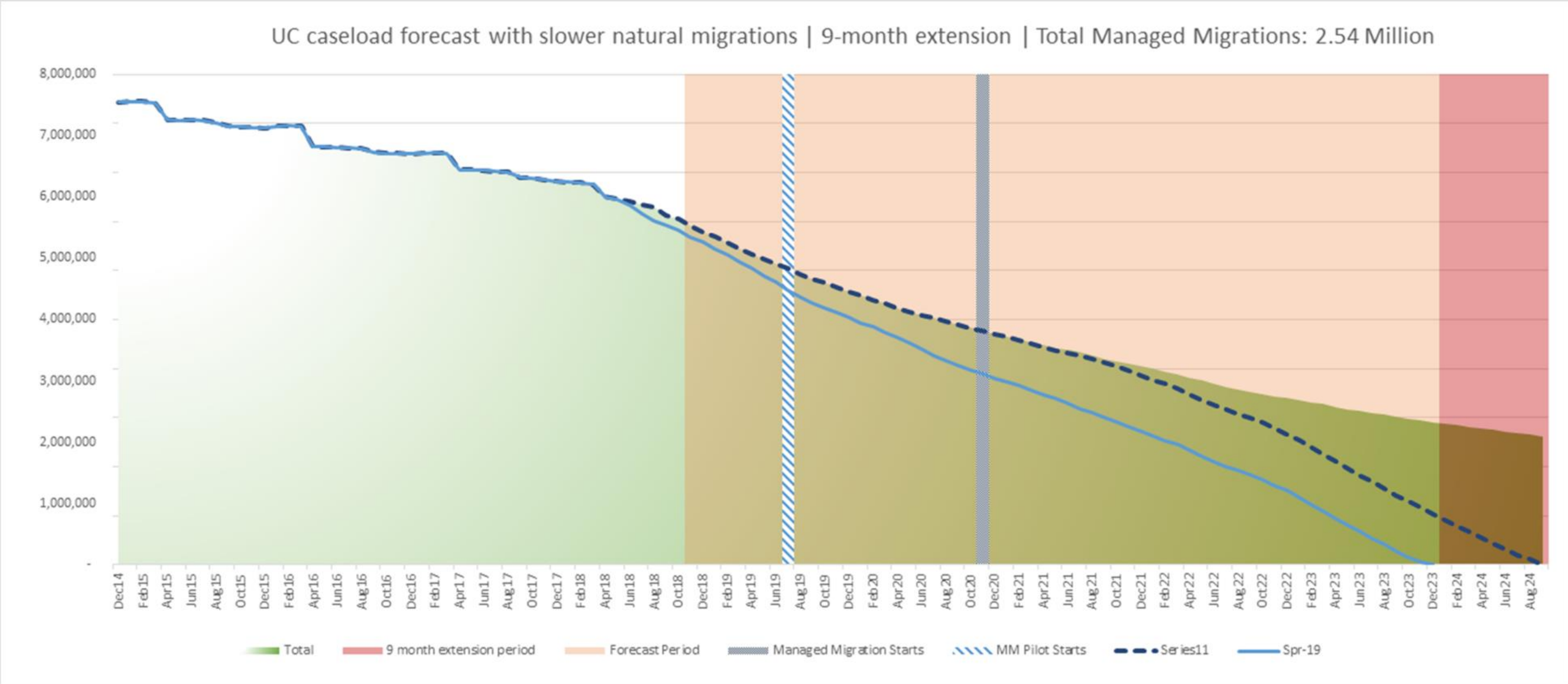
Next steps:

- UC programme to agree handling approach with Financial Strategy to inform Ministers, HMT and OBR.
- UCAD to continue to review their models as more data becomes available and develop costing notes on the impact of an extension to UC rollout.
- Revised programme risk to reflect uncertainties around assumptions underpinning Move to UC volume forecasts.
- The UC programme to commission work to explore whether legacy claimants are deferring or not reporting changes in circumstance to avoid triggering a claim to UC.
- HMRC to impact revised models where UC completes in September 2024.

Annexes showing revised forecasts, monthly profiles and AME and DEL overview. Note these are estimates

Annex 1

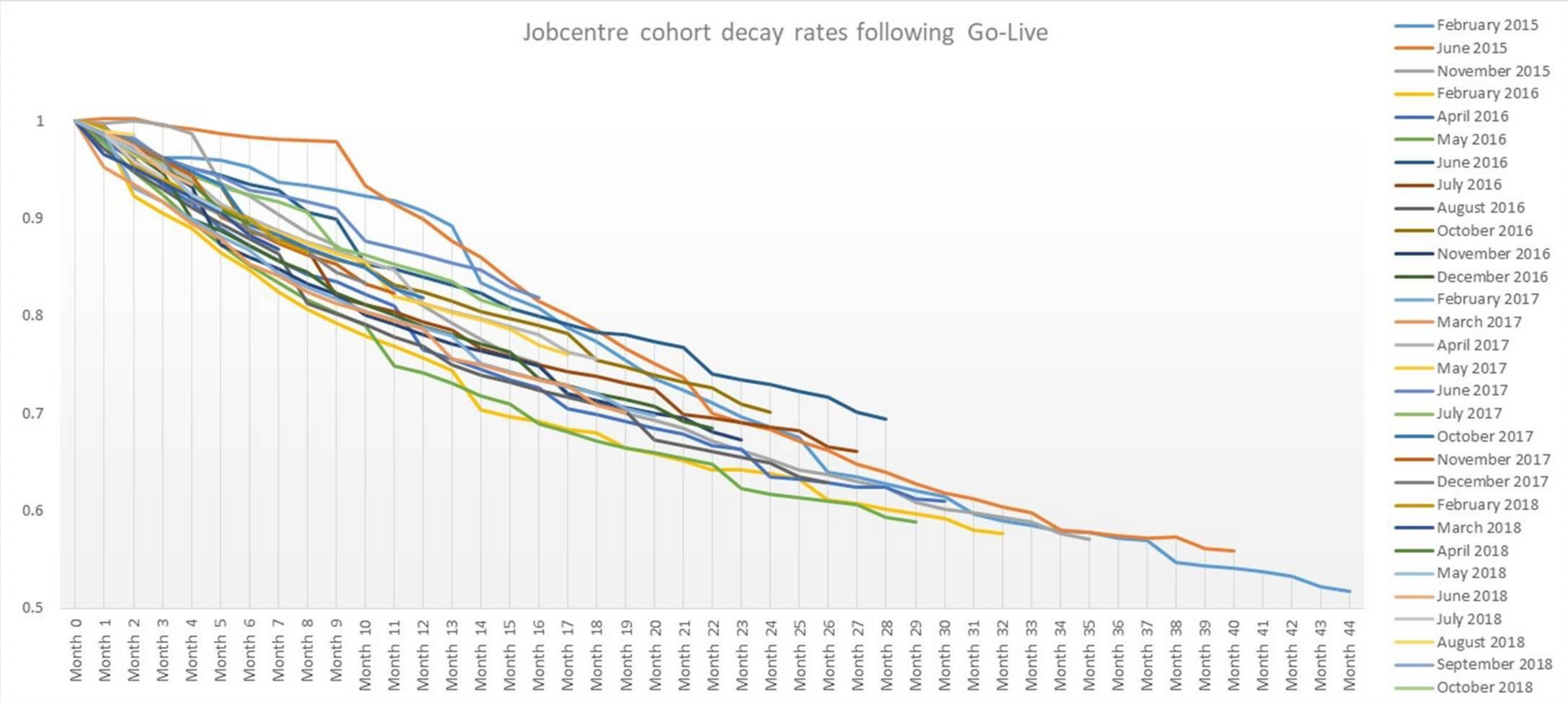
Revised forecast estimates to September 24



Spring-19 plan forecast 1.8m managed migrations.
This estimate forecasts we would need to manage migrate around 2.7m claimants.
Note that different assumptions can deliver a range of 2.3m to 3.5m

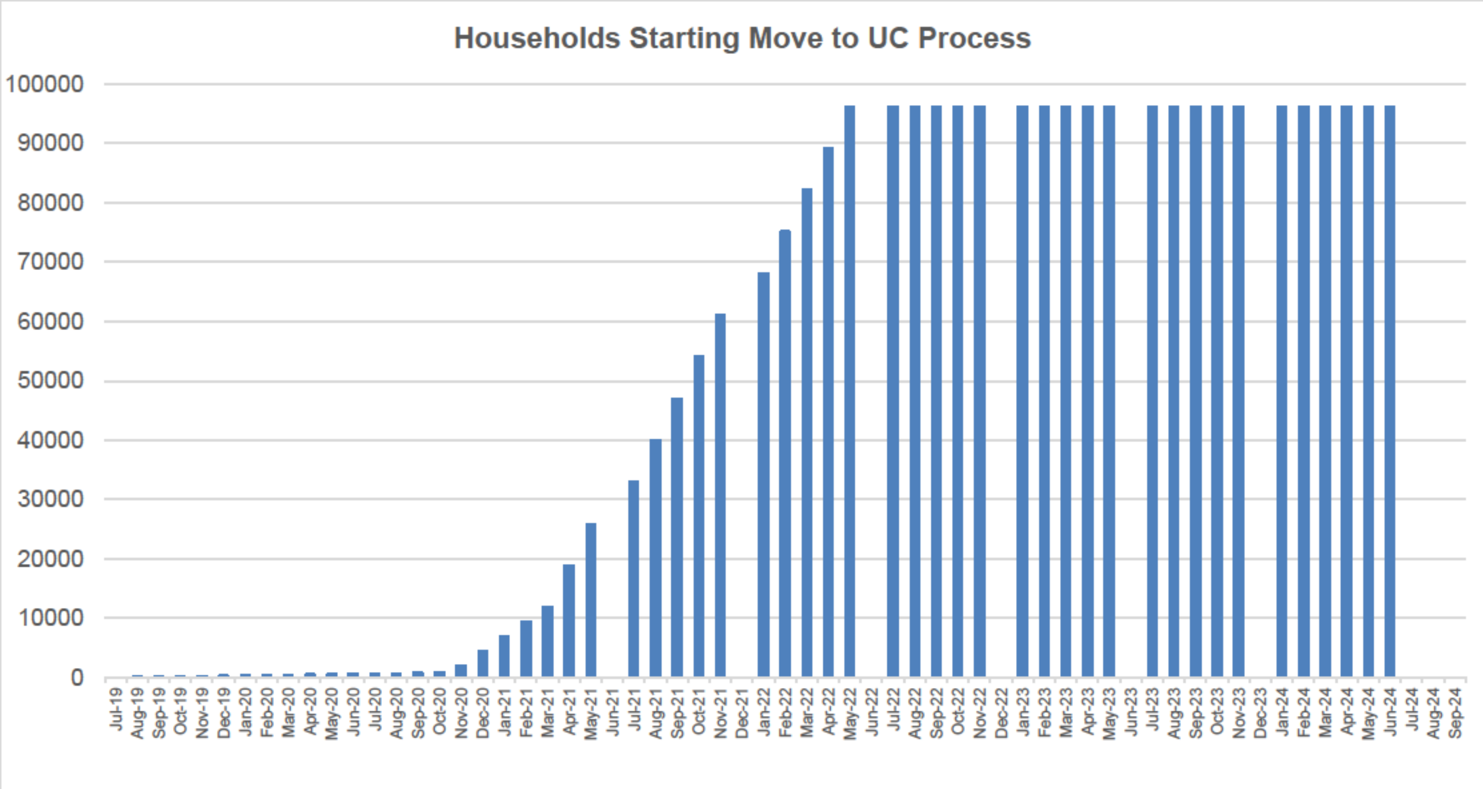
Annex 2

Percentage rundown for each cohort from the month of full service go live to demonstrate variance and extent of uncertainty



Annex 3

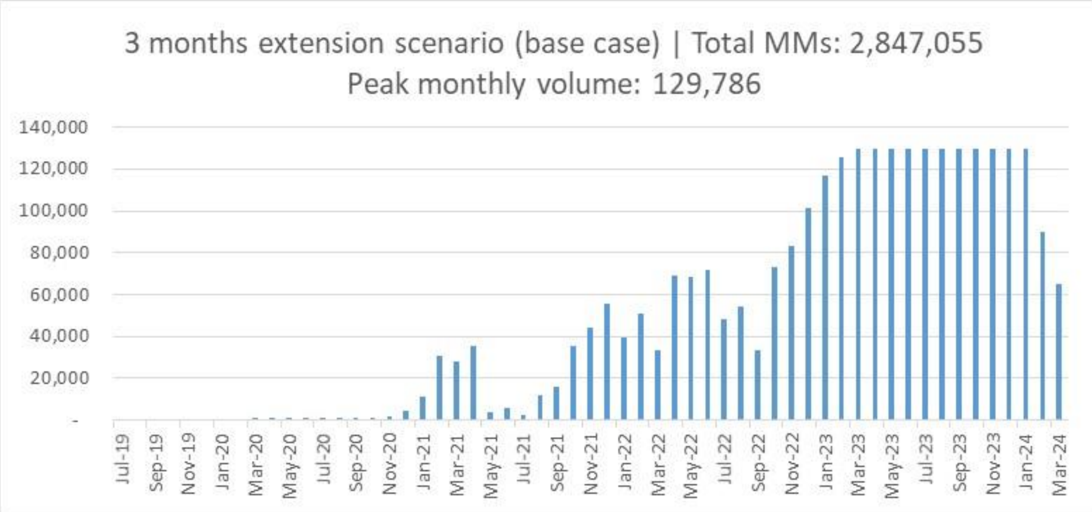
Monthly profile estimate for 9 month Move to UC extension

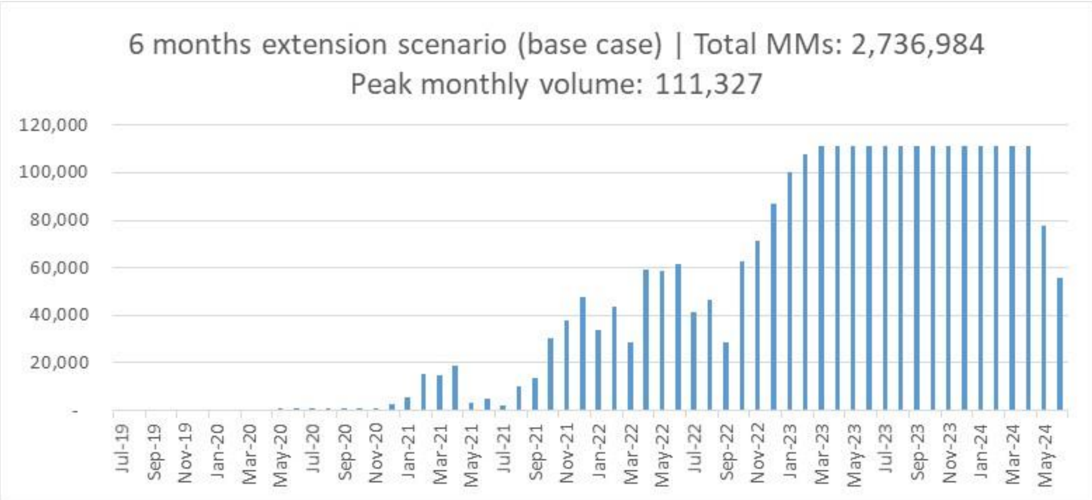


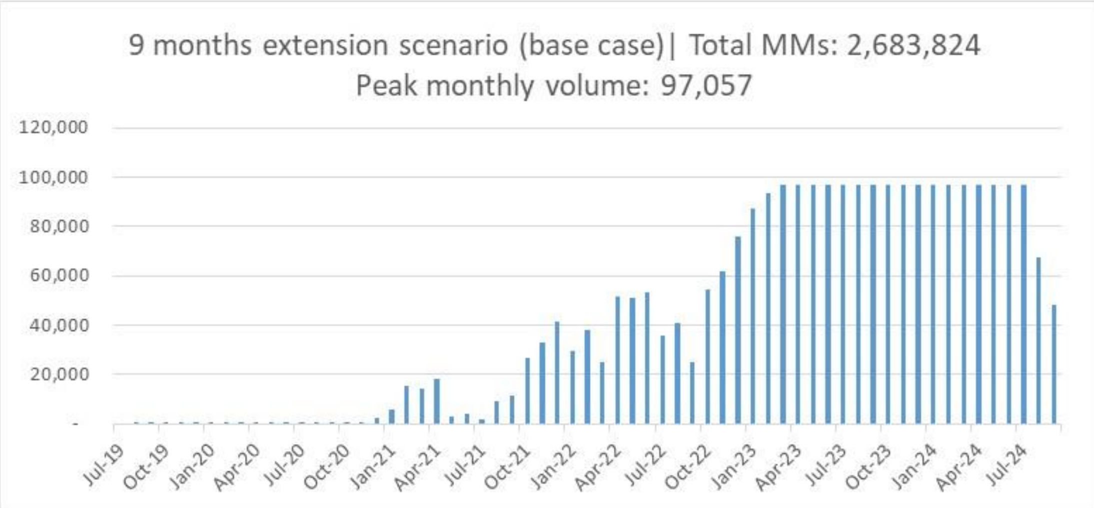
These figures have not been modelled through INFORM and are subject to change following further modelling. They are to be used to indicate the likely impact of the new plan

Annex 4

Alternative Move to UC forecasts

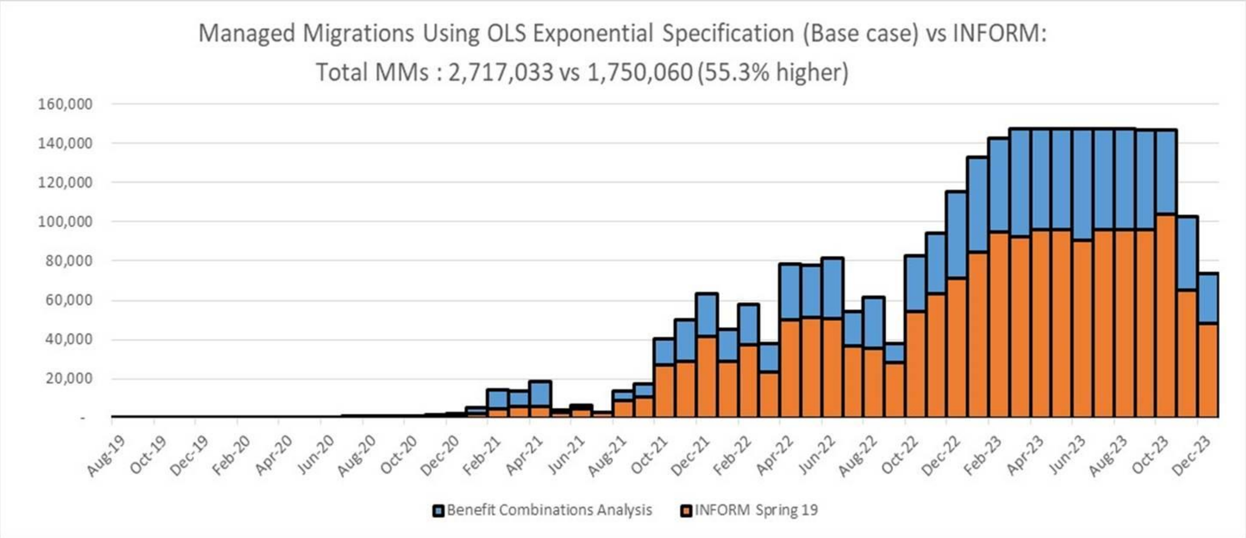






Annex 5

Estimated Move to UC profiles if December 23 end date maintained



Annex 6

Estimated AME impact of 9 month extension for Move to UC

Negatives are savings (in millions)	2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL
PSM Impact	-267	-326	-319	-264	-21	-1,197
F&E	209	306	367	379	232	1,492
Transitional Protection	5	26	75	26	277	408
Grace Period	-1	-11	-7	-19	-0	-38
Overall Impact	**-55**	**-5**	**115**	**123**	**488**	**665**

Annex 7

High-level estimate of the increase in DEL cost related to extending migration by 9 months.

Net DWP cost increase:

	£k
Programme Costs	129,207
Lost savings	33,545
Additional Migration handling costs	28,777
	191,529

The cost of extending the programme by 9 months

Programme Costs		**20/21**	**9 months**
UC Product Development / Digital Delivery		67,486	
Move to UC		15,182	
Universal Credit Engagement Division		43,815	
Rest of Programme		45,793	
		172,277	**129,207**

Additional operations cost to DWP of the change in rollout timetable and volumes, estimated legacy benefit saving reductions based on 25/26 position in the Full Business Case.

Operations inc HMRC and LA savings		**25/26**	**9 months**
HMRC savings		-204,000	
DEL Savings		-868,202	
LA Savings		-66,786	
Inflation		-70,856	
Total Savings		**-1,209,844**	**-907,383**

Delay = Lost savings		**44,726**	**33,545**

Proportionally decreased cost of Natural Migrations (Spring 19 DCM methodology) to reflect the reduction in volume. Proportionally increased cost of Managed Migration (Spring 19 DCM methodology) to reflect the increase in volume.

Migration Delivery Costs - volume change based impacts		**19/20-24/25**	**Total**
Natural Migration	£k	**-3,658**	
Managed Migration	£k	**32,435**	
Net volume driven variance	£k		**28,777**

To get an accurate forecast of the change, the UC DCM will need to be rerun with these volumes as well as the legacy counterfactual savings models for DWP benefits, HMRC, LA, Medical Services and Appeals.