

# UKMOD Change Log

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## Summary of changes between B2025.01 and B2025.03

Date: 29 March 2025

This document provides a summary of the changes implemented since the preceding public release of UKMOD. For further technical detail, please consult the Excel log file reported in the 'Log' directory of the model.

### Spring Statement

UKMOD has been amended in the following ways to reflect policy changes announced in the Government's Spring Statement:

- Universal Credit Health Element: Maintain at 2025-26 rate until 2029-30
  - The Universal Credit limited capability for work and work-related activity element (\$UCLCWRAG) has been frozen from 2026/27 to 2029/30.
- Universal Credit Health Element: Reduce rate by 50% for new claimants from April 2026 and maintain until 2029/30.
  - New model parameters (\$UCLCWNewClaimShare and \$UCLCWNewClaimFactor) have been introduced that project the proportion of claimants for UC limited capability for work and work-related activity identified in input data that will be treated as new claimants and subject to the 50% reduction under the announced change.
  - The new factor \$UCLCWNewClaimShare has been adjusted to match budget projections concerning the effects of the reform on Annually Managed Expenditure.<sup>1</sup>
- Universal Credit Standard Allowance: Increase above inflation for all claimants from April 2026, reaching CPI +5% from April 2029, with the standard allowance expected to be worth £106 per week in 2029-30
  - Uprate all standard allowances for Universal Credit by September CPI plus 1.2%
- Personal Independence Payment (PIP):
  - Change the PIP assessment so claimants must score four points in any one activity from 2026-27
  - Increase capacity for processing award reviews from April 2026

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<sup>1</sup> Net increase to the public purse, worth £75m (2026), £1535m (2027), £2295m (2028), £3005m (2029). Process considered for the adjustment is described in the technical appendix.

- A new function (13.8) has been introduced that projects the proportion of claimants for PIP identified in input data (bdimbwa, bdiscwa) that will be excluded from the benefit under the announced change.
  - The new function has been adjusted to match projected effects on Annually Managed Expenditure reported in the budget.<sup>2</sup>
- Measures not reflected by model adjustments:
  - Work Capability Assessment: Do not proceed with Autumn Statement 2023 descriptor reforms
  - Work Capability Assessment: Restart reassessments from April 2026
  - Welfare Fraud and Error: Increase preventative checks in Universal Credit from 2025-26
  - Welfare Fraud and Error: Recruit over 500 new counter fraud and error staff from April 2025
  - Tax Debt Collection: Invest in additional HMRC debt management capacity to increase collection of overdue tax debt
  - Tax Debt Collection: Invest in 600 additional HMRC debt management staff to increase collection of overdue tax debt
  - Tax Collection: Invest in 500 additional HMRC compliance staff to increase collection of tax due
  - Late Payment Penalties: Increase late payment penalties for VAT taxpayers and income tax Self Assessment taxpayers as they join Making Tax Digital from April 2025
  - Making Tax Digital for Income Tax Self Assessment: Expand rollout to those with incomes over £20,000 from 6 April 2028, and further detailed changes
  - Council Tax: Increase flexibility for fire and police precepts to £5 and £14 for 2025-26 from April 2025
  - High Income Child Benefit Charge (HICBC): Allow employed individuals to pay their HICBC liability through PAYE without the need to register for Self Assessment from Summer 2025

## System Updates

- All uprating indices updated to reflect most recently published data, including information published by the Office for Budget Responsibility with the March *Fiscal Outlook*.
- Local Housing Allowance rates updated for 2025/26 published data.

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<sup>2</sup> Net increase to the public purse, worth £220m (2026), £1845m (2027), £3520m (2028), £4715m (2029). Process considered for the adjustment is described in the technical appendix.

- Include Scottish Child Payment in the list of passport benefits for receipt of Free School Meals by children in P6 and P7 (aged 10 to 11).

## Data Revisions

- training\_data.txt updated to include consumption variables.

## Code Corrections and Amendments

- Updated Statistics Presenter templates so that they can be used with data prior to 2018.
- TCO add-on amended to comply with changes to EUROMOD software.

# Technical Appendix

## Reduced Rates to New Claimants of Universal Credit Health Element

Universal Credit Health Element (UCHE): Maintain at 2025-26 rate until 2029-30, reduce rate by 50% for new claimants from April 2026 and maintain until 2029-30.

### Model adjustments

The reform is comprised of two parts. The first is to freeze the UCHE payment rate from 2025/26 to 2029/30. This is done by fixing the value of parameter \$UCLCWRAG between the 2025 and 2029 systems.

The second part of the reform involves identifying new claimants in forward projections. This is complicated by the fact that the input data do not indicate how long survey respondents to the Family Resources Survey have been in receipt of alternative benefits. The reform is implemented by assuming proportions of the observed sample of individuals in receipt of the UC Limited Capability for Work and Work-Related Activity amount, via the new model parameter \$UCLCWNewClaimShare.

The year-specific values of \$UCLCWNewClaimShare were adjusted to match the model to the reported “Exchequer impact” of the reform. This was done via the following process:

- 1) All model parameters were updated to reflect the most recent publicly available data, including statistics reported by the OBR in the March *Fiscal Outlook*
  - a. \$UCLCWRAG was projected to grow with the September CPI in line with historical variation.
  - b. \$UCLCWNewClaimShare was set to zero.
- 2) The model was run for systems UK\_2026 to UK\_2029, and results from each simulation saved (data 2022\_a1).
- 3) Parameter \$UCLCWRAG was frozen from 2026 to 2029, and the model re-run.
- 4) Budget effects were identified from simulations undertaken in steps (3) and (2) and compared against Government projections for the reform as discussed above.
- 5) Year specific values for parameter \$UCLCWNewClaimShare were adjusted and the model re-run until the budget effects relative to simulation in step (2) were within £5m of government projections for the reform.

## Reforms to PIP Assessment

Two reforms were announced to the way that Personal Independence Payments will be assessed from 2026/27:

- claimants must score four points in any one activity
- increase capacity for processing award reviews

The influence of these reforms on the incidence of PIP payments will not be described by the Family Resources Survey until observations for 2026 are reported. The model has consequently been amended to impute the impact of the reform for survey data observed prior to 2026. This has been done by adding a new policy (`bdi_uk`) for adjusting input data describing disability related benefits.

A new variable (`receive_pip_s`) has been added to identify people who are assumed to receive PIP. This variable is defined so that individuals deemed to be in receipt of standard rates for PIP are subject to exogenously assumed probabilities (`$PIPExclude`) of not receiving the benefit following the reform. Probabilities of not receiving PIP are halved for individuals in receipt of higher or enhanced rates of PIP.

Year specific values for `$PIPExclude` were adjusted to match the model to the reported “Exchequer impact” of the two reforms noted above. This was achieved via the following process:

- 1) All model parameters were updated to reflect the most recent publicly available data, including statistics reported by the OBR in the March *Fiscal Outlook*
- 2) Reforms to UC as outlined in the preceding section were implemented
- 3) `$PIPExclude` was set to zero for all years.
- 4) The model was run for systems UK\_2026 to UK\_2029, and results from each simulation saved (`data 2022_a1`).
- 5) Year specific values for `$PIPExclude` were adjusted, and the model re-run until the budget effects relative to simulation in step (4) were within £5m of government projections for the reforms.