

UC Finance Update

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Board/Authority/Group: UC Programme Board

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For Discussion and Information

UCPB160523 – Paper No. 3

OFFICIAL SENSITIVE

High Level Management Summary

a. Problem context and statement:

To update the Board on the programmes latest financial position.

b. Has a previous decision been made? Why do you want to change it?:

Paper includes a correction to Whole Life Costs reported in April.

c. Potential solution options:

d. Design considerations: including impact on the Operating Model, Cost Model, Change Impacting, etc

e. Financial and commercial issues:

f. Legal issues:

g. Policy impact:

h. Communications implications:

i. Delivery partner/employer implications:

j. Performance metric/MI implications:

k. Assumptions to validate:

l. Transformative/people/behavioural implications:

m. Consultation with other relevant Stakeholders:

Ongoing dialogue with strand directors, partners (HMRC & LA-PED) and HMT.

n. Proposed next steps:

Main Objective

To update and discuss: The programmes latest financial position, incorporating:

- 2022/23 final position
- 2023 Allocations and Forecast
- Risks and Opportunities to be monitored in 2023/24
- Recruitment within the forecast
- Movement in Whole Life Costs

2022/23 and 23/24 Financial Position

2022/23 final outturn

We advised the Board in March that the programme were on track to land their forecast within the 1% target set by DWP. The final Programme spend for 22/23 was £128.57m against the budget of £128.72m, which equates to a 0.8% variance.

2023/24 P1 Forecast v Allocation.

The programme received an initial core allocation of £304.1m.

£22.6m was transferred to HMRC as part of the Main Estimate. This covers 95% of HMRC forecast requirements. We will work with HMRC to monitored expenditure and outstanding payments or recoveries will be actioned as part of the Supplementary Estimate.

The remaining allocation includes additional TCR funding of £62m agreed by HMT in the Autumn Statement.

The P1 forecast is slightly lower than the current budget with a net underspend of £3.2m. Due primarily, to a reduction in Local Authority Exits of £4m.

(£m)	Del P	CDEL	Dep'n	Total
Budget	£ 243.2	£ 21.5	£ 16.9	£ 281.5
Forecast	£ 237.2	£ 24.3	£ 16.9	£ 278.4
Variance	£ 6.0	£ (2.8)	£ 0.0	£ 3.2

	£m		£m		£m	
Row Labels	Budget		Forecast		Variance	
TCR	£	130.2	£	130.2	£	(0.0)
Digital Workforce	£	30.6	£	27.8	£	2.8
Help to Claim	£	22.2	£	22.2	£	-
Digital Capitalised Staff	£	21.5	£	24.3	£	(2.8)
Depreciation	£	16.9	£	16.9	£	0.0
UC Migration	£	16.9	£	16.9	£	(0.0)
Workforce	£	14.5	£	14.3	£	0.2
Marketing	£	10.0	£	10.0	£	-
Digital Investment	£	6.1	£	6.1	£	0.0
Digital Recurrent	£	3.9	£	3.9	£	0.0
Recharges	£	3.7	£	3.7	£	0.1
Centrally Held	£	2.9	£	-	£	2.9
Jobcentres Of the Future	£	1.9	£	1.9	£	(0.0)
Other Costs	£	0.4	£	0.4	£	(0.0)
Grand Total	£	281.5	£	278.4	£	3.2

Risks and Opportunities to be monitored in 2023/24

Risks (Most Likely value)	2023-24 (£m)	2024-25 (£m)
DWP reduced HMRC DEL P funding by £1.2m at Main Estimate (5% efficiency)	1.200	
Total Risks	1.200	0.000
Opportunities (Most Likely value)	2023-24 (£m)	2024-25 (£m)
Current Move to UC marketing budget allocated £10m, early indications are that the forecast may reduce to £5m	(5.000)	
Total Opportunities	(5.000)	0.000
Net Risks / (Opportunities)	(3.800)	0.000

DWP have withheld 5% of HMRC requirements until supplementary estimate. Historically, forecasts have reduced in year and this has never been required. The Programme have removed this from the current forecast and hold is as a risk.

Within the current forecast we have a £10m provision for Marketing. There is a likelihood that this provision can be reduced to £5m in future months and as a result this is reported as an opportunity against current forecast.

Recruitment within the forecast.

Planned TCR Recruitment	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Cost (£m)
FTE	439	682	896	1,114	1,314	1,629	1,942	2,244	2,487	2,724	2,960	
Cost (£k)	1.5	2.4	3.1	3.8	4.5	5.5	6.5	7.5	8.3	9.0	9.8	61.8

Planned MtUC Recruitment	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Cost (£m)
FTE	49	112	106	183	290	366	462	719	658	828	902	
Cost (£k)	0.1	0.3	0.3	0.5	0.8	1.0	1.3	2.0	1.9	2.3	2.6	13.2

Planned Digital Recruitment	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Cost (£m)
Move to UC FTE	-	-	-	-	9	9	9	9	9	9	9	
Product Development FTE	12	34	43	51	67	73	75	75	76	76	76	
Move to UC - Cost (£k)	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.8
Product Development - Cost (£k)	0.1	0.3	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	5.4
												5.4

Planned Recruitment	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Cost (£m)
FTE	500	828	1,045	1,348	1,670	2,068	2,479	3,039	3,221	3,628	3,939	
Cost (£k)	1.8	3.0	3.8	4.8	5.8	7.1	8.4	10.1	10.7	12.0	13.0	80.5

Within the 2023 forecast, there is currently £81m of recruitment.

TCR, Move to UC and Digital recruitment is detailed above and will be monitored closely as we progress through the year. TCR and Move to UC required Capacity Board approval and this has now been granted.

Whole Life Cost Movement and Reporting Error.

On 21st March, the Board were presented and approved Winter 22 volume refresh, incorporating the Autumn statement update which include moving 500K ESA cases to 2027/28, AET increase to 15 hours and the revised migration model forecast. The running costs at this time were based on Operational Demand models. The impact was a reduction in Whole Life Costs of £135m when compared to the FBC as detailed in the table below.

	Total Costs £m							FBC	Whole Life Movement
	Pre	22/23	23/24	24/25	25/26	26/27	Total		
Programme Mgt	1,841	117	257	444	92	55	2,807	2,554	(253)
Move to UC	152	7	27	63	1	0	251	443	192
Investment	1,993	124	285	508	93	55	3,057	2,997	(61)
Running Costs	5,536	1,288	1,545	1,832	2,062	2,110	14,373	14,308	(65)
Savings	(5,139)	(1,637)	(1,994)	(2,531)	(2,749)	(2,794)	(16,845)	(16,588)	257
Depreciation	307	18	19	22	25	24	416	419	3
Total	2,696	(208)	(144)	(169)	(569)	(605)	1,001	1,135	135

18th April Running Costs Error

The below the line paper and Programme Director update presented to the Board on the 18th April replaced operational demand running costs with the latest supply position. The result was a further reduction in Whole Life Costs of £202m, and a reported variance of **£337m** compared to FBC.

Further work has now been completed with Operational Finance colleagues to understand the variance. We have now established the Operational forecast was understated as it only included recruitment approved for Quarter 1.

Q2 to Q4 recruitment was then omitted from the forecast resulting in the additional variance reported. This has now been addressed and the following slide includes recruitment in all four quarters.

P1 – Whole Life Costs

	Total Costs £m								Whole Life Movement
	Pre	22/23	23/24	24/25	25/26	26/27	Total	FBC	
Programme Mgt	1,841	117	249	434	89	51	2,782	2,554	(228)
Move to UC	152	7	27	77	1	0	264	443	179
Investment	1,993	124	276	511	90	51	3,046	2,997	(49)
Running Costs	5,536	1,288	1,420	1,827	2,040	2,074	14,186	14,308	122
Savings	(5,141)	(1,637)	(1,969)	(2,524)	(2,716)	(2,741)	(16,728)	(16,588)	140
Depreciation	307	17	20	22	25	24	416	419	3
Total	2,695	(208)	(254)	(163)	(561)	(591)	919	1,135	217

The revised Whole Life Costs above show the P1 position, including Operational supply plus recruitment plans for the full year. This is a £217m improvement against the FBC.

Summary

- This paper has been brought to this meeting because:

Please indicate whether

You require a decision to be made
You need to generate a discussion about a particular issue, with options/recommendations
You are providing information only
or as a below the line paper

Decision	Approved
UCPB are asked to note the latest financial position of the programme and the correction to Whole Life Costs reported in April.	