

Supplementary forecast information release

Universal credit (UC) caseload forecasts

The OBR is releasing the information below following a request for further detail underlying the March 2016 *Economic and fiscal outlook (EFO)*. We will, as far as possible, meet ongoing requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.

We have been asked to provide details of the caseload forecasts underpinning the estimates in Table 4.25 in our March 2016 *EFO* which showed the proportion of the legacy benefit caseload that would be on UC in given years of the forecast. Table 1 recreates the relevant section of Table 4.25. The categories in the table are considered in order, which means that households receiving two or more benefits are included under the category that appears first in the table.

Table 1: Legacy benefit profile assumptions in the UC marginal costs forecast

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|----------------------------------|---|---------|---------|---------|---------|
| | Proportion of caseload on UC (per cent) | | | | |
| Jobseeker's allowance | 32 | 61 | 90 | 99 | 100 |
| Employment and support allowance | 2 | 15 | 39 | 66 | 89 |
| Income support (non-incapacity) | 4 | 28 | 61 | 82 | 93 |
| Tax credits | 1 | 16 | 44 | 66 | 80 |
| Housing benefit | 7 | 28 | 65 | 88 | 99 |
| All | 5 | 21 | 50 | 72 | 87 |

There are three stages in producing these caseload forecasts:

- **generate household legacy benefit caseload estimates.** These are derived from DWP's integrated forecasting model (INFORM), based on merged DWP and HMRC administrative data to identify the combination of welfare payments received in each household. INFORM is then used to project household flows onto, between, and off different benefits, using transition probabilities based on trends in historical data;
- for each year, **align these estimates to the legacy benefit caseloads** derived from individual forecast models, which underpin our legacy benefit expenditure forecasts; then
- apply the transition and migration rules to the monthly profiles to **estimate the build-up of UC cases and the run-down of those on legacy benefits.**

Table 2 shows the number of households forecast to be on UC in each year, broken down by entitlement to the legacy benefits that it replaces, consistent with the assumptions and methodology that underpinned our March 2016 forecast.

In reaching the total UC caseload it also shows the number of households in the forecast that will:

- no longer be entitled to benefit payments under UC;
- receive a payment under UC in relation to a benefit that they are currently entitled to under the legacy benefits system, but do not claim; and
- be newly entitled to UC, but would not be entitled to an existing legacy benefit.

Table 2: Breakdown of universal credit caseload forecast

| | Number of households in Great Britain ('000s) | | | | |
|--|---|--------------|--------------|--------------|--------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Breakdown of legacy caseload potentially entitled to universal credit¹ | | | | | |
| Jobseeker's allowance | 220 | 420 | 620 | 680 | 700 |
| Employment support allowance | 30 | 300 | 810 | 1,360 | 1,840 |
| Income support (non-incapacity) | 20 | 150 | 310 | 420 | 480 |
| Tax credits | 40 | 550 | 1,550 | 2,310 | 2,800 |
| Housing benefit | 30 | 140 | 320 | 440 | 500 |
| Total potentially entitled to universal credit² | 350 | 1,560 | 3,620 | 5,210 | 6,300 |
| - Lose entitlement under universal credit | -10 | -140 | -390 | -570 | -690 |
| = Legacy caseload on universal credit | 340 | 1,420 | 3,230 | 4,640 | 5,610 |
| + Currently entitled to legacy benefits but not claiming | 0 | 10 | 20 | 50 | 70 |
| + Newly entitled under universal credit | 0 | 30 | 120 | 170 | 200 |
| = Universal credit caseload | 340 | 1,460 | 3,380 | 4,850 | 5,880 |

¹ Caseloads are broken down in a hierarchy, from top to bottom, so a household who receive both JSA and HB will appear under JSA.

² Excludes households who are newly entitled to universal credit and includes those who lose entitlement under universal credit.

The information in Tables 1 and 2 can be considered together. For example, they show that the total number of tax credits households (defined in this hierarchical way) that will ultimately be on UC is roughly 3.5 million. By 2020-21, 80 per cent of the total tax credit caseload will be on UC. Some of those households will no longer be entitled to any payments under UC.

These estimates are based on the Budget Responsibility Committee's assumptions and will differ from some estimates provided by the Department for Work and Pensions. The two key differences are:

- these caseload estimates are calculated on a static basis – we have not adjusted our forecasts for possible behavioural responses to UC; and
- we currently expect natural migration onto UC to progress in accordance with DWP's plans, but managed migration to start six months later than those plans. As described in successive *EFOs*, we have pushed our UC rollout assumption back on a number of occasions and it remains subject to uncertainty.