

To: UC Programme Board Members

From: **Stuart Ison**

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Date: **19 July 2022**

cc: **Mark Cousen**

Paper Title: Universal Credit (UC) Benefits Realisation Update Summer 2022

Summary:

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

DEL Efficiency

- Latest forecast (P2) shows the cost of UC in 2022/23 is £430m more efficient than would have been the case under legacy systems.
- DEL Efficiency Dashboard updated with Winter 21 plans and volumes.

Fraud, Error and Overpayments

- National stats for 2021/22 published;
- Covid impact created significant challenges;
- MVFE Reduction plan and the UC Claim Review remains the strategy for getting MVFE to Full Business Case (FBC) planned levels (6.5%).

Labour Market Impacts

- Analysis of JSA type lone parent claimants of UC continues with results expected by year end.

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 April 2022. Since that update the annual DWP Fraud & Error statistics have been publication and the DEL Efficiency Dashboard has been updated in line with Winter 21 volumes (WP21).

A. DEL Efficiency

UC FBC (as a reminder)

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 at steady state (2024/25).
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 impact of up to an additional 200k people into work and providing significant AME savings and wider economic benefits.

Overall Finance Forecast Summary (P02)

5. The following table sets out the overall finance forecast summary (P02) as presented to the Programme Board in June. It continues to show, on a like for like basis, a net operational saving of over £450m in 2024/25 and in excess of £540m by 2026/27.

Table 1 UC Overall Finance Forecast Summary (P02)

	Total Costs £m										Total	FBC
	Pre	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27			
Programme Mgt	1,441	147	171	130	144	197	228	131	116		2,705	1,771
Move to UC	45	30	22	7	14	100	169	4	1		391	291
Investment	1,486	176	193	137	158	296	397	135	117		3,096	2,062
Running Costs	1,645	864	1,396	1,631	1,253	1,546	1,714	1,778	1,809		13,636	10,655
Savings	(842)	(670)	(1,996)	(1,631)	(1,683)	(1,870)	(2,188)	(2,323)	(2,352)		(15,556)	(9,806)
Depreciation	266	13	13	15	17	19	21	24	22		409	357
Total	2,554	384	(394)	153	(255)	(9)	(56)	(386)	(404)		1,586	3,268

DEL Efficiency Dashboard and Unit Costs

6. The DEL efficiency dashboard has been updated in line with WP21 volumes and provides a forecast unit cost (plus the underlying metrics of cases per case manager and claimants per work coach) up to 2026/27.
7. Extracts summarising the dashboard can be seen at annex 1. The following table sets out a comparison of the data since 2019 and the steady state position as per the WP21 volumes.

Table 1 May 22 DEL Efficiency Dashboard Summary

	May 2019	May 2020	May 2021	May 2022	WP 21 March 27
UC Unit Costs	£401	£278	£261	£240	£222
CpCM*	248	600	893	1,107	1,482
CpWC**	231	489	372	463	378
IWS***	0.9m	2.3m	2.2m	1.5m	2.4m

* CpCM – Cases per Case Manager
 ** CpWC – Cases per Work Coach
 *** IWS – Intensive Work Search

8. There has been a continuous improvement in UC unit costs. This is expected to continue up to steady state and the completion of the migration of legacy claimants. However, in March 2027 the unit cost is expected to be higher than was anticipated in the FBC (£134). This is due to the higher number of claimants in the intensive work search (IWS) conditionality group than was anticipated in the FBC (2.4m compared to 1.4m).
9. The number of IWS claimants is important because the costs of the conditionality regime for this group is higher than for other groups and therefore have a higher unit cost.

B. Fraud & Error and Overpayments

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

10. 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%.

Fraud and Error in UC 2021/22 – national statistics

11. On the 26 May 2022 national statistics for the levels of fraud and error in the benefit system were published. The statistics were established from cases sampled between October 2020 and November 2021 and it should be noted therefore that these were

impacted by the coronavirus pandemic (see paragraph 12). The statistics for UC showed:

- The UC overpayment rate in was 14.7%, which is broadly the same as 2020/21 (14.5%).
- Of this amount 13% was fraud; 1% claimant error and 0.7% was official error.
- underpayments were at their joint-lowest level of 1.0% compared to 1.4% in 2021.
- 25% of the 2,995 cases sampled were found to have overpayments.

Ongoing coronavirus pandemic impacts on UC

12. The coronavirus pandemic continued to have consequences that affected UC during the sample period, including:
- the makeup of the caseload continued to differ compared with the pre-pandemic period. Resulting in an increased number of self-employed claimants (which is reflected in the top cause of overpayment); and
 - The Minimum Income Floor (MIF) was suspended to help UC claimants during the pandemic and was reinstated in a phased approach that started in August 2021 (the MIF is an assumed level of earnings used in the monthly UC payment calculation. It affects UC claimants whose main source of income is from self-employment).

Table 2 - Top causes of overpayment in 2021/22 (see annex 2a)

Fraud & Error National Statistics	2021/22	2020/21
Earnings/Employment	4.1%	4.9%
Living Together	2.2%	2.0%
Failure to Provide Evidence/Engage	2.1%	1.4%
Capital	1.9%	2.5%

13. Earnings/Employment remained the largest source of Fraud in 2021/22. This mainly related to Self Employed Earnings (3.3%) and Self-Reported Earnings (0.3%) (employee earnings manually declared by the claimant). However, this is a reduction of 0.8% when compared to the 2020/21 statistics.
14. Failure to Provide Evidence/Engage is the third largest source of estimated fraud. These are cases where the claimant did not engage in the review process or failed to provide the required evidence after the review and there was no prior suspicion of fraudulent intent.

15. Capital was the fourth largest source of fraud but lower than 2020/21. This brought Capital fraud back to almost pre-pandemic levels (see annex 2b).

Pre and post Covid trends (see Annex 2c)

16. Claimants in the 'Post-COVID' group have much higher levels of overpayments (17.3%) than the 'pre-COVID' group (10.9%). However, this is lower than the 'height of Covid' group (26.6%). Soon they will replace the pre-COVID group as the dominant proportion of the caseload, which means they are the focus of our future planning. It remains key to understand what is driving the higher level of F&E in that 'post-COVID' group.

UC MVFE reduction plan and UC claim review (previously known as the Targeted Case Review)

17. Proposals have been developed with an aim to reduce the current levels of MVFE in UC to UC FBC levels by 2027/28 (6.5% MVFE). These proposals are a combination of activities already underway, and proposals funded through SR21 e.g. the MVFE reduction plan and the UC Claim Review.
18. The MVFE reduction plan is well underway with system improvements and digital developments already starting to be delivered, although it may take some time for the result to come through on the national statistics due to the period of sampling that informs the statistics. The UC claim review has completed its alpha and beta phases with continuous learning being central to the approach. It is very early days for the UC Claim Review but as of 4 July over 300 claims were reviewed and an incorrectness rate of 28% identified.
19. The successful completion of these initiatives will help achieve the levels of MVFE set out in the FBC (6.5%).

C: UC Labour Market Impacts

The FBC

20. The UC FBC stated, as one of its 5 key objectives:
 - **Delivering Full Employment** – UC 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.

Analysis undertaken and planned

21. As reported in the Spring 2022 update, baseline impacts for childless single JSA alike cases showed that these claimants are 2 pp more likely to be in employment 6 months following their claim than an equivalent group of JSA claimants.
22. JSA type lone parent claimants of Universal Credit are the next group to be looked at. 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.
23. 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.

Summary

DEL Efficiency

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- DEL Efficiency Dashboard updated with Winter 21 plans and volumes.

Fraud, Error and Overpayments

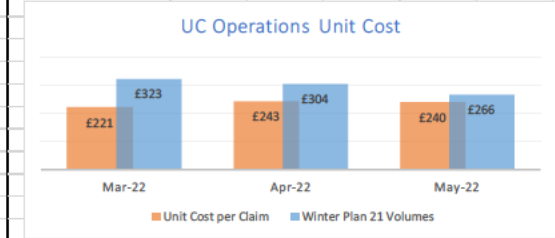
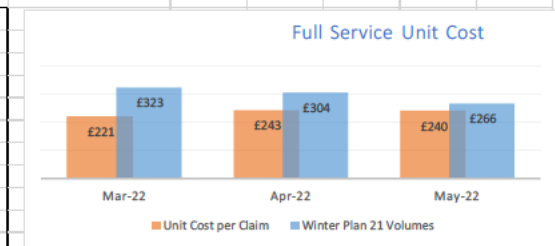
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Labour Market Impacts

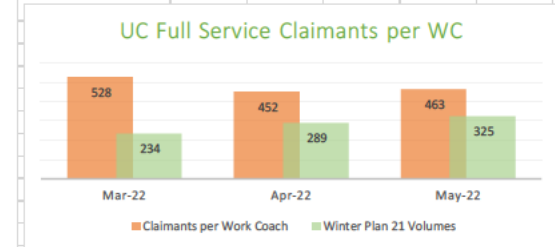
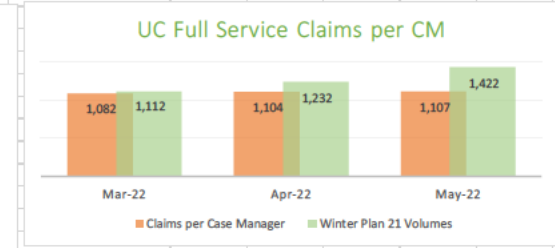
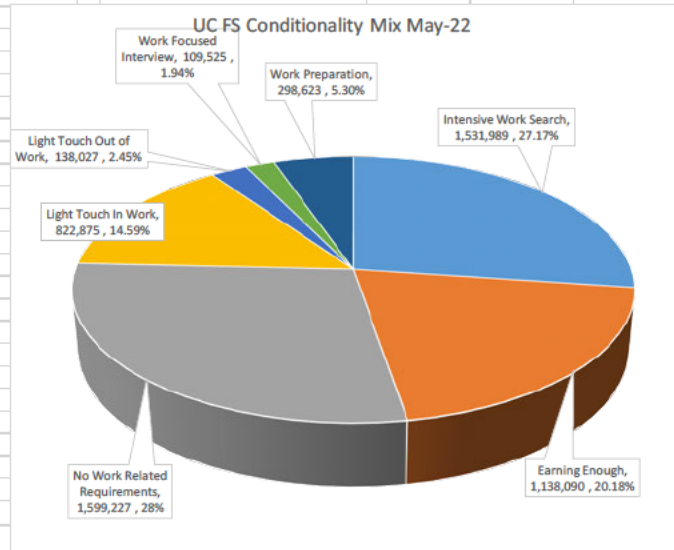
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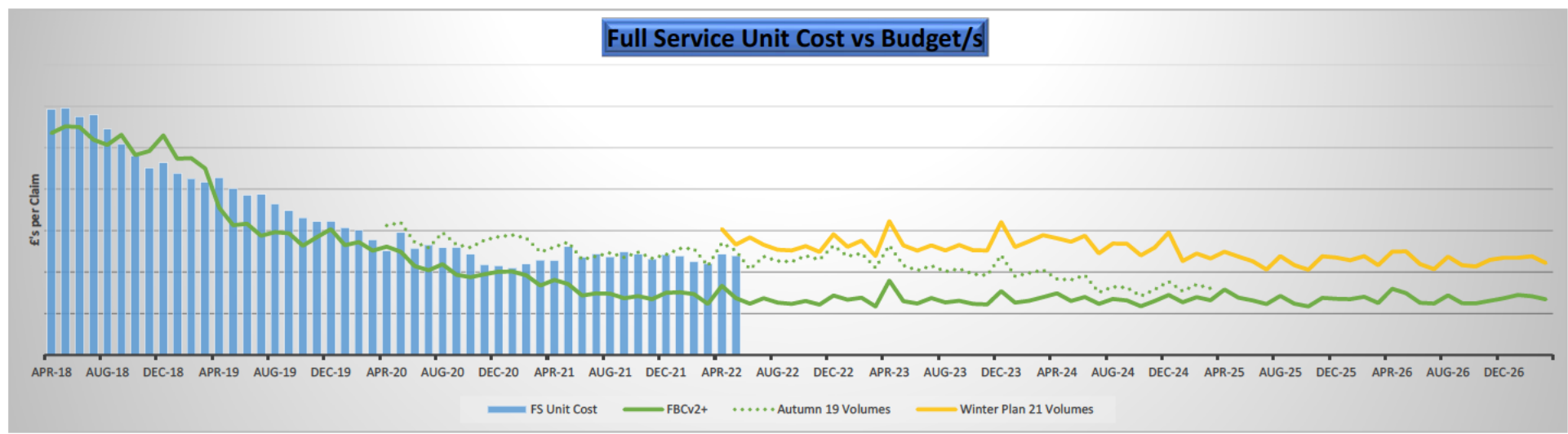
	Mar-22	Apr-22	May-22
Full Service Unit Cost			
Full Service Costs	£ 87,611,191	£ 96,322,123	£ 95,213,184
Full Service Claims	4,758,912	4,760,123	4,764,950
Unit Cost per Claim	£ 221	£ 243	£ 240
Winter Plan 21 Volumes	£ 323	£ 304	£ 266
Variance	31.6%	20.1%	9.9%
UC Operations Unit Cost			
Costs FS/LS	£ 87,611,191	£ 96,322,123	£ 95,213,184
FS/LS Claims Total	4,758,912	4,760,123	4,764,950
Unit Cost per Claim	£ 221	£ 243	£ 240
Winter Plan 21 Volumes	£ 323	£ 304	£ 266
Variance	31.6%	20.1%	9.9%
UC Other Operational Costs			
Actual Costs Other	£ 1,535,687	£ 1,473,953	£ 1,481,924
Winter Plan 21 Volumes	£ 1,597,043	£ 1,458,132	£ 1,524,783
Variance	3.84%	-1.09%	2.81%

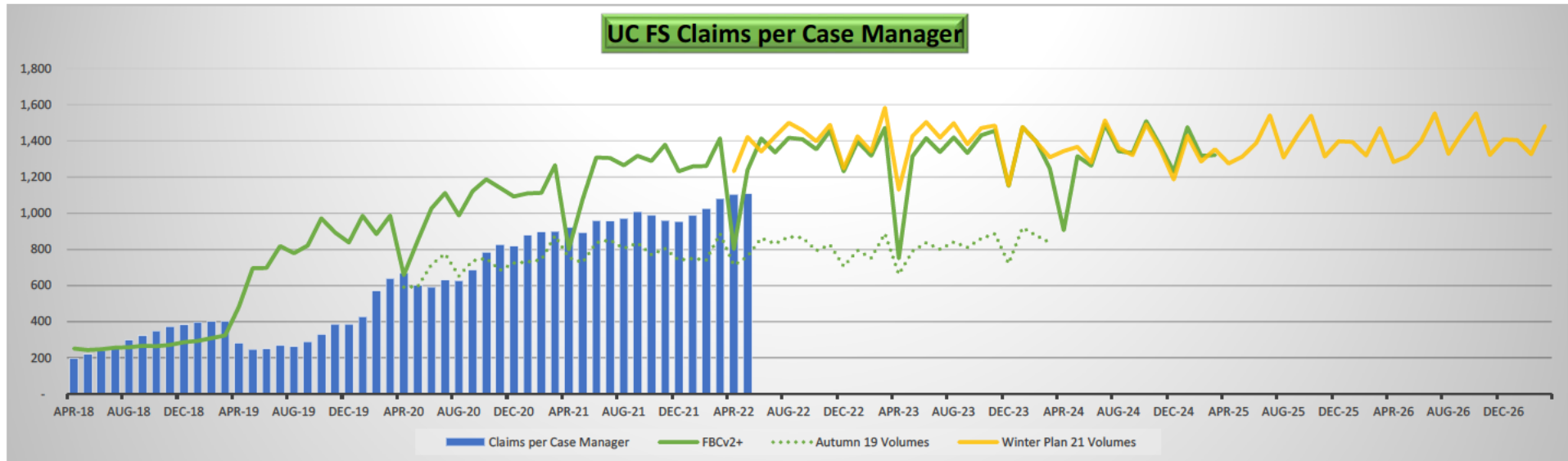
	Mar-22	Apr-22	May-22
UC Load (Claims)			
UC Full Service Load (Claims)	4,758,912	4,760,123	4,764,950
UC Live Service Load (Claims)	-	-	-
Total UC FS/LS Load (Claims)	4,758,912	4,760,123	4,764,950
Winter Plan 21 Volumes	4,528,362	4,463,572	4,500,520
Variance	-5.1%	-6.6%	-5.9%
UC Operations (FTE)			
UC Full Service (FTE)	25,894	28,070	27,395
UC Live Service (FTE)	-	-	-
Total UC Operations (FTE)	25,894	28,070	27,395
Winter Plan 21 Volumes	31,897	34,863	30,529
Variance	18.8%	19.5%	10.3%
UC Full Service Claims ratio			
UC Full Service New Claims (Inflow)	119,602	101,451	135,929
UC Full Service Load (Claims)	4,758,912	4,760,123	4,764,950
Total New FS Claims : Caseload	2.51%	2.13%	2.85%
Winter Plan 21 Volumes	4.62%	5.26%	5.47%
Variance	2.11%	3.13%	2.62%

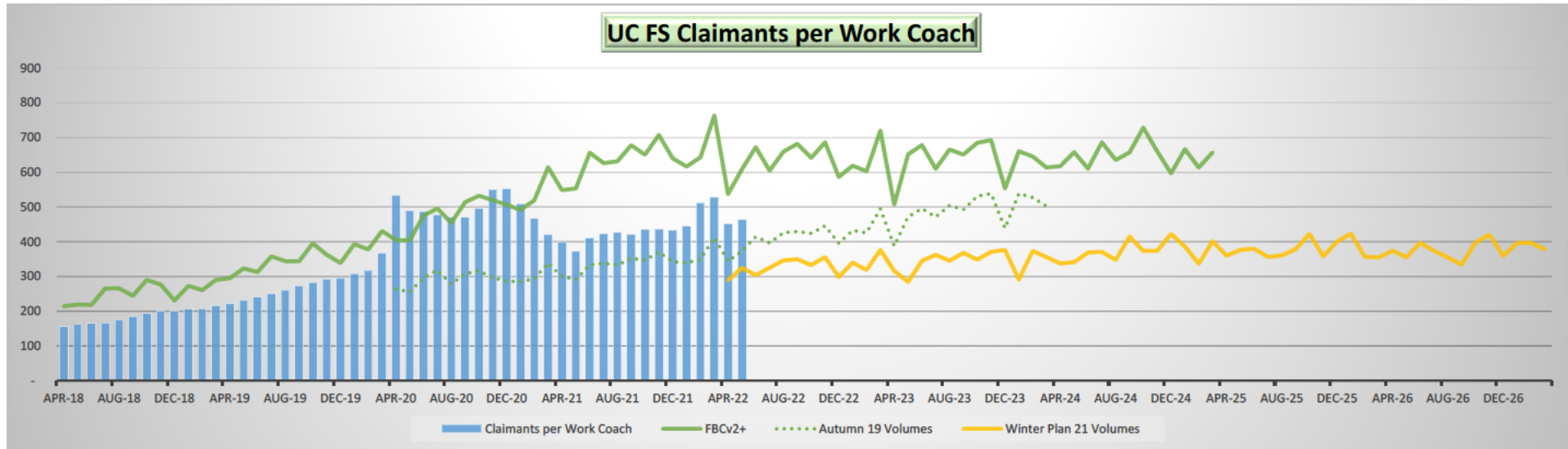


	Mar-22	Apr-22	May-22
UC Full Service Claims per CM			
Case Manager FTE	4,399	4,311	4,303
FS Claims Total	4,758,912	4,760,123	4,764,950
Claims per Case Manager	1,082	1,104	1,107
Winter Plan 21 Volumes	1,112	1,232	1,422
Variance	-2.8%	-11.5%	-28.4%
UC Full Service Claimants per WC			
Work Coach FTE	10,653	12,474	12,166
FS Claimants Total	5,629,309	5,632,243	5,638,408
Claimants per Work Coach	528	452	463
Winter Plan 21 Volumes	234	289	325
Variance	55.7%	36.0%	30.0%
UC FS Full Conditionality Claimants			
Work Coach FTE	10,653	12,474	12,166
Intensive Work Search Claimants	1,633,159	1,566,891	1,531,989
IWS Claimants per Work Coach	153	126	126
Winter Plan 21 Volumes	108	101	112
Variance	29.6%	19.6%	11.1%



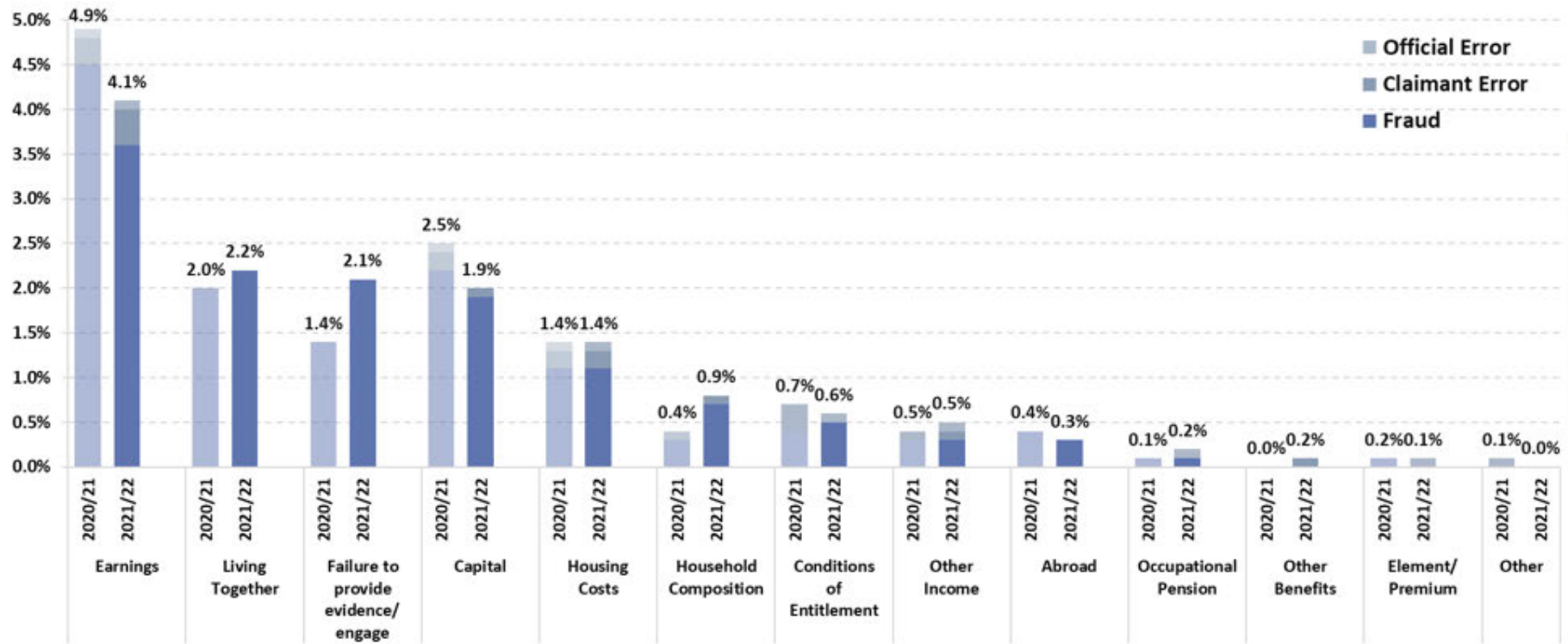






Universal Credit: 'Earnings' remained the top cause of overpayment in 2021/22

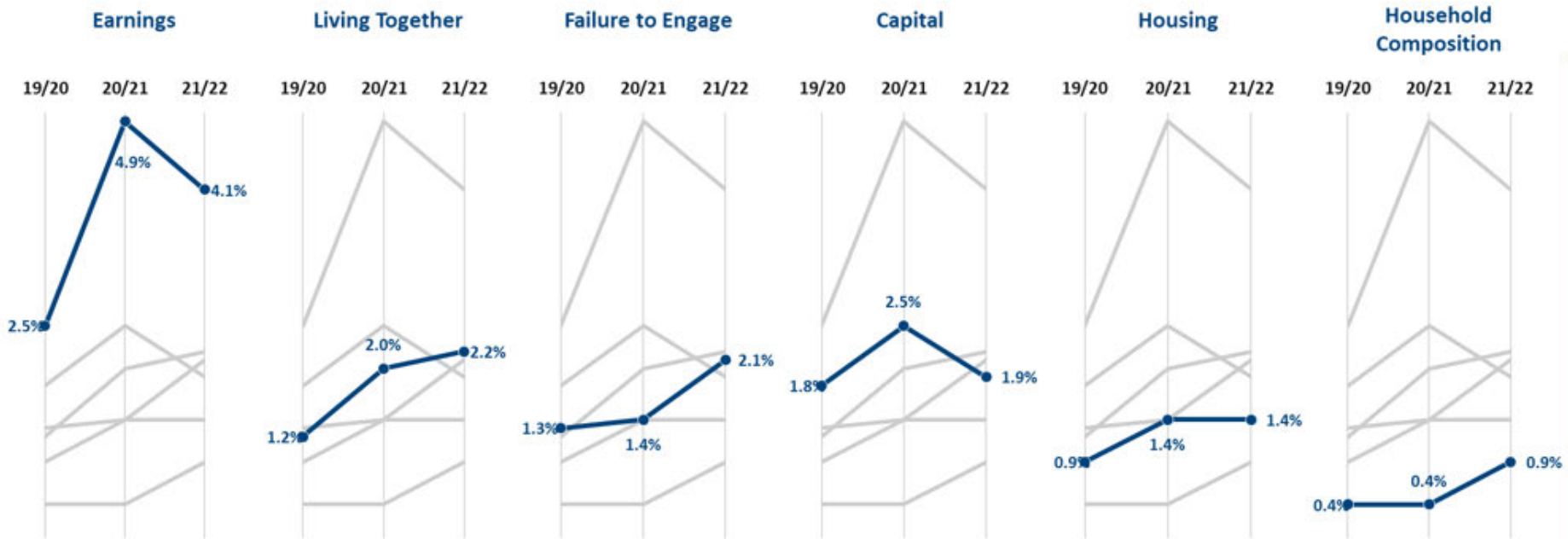
Overpaid UC by cause of loss and error type 2020/21 vs 2021/22



'Capital' dropped to almost pre-pandemic levels

'Failure to Engage', 'Living Together' and 'Household Composition' all saw increases compared to last year's rates.

The six biggest reasons for Universal Credit Overpayments, 2019/20 to 2021/22



UC claims that started after the height of Covid had an increasing rate of overpayment, higher than the pre-Covid cohort

Rate of overpayments in UC within each COVID cohort 2020/21 vs 2021/22

