

To: UC Programme Board

From: s40

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## Universal Credit Benefits Realisation Update

### Summary:

- Purpose of this paper is to provide Programme Board with an update on Universal Credit Benefits Realisation in the 3 priority benefits of Fraud and Error, DEL Efficiency, and Labour Market.
- Labour Market – early evidence showed that UC claimants are 4 percentage points more likely to be in work within 6 months of making a new claim. Comparisons with legacy benefit performance are increasingly difficult to make. A separate paper and agenda item presented by Graham Connor will cover the latest proposals on the approach to ongoing evaluation.
- DEL Efficiency - dashboard for August 2019 (Annex A) shows that unit costs return to a downward trend after a small increase due to the impacts of the employee deal pay award in July.
- Fraud, Error and Overpayments – full year MVFE statistics for 2018/19 were published in May 2019. Overall Fraud, Error is higher than expected (8.6%). In cash terms (see Annex C) there was an indicative saving of £193m against an expectation of £206m in the FBC (negative impact of housing fraud and error is still to be impacted).

The purpose of this paper is to provide Programme Board with an update on Universal Credit (UC) Benefits Realisation.

### Context

The eight key benefits that were identified and included in the UC Full Business Case published in early 2018 can be seen at **Annex A**, this report focuses on the three priority benefits:

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

## Labour Market Benefits

### UC Labour Market Impacts - evaluation

In order to rigorously assess the employment impacts of UC, the evaluation needs to compare UC and legacy claims made at the same time. However, the time-frame for doing this is limited to claims made in the period from 2017 to mid-2018, whereas the business case benefits from the increase in employment are lagged, and are not expected to kick-in until well after 2020.

For claims made after 2018 it will no longer be practical to compare UC outcomes with legacy. Proposals on the ongoing evaluation of Labour Market impact are set out in a separate paper and is a stand-alone agenda item.

## DEL Efficiency

### Dashboard – Unit Costs

The latest DEL Efficiency Dashboard (August 2019) can be seen at **Annex B**. It was always felt that 2019/20 would be a challenge in terms of unit costs as UC moves from completion of rollout to the consolidation of performance, the organic growth of the caseload and as the reduction in contingency funding is managed. As a result, it was expected that actual unit costs would start to exceed target from April/May until late quarter 3 in 2019/20. The latest unit cost (£364) being 8% above target (£336).

However, the August 2019 report shows the continued long term reduction in overall unit cost. August 2019 unit cost (£364) has reduced by 6% from the July 2019 position (387) and by over 15% since April 2019 (£428).

Caseload (claims) per case manager (cpcm) is the highest to date at 462 (up by 63 cpcm since April 2019 - 399) but is lower than the expected position of 577. Six service centres have exceeded the 500 cpcm mark and the range of performance has narrowed with several service centres achieving new highs.

Claimants per work coach (cpwc) is also at its highest level at 261 (up 39 cpwc since April 2019 - 222) and is higher than the expected position of 245. Numbers of intensive work search (IWS) per work coach have also increased to 107 against an expected figure of 87.

## Fraud & Error and Overpayment (and sensitivity to earnings)

### Current Dashboard/Performance

A summary of the actual performance against business case expectations can be seen at **Annex C**. The benefit identified is on a counterfactual basis i.e. it is the difference between what would have been expected in legacy benefits compared to what is currently being experienced in UC. The latest figures are based on the National Fraud and Error statistics published in May 2019 and shows that for 2018/19 there was a total benefit of £193m against an expectation in the FBC of £206m in reduced fraud and error. Further work is required to establish the AME impact of housing related fraud and error and it should be noted that this negative impact on the savings achieved has not yet been included in the above figures.

The national statistics identify the Monetary Value of Fraud and Error (MVFE) in the UC caseload and Full Service cases now make up 70% of the F&E sample used. Results for 2018/19 show an overall level of fraud, error and overpayments of 8.6%, an increase of 0.3% over 2017/18 levels. This is higher than the expected level of 6.3%, based on the UC business case assumptions (which does not include conditions of entitlement error of 1.3% as there is no AME loss – see below).

There are four key areas where fraud and error is higher than the expected level:

- **Earnings** (2.1% compared to 1.1%) – This is mainly official error and relates to UC being unable to collect a claimants NINO on line and therefore the matching is done in UC, which is subject to error. Operations are looking at procedures and the strengthening of the matching process.
- **Capital** (1.7% compared to 0.7%) – It is thought that part of the reason why the rate is higher than expected is because UC does not collect the full breakdown of capital, just a single total, meaning that claimants often fail to declare all sources of capital. Operations are looking at improving the verification of capital and at educating claimants to make sure they understand what needs to be reported and to make sure they do.
- **Conditions of Entitlement** (1.3% compared to 0.1%) – This is mainly because of agents signing the Claimant Commitment instead of the claimant. UC FS have stepped up staff training to try to ensure these errors are minimised, see paragraph below.
- **Housing** (1.2% compared to 0.1%) – The Business Case assumes the level would be similar to the low levels observed in HB. We expect to see performance in this area improve as the current sample does not take account of the expansion of the landlord portal.

It is worth noting that error due to agents signing the claimant commitment do not materialise into AME losses as invariably the claimant is entitled to the UC paid. However, it should not have been paid until the claimant commitment has been signed by the claimant.

### Integration Steering Group (ISG)

The UC FED Integration Steering Group (ISG) is tracking FED UC performance and the development of additional metrics to provide assurance that savings from fraud error and overpayments in the UC business case are on track remain a priority for that group. As well as looking at the annual publication national statistics there will soon be a quarterly production of national stats for internal use. The first report being expected at the end of October and this will provide more up to date indicators of performance. Tier 2 checks data and RIS (DN what does the acronym stand for) are also used to inform intelligence around fraud and error and to target departmental effort.

### Other Progress

**Fraud Summit** - A director led fraud summit was held in late February ensuring all FED related activities across the Department on UC were aligned, this led to an agreed single roadmap for 2019/20.

**Single Roadmap** – the extended business test of UC Fraud learning is taking place across all 4 Area Directorships, including the whole of the North of England, additional content is now being added following feedback and engagement with FED Strategy to cover Earnings and Capital. Data tools to identify Fraud are progressing with CRC & RIS and the RIS Error test and learn sampling has been completed and analysis has taken place. Early indications show that Service Optimisation activity to reduce overlaps of incompatible benefits has removed error from the service.

**Closer working** - events were conducted across all areas nationally to bring together leaders across UC Service Delivery and the Counter Fraud and Compliance Directorate. The events informed all colleagues of the 2018-2022 FED strategy and the 2019/2020 Service Delivery plan, setting the foundation for closer working relationships across local teams. **Closer Working** events are now being designed for UC and Debt Management teams to foster closer links and developed understanding of joint ways of working. This will include understanding how impact can be made against the 5 key priorities.

**Un-actioned To Do Error:** We continue to see a significant proportion of official error caused by un-actioned To Dos and analysis of those errors shows that had the once and done case management principle been applied many of these errors would not have occurred. We have therefore incorporated case management once and done into the forthcoming 'In It Together – Leading and Managing Great Service Campaign' to refocus leadership effort on ensuring case cleansing through once and done is applied which should see error reduction.

**Conditions of Entitlement Error:** A significant proportion of this error is down to inappropriate acceptance of claimant commitments by agents. Our operational improvement efforts are on reducing new cases at new claims (unless there is clear justification on the grounds of vulnerability noted on the case); and on reviewing existing cases when customers attend for an intervention. ADs and GDs are also considering "twinning" where sites who have similar demography have very different levels of acceptance by agents. Go Look See visits are also planned to gain a better understanding of the root cause of these errors. There is also a Business Test underway in Scotland to test how we could use a scan of cases where an agent has accepted the claimant commitment to correct stock error in the caseload.

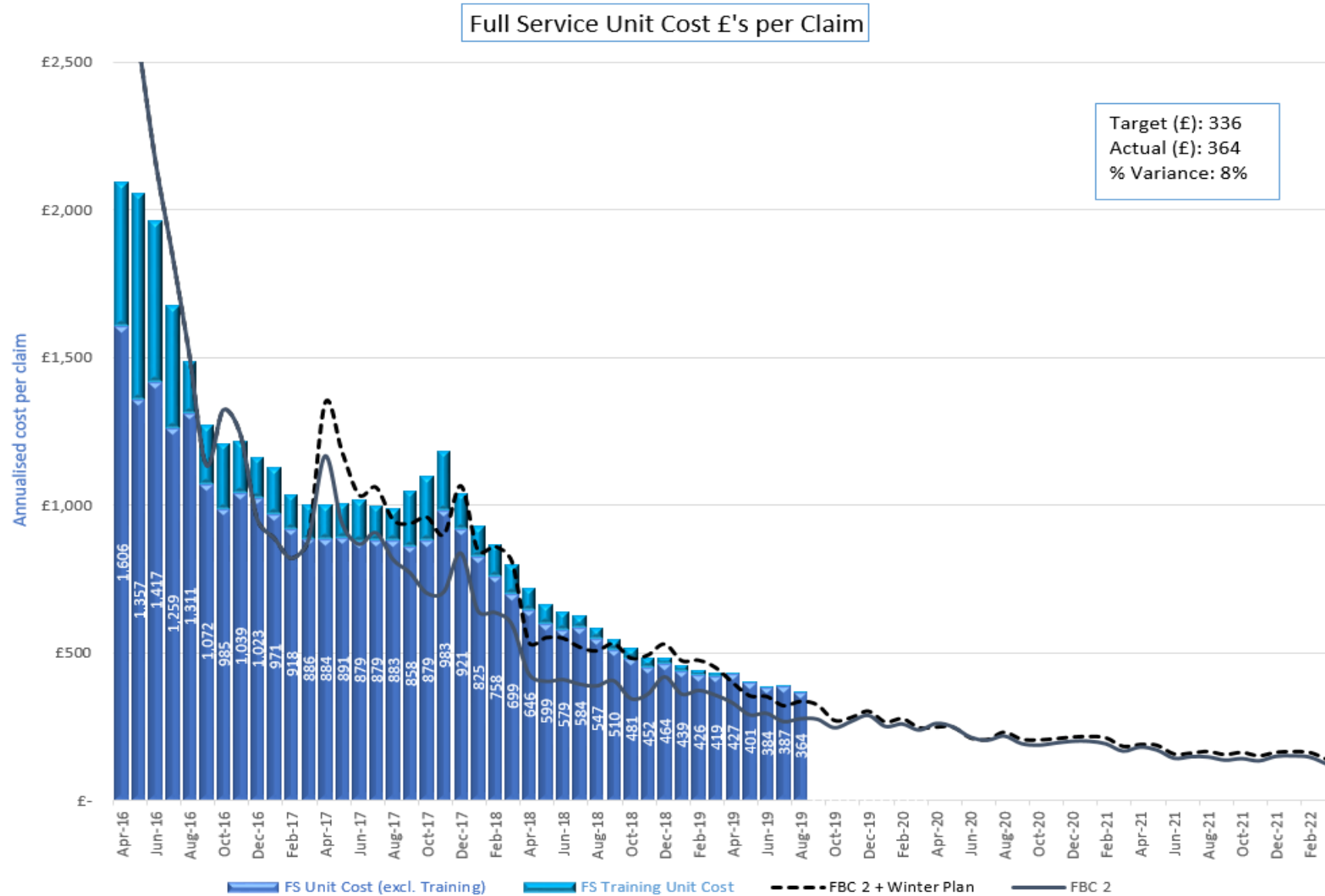
## **Next Steps**

- **Return to Programme Board in January 2020 with further update on Benefits Realisation**

Benefit Type	Benefit Title		Steady State Value (24/25) (£bn)	Total 10 Year Value (£bn)	
<b>Financial</b>	B001	Operational Efficiencies (Priority Benefit )	£ 0.1	£ 0.3	
	B002(a)	Reduction in Fraud, Error and Earnings Sensitivities (Priority Benefit) <b>AME Savings</b>	£1.3 (F+E only)	£9.1 (F+E only)	
	B002(b)	Earnings Sensitivities <b>Wider Economic Value</b> (distributional Impact)	-£0.6	-£4.2	
	B003	Labour Market Impacts - (Priority Benefit)		£ 3.9	£18.4
		Increased Economic Output <b>Distributional impact</b>		£1.1	£5.3
	B004	Increased take up of Welfare Benefit Entitlement (distributional impact) <small>** 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.</small>		**£2.4	**£18.0
B005	NHS Savings from reduced Unemployment		£0.2	£0.8	
<b>Non-Financial</b>	B006	Improved Customer Experience	N/A	N/A	
	B007	Improved Employer Proposition	N/A	N/A	
	B008	Improved Employee Engagement	N/A	N/A	
<b>***TOTAL Economic Benefit Value</b>			<b>£8.1 bn</b>	<b>£42.6 bn</b>	
<small>*** Values excludes deduction for DEL Investment (-£0.9 ten year)</small>					

# DEL Efficiency Dashboard August 2019

# UC Full Service unit cost – Jobcentres & Service Centres

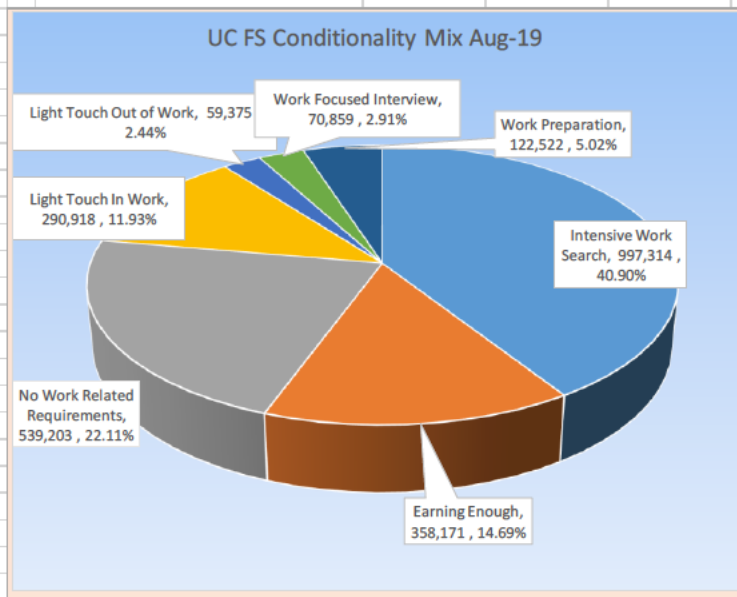


# DEL Efficiency Dashboard 3 months to August 2019

	Jun-19	Jul-19	Aug-19
<b>Full Service Unit Cost</b>			
Full Service Costs	£ 61,713,504	£ 65,014,462	£ 63,694,720
Full Service Claims	1,922,998	2,016,734	2,097,843
<b>Unit Cost per Claim</b>	<b>£ 385</b>	<b>£ 387</b>	<b>£ 364</b>
Winter Plan	£ 352	£ 321	£ 336
<b>Variance</b>	<b>-9.3%</b>	<b>-20.5%</b>	<b>-8.5%</b>
<b>UC Operations Unit Cost</b>			
Costs FS/LS	£ 61,713,504	£ 65,014,462	£ 63,694,720
FS/LS Claims Total	1,922,998	2,016,734	2,097,843
<b>Unit Cost per Claim</b>	<b>£ 385</b>	<b>£ 387</b>	<b>£ 364</b>
Winter Plan	£ 352	£ 321	£ 336
<b>Variance</b>	<b>-9.3%</b>	<b>-20.5%</b>	<b>-8.5%</b>
<b>UC Other Operational Costs</b>			
Actual Costs Other	£ 9,549,814	£ 8,913,546	£ 9,465,405
Winter Plan	£ 12,667,487	£ 12,522,192	£ 13,080,027
<b>Variance</b>	<b>24.61%</b>	<b>28.82%</b>	<b>27.63%</b>

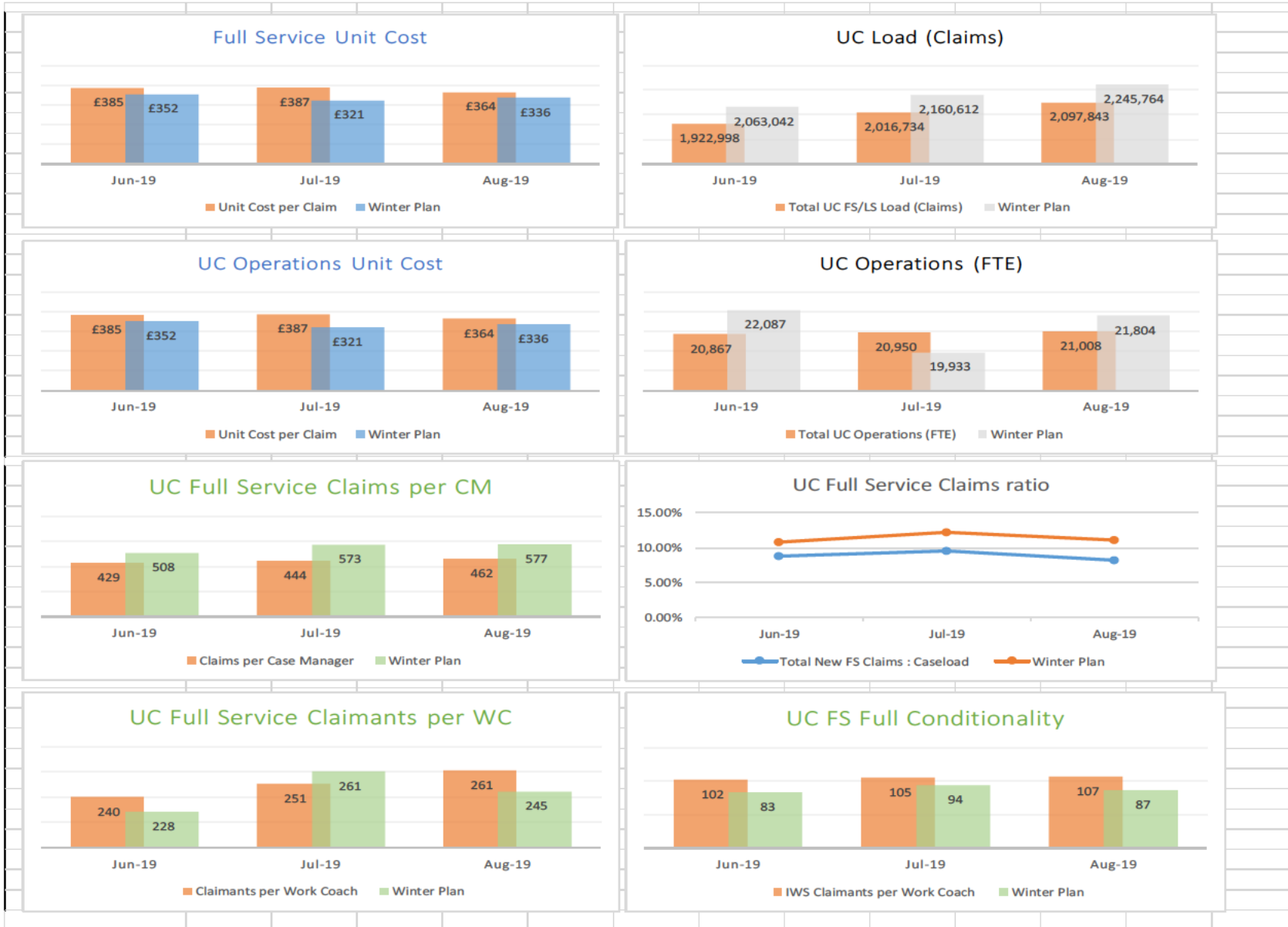
	Jun-19	Jul-19	Aug-19
<b>UC Load (Claims)</b>			
UC Full Service Load (Claims)	1,922,998	2,016,734	2,097,843
UC Live Service Load (Claims)	-	-	-
<b>Total UC FS/LS Load (Claims)</b>	<b>1,922,998</b>	<b>2,016,734</b>	<b>2,097,843</b>
Winter Plan	2,063,042	2,160,612	2,245,764
<b>Variance</b>	<b>6.8%</b>	<b>6.7%</b>	<b>6.6%</b>
<b>UC Operations (FTE)</b>			
UC Full Service (FTE)	20,867	20,950	21,008
UC Live Service (FTE)	-	-	-
<b>Total UC Operations (FTE)</b>	<b>20,867</b>	<b>20,950</b>	<b>21,008</b>
Winter Plan	22,087	19,933	21,804
<b>Variance</b>	<b>5.5%</b>	<b>-5.1%</b>	<b>3.7%</b>
<b>UC Full Service Claims ratio</b>			
UC Full Service New Claims (Inflow)	168,416	191,741	171,506
UC Full Service Load (Claims)	1,922,998	2,016,734	2,097,843
<b>Total New FS Claims : Caseload</b>	<b>8.76%</b>	<b>9.51%</b>	<b>8.18%</b>
Winter Plan	10.76%	12.19%	11.07%
<b>Variance</b>	<b>2.01%</b>	<b>2.69%</b>	<b>2.90%</b>

	Jun-19	Jul-19	Aug-19
<b>UC Full Service Claims per CM</b>			
Case Manager FTE	4,485	4,538	4,538
FS Claims Total	1,922,998	2,016,734	2,097,843
<b>Claims per Case Manager</b>	<b>429</b>	<b>444</b>	<b>462</b>
Winter Plan	508	573	577
<b>Variance</b>	<b>-18.4%</b>	<b>-29.0%</b>	<b>-24.8%</b>
<b>UC Full Service Claimants per WC</b>			
Work Coach FTE	9,289	9,348	9,341
FS Claimants Total	2,231,164	2,342,330	2,438,363
<b>Claimants per Work Coach</b>	<b>240</b>	<b>251</b>	<b>261</b>
Winter Plan	228	261	245
<b>Variance</b>	<b>5.0%</b>	<b>-4.0%</b>	<b>6.3%</b>
<b>UC FS Full Conditionality Claimants</b>			
Work Coach FTE	9,289	9,348	9,341
Intensive Work Search Claimants	946,110	981,917	997,314
<b>IWS Claimants per Work Coach</b>	<b>102</b>	<b>105</b>	<b>107</b>
Winter Plan	83	94	87
<b>Variance</b>	<b>18.3%</b>	<b>10.9%</b>	<b>18.9%</b>

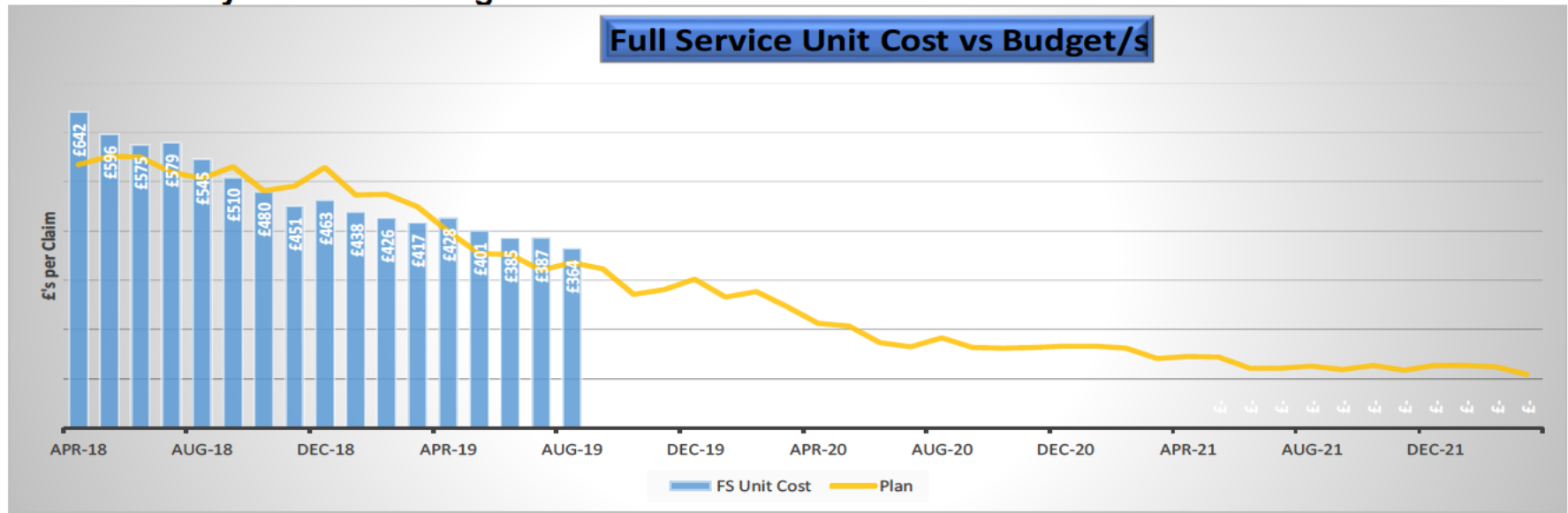




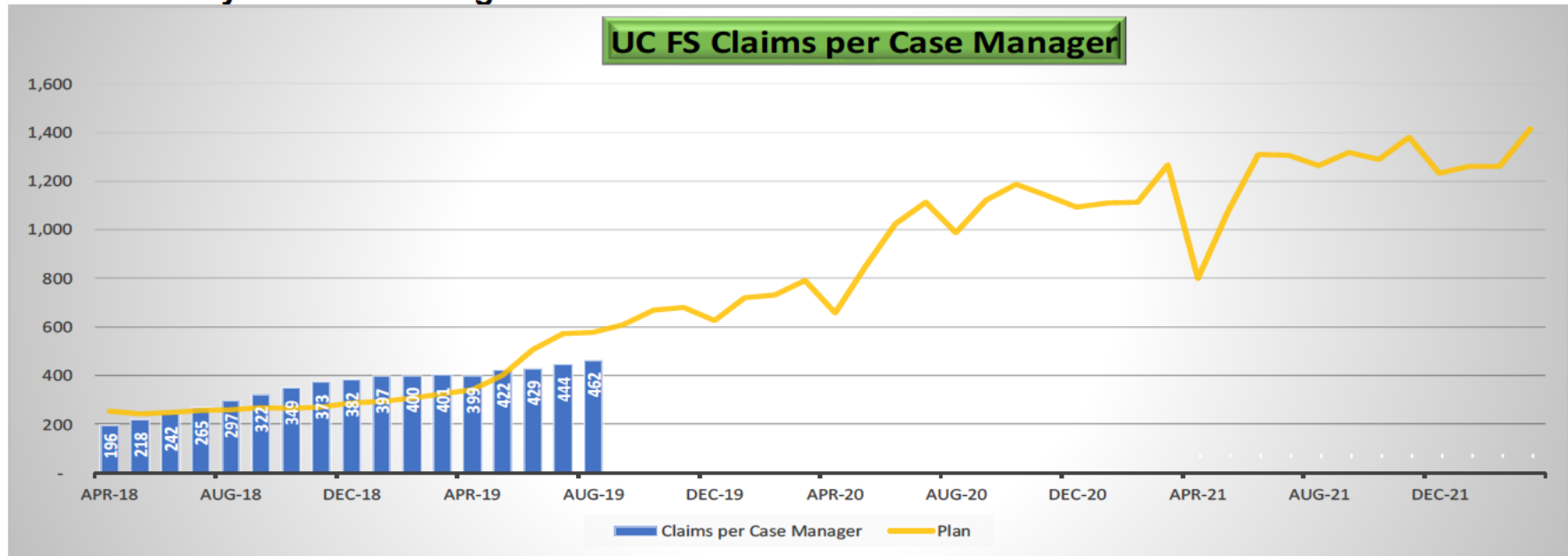
# DEL Efficiency Dashboard 3 months to August 2019

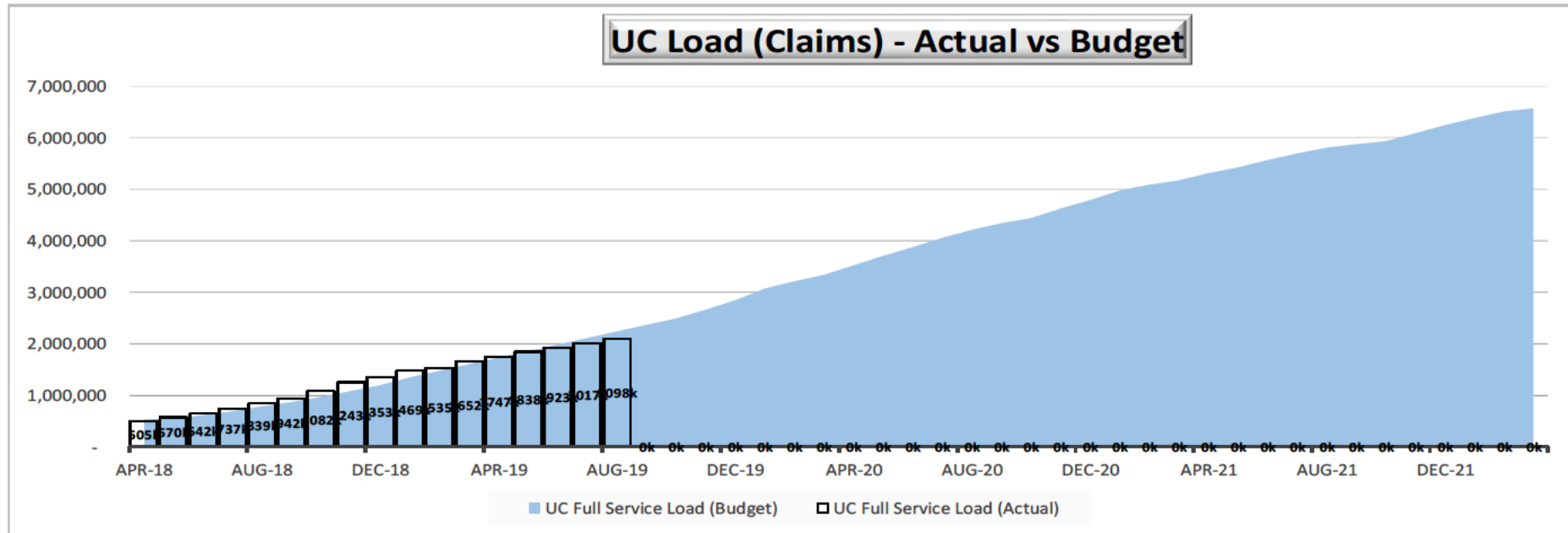
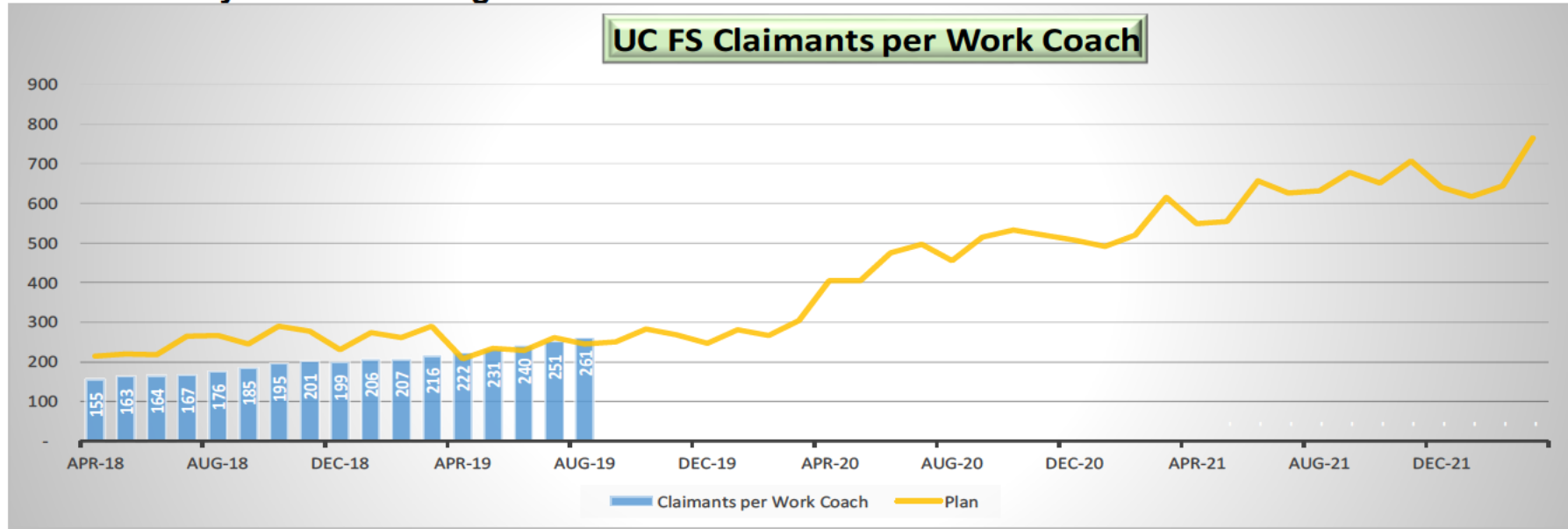


### DEL Efficiency Dashboard August 2019



### DEL Efficiency Dashboard August 2019





# Fraud and Error savings 2018/19 MVFE Statistics for UC



## Fraud and Error in UC 2018/19: Comparing Actuals with Expected

Mark Cramer  
June 2019

Fraud, Error and Earnings Sensitivity Benefits Realisation											
	Units	2016/17 Expected	Of which Fraud	2016/17 actuals	2017/18 Expected	Of which Fraud	2017/18 actuals	2018/19 Expected	Of which Fraud	2018/19 actuals	Source of actuals
<b>Fraud, Error and Overpayments Savings</b>											
Merging Benefits	£m	7	5	13	13	9	19	28	19	30	% DWP caseload moved to UC
No Hours Rule	£m	3	1	4	9	2	10	38	7	35	% TCs caseload moved to UC
RTI	£m	15	6	12	35	13	15	135	50	56	MVFE data
Self-employed earnings	£m	0	0		1	0		5	1		
Changed taper for earnings	£m	0	0		1	0		2	0		
Child Care	£m	1	0	4	3	0	11	11	1	48	MVFE data
No premia	£m	1	0	1	2	0	2	6	1	5	% TCs caseload moved to UC
Change to rules for paying back underpayments	£m	0	0	0	1	0	1	2	0	2	% TCs caseload moved to UC
Terminations	£m	2	0	2	5	0	5	19	0	17	% TCs caseload moved to UC
Housing	£m	0	0	???	0	0	???	0	0	???	?
<b>Total Savings</b>	<b>£m</b>	<b>29</b>	<b>11</b>	<b>35</b>	<b>69</b>	<b>24</b>	<b>62</b>	<b>246</b>	<b>77</b>	<b>193</b>	
<b>Fraud, Error and Overpayments Costs</b>											
Incorrectness due to sensitivity to earnings	£m	-3	0	0	-10	0	0	-40	0	0	MVFE data
<b>Net Total Savings</b>	<b>£m</b>	<b>26</b>	<b>11</b>	<b>35</b>	<b>59</b>	<b>24</b>	<b>62</b>	<b>206</b>	<b>77</b>	<b>193</b>	

Summary FBC v actuals	£m	FBC	Actuals
2016/17	£m	26	35
2017/18	£m	59	62
2018/19	£m	206	193

Other Fraud, Error and Overpayments Costs											
Late RTI	£m	-2	0	-4	-5	0	-11	-18	0	-39	Admin data
Capital	£m	-4	0	-4	-13	-1	-67	-47	-3	-200	MVFE data
<b>Total</b>	<b>£m</b>	<b>-7</b>	<b>0</b>	<b>-8</b>	<b>-18</b>	<b>-1</b>	<b>-78</b>	<b>-65</b>	<b>-3</b>	<b>-238</b>	

Other Savings - Extra sensitivity to income											
No income changes disregard	£m	11	0	13	38	0	39	169	0	156	% TCs caseload moved to UC
No Run-Ons	£m	2	0	2	5	0	5	21	0	19	% TCs caseload moved to UC
<b>Total</b>	<b>£m</b>	<b>13</b>	<b>0</b>	<b>15</b>	<b>43</b>	<b>0</b>	<b>45</b>	<b>190</b>	<b>0</b>	<b>176</b>	

## Notes:

Late RTI: Not fraud and error as it relates to employer not sending information through on time

Capital: This cost is more than offset by savings due to the introduction of the capital limit policy. Savings could not be separately identified from general reductions in AME and so were not included in the FBC benefits position.

Extra sensitivity to earnings: Tax Credits were reviewed periodically rather than in real time. Savings here are true AME savings but not classed as a transfer payment and therefore not explicitly included in the FBC benefits position.

## B. Residual Level of F&E Overpayments in UC

### Latest MVFE Statistics: 2018/19

**Universal Credit Expenditure Overpaid has increased by 0.3%**

	2018/19		2017/18 (final)		
<b>Total Overpayments</b>	<b>8.6%</b>	<b>£680m</b>	<b>8.3%</b>	<b>£270m</b>	↑
Fraud	5.8%	£460m	5.3%	£170m	↑
Claimant Error	0.7%	£50m	0.7%	£20m	↔
Official Error	2.1%	£170m	2.3%	£80m	↓
<b>Total Underpayments</b>	<b>1.3%</b>	<b>£100m</b>	<b>1.0%</b>	<b>£30m</b>	↑
Fraud	0.0%	£0m	0.0%	£0m	↔
Claimant Error	0.7%	£60m	0.4%	£10m	↑
Official Error	0.5%	£40m	0.6%	£20m	↓
Expenditure	£8,000m		£3,300m		
<i>Inconclusive Expenditure</i>	£140m		£40m		

Around 70% of the MVFE sample for UC were UC Full Service cases (20% in 17/18). with the results applied to 87% of the expenditure (55% in 17/18).

Internally we produce a breakdown of the MVFE statistics into UCFS and UCLS. These are not published.

		2018/19		2017/18 (final)	
<b>UC FS</b>	<b>Total Overpayments</b>	<b>8.6%</b>	<b>£599m</b>	<b>7.7%</b>	<b>£138m</b>
	Fraud	5.7%	£395m	4.1%	£73m
	Claimant Error	0.7%	£47m	0.7%	£12m
	Official Error	2.3%	£157m	2.9%	£53m
<b>UC LS</b>	<b>Total Overpayments</b>	<b>7.9%</b>	<b>£82m</b>	<b>8.9%</b>	<b>£132m</b>
	Fraud	6.5%	£67m	6.7%	£99m
	Claimant Error	0.6%	£6m	0.7%	£10m
	Official Error	0.8%	£9m	1.6%	£23m

## B. Comparing against predicted levels (1)

### Comparison against Predicted and against Baseline

“**Predicted**” level is based on the assumptions in the UC Business Case as to how UC will impact on F&E.

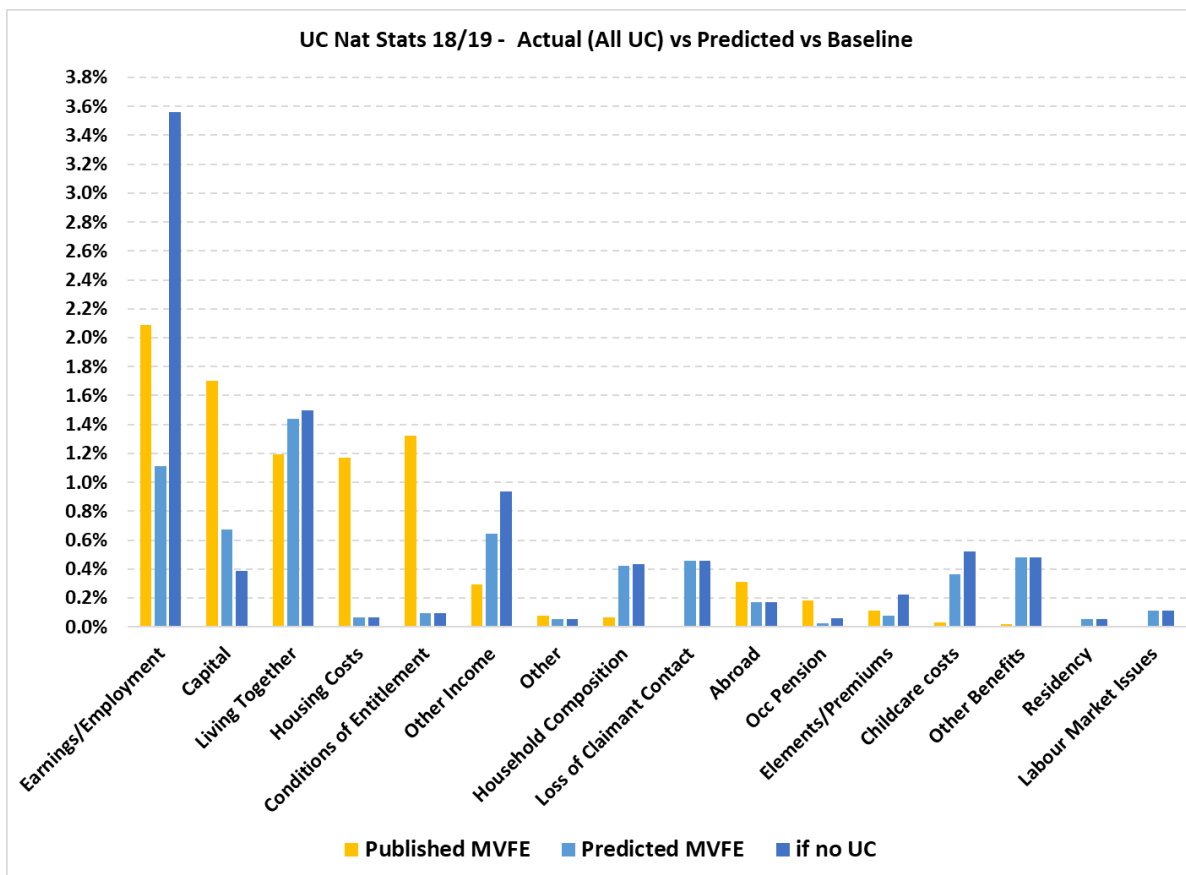
“**If no UC**” baseline level is the total level of F&E and Overpayments we would expect to see in the UC caseload that year had they been on legacy benefits instead of UC.

Residual MVFE in UC	Actual	Actual LS	Actual FS	Predicted	if no UC		Actual	Actual LS	Actual FS	Predicted	if no UC
	2017/18	2017/18	2017/18	2017/18	2017/18		2018/19	2018/19	2018/19	2018/19	2018/19
Income	2.3%	2.8%	1.9%	2.6%	4.3%		2.6%	3.7%	2.4%	2.3%	5.0%
Earnings/Employment	2.0%	2.4%	1.6%	1.5%	3.0%		2.1%	3.2%	1.9%	1.1%	3.6%
Occ Pension	0.1%	0.1%	0.0%	0.2%	0.2%		0.2%	0.1%	0.2%	0.0%	0.1%
Other Income	0.3%	0.3%	0.3%	0.5%	0.6%		0.3%	0.4%	0.3%	0.6%	0.9%
Other Benefits	0.0%	0.0%	0.0%	0.4%	0.4%		0.0%	0.0%	0.0%	0.5%	0.5%
Capital	1.5%	1.7%	1.3%	0.6%	0.5%		1.7%	1.2%	1.8%	0.7%	0.4%
Living Together	1.4%	1.8%	1.1%	1.1%	1.2%		1.2%	0.8%	1.3%	1.4%	1.5%
Housing Costs	1.4%	1.1%	1.6%	0.1%	0.1%		1.2%	1.3%	1.1%	0.1%	0.1%
Conditions of Entitlement	1.1%	0.3%	1.8%	0.1%	0.1%		1.3%	0.3%	1.5%	0.1%	0.1%
Other	0.2%	0.4%	0.0%	0.3%	0.3%		0.1%	0.0%	0.1%	0.1%	0.1%
Household Composition	0.2%	0.4%	0.0%	0.0%	0.0%		0.1%	0.2%	0.0%	0.4%	0.4%
Loss of Claimant Contact	0.1%	0.2%	0.0%	0.5%	0.5%		0.0%	0.1%	0.0%	0.5%	0.5%
Abroad	0.1%	0.1%	0.0%	0.1%	0.2%		0.3%	0.2%	0.3%	0.2%	0.2%
Elements/Premiums	0.1%	0.1%	0.1%	0.0%	0.0%		0.1%	0.1%	0.1%	0.1%	0.2%
Childcare costs	0.0%	0.0%	0.0%	0.3%	0.3%		0.0%	0.0%	0.0%	0.4%	0.5%
Residency	0.0%	0.0%	0.0%	0.1%	0.1%		0.0%	0.0%	0.0%	0.1%	0.1%
Labour Market Issues	0.0%	0.0%	0.0%	0.2%	0.2%		0.0%	0.0%	0.0%	0.1%	0.1%
<b>Total</b>	<b>8.3%</b>	<b>8.9%</b>	<b>7.7%</b>	<b>6.0%</b>	<b>7.9%</b>		<b>8.6%</b>	<b>7.9%</b>	<b>8.7%</b>	<b>6.3%</b>	<b>9.2%</b>

Note that 1.1% of the 1.5% Conditions of Entitlement in UCFS relates to where the agent signed the Claimant Commitment instead of the claimant. These are overpayments but do not represent true AME loss, since it is likely that had the error not occurred, the claimant would have still received the same amount of UC

## B. Comparing against predicted levels for 17/18 (2)

### Comparison against Predicted and against Baseline – UC in total



When considering F&E performance in 2017/18, we need to look at UC in total.