

To: UC Programme Board

From: S40

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Date: 18 February 2020

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. Proposals on the approach to ongoing evaluation were agreed at PB in Oct, an update on progress is covered in a separate paper and agenda item.
- DEL Efficiency - dashboard for November 2019 (Annex A) shows that unit costs continue on a downward trend but remain above the expected level and will do so for the remainder of 2019/20.
- Fraud, Error and Overpayments – full year MVFE statistics for 2018/19 were published in May 2019 and the next full report will be published in May/June 2020. Quarterly interim reports are now being produced for internal use only to aid understanding of areas of issue.

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

Context

2. 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

3. In October/November 2019 UC analysts presented proposals for the future evaluation of labour market impacts. Following discussion at the November 2019 Programme Board the approach and timetable were accepted.
4. This included carrying out a rigorous comparison of the outcomes for 2017/18 cohorts of UC and legacy claimants, based on propensity score matching (PSM) or an equivalent econometric technique. The outcome of the PSM work will be used as an anchor for subsequent analysis. An update on this PSM work is the subject of a separate Programme Board paper (BTL).
5. The agreed approach and timetable is as follows:
 - a. Impact of baseline UCFS impacts for JSA alike cases by February 2020;
 - We have developed and checked the evaluation datasets, which were ready by the middle of September 2019. This pulls together data from tax records, benefit claims, sanctions, employment programmes;
 - Converting data into a format which can be used by Stata and testing that the Stata code runs as required: took place by late-October 2019;
 - Testing a simple fixed-effects model which we can use as a validation for the Propensity Score Model (PSM): was completed by mid-November 2019;
 - Developing a baseline specification for the PSM model: completed mid-December 2019;
 - Testing different specifications e.g. removing the ‘legacy-alike’ filters: by late January 2020;
 - Finalising results for presentation: by mid-February;

This timetable will be monitored through regular monthly checkpoints with HMT and DWP colleagues.

- b. Ingesting legacy RTI data DWP are working with HMRC to ingest the RTI data for people who claim a legacy benefit between 2014-2018. This is a complex task, and its successful completion is essential for the evaluation of employment impacts for non-JSA groups: however, the data is complex so there will be a substantial chunk of work to complete when the data arrives. If we assume that the data arrives by **end October 2019**, then the following seems like a reasonable timetable;
 - Getting approvals for accessing the data: mid-November 2019
 - Testing aggregated data: mid-December 2019

- Testing we understand the structure of the data: mid-December 2019
 - Testing match to legacy benefits; mid-January 2020
- c. Impact of baseline UCFS for another out of work group (maybe ESA WRAG) cases by late 2020;
- Developing the benefit datasets, and matching on the evaluation data: mid-March 2020;
 - Converting data into a format which can be used by Stata and testing that the Stata code runs as required: by mid-April 2020;
 - Testing a simple fixed-effects model which we can use as a validation for the Propensity Score Model (PSM): by end May 2020;
 - Developing a baseline specification for the PSM model: end-June 2020;
 - Testing different specifications e.g. removing the 'legacy-alike' filters: by end-August 2020;
 - Finalising results for presentation: by end-September 2020
- d. Impact of baseline UCFS for an in-work group by spring 2021.
- e. Parallel to this we could expect to have delivered a published impact of self-employed outcomes by the end of 2020.

DEL Efficiency

Dashboard – Unit Costs

6. The latest DEL Efficiency Dashboard (November 2019) can be seen at **Annex B**. The report shows the continued reduction in unit cost throughout the 2019/20 Financial Year; the overall reduction for 2019/20 (since March 19) stands at 24% (£417 vs. £319).
7. The latest unit cost (£319) is 13% above that expected (£281) and is likely to remain above forecast for the remainder of 2019/20 as caseload levels are tracking lower than anticipated (currently 9%).
8. Caseload (claims) per case manager (cpcm) is the highest to date at 521 (up by 122 cpcm since April 2019 - 399) but is lower than the expected position of 680. Fourteen service centres have exceeded the average of 521 cpcm mark and the range of performance has narrowed with several service centres achieving new highs.
9. Claimants per work coach (cpwc) is also at its highest level at 293 (up 71 cpwc since April 2019 - 222) and is higher than the expected position of 268. Numbers of intensive work search (IWS) per work coach have also increased to 113 against an expected figure of 87.

10. The next quarterly report will include forecasts based upon the latest volumes (Autumn 2019) as these will be in place for the beginning of 2020/21.

Fraud & Error and Overpayment (and sensitivity to earnings)

Current Dashboard/Performance

11. National statistics on levels of F&E and overpayments are now produced once per year, with the next report being available in May/June 2020. This will provide data for 2019/20 (the sample will be taken from the period October 2017 to September 2018). For reference the 2018/19 results and analysis are attached at **Annex C** and are as per the previous quarterly update.
12. In addition to the annual national statistics there will be a quarterly producing of 'early indicator' statistics. The first set of UC MVFE early indicators were produced at the end of November 2019 and covered the period October 2018 – March 2019 (i.e. 6 months after the period covered by the last published MVFE statistics). When compared to the 6 months prior to that (April 2018 – October 2018), they showed that MVFE overpaid due to:
 - Claimant Commitment had dropped by about two-thirds.
 - Earnings had increased by about one-sixth. This is due to increases in overpayments due to Self-reported earnings (mainly cash-in-hand earnings).
 - Capital had increased by about one-sixth.
 - Other Income had doubled, as a result of Student Income.
 - Housing Costs was pretty much unchanged.
11. This shows that the work we have been doing to ensure staff require the claimant to sign the Claimant Commitment is working to reduce Official Error. However, more work is needed to combat F&E in Capital, Self-reported Earnings and Housing Costs. (Note that the statistics are unable to tell us much about Living Together and Abroad Fraud, since these types of F&E usually take some time to confirm and so will not have been fully reflected in these more timely statistics).

Work & Health Executive Team (WHET)

12. The WHET has commissioned the establishment of a cross-directorate team to look at MVFE in UC, co-sponsored at Director level by Bozena Hillyer (Director Counter Fraud, compliance and Debt); Karen Gosden (Area Director) and Lara Sampson (Universal Credit Product Director). Significant progress has been made in aligning strategies; principles; aims and objectives. Bozena, Karen, and Lara are now leading efforts to address the challenge of translating this alignment into practical ways of working to enable us to move to the next stage of delivery. Bozena, Karen and Lara will be reporting back to WHET in mid-February with an update and a more defined proposal for UC.

Other Progress

13. **Fraud Summits** – Following a director led fraud summit held in late February 2019 all Fraud related activities across the Department on UC were aligned. A Debt Summit

was then held in July 2019 where Directors were able to align activity around the UC Debt Journey, a 'Top 5' was agreed to highlight the key issues; this includes Affordability for customers as well as signposting & orientation.

14. **Closer working** - Events have been conducted across all areas nationally to bring together leaders across UC Service Delivery and the Counter Fraud and Compliance Directorate, setting the foundation for closer working relationships across local teams. To replicate the success of these further **Closer Working** events are being undertaken following the migration of Debt Management into CFCD. These events are looking at how we can align our organisations, improve communication between frontline teams, and how impact can be made against the 5 key priorities.
15. **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 '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. A 'once and done' case cleansing measure has been developed and was the theme for the first Group Director Performance session w/c 20th January 2020. Initial deployment has exposed variation in delivery of standard model but overall variation narrowing. Analysis is underway on work in Trigger 4 onwards to understand timescales for clearing this work.
16. **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 did not provide much by way of additional insight into the root cause of these errors. The Business Test 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 has concluded. It showed that c75% cases required correction and findings will be considered by Work & Health ET so they can make a decision on investing in national rollout of this scan approach to cleanse 'stock' error.

Next Steps

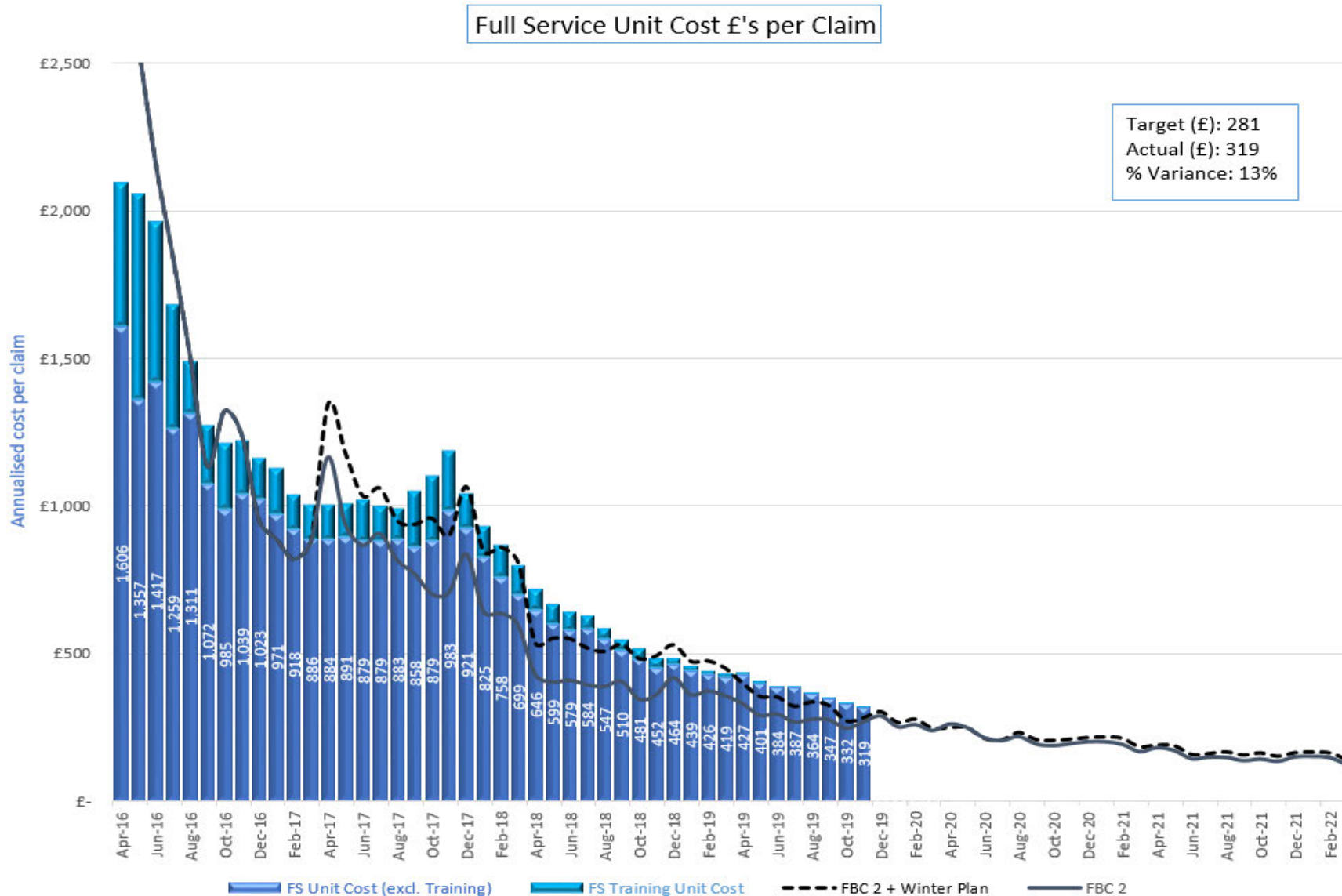
- **Return to Programme Board in June 2020 with further update on Benefits Realisation**

UC Key Benefits

Benefit Type	Benefit Title		Steady State Value (24/25) (£bn)	Total 10 Year Value (£bn)
Financial	B001	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)	Earnings Sensitivities Wider Economic Value (distributional Impact)	-£0.6	-£4.2
	B003	Labour Market Impacts - (Priority Benefit) Increased Economic Output	£ 3.9	£18.4
		Distributional impact	£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	
Non-Financial	B006	Improved Customer Experience	<i>N/A</i>	<i>N/A</i>
	B007	Improved Employer Proposition	<i>N/A</i>	<i>N/A</i>
	B008	Improved Employee Engagement	<i>N/A</i>	<i>N/A</i>
***TOTAL Economic Benefit Value			£8.1 bn	£42.6 bn
*** Values excludes deduction for DEL Investment (-£0.9 ten year)				

DEL Efficiency Dashboard November 2019

UC Full Service unit cost – Jobcentres & Service Centres

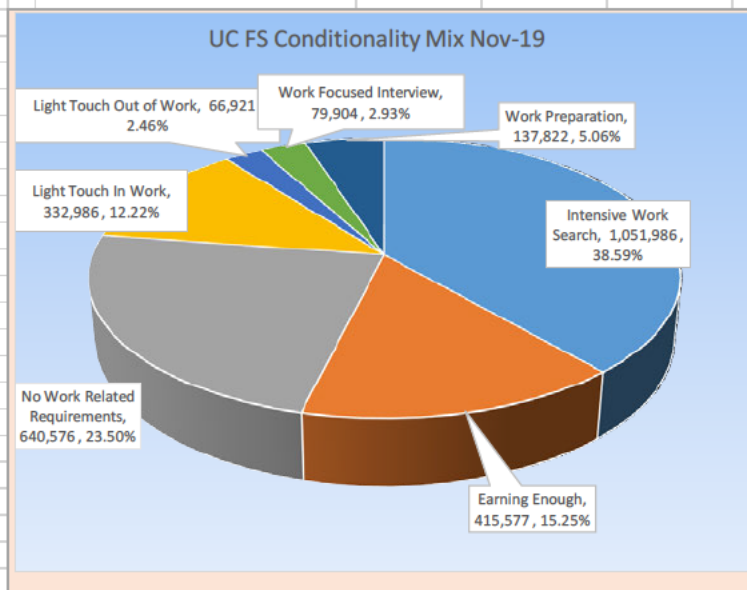


DEL Efficiency Dashboard 3 months to November 2019

	Sep-19	Oct-19	Nov-19
Full Service Unit Cost			
Full Service Costs	£ 63,160,944	£ 62,435,842	£ 62,205,789
Full Service Claims	2,181,550	2,259,465	2,337,191
Unit Cost per Claim	£ 347	£ 332	£ 319
Winter Plan	£ 324	£ 271	£ 281
Variance	-7.4%	-22.3%	-13.6%
UC Operations Unit Cost			
Costs FS/LS	£ 63,160,944	£ 62,435,842	£ 62,205,789
FS/LS Claims Total	2,181,550	2,259,465	2,337,191
Unit Cost per Claim	£ 347	£ 332	£ 319
Winter Plan	£ 324	£ 271	£ 281
Variance	-7.4%	-22.3%	-13.6%
UC Other Operational Costs			
Actual Costs Other	£ 9,914,617	£ 11,121,089	£ 11,589,477
Winter Plan	£ 13,002,601	£ 12,527,092	£ 12,566,538
Variance	23.75%	11.22%	7.78%

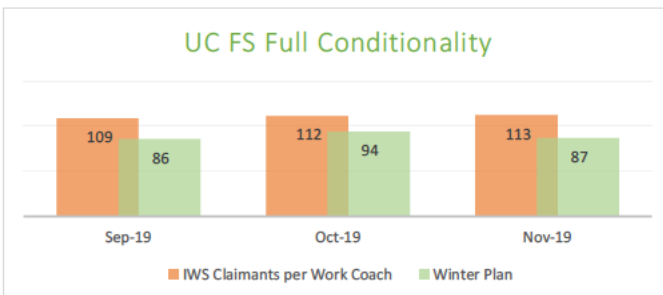
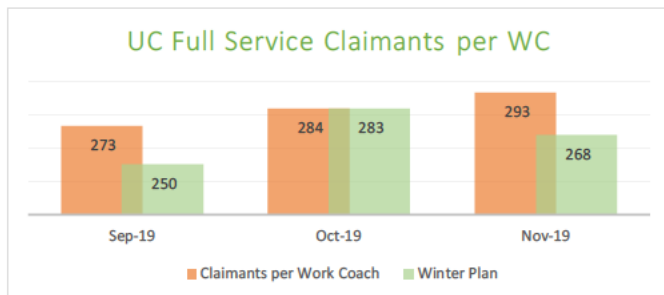
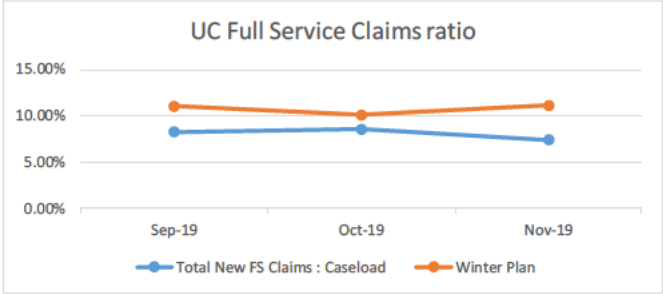
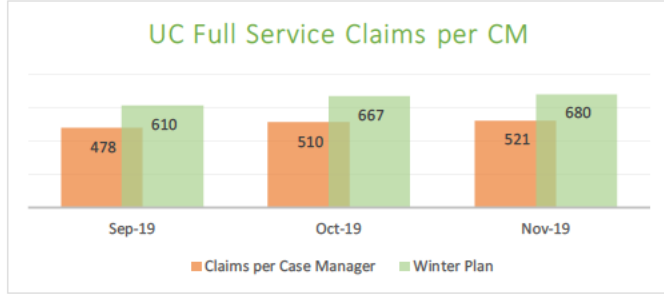
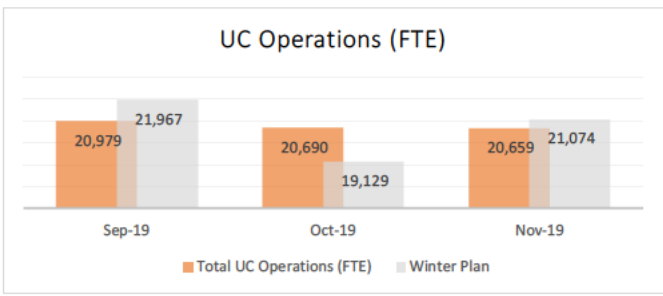
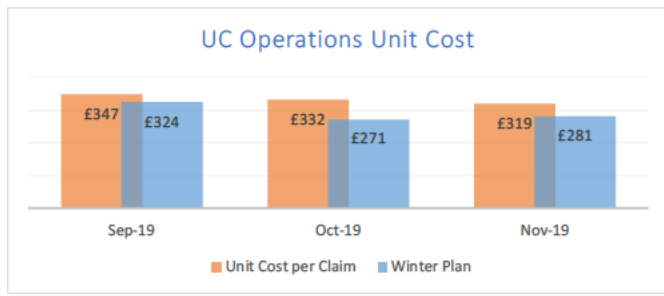
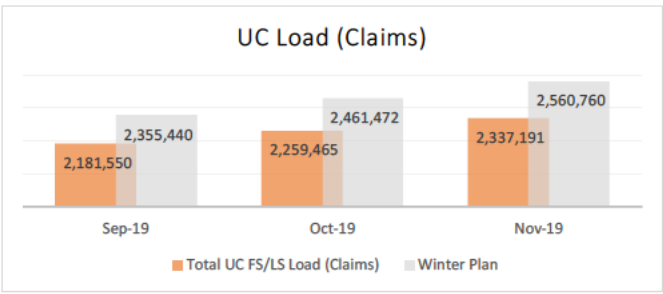
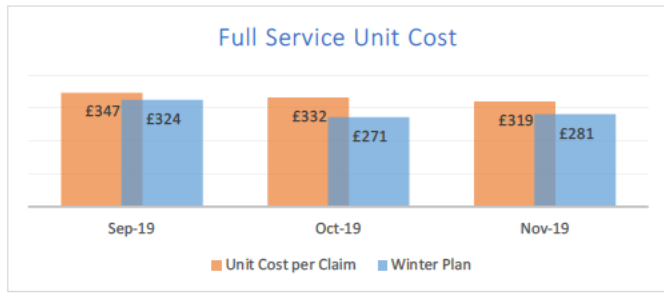
	Sep-19	Oct-19	Nov-19
UC Load (Claims)			
UC Full Service Load (Claims)	2,181,550	2,259,465	2,337,191
UC Live Service Load (Claims)	-	-	-
Total UC FS/LS Load (Claims)	2,181,550	2,259,465	2,337,191
Winter Plan	2,355,440	2,461,472	2,560,760
Variance	7.4%	8.2%	8.7%
UC Operations (FTE)			
UC Full Service (FTE)	20,979	20,690	20,659
UC Live Service (FTE)	-	-	-
Total UC Operations (FTE)	20,979	20,690	20,659
Winter Plan	21,967	19,129	21,074
Variance	4.5%	-8.2%	2.0%
UC Full Service Claims ratio			
UC Full Service New Claims (Inflow)	180,115	192,748	172,404
UC Full Service Load (Claims)	2,181,550	2,259,465	2,337,191
Total New FS Claims : Caseload	8.26%	8.53%	7.38%
Winter Plan	11.02%	10.11%	11.14%
Variance	2.77%	1.58%	3.77%

	Sep-19	Oct-19	Nov-19
UC Full Service Claims per CM			
Case Manager FTE	4,559	4,428	4,485
FS Claims Total	2,181,550	2,259,465	2,337,191
Claims per Case Manager	478	510	521
Winter Plan	610	667	680
Variance	-27.4%	-30.8%	-30.4%
UC Full Service Claimants per WC			
Work Coach FTE	9,297	9,286	9,306
FS Claimants Total	2,538,822	2,632,905	2,725,777
Claimants per Work Coach	273	284	293
Winter Plan	250	283	268
Variance	8.3%	0.0%	8.5%
UC FS Full Conditionality			
Work Coach FTE	9,297	9,286	9,306
Intensive Work Search Claimants	1,012,328	1,037,988	1,051,986
IWS Claimants per Work Coach	109	112	113
Winter Plan	86	94	87
Variance	21.2%	15.5%	22.7%



DEL Efficiency Dashboard 3 months to November 2019

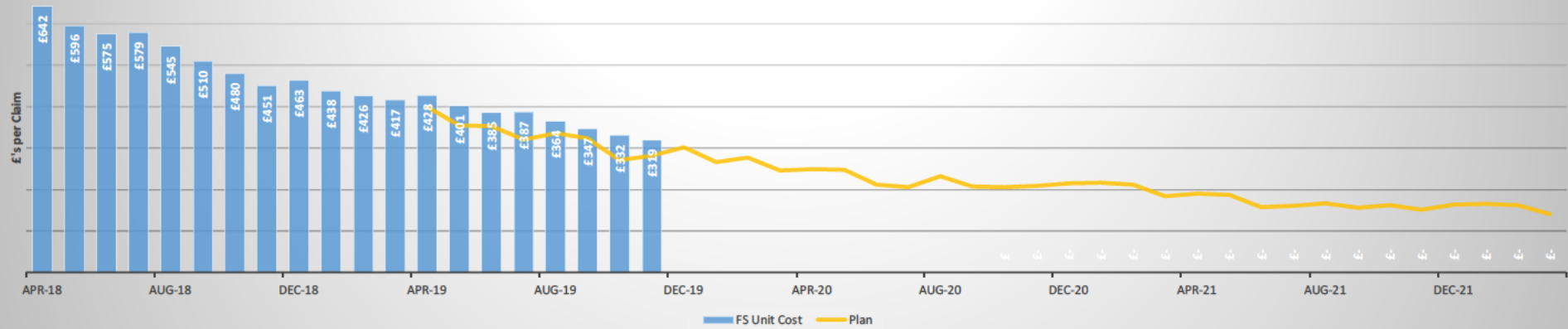
Annex B



DEL Efficiency Dashboard November 2019

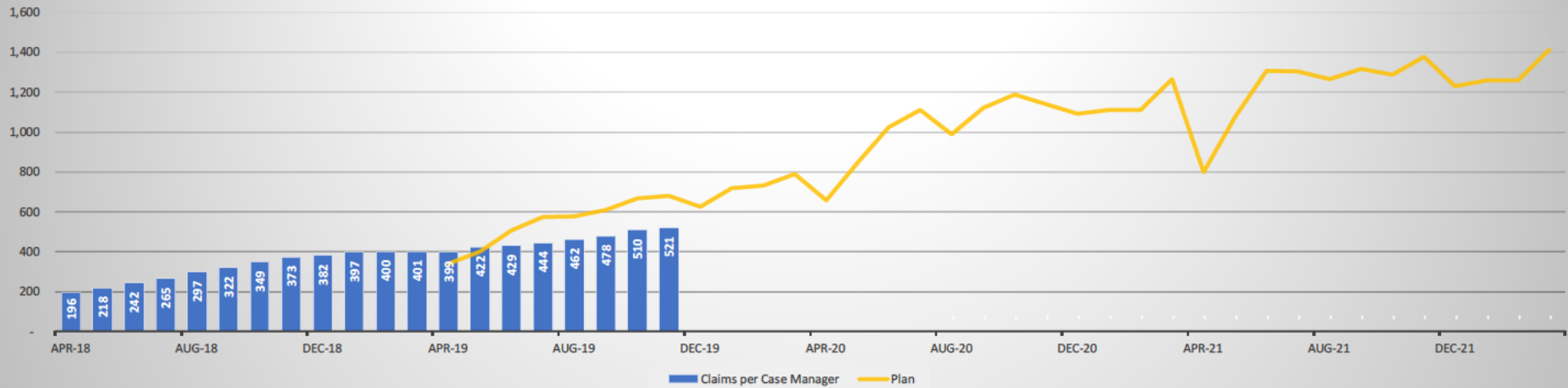
Annex B

Full Service Unit Cost vs Budget/s

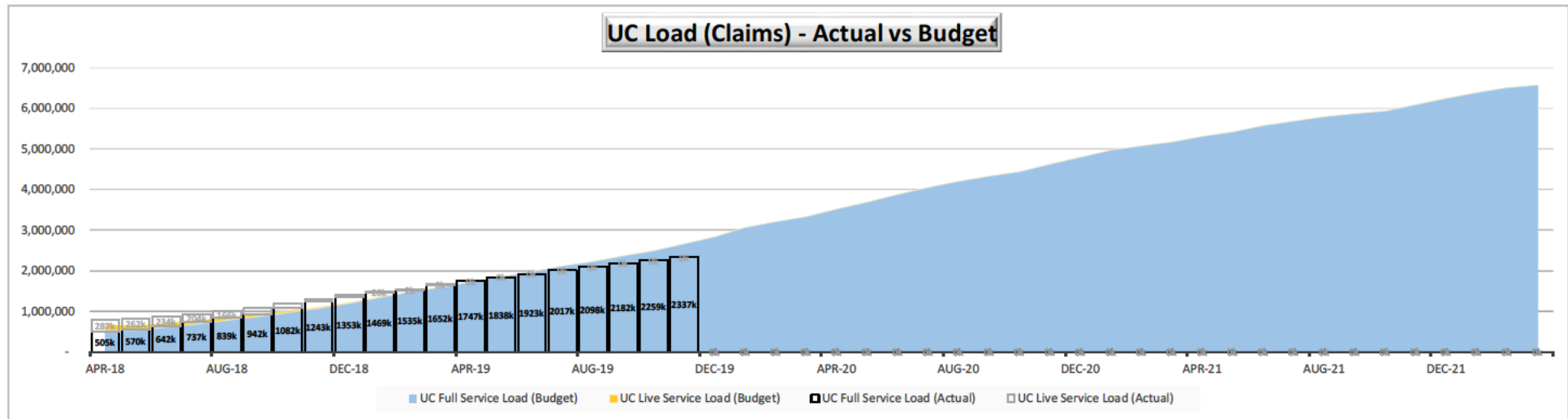
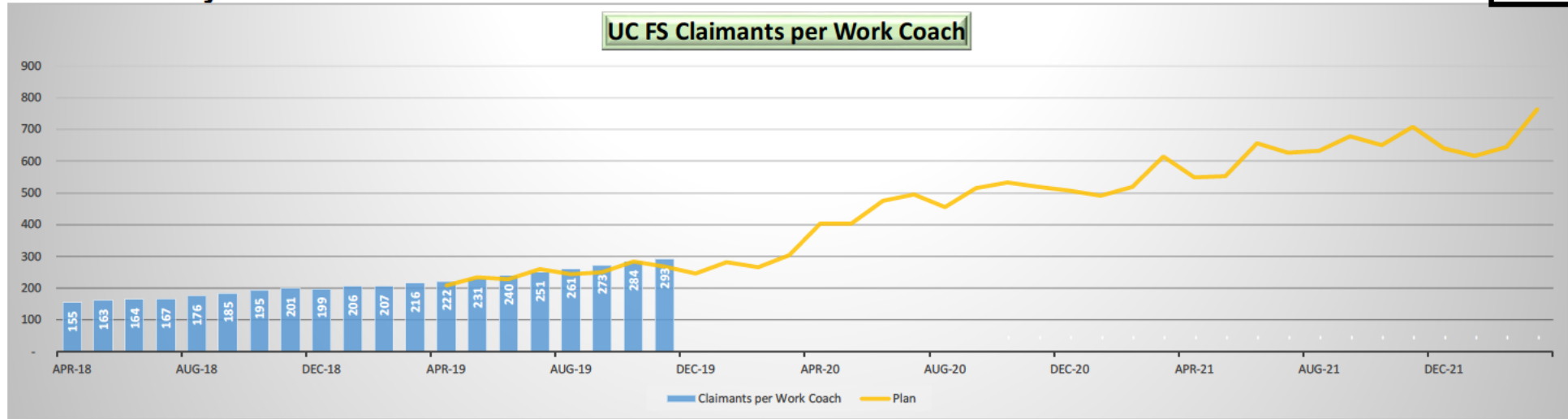


DEL Efficiency Dashboard November 2019

UC FS Claims per Case Manager



DEL Efficiency Dashboard November 2019



Fraud and Error savings 2018/19 MVFE Statistics for UC



Department
for Work &
Pensions

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
Fraud, Error and Overpayments Savings											
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	???	?
Total Savings	£m	29	11	35	69	24	62	246	77	193	
Fraud, Error and Overpayments Costs											
Incorrectness due to sensitivity to earnings	£m	-3	0	0	-10	0	0	-40	0	0	MVFE data
Net Total Savings	£m	26	11	35	59	24	62	206	77	193	

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
Total	£m	-7	0	-8	-18	-1	-78	-65	-3	-238	

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
Total	£m	13	0	15	43	0	45	190	0	176	

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)		
Total Overpayments	8.6%	£680m	8.3%	£270m	↑
Fraud	5.8%	£460m	5.3%	£170m	↑
Claimant Error	0.7%	£50m	0.7%	£20m	↔
Official Error	2.1%	£170m	2.3%	£80m	↓
Total Underpayments	1.3%	£100m	1.0%	£30m	↑
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)	
UC FS	Total Overpayments	8.6%	£599m	7.7%	£138m
	Fraud	5.7%	£395m	4.1%	£73m
	Claimant Error	0.7%	£47m	0.7%	£12m
	Official Error	2.3%	£157m	2.9%	£53m
UC LS	Total Overpayments	7.9%	£82m	8.9%	£132m
	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
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%
Total	8.3%	8.9%	7.7%	6.0%	7.9%	8.6%	7.9%	8.7%	6.3%	9.2%

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 18/19 (2)

Comparison against Predicted and against Baseline – UC in total

