

To: UC Programme Board Members**From: Stuart Ison****Sponsor: Ian Wright****Author: S40****Date: 20 April 2022****cc: Mark Cousen****S40****S40****S40****Paper Title: Universal Credit Benefits Realisation Update Spring 2022****Summary:**

The Purpose of this paper is to provide Programme Board with an update on Universal Credit Benefits Realisation in the 3 priority benefits of DEL Efficiency; Fraud and Error; and Labour Market.

DEL Efficiency

- Updated 'Full Life' costs and savings demonstrate that UC is cheaper and more efficient than the Legacy system it replaces;
- Updated DEL Efficiency Dashboard will be available for next update.

Fraud, Error and Overpayments

- National stats for 2021/22 will be available for next update;
- Covid impact has created significant challenges;
- MVFE Reduction Plan is underway and delivering improvements.

Labour Market Impacts

- Analysis of childless single JSA alike cases complete – 2 percentage points more likely to be in employment 6 months following their claim than an equivalent group of JSA claimants;
- Analysis of JSA type lone parent claimants of UC underway.

Successful completion of move to UC remains critical to the delivery of the benefits as set out in the FBC.

Recommendations/Decisions required:

For Information only.

Timing: Routine

Introduction

1. The purpose of this paper is to provide Programme Board with an update on Universal Credit (UC) Benefits Realisation and the three priority benefits.
 - A. Departmental Expenditure Limit (DEL) Efficiency;
 - B. Fraud, Error and Overpayments; and
 - C. Labour Market impact.

Context

2. The last update was provided in September 2021, 18 months into the Covid pandemic. The pandemic has had a fundamental impact on the economy, wider society and individuals alike. Universal Credit has been central to the government's response and has clearly demonstrated the benefits of the system throughout. Legacy systems would not have been able to cope with the volumes and constraints that the pandemic brought.

A. DEL Efficiency

UC FBC

3. The UC FBC set out, as one of 5 key objectives, the aim of increasing efficiency as follows:
 - Increasing efficiency - UC will achieve savings representing a 29% reduction to the cost of administering the current legacy system (on a like for like basis), a saving of some £335m.
4. This allowed the re-investment of savings into extending the conditionality and labour market regime to up to an additional 1 million claimants, which in turn would support UC's labour market impacts of up to an additional 200k people into work and providing significant AME savings and wider economic benefits.
5. At steady state (2024/25) and after re-investment, as outlined above, the net impact in the FBC is a saving of £100m per annum (or £335m on a like for like basis i.e. excluding re-invested additional labour market intervention costs).

Updated 'Full Life' DEL Costs and Savings

6. Following the Winter 21 volume refresh the UC 'Full Life' DEL costs and savings have been updated and were presented to UC PB last month (March 2022). This is the first 'Full Life' update since Autumn 2019 which was prior to the Covid pandemic. During the pandemic the forecasts produced were considered too volatile to refresh through to the end of the business case (2026/27).
7. The following table sets out the updated 'Full Life' DEL costs and savings. It shows a net operational saving of approximately £450m in 2024/25 and over £550m by

2026/27 on a like for like basis (i.e. excluding the re-invested labour market intervention costs).

Table 1 UC ‘Full Life’ DEL costs and savings

	Total Costs £m											Whole Life Movement
	Pre	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	Total	FBC	
Programme Mgt	1,432	146	172	126	121	176	195	38	24	2,430	1,771	(659)
Move to UC	54	30	22	11	40	121	187	4	1	470	291	(179)
Investment	1,486	176	193	137	162	297	382	42	24	2,900	2,062	(838)
Running Costs	1,645	864	1,396	1,626	1,405	1,540	1,705	1,742	1,732	13,655	10,655	(2,999)
Savings	(842)	(670)	(1,996)	(1,656)	(1,683)	(1,864)	(2,163)	(2,272)	(2,278)	(15,426)	(9,806)	5,620
Depreciation	266	13	13	15	16	19	21	24	22	409	357	(52)
Total	2,554	384	(394)	122	(100)	(8)	(56)	(465)	(499)	1,538	3,268	1,731

DEL Efficiency Dashboard and Unit Costs

8. The DEL efficiency dashboard is being updated in line with the Winter 21 volumes and will provide the forecast unit cost (plus the underlying metrics of cases per case manager and claimants per work coach) up to 2026/27. This will be ready and available for the next update in June/July 2022.
9. The latest Dashboard (see annex 1) covers the period up to the end of March 2022 only and data for February 22 (P11) shows:
 - an overall unit cost of £285 compared to a Winter 20 Plan forecast of £385;
 - claims per case manager of 1,025 compared to a Winter 20 Plan forecast of 981; and
 - claimants per work coach of 512 compared to the Winter 20 Plan forecast of 228.

Numbers of intensive work search claimants has remained at around 1.7m or 155 per work coach compared to 106 forecast in the Winter 20 Plan. The numbers of intensive work search claimants is important because the costs of the conditionality regime for this group is higher than for other groups and therefore would have a higher unit cost.

10. Once the updated dashboard is complete there will be forecast profiles for these underlying metrics that take us to steady state and the end of the business case period.

B. Fraud & Error and Overpayments

The UC FBC Fraud and Error (F&E) savings

11. The UC FBC F&E savings were based on the expected levels of the monetary value of fraud and error (MVFE) over the lifetime of the business case in the legacy counterfactual. The forecast level of MVFE in UC after those savings are achieved was estimated to be around 6.5%.

Latest position on the level of Fraud and Error in Universal Credit

12. The latest year for which statistics are available on the level of fraud and error in UC is 2020/21. This showed:
 - overpayments at 14.5% of UC expenditure; and
 - underpayments at 1.4%.
13. Statistics for 2021/22 are expected to be published mid-May 22 and will inform the next update in June/July 22.

Early Insights

14. The analysts that produce the statistics, the Fraud & Error Measurement and Analysis team (FEMA), have provided insights into the fraud and error found in the raw sample that will inform the 2021/22 statistics.
15. This will differ from the published statistics, because FEMA apply adjustments to the raw sample and scale up the results to provide a national picture, by weighting each case in the sample individually.
16. Nevertheless, the insights from the raw sample are very useful and likely to be strongly indicative of the trends we would expect to see in the final statistics.
17. The rate of expenditure overpaid in the raw sample for 2021/22 (16.1%) is very similar to the 2020/21 raw sample (16.2%).

(Note: Figures are not comparable to the MVFE figures for 2020/21 - as per Para 15. However, for comparison's sake we can set side by side with the 2020/21 raw sample)

18. To understand the drivers behind the overpayment level, FEMA have done some additional analysis that breaks the sample down into three groups based on when they came on to UC relative to the pandemic, using the time periods defined by UCAD (Universal Credit Analysis Division).
19. The 3 'COVID' groups of claimants, as defined by UCAD, are:
 - Pre COVID – Claimed before March 17th 2020;
 - COVID Height – Claimed between March 17th and June 2nd 2020;
 - Post COVID Height – Claimed after June 2nd 2020.

Rates of netted and capped Fraud and in Error in the raw data, split by COVID group

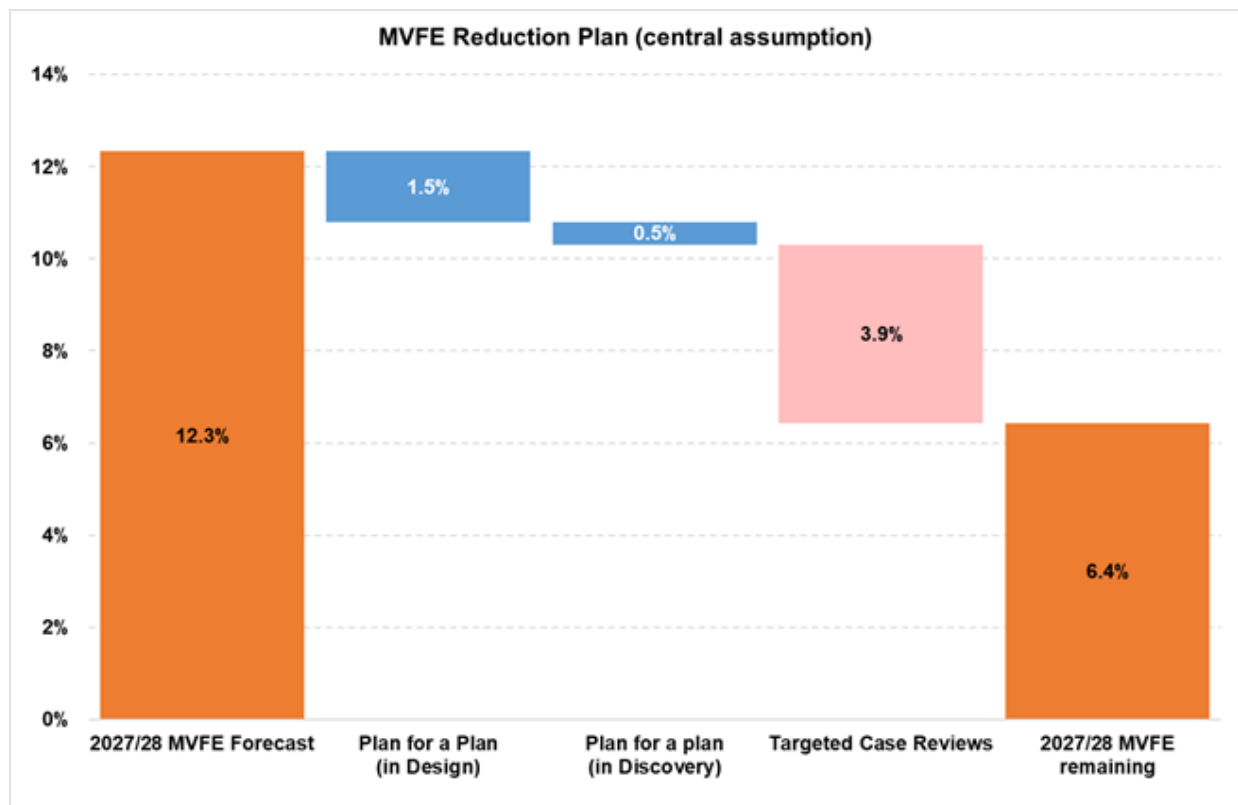
	Pre-COVID	COVID Height	Post COVID Height
Rate of Fraud and Error	11.0%	26.7%	18.0%

- 20. More than a quarter of expenditure paid to claimants, that claimed between the 17th March and 2nd June 2020, was overpaid.
- 21. Furthermore, the 'Post-COVID' group have much higher levels of overpayments than the 'pre-COVID' group. Soon they will replace the pre-COVID group as the dominant proportion of the caseload, which would lead to increasing F&E levels overall. It is key to understand what is driving the higher level of F&E in that 'post-COVID' group.

UC MVFE Reduction plan

- 22. Proposals have been developed with an aim to reduce the current levels of MVFE in UC to UC FBC levels by 2027/28. These proposals are a combination of activities already underway, and proposals funded through SR21.

Table 2 – MVFE Reduction Plan (central assumption)



- 23. A series of system improvements and digital enhancements is expected to reduce UC MVFE by 2% by 2027/28. Progress continues to be made with several improvements/digital enhancements having been **delivered**, including:

Earnings

- Defining processes for resolving prosecutions and compliance cases in UC - outcomes from fraud investigations can now be processed in the system correctly;
- Improvements to RTI matching to reach 99.7% rate;
- Reintroduction of GSE/MIF in August 21;

Capital

- Improved declarations - detailed set of questions that sets out what constitutes capital for customers to complete as part of their declaration - This has seen an increase in capital declared by new claimants;
- Change of circumstances - ability for customers to change their circumstances for capital via the UC online service is now available;

Housing

- Same housing across multiple claims (prevent) – a change in the service to check across claims where the same address is being claimed for. Iterative improvement has allowed the reduction in matching criteria allowing more claims to be identified;
 - SRS annual rent changes – in April 2022 these changes will be handled with zero tolerances meaning that all updates will require review by the landlord; and
 - Prevent fix to stop paying unverified housing costs. This was an issue with safer payments that caused incorrect payments;
24. In addition to delivery of these enhancements, work continues to progress items in design & delivery; and to identify new items for inclusion with the items that are currently in the discovery phase.
25. The Targeted Case Review (TCR) is expected to provide a 3.9% reduction (see table 2) and activity is planned to ramp up over the coming months.

C: UC Labour Market Impacts

The FBC

26. The UC FBC stated, as one of its 5 key objectives:
- **Delivering Full Employment** – Universal Credit will transform the Labour Market by ensuring claimants are always better off in work. A smooth taper, increased incentives and a simple easy to understand benefit will produce around 200k additional entrants into work by steady state and an additional 113m net extra hours worked by those already in employment.
27. In November 2019, PB approved proposals for the future evaluation of labour market impacts by comparing the outcomes for 2017/18 cohorts of UC Full Service and legacy claimants using propensity score matching (PSM) techniques. The outcome of the PSM work will be used as an anchor for subsequent analysis.

Analysis complete

28. In September’s update the findings of the work to establish the baseline impacts for childless single JSA alike cases were set out with the results showing that these claimants are 2 pp more likely to be in employment 6 months following their claim than an equivalent group of JSA claimants.
29. The following table presents a summary of the results. These results suggest that the employment impacts of UC full service for childless single JSA alike claimants are slightly more pronounced in the early months of the claim. This is broadly consistent with what was found for live service.

Table 2 – LM Impacts by time period

Outcome measure	Impact estimate*	JSA claims in employment	UC claims in employment
Employed within 3 months	3pp	39%	42%
Employed at 3 months	3pp	36%	39%
Employed within 6 months	2pp	52%	54%
Employed at 6 months	2pp	45%	47%
Employed within 9 months	2pp	59%	60%
Employed at 9 months	2pp	48%	50%

**impact estimates rounded to nearest 1 pp*

Further Analysis

30. JSA type lone parent claimants of Universal Credit are the next group to be looked at. This group is expected to be technically the next easiest group to evaluate (same data sources we used for the JSA type childless singles analysis). It is expected that this group might provide a higher impact. It is hoped that this analysis will be complete towards the end of 2022.

31. The longer term plan is to examine another out of work group (possibly ESA WRAG type claimants) before moving on to look at the evidence around in-work claimants working more.

	Dec-21	Jan-22	Feb-22
Full Service Unit Cost			
Full Service Costs	£ 97,151,954	£ 95,482,533	£ 89,493,680
Full Service Claims	4,813,396	4,795,605	4,770,234
Unit Cost per Claim	£ 242	£ 239	£ 225
<i>Winter Plan 20 Volumes</i>	<i>£ 388</i>	<i>£ 395</i>	<i>£ 385</i>
Variance	37.6%	39.5%	41.6%
UC Operations Unit Cost			
Costs FS/LS	£ 97,151,954	£ 95,482,533	£ 89,493,680
FS/LS Claims Total	4,813,396	4,795,605	4,770,234
Unit Cost per Claim	£ 242	£ 239	£ 225
<i>Winter Plan 20 Volumes</i>	<i>£ 388</i>	<i>£ 395</i>	<i>£ 385</i>
Variance	37.6%	39.5%	41.6%
UC Other Operational Costs			
Actual Costs Other	£ 1,598,890	£ 1,645,551	£ 1,918,948
<i>Winter Plan 20 Volumes</i>	<i>£ 1,597,531</i>	<i>£ 1,598,620</i>	<i>£ 1,599,098</i>
Variance	-0.09%	-2.94%	-20.00%

	Dec-21	Jan-22	Feb-22
UC Load (Claims)			
UC Full Service Load (Claims)	4,813,396	4,795,605	4,770,234
UC Live Service Load (Claims)	-	-	-
Total UC FS/LS Load (Claims)	4,813,396	4,795,605	4,770,234
<i>Winter Plan 20 Volumes</i>	<i>4,711,031</i>	<i>4,642,814</i>	<i>4,584,678</i>
Variance	-2.2%	-3.3%	-4.0%
UC Operations (FTE)			
UC Full Service (FTE)	29,751	28,601	26,568
UC Live Service (FTE)	-	-	-
Total UC Operations (FTE)	29,751	28,601	26,568
<i>Winter Plan 20 Volumes</i>	<i>42,600</i>	<i>41,354</i>	<i>39,923</i>
Variance	30.2%	30.8%	33.5%
UC Full Service Claims ratio			
UC Full Service New Claims (Inflow)	129,449	118,325	108,681
UC Full Service Load (Claims)	4,813,396	4,795,605	4,770,234
Total New FS Claims : Caseload	2.69%	2.47%	2.28%
<i>Winter Plan 20 Volumes</i>	<i>4.41%</i>	<i>4.43%</i>	<i>4.60%</i>
Variance	1.72%	1.96%	2.32%

	Dec-21	Jan-22	Feb-22
UC Full Service Claims per CM			
Case Manager FTE	5,046	4,851	4,652
FS Claims Total	4,813,396	4,795,605	4,770,234
Claims per Case Manager	954	989	1,025
<i>Winter Plan 20 Volumes</i>	<i>984</i>	<i>983</i>	<i>981</i>
Variance	-3.1%	0.5%	4.3%
UC Full Service Claimants per WC			
Work Coach FTE	13,114	12,756	11,018
FS Claimants Total	5,691,622	5,672,533	5,642,351
Claimants per Work Coach	434	445	512
<i>Winter Plan 20 Volumes</i>	<i>244</i>	<i>222</i>	<i>228</i>
Variance	43.8%	50.1%	55.4%
UC FS Full Conditionality Claimants			
Work Coach FTE	13,114	12,756	11,018
Intensive Work Search Claimants	1,752,719	1,737,341	1,705,630
IWS Claimants per Work Coach	134	136	155
<i>Winter Plan 20 Volumes</i>	<i>115</i>	<i>104</i>	<i>106</i>
Variance	13.6%	23.6%	31.5%

