To: UC Programme Board

From: Paul Mckeown
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Date: 19th July 2018

Universal Credit Benefits Realisation Update

Summary:

- **We continue to refine our benefits management approach to ensure UC primary benefits are clearly defined, closely tracked and regularly reported to key stakeholders**
- **The current benefits dashboards for the Labour Market and DEL Efficiency primary benefits demonstrate a broadly positive direction of travel. For Fraud, Error and Overpayments, preliminary analysis of MVFE statistics suggest that levels of overpayment are higher than expected in 2017/18. However, performance is still lower than would have been expected in legacy.**
- **We are also aware that work is still needed to identify more appropriate metrics in some areas to ensure the realisation of UC benefits is robustly tracked and managed moving forward. We have included plans to show what activity is underway, in particular:**
    - **Building on the approach detailed in the paper "Understanding the Impact of UC on the Labour Market" published in June 2018; and**
    - **Establishing additional Fraud, Error and Overpayment measures, both at National MVFE level and internal DWP supporting metrics such as Tier 2 Payment Accuracy.**
- **We have developed a governance structure which balances the need to demonstrate progress to a wide range of stakeholders including UC Programme Board, benefit owners and others across the departmental and wider government assurance community.**

The purpose of this paper is to provide Programme Board with an update on Universal Credit Benefits Realisation and to note the tracking, reporting and governance arrangements from July 2018.

Context

We provided an update on benefits realisation as part of the UC Full Business Case (FBC) paper in February 2018. We set out the latest view of the eight key benefits (see **Annex A**), which include three priorities:

- Labour Market impact
- Departmental Expenditure Limit (DEL) Efficiency
- Fraud, Error and Overpayment (and sensitivity to earnings)

In the paper we provided an update on the measurement methodology, ownership and governance arrangements via the UC Benefits Realisation Steering Group and said we would return to Programme Board with more information on tracking and monitoring as plans start to emerge.

Since then, the Infrastructure & Projects Authority (IPA) and Major Projects Review Group (MPRG) have reviewed progress on benefits management as part of the UC FBC approval process and made a number of recommendations as a condition of FBC approval (see **Annex B**).

<u>Priority Benefit Update</u>

Labour Market Benefits

<u>Overview</u>

In the UC FBC we explained how the implementation of UC will result in an additional **200,000** people in work compared with the legacy system. This is delivered through removal of financial incentive barriers, improved simplicity and additional conditionality. We also estimate around **113 million additional hours** (net) of work completed per annum under UC, due to improved incentives for those already in work. Together, these generate **£18.4bn** savings in total (**£3.8bn** per annum in steady state).

<u>Current Dashboard/Performance</u>

The current Labour Market benefit performance measure is attached at **Annex C.** It shows that UC claimants are 4 percentage points more likely to be in work within 6 months of making a new claim.

<u>New measures</u>

On 8th June we published the paper “Understanding the Impact of UC on the Labour Market”. This shows how UC is having a positive impact with significant improvements still to come. It also explains that analysis will continue to be developed as sufficient numbers of claimants on the UC full service are reached and analysts will be undertaking a thorough quality assurance of the information and developing appropriate measures. We have engaged closely with stakeholders including HMT in developing this approach and to build plans to track Labour Market outcomes in the future (see **Annex D**).

An early version of the Labour Market Indicators are attached at **Annex E**. These have been developed with Labour Market Strategy and HMT and we aim to start reporting against these from October onwards.

DEL Efficiency

<u>Overview</u>

UC is significantly more efficient compared to legacy by **£300m** at steady state (approx. 6,500 FTE). Of this, **£200m** is re-invested to fund the LM conditionality regime for up an additional **1 million claimants** who don’t currently have a regime applied in legacy benefits. We are forecast to break even in 2019/20 (excluding Labour Market re-investment). The key performance indicators will demonstrate achievement in terms of FTE reductions and cash savings.

In order to achieve these benefits UC will need to:

- Improve the ratio of caseload per case manager from 154 (March 2018) to 919 (2024/25)

- Reduce the cost per claim from £890 (2017/18) to £159 (2026/27)

Further analysis of key efficiency drivers at steady state shows that the improvement in unit cost will result from:

- **Reduction in the ratio of new claims** compared to caseload which are more costly to administer (i.e. levels of activity including verification) – approx. 70%
- **Changes to the conditionality mix** with customers migrating onto UC from Tax Credits requiring less labour market intervention – approx. 25%
- **Automation** which is not the biggest driver but still provides substantial cash benefits in steady state so will also need to be closely monitored to ensure delivery and help DWP live within its means – approx. 5%. This is particularly important in the earlier years where automation is a more significant driver.

<u>New Measures</u>

We are updating the DEL Efficiency Dashboard to include the key drivers that deliver the forecast reduction in unit cost, and will include the appropriate metrics to track progress (i.e. caseload per case manager, FTE and caseload build, new claims ratio, conditionality mix). An early draft is attached at **Annex F** – this is currently being finalised and will be available from August.

This shows that even though risks need to be carefully managed, we are on track to deliver efficiencies (and break even in 2019/20 on a like for like basis) because:

- Caseload per case manager is improving and, in some areas, there is evidence that demonstrates the underlying efficiency has been delivered, even at this stage of maturity.
- As mentioned above, the key efficiency drivers are already factored into the UC design i.e. caseload ratio and conditionality mix

Fraud & Error and Overpayment (and sensitivity to earnings)

<u>Overview</u>

UC aims to design out Fraud and Error wherever possible and will save approx. £9.1bn over the lifetime of the business case (£1.3bn in steady state).

Key design features impacting this include improved accuracy as a result of real-time information, income-related entitlement and removal of annual Tax Credit renewals. There are also some areas where UC might increase Fraud & Error e.g. increases due to extra sensitivity to earnings and the adoption of capital thresholds for in-work claimants. These have also been captured in the costings.

Current Dashboard/Performance

The latest dashboard (based on Live Service data only) is attached at **Annex G**. The overall measured level of overpayments, at 7.2%, is higher than the expected level of 5.9%. This is still lower than 7.7% we estimate would have been observed in legacy benefits. This indicates that even UC Live Service is achieving many of the savings expected in the Business Case.

New Measures

We have established a new UC FED Integration Steering Group (ISG) to track FED UC performance and a priority for that group is to develop further ways to provide assurance ahead of steady state that savings from fraud error and overpayments in the UC business case are on track.

Initial work has:

- Compared the AME fraud and error savings we believe have been realised against the UC Business Case;
- Compared the actual level of fraud and error in UC as measured in the published MVFE statistics against the residual level of fraud and error that the UC Business Case implies will still be left in UC; and
- Started developing a set of early indicators which, when approved through FED ISG governance, will be included in the benefits dashboard.

Governance

The proposed governance arrangements for overseeing the delivery of benefits are attached at **Annex H.**

These arrangements reflect the need to ensure:

- The UC Programme continues to have oversight of benefits delivery;
- Benefit delivery is integrated into business as usual; and
- Key assurance stakeholders across DWP and wider government are fully engaged.

Next Steps

- **Return to Programme Board in October with further update on Benefits Realisation**
- **Work with OET, ISG & LM Strategy to establish regular reporting to track benefit delivery**
- **Work with ISG & LM Strategy Specifically to ensure,**
    - **further refining of LM Evaluation Plans**
    - **propose additional F&E measures**

Decision:

Programme Board are asked to:

- Note the note the tracking, reporting and governance arrangements from July 2018.
- Note the latest proposed key measures/metrics (see **Annex I**).

Timing: Programme Board meeting 12th July 2018

Annex A

UC Key Benefits

Benefit Type		*Benefit Title*	*Steady State Value (24/25) (£bn)*	*Total 10 Year Value (£bn)*
Financial	***B0001***	**Operational Efficiencies** (Priority Benefit)	***£ 0.1***	***- £ 0.3***
	B002(a)	**Reduction in Fraud, Error and Earnings Sensitivities** (Priority Benefit) **AME Savings**	***£1.3*** *(F+E only)*	***£9.1*** *(F+E only)*
	B002(b)	**Wider Economic Value (Re-distributional Impact**) * The wider economic values for FE savings in DCF are higher than forecast here as they exclude losses from Sensitivity to Earnings. For BR these losses are deducted under FE and Earnings Sensitivity profile rather than under AME changes in NPV calculations.	***£0.6 NET Total**	***£4.2 NET Total**
	B003	Labour Market Impacts - **(Priority Benefit)** **Increased Economic Output**	***£ 3.8***	***£18.4***
		Distributional impact	***£1.1***	***£5.3***
	B004	Increased take up of Welfare Benefit Entitlement (distributional impact) ** The wider economic values for AME Changes in DCF are lower than forecast here as they include losses from Sensitivity to Earnings, these are impacted elsewhere against FE and Earnings Sensitivity profile for BR purposes.	*****£2.4***	*****£18.0***
	B005	NHS Savings from reduced Unemployment	***£0.2***	***£0.8***
Non-Financial	***B006***	Improved Claimant Experience	*N/A*	*N/A*
	B007	Improved Employer Proposition	*N/A*	*N/A*
	B008	Improved Staff Engagement	*N/A*	*N/A*
Dis-Benefit	***D001***	Negative Impacts on Landlords	*N/A*	*N/A*
***TOTAL Economic Benefit Value *** Values excludes deduction for DEL Investment (-£0.9 ten year)**			***£8.0bn***	***£42.0bn***

Annex B

UC Programme – MPRG Recommendations May 2018

Ref	Recommendation	Current status / update	Due date
MPRG 01.18	The panel noted that in order for UC to be successful, it is crucial to ensure that it is not subject to significant policy changes. Whilst acknowledging the current uncertainty, **the panel asked the programme team to work towards agreeing the exact plan for managed migration as soon as possible and communicate this with stakeholders.**	• Ministers have now approved the revised plan which takes into account policy changes Severe Disability Premium (SDP). • The Plan has been published via Written statement and is now in the public domain and currently undergoing SSAC scrutiny. • Plans anticipate that we will begin to test Managed Migration processes with low volumes through a beta test in January 2019. • Planning in this way will enable the Programme to test and learn how customers will respond to the change prior to wider implementation. • Plans anticipate the commencement of Managed Migration in July 2019 completing in March 2023.	Dec 18
MPRG 02.18	The panel also requires that, as it has successfully done for the transition phase of UC, **the programme agrees a set of success criteria with stakeholders, which enables progress against the plan to be monitored regularly.**	• To support planning for the commencement of Beta the Programme has produced a first iteration of scope and entry criteria to help define the initial Beta plan for managed Migration. • As is normal with an Agile delivery we anticipate that we will have to adapt and change the plan as we complete user research and sprint planning and learn from initial implementation. • This approach builds on the good practice and lessons learned when assessing readiness to commence each Phase of Transition Delivery, and will continue through each key delivery phase for the Programme going forward. • It should be noted also that the criteria cannot consider Managed Migration in isolation of the wider Programme delivery plan with key build features of the Full Service being prioritised according to agreed criteria. • At each stage, criteria is agreed with key stakeholders through formal Programme Governance.	Dec 18

MPRG 03.18	Given the uncertainty and the complexity of managed migration, **the panel also requests that the programme updates the contingency scenarios described in the Full Business Case.**	• Developed scenarios focusing on impacts of exiting the EU which have gone to PDE – complete
		• We are developing a range of scenarios over the summer that will focus on:
		    ○ The degree of potential change facing the UC Programme, primarily driven by policy change or the outcome of Judicial reviews,
		    ○ EU exit policy implementation in January or July 2021,
		    ○ Service disruption for example an unexpected increase in volumes
		• All scenario development will use the current UC plan (finishing in March 2023) as a baseline and will replace the contingency scenarios in the Full Business Case.
			Dec 18

MPRG 04.18	Finally, the panel asks that **the programme team ensure that the consequences of any changes**	• Undertaken feasibility of options for EU exit – complete.	Dec 18

Ref	Recommendation	Current status / update	Due date
	on the programme, arising from the EU Exit are fully analysed to understand the impact of the different EU Exit scenarios.	• IPA and the Cabinet Office Implementation Unit (IU) undertook an independent review in May – complete. • Developed scenarios focusing on impacts of exiting the EU which have gone to PDE – complete. • We are developing a range of scenarios over the summer including a focus on: ○ EU exit policy implementation in January or July 2021, • All scenario development will use the current UC plan (finishing in March 2023) as a baseline and will replace the contingency scenarios in the Full Business Case. • EU exit policy assumptions should be known by November 2018.	
MPRG 05.18	The SRO assured the MPRG panel that the programme's labour market and fraud and error benefits are being delivered. **The panel agreed that within the next two months the programme team should work with HMT and IPA colleagues to develop and agree a clear plan that sets out the empirical evidence they will gather, and when, and what this will be compared to in order to demonstrate that the labour market and fraud and error benefits are continuing to be delivered. Once developed and agreed, benefits realisation should be integrated within the programme's governance.**	**Labour Market Benefits** • "Understanding the impact of Universal Credit on the Labour Market" published on 8th June. This sets out how we plan to use a range of empirical evidence to demonstrate the effectiveness of UC in delivering the FBC outcomes. • We are developing a plan which shows when each element will become available. • The current LM dashboard will be iterated with appropriate metrics as further evidence emerges. • The UC Benefits Realisation governance arrangements will include the Labour Market Strategy Board to ensure there is a smooth transition to business as usual. • Progress will be reported quarterly to UC Programme Board **Fraud, Error and Overpayments** • We have established a new UC FED Integration Steering Group to track FED UC performance as part of the UC Benefits Realisation governance arrangements. A priority for that group is to develop further ways to provide assurance ahead of steady state that savings from fraud error and overpayments in the UC business case are on track. • Initial work has compared 1) the AME fraud and error savings we believe have been realised against the UC Business Case and 2) the actual level of fraud and error in UC as measured in the published MVFE statistics against the residual level of fraud and error that the UC Business Case implies will still be left in UC.	Jul 2018
MPRG 06.18	The MPRG discussed the efficiency improvements required in the business case. The SRO and DG UC Operations set out that they already had staff delivering at the efficiency levels expected for 2019-20, and that some efficiency is delivered automatically by changes in the caseload. **Within the next 2 months the programme should set out numerically what each of the key drivers of**	• We have set out numerically in the DEL Efficiency Dashboard the key drivers that deliver the forecast reduction in unit cost, and included the appropriate metrics to track progress (i.e. caseload per case manager, FTE and caseload build, new claims ratio, conditionality mix) • This clearly shows that around 95% of the reductions are delivered by changes to caseload ratios and conditionality mix; and that automation is an important contribution but not the biggest driver.	Jul 2018

Ref	Recommendation	Current status / update	Due date
	this efficiency are expected to deliver, and set out the metrics that they will use to track performance so the programme can respond if required in the event of significant deviations from assumptions.	• The UC Benefits Realisation governance arrangements will include the DWP Operational Executive Team to ensure there is a smooth transition to business as usual. Progress will be reported quarterly to UC Programme Board	
MPRG 07.18	The MPRG discussed how the current phase of transition has been progressing very well. Now that **the programme is about to resume roll out at scale, the panel need DWP to continue to manage these risks and issues, ensuring appropriate contingencies are in place to mitigate their impact. The programme's leaders must remain focused on successfully completing this phase despite the competing demands of managed migration as discussed above**	• Phase 6 criteria was discussed through various Programme governance forums including; Transitional Planning Group (TPG), Programme Delivery Executive (PDE) and the UC Operational Executive Team (UCOET) leading up to May 2018 who all agreed an Amber/ Green rating and that the Programme was ready to move to Phase 6 of implementation. • Programme Board endorsed the decision made by PDE & TPG to go-live with Phase 6 implementation. • Full scaling status reports are regularly submitted to TPG and PDE fortnightly and subsequently PB monthly and will continue until end of Transition in December 2018. • Risks are visible on the Programmes Dashboard and monitored at both PB and PDE level. • Issues are discussed at both PDE and PB level who decide on courses of action required to mitigate impact. • Risk Assurance Board is in full operation with 2^{nd} line, Internal Audit and IPA present • Resource plans have been agreed for 2018/19. • The latest stocktake assessment, to assess readiness to continue with Transition, agreed an AMBER/GREEN rating. • Monthly stocktakes continue to assess progress through analysis of key reporting metrics and plan delivery.	Dec 18
MPRG 08.18	The MPRG discussed the impact of UC on debt recovery as it takes responsibility for recovering £9.2bn of legacy debt, whilst also collecting the debt created by the policy of advances in UC. The SRO assured the panel that the programme will secure debt recovery outcomes that are as good as the legacy system with the resource set out in the business case, and that there may be opportunities to invest additional resource for additional recovery that would go beyond what is already collected in the legacy system. **The panel asks that within the next two months the programme urgently develops a forecast for UC debt recovery that sets out how they expect the debt stock in DWP will change as the programme rolls out, how that debt will be**	• The introduction of UC has resulted in DWP taking responsibility for the recovery of a significant amount of additional debt. The majority of the additional debt is associated to Tax Credits and Housing Benefit claimants that will migrate to UC, plus new debt types such as UC Advances, recoverable hardship payments and new UC overpayments (including official error which is recoverable in UC). • The processes for recovery of debt in the UC Full service are largely automated. However, user intervention is required to manage exceptions that fall out of the automated process and to manage incoming calls from debtors. This contact could be for a range of reasons including general account queries, account maintenance that doesn't directly impact on recovery, account maintenance that does impact recovery and repayment negotiation.	Jul 2018

Ref	Recommendation	Current status / update	Due date
	recovered, what impact that has on the debt stock and what will need to be written off to demonstrate that performance will be as good as in the legacy benefit system with the resource levels identified in the business case.	• Due to the sheer volume of additional debt flowing into Debt Management there is a potential requirement for additional resource to enable the business to effectively manage the increasing caseload • Whilst there is an element of funding included in the UC Business Case, a review of the resource requirement identified a potential funding shortfall, which will form the basis for a funding bid. We will look at how we can make better use of our private sector partners (to recover off benefit debt) as part of this work. • DWP analysts have been working with Debt Management operations to develop a model that enables us to better understand the interaction between workflow, resources and outputs (debt recoveries). This new model will provide us with a more robust debt forecast and resource requirement. The development of the model and associated forecast is progressing well. We remain on track to be able to respond to MPRG with the information requested including an indication of the level of resource required. Please note further refinement of the model, in particular the resource element, will continue after MPRG to ensure outputs are as robust as possible in readiness for the potential funding bid.	

Annex C

Super KPI (Live Service)

JSA comparator measures % likelihood of a Universal Credit recipient being employed at regular snapshots relative to a legacy comparator recipient.

Benchmarks have been set in line with achieving Business Case outcomes. This is centred around seeing an **approximate 4 percentage point improvement** compared to the performance of JSA, subject to constraints set out below.

Super KPI					
	Feb 2015	Dec 2015	Aug 2016	Sept 2017	Benchmark
At 30 days	+ 4%	+ 6%	+ 4%	+ 3%	+4%
At 60 days	+ 4%	+ 6%	+ 7%	+ 4%	+4%
At 90 days	+ 3%	+ 5%	+ 6%	+ 4%	+4%
At 120 days	+ 4%	+ 5%	+ 6%	+ 4%	+4%

Evidence to date suggests UC is having a positive and sustained affect with UC Claimants being consistently more likely to be in employment than under Legacy.

Reporting Constraints / Next Steps

- Analysis is time intensive and based upon old comparator group i.e. Latest publication September 2017 looks at employment outcomes across 6 months for about 27,000 'Pathfinder' claims to April 2015.
- Counter-factual is no longer able to be measured as UC fully rolled out.
- See progress and proposals for measuring UC employment outcomes.

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Labour Market Evaluation Plans

LM Outcomes match legacy	• From 2016 establish Counter Factual performance metrics for UC and legacy data; • Real time analysis information complete June estimate; • Labour Force Survey Q2 data available; • Develop the Counter Factual performance metrics for UC and legacy data; Under development • Additional real time analysis; • Employment outcomes using peer reviewed scoring; • Comparing flows using administrative data.	Autumn 2018 Mid September 2018 November 2018 End of November 2018
Removal of tax credit hours rule	Analysis of UC and legacy data on earnings distribution - Initial Data refined; Data refined for Silk-Searle meeting 10th July; Continue to probe the data thereafter. Analysis of transition of self-employed claimants to look at MIF effects – more claimants from Autumn; Real time information on total earnings available.	June 2018 Early July 2018 Early 2019 September 2018 (TBC)
Expanding conditionality to in work claimants	In-work progression trials 2020/21; *Measurement of transitions and earnings in UCFS*	2020/21
Utilising digital technology to enhance flexibility	Measurement of Digital Plus Trial starts	March 2019 (TBC)
New conditionality regimes	*Analysis of UC data on earnings by conditionality group*	
Claimants seeing UC as a simpler system	UC wave 2 survey published with business case	End of June 2018 (TBC)
Labour market outcomes in UC exceed the legacy system	*Will be informed by the findings in the UC Wave 2 Survey and Omnibus Survey*	

Annex E

Labour Market Indicators (draft)

Structure of Indicators

- Tier 1: Overall Assessment of labour market theme
  - Tier 2: Summary of indicators for each theme
    - Tier 3: Detailed explanation of key quantitive indicators

Each tier will have a RAG rating for:

- Whether UC is having a positive or negative labour market impact
- How reliable the indicator is currently (or expected to be)
- How far has the analysis progressed to deliver the indicator

Annex E

Tier 1

	LM effect assessment	*Confidence*	*Analysis progress*
Overall assessment of UC labour market effect			
Too early to tell, but now have a number of medium level indicators.			
A. Labour market performance			
Some indicators show a positive effect, with others showing a negative effect. Overall there is a lack of both coverage and quality in any indicator - we will be able to say more with the RTI analysis.			
B. New risks in UC			
It is too early for risks to have materialised, with no evidence of any problems - but behavioural changes can take several years. There remains some analysis development to complete.			
C. Expanding interventions opportunities			
Future trials work currently in planning stage. Initial evidence suggests flows and claimant volumes are broadly in line with expectations.			
D. Maximising aspects of UC design			
Longer term work.			

Annex E

<u>Tier 2</u> **<u>A. Labour market performance</u>**	*LM effect assessment*	*Indicator quality*	*Analysis progress*	*Timings*
A.i) Propensity score matching: Live Service / simple JSA				**Done**
Evidence that UC claimants more likely to be in work. However it does not cover all claim types.				
A.ii) Propensity score matching: Full Service / JSA, IS & ESA				**Mid-2019**
This extends the above work to more claimant groups, but is time consuming.				
A.iii) Difference in difference: Full Service / legacy				**Planning**
Currently working to extend the analysis to a wider set of claimants, requires some time to build analysis dataset. Complementary to propensity score matching work. More timely analysis than propensity score matching.				
A.iv) Comparative Labour Force Survey analysis				**Done**
Analysis complete, latest data complete upto Q1 2018. Sample size issues mean limited conclusions. Next data in late August.				

Annex E

Tier 2
A. Labour market performance

	LM effect assessment	*Indicator quality*	*Analysis progress*	*Timings*
A.v) Difference in difference: population RTI employment				**September?**
Data manipulation issues due to size of RTI data, are preventing outputs from being completed. Once complete diff-in-diff analysis relatively easy to run. Population data means effects are watered down.				

A.vi) Difference in difference: population RTI earnings				**September?**
Data manipulation issues due to size of RTI data, are preventing outputs from being completed. Once complete diff-in-diff analysis relatively easy to run. Contingent on HMRC data validation.				

A.vii) Regression analysis of RTI - benefit matched data				**Not planned**
This would require moving all RTI data to DWP, something that is not likely to be strightfoward, and it is not clear if it would add any additional value to other work.				

Annex E

Tier 2

B. New risks in UC

	LM effect assessment	*Indicator quality*	*Analysis progress*	*Timings*
B.i) Hours/Earnings claimant distribution analysis				**September**
Comparing distribution of hours and earnings from tax credit and UC data.				
B.ii) Self-employed outcome analysis				**Early 2019**
We are conducting exploratory analysis on new self-employed dataset, because of the start-up period there won't be sufficient outcomes data until late 2018.				
B.iii) Conditionality effectiveness trial evidence				**Late 2019**
Being taken forward as part of the digital+ trial, but due to nature of trials will not have results until 2019 at earliest.				
B.iv) Conditionality baseline flows				**October**
Compare flows "off-benefit" by duration for UC intensive claimants compared to JSA. Currently waiting for completion of pre-wca data variable to have closer comparison to UC. Initial work shows some similarity.				
B.v) Understanding claimant behaviour				
Surveys to date; but would be supported by other contextual analysis.				

Annex E

Tier 2
C. Expanding interventions opportunities

	LM effect assessment	*Indicator quality*	*Analysis progress*	*Timing*
C.i) UC additionals evaluation				**Late 2018**
Currently building a individual level dataset across UC and legacy to identify combined behavioural and outcomes effects of UC on benefit caseloads. This is difficult, as merging all benefit data requires significant expertise building.				
C.ii) Segmentation of UC flows data				**November**
Further work contingent on B.iv) to understand which claimant types are more likely to move into positive / negative labour market outcome.				
C.iii) In-work support trials				**2019-21**
Ongoing work (separately) to consider a range of trials to understand how best to support claimants to increase earnings.				
C.iv) Digital inteventions trial				**2019-20**
Ongoing work (separately) to consider a range of trials to understand how best to support claimants into work and to increase earnings.				

Annex E

Tier 2

D. Maximising aspects of UC design

	LM effect assessment	*Indicator quality*	*Analysis progress*	*Timing*
D.i) Claimant and staff surveys				
To complete				
D.ii) Baseline understanding of UC claimants				**Ongoing**
Alongside rollout: building descriptors of claimant composition, claim duration, barriers to labour market, taper/hours distribution, partner earnings - comparing to UC design assumptions and forecasts.				
D.iii) Testing / evaluation work allowances and UC taper				**Not planned**
No current plans.				
D.iv) Ensuring we maximise use of UC data to improve design				**Planning**
Limited existing work, but scope to do UC free-text analysis, and to use digital tools to achieve a more granular understnading of claimants and their interaction with DWP.				

Annex F

DEL Efficiency Dashboard

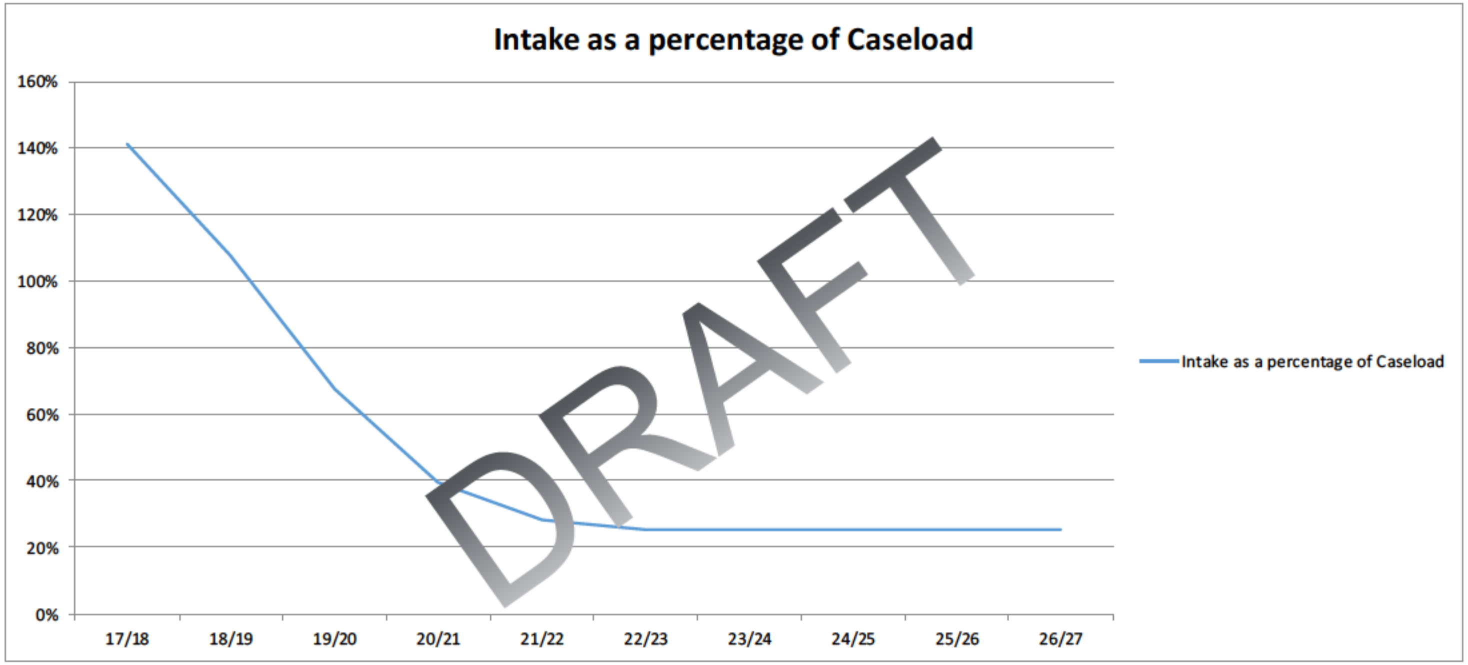
Change in unit costs

Change in unit cost over the business case

	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Unit Cost	**£890**	**£616**	**£341**	**£247**	**£181**	**£167**	**£166**	**£161**	**£160**	**£159**
Movement in Unit Cost		-£274	-£275	[illegible]94	-£67	-£13	-£1	-£5	-£1	-£1
Drivers										
Movement in Contingency Provision		£61	[illegible]	-£6	£0	£0	£0	£0	£0	£0
Movement in Automation		[illegible]	[illegible]	-£11	-£4	-£2	-£1	£0	£0	£0
Movement Learning Premium		[illegible]	£0	£0	-£2	£0	£0	£0	£0	£0
Caseload Build		**£358**	[illegible]	**-£16**	**-£7**	**-£2**	**£1**	**-£2**	**£0**	**£0**
Movement in Youth Obligation (£m)		£28	£11	£3	-£13	£0	£0	£0	£0	£0
Movement in Labour Market Efficiencies (£m)		£0	£0	£0	-£8	£0	£0	£0	£0	£0
Movement in Contingency (£m)		-£3	-£2	-£3	£0	£0	£0	£0	£0	£0
Conditionality Mix		**-£26**	**-£80**	**-£47**	**-£23**	**-£6**	**-£1**	**-£3**	**-£1**	**£0**
"Other Cost" Movement		£35	-£50	-£13	-£10	-£3	£0	£0	£0	£0
Total		**-£274**	**-£275**	**-£94**	**-£67**	**-£13**	**-£1**	**-£5**	**-£1**	**-£1**

Key Drivers – Caseload

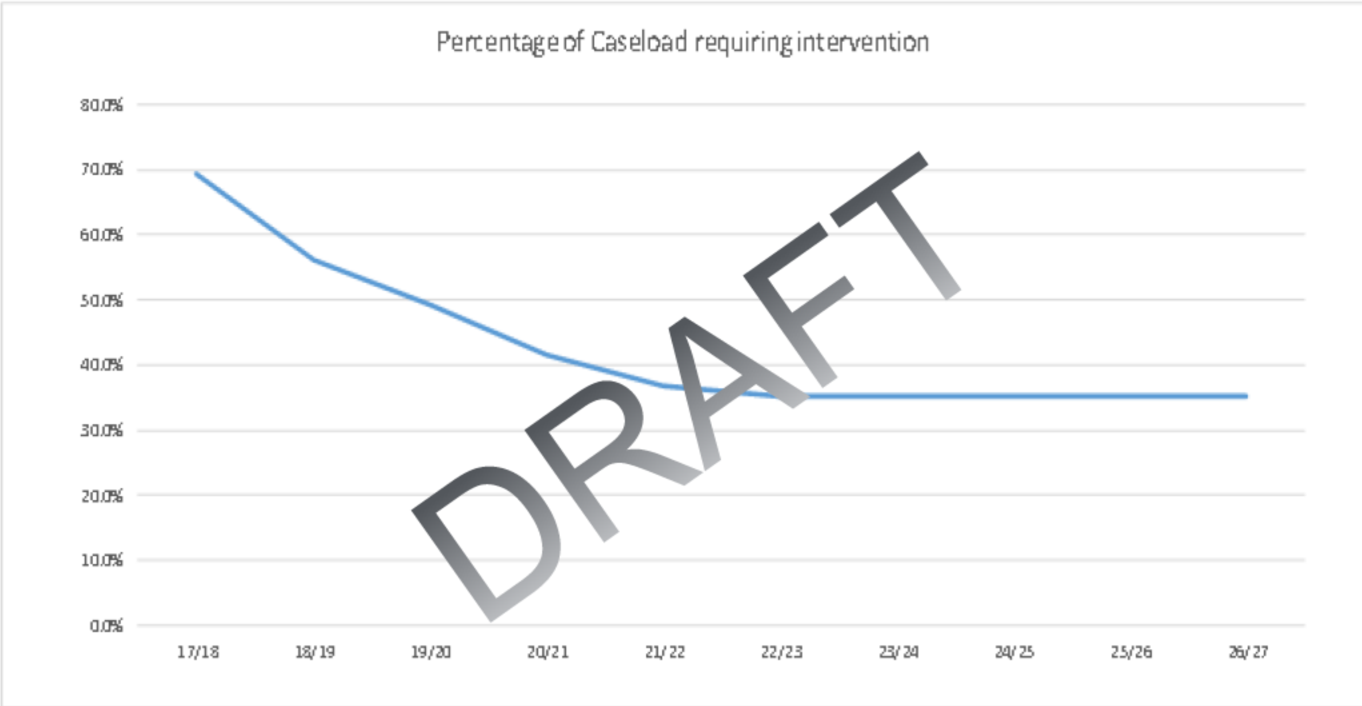
Annex F



	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
Average Caseload	470,516	1,033,486	2,489,894	4,398,419	5,950,848	6,549,088	6,549,088	6,549,088	6,549,088	6,549,088
Average New Claims	664,661	1,114,919	1,684,262	1,741,088	1,675,191	1,672,990	1,672,990	1,672,990	1,672,990	1,672,990
Intake as a percentage of Caseload	141%	108%	68%	40%	28%	26%	26%	26%	26%	26%

Key Drivers - Conditionality

Annex F

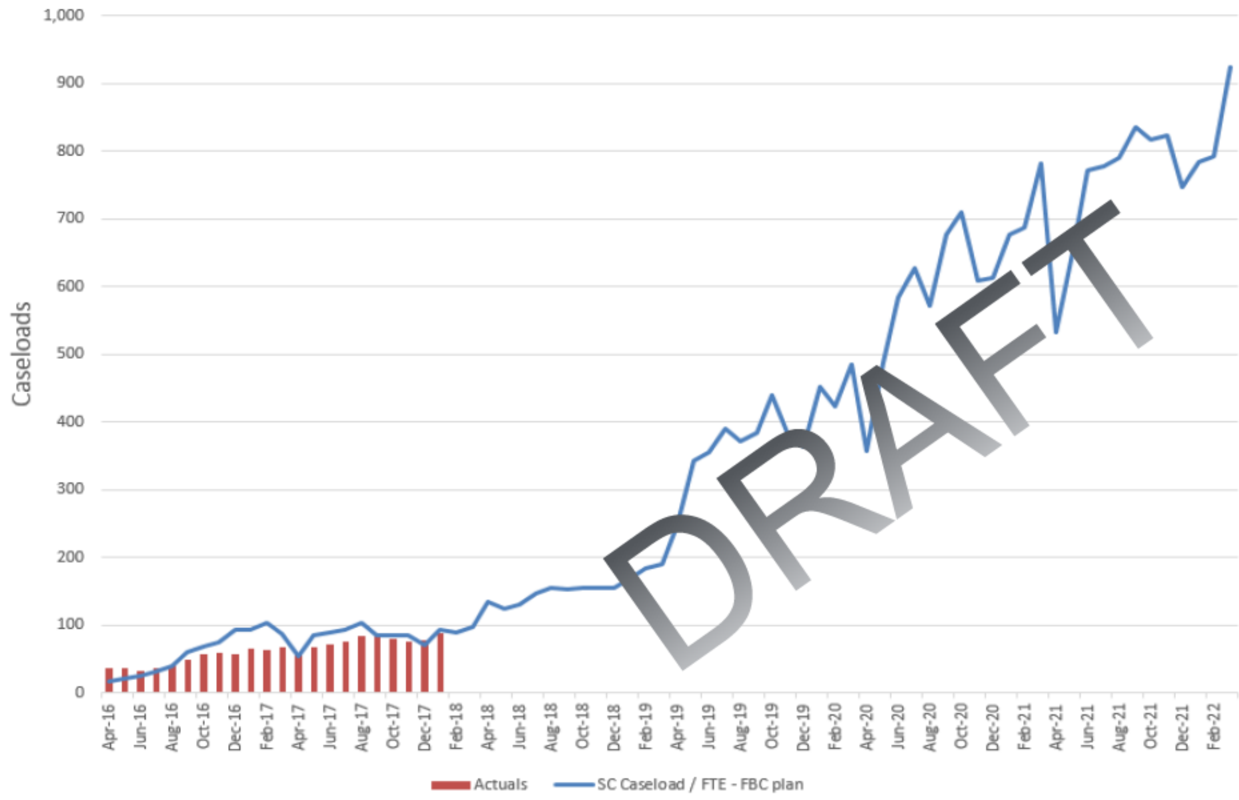


Active Intervention	382,278	677,962	1,535,926	2,336,000	2,840,814	2,996,486	2,996,486	2,996,486	2,996,486	2,996,486
No Intervention	169,405	532,567	1,578,603	3,293,936	4,862,095	5,496,730	5,496,730	5,496,730	5,496,730	5,496,730
Total	**551,683**	**1,210,529**	**3,114,529**	**5,629,935**	**7,702,909**	**8,493,216**	**8,493,216**	**8,493,216**	**8,493,216**	**8,493,216**
Percentage of Caseload requiring intervention	69%	56%	49%	41%	37%	35%	35%	35%	35%	35%

Annex F

Service Centre: Caseloads per FTE – FBC plan

Universal Credit



Back to start

Annex G

Department for Work & Pensions

Fraud, Error & Overpayment Dashboard

We track the degree to which the F&E assumptions in UC are being realised in a number of ways.

This pack presents:

- The AME savings from F&E and Overpayments that the UC Business Case expects to be realised each year so far.
- The AME savings we believe have actually been realised so far.

These figures are usually updated once a year, after the full year MVFE statistics are published in November. However, the figures in this pack have been updated using the preliminary 2017/18 statistics published in May 2018.

- The residual level of F&E that the UC Business Case implies will still be left in UC.
- The actual level of F&E in UC measured in the published MVFE statistics.

These figures are updated two or three times a year, whenever DWP or HMRC publish MVFE statistics. HMRC recently published new statistics and so these figures are due to be updated shortly.

We also describe new metrics ('early indicators') which we expect to include in future as a further method of tracking the assumptions.

The AME savings from F&E and Overpayments due to UC

Fraud, Error and Earnings Sensitivities Benefits Realisation								
	Units	**2016/17 Expected**	**Of which Fraud**	**2016/17 Actuals & Estimates**	**2017/18 Expected**	**Of which Fraud**	**2017/18 Actuals & Estimates**	
Extra sensitivity to income								
No income changes disregard	£m	10.1	0.0	14.1	36.6	0.0	36.4	
No Run-Ons	£m	2.6	0.0	3.6	6.3	0.0	6.3	
Extra sensitivity to income								
Merging Benefits	£m	7.1	4.8	3.2	13.5	9.0	4.4	
No Hours Rule	£m	2.2	0.4	3.0	7.9	1.4	7.9	
RTI	£m	14.7	5.4	11.8	34.0	12.5	20.2	NB: This is also net of the costs of incorrectness due to extra sensitivity to earnings.
Self-employed earnings	£m	0.3	0.0		1.1	0.1		
Changed taper for earnings	£m	0.3	0.0		0.7	0.0		
Child Care	£m	0.6	0.0	3.0	2.3	0.1	9.2	
No premia	£m	0.5	0.0	0.7	1.4	0.1	1.4	
Change to rules for paying back underpayments	£m	0.1	0.0	0.2	0.5	0.0	0.5	
Terminations	£m	1.2	0.0	1.7	4.1	0.0	4.1	
TOTAL SAVINGS	**£m**	**39.7**	**10.7**	**41.4**	**108.3**	**23.3**	**90.2**	
Extra sensitivity to income								
Incorrectness due to extra sensitivity to earnings	£m	-2.3	0.0	-	-8.4	0.0	-	See note above
Late RTI	£m	-2.3	0.0	-3.9	-5.2	0.0	-10.2	
Capital	£m	-3.9	-0.3	3.7	-11.8	-0.9	-41.8	
TOTAL COSTS	**£m**	**-8.5**	**-0.3**	**-0.2**	**-25.4**	**-0.9**	**-51.9**	

Table shows:

- The AME savings from F&E and Overpayments that the UC Business Case expects to be realised each year so far.
- The AME savings we believe have actually been realised. These have been estimated, where possible, based on the residual amount of F&E in UC, according to the UC MVFE statistics. Where that does not provide the information, the estimates are based on the degree to which the legacy benefit/Tax Credits caseload has depleted as a consequence of UC.

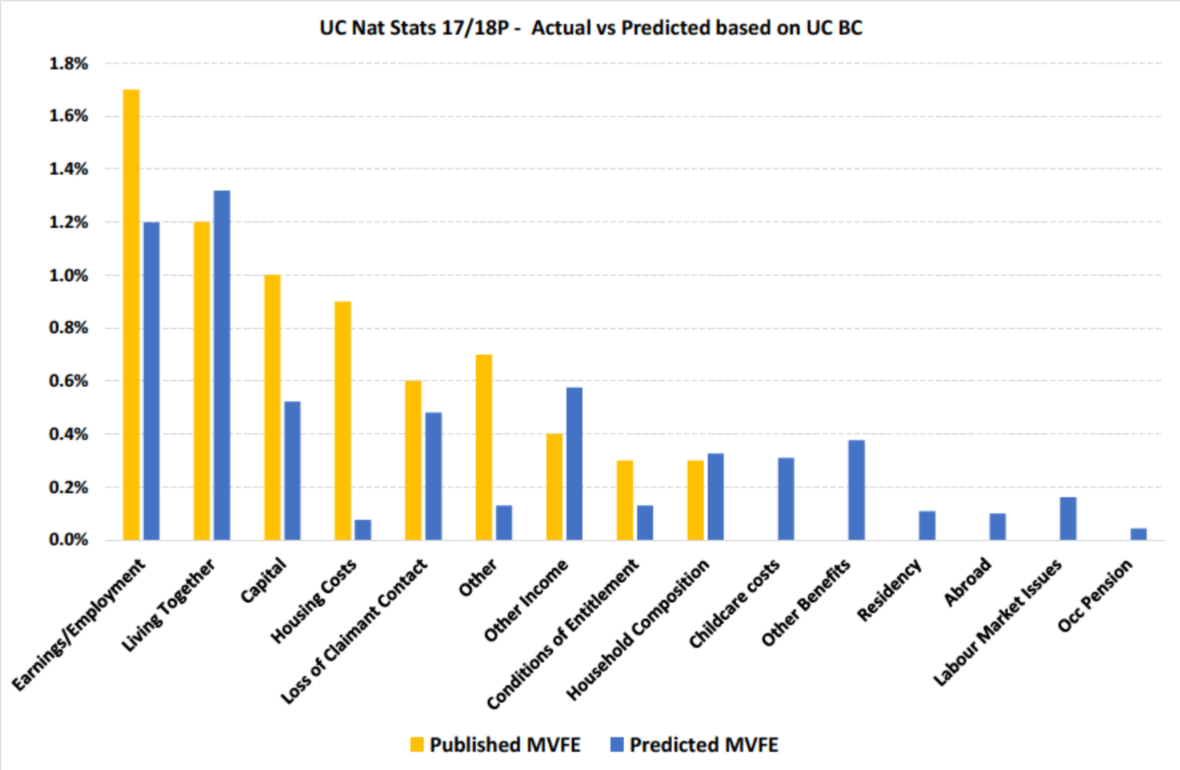
The residual level of F&E in UC

	Actual	Predicted		Actual	Predicted
Residual MVFE in UC:	**2016/17**	**2016/17**		**2017/18P**	**2017/18**
Earnings/Employment	1.5%	1.3%		1.7%	1.2%
Living Together	0.5%	1.0%		1.2%	1.3%
Capital	0.4%	0.5%		1.0%	0.5%
Housing Costs	0.9%	0.1%		0.9%	0.1%
Loss of Claimant Contact	0.6%	0.7%		0.6%	0.5%
Other	0.4%	0.1%		0.7%	0.1%
Other Income	0.4%	0.4%		0.4%	0.6%
Conditions of Entitlement	0.2%	0.2%		0.3%	0.1%
Household Composition	0.4%	0.2%		0.3%	0.3%
Childcare costs	0.0%	0.2%		0.0%	0.3%
Other Benefits	0.1%	0.2%		0.0%	0.4%
Residency	0.0%	0.1%		0.0%	0.1%
Abroad	0.0%	0.1%		0.0%	0.1%
Labour Market Issues	0.0%	0.1%		0.0%	0.2%
Occ Pension	0.0%	0.1%		0.0%	0.0%
Total	**5.5%**	**5.3%**		**7.2%**	**5.9%**

Table shows:

- The actual level of overpaid F&E in UC measured in the published MVFE statistics. (Note this is still based on a sample picked purely from UC Live.)
- The predicted level of overpaid F&E that the UC Business Case implies will still be left in UC.

Why is the F&E in UC different to predicted?



Earnings/Employment: About 50% is due to "self-reported" PAYE earnings – which we expect to recede as more employers move to RTI. The BC assumes 100% employers would be on RTI by now.

Capital: We do not yet understand why this has deteriorated, but a similar phenomenon has occurred in other benefits.

Housing Costs: The BC assumes the level of F&E due to rent etc. would be similar (low) levels to those in HB. It assumes that the processes which are causing these errors is not inherent to UC and will be fixed shortly.

Other: A variety of unpredictable causes (e.g. benefit cap, duplicate payments, sanctions).

Early indicators of F&E in UC Full Service

FEMA analysts are developing some ‘early indicators’ for UC Full Service which will provide an indication of the main causes of F&E and the likely trends, a few months in advance of the published MVFE statistics.

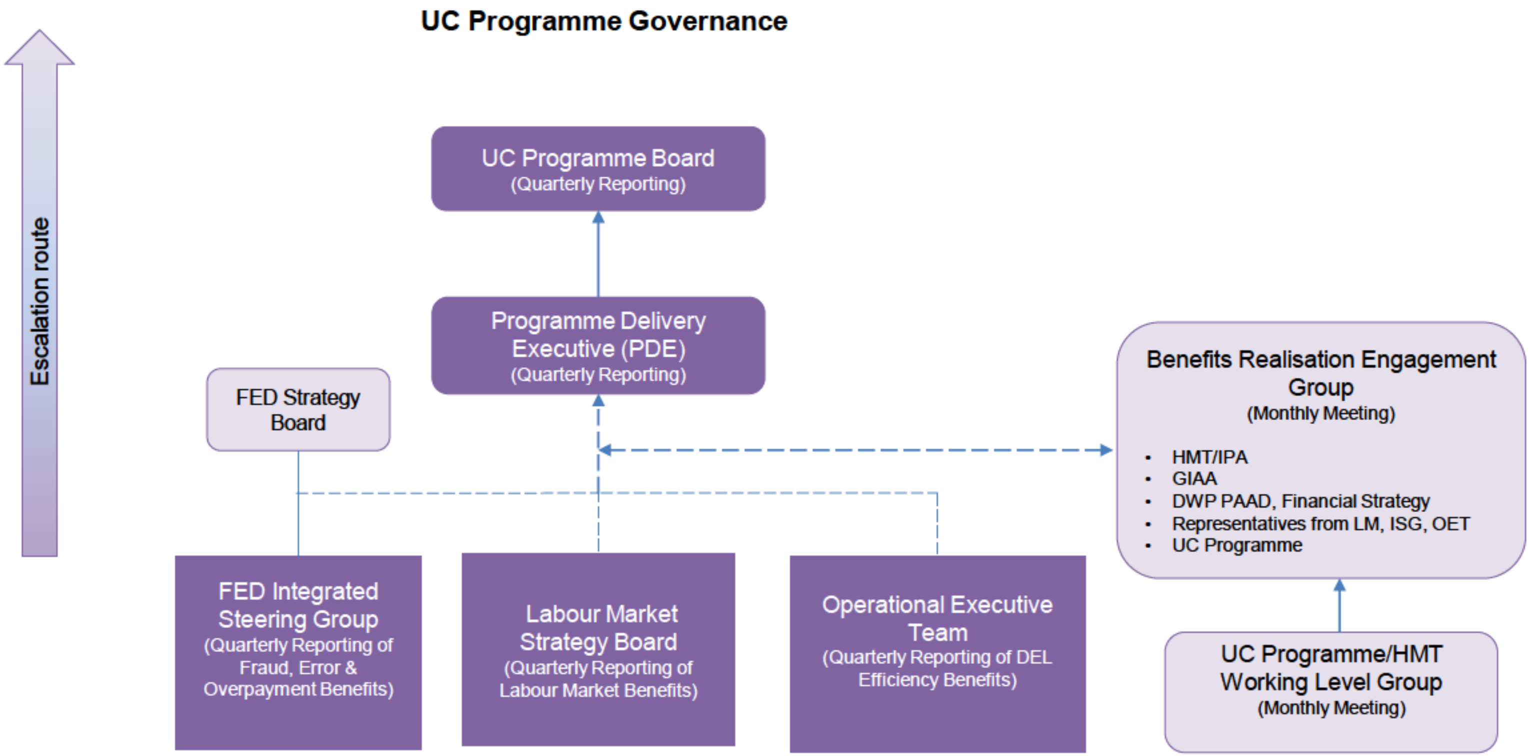
They are expecting to have produced the first set of figures shortly. The ‘early indicators’ will provide an additional source of information for tracking the F&E impacts of UC.

Annex H

UC Benefits Realisation Governance

OFFICIAL SENSITIVE

Universal Credit Programme Benefits Realisation Governance Structure



Annex I

Benefit	Existing metrics	Proposed metrics
Labour Market – additional 200,000 people in work compared to legacy system & additional 113 million additional hours (net) of work completed per annum.	Super KPI - % likelihood of employment vs JSA matched comparator (4%). Evidence of earnings • at 3 months (EER3) • Sustained evidence at 3 months (SEER3) • No evidence of earnings at 6 months (NEER6) Claimant understanding Staff understanding Staff Performance Caseload per work coach Claimant commitment quality	Labour Market Evaluation plan in place to explore future metrics such as: **Overall Assessment of labour market effect**: • Labour market performance (propensity score matching/difference in Full Service to Legacy/Labour force survey analysis/RTI) • New risks in UC (hours/earnings distribution/self-employed/conditionality effectiveness and off flows/understanding claimant behaviour) • Expanding interventions opportunities (additionals evaluation/segmentation of flows/in work support/digital interventions) • Maximising aspects of UC design (claimant & staff surveys/understanding of UC claimants/evaluating UC taper and work allowances/improve design)
DEL Efficiency - UC is significantly more efficient compared to legacy by £300m at steady state (approx. 6,500 FTE). Of this, £200m is re-invested to fund the LM conditionality regime for up an additional 1 million claimants who don't currently have a regime applied in legacy benefits.	Unit costs • Service centres • Job centres • Total Caseload FTE	Dashboard update to start reporting from July on: Caseload FTE Caseload ratios Conditionality mix Unit cost Caseload per case manager
Fraud, Error and Overpayments - The Policy and Design of Universal Credit will significantly reduce many of the opportunities for Fraud and Error within the Legacy system to deliver forecast AME savings of £9.1bn over ten years (£1.3bn in steady state).	£s – the AME savings from F&E and overpayments due to UC	FED ISG currently considering as a priority what additional measures are needed. MVFE – the residual level of F&E in UC £s – the AME savings from F&E and overpayments due to UC