

# UKMOD Change Log

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

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.

## Correction

This patch release corrects three issues associated with B2025.03:

- Limits Personal Independence Payment (PIP) assessment so claimants must score four points in any one activity from 2026-27 to the living component only (exclude the mobility component)
- Limits the reforms to PIP to residents outside of Scotland
  - Residents in Scotland will be subject to the Adult Disability Payment from 2026/27, which is not affected by reforms set out in the Spring Statement
- Amends the process used to calibrate model parameters to reflect reforms to Universal Credit and PIP as described at length in the technical appendix.

## 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
    - A new function (13.8) has been introduced that projects the proportion of claimants for PIP identified in input data (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

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<sup>1</sup> Net increase to the public purse, worth £750m (2026), £1535m (2027), £2295m (2028), £3005m (2029). Process considered for the adjustment is described in the technical appendix.

<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.

- 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.
- 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

## Reforms to 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.

\$UCLCWNewClaimShare was adjusted to match the model to the reported “Exchequer impact” of the reform. A complication of this adjustment is that the cost base for the “exchequer impact” of the reform is given as the forecast reported by the Office for Budget Responsibility at Spring Statement 2025. This indicates a sharp increase in the number of recipients of UCHE over the forecast time horizon (e.g. <https://obr.uk/wtr/welfare-trends-report-october-2024/> chart 1), which will work to exaggerate the impact of the reform through time.

UKMOD is not designed to reflect the impact of temporal variation of the model’s input data. Analysis consequently focussed on identifying a “per year new claimant” share. Specifically, the value of parameter \$UCLCWNewClaimShare for 2026/27 was adjusted to match model projections for the cost of Universal Credit to the Government’s projected exchequer impact of the reform (including associated impact on the remainder of the benefits system, mostly associated with the benefit cap). 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 system UK\_2026 on UK\_2022\_a1.txt input data, and results were saved.

- 3) Parameter \$UCLCWRAG was frozen from 2026 to 2029, and the model re-run for system UK\_2026 on UK\_2022\_a1.txt input data.
- 4) Budget effects for Universal Credit were identified from simulations undertaken in steps (3) and (2) and compared against Government projections for exchequer effects of the reform in 2026, as discussed above.
- 5) \$UCLCWNNewClaimShare in 2026 was adjusted, up if the simulated budget effects on UC understated the government projections and up otherwise, and the model re-run until the budget effects relative to simulation in step (2) were within £5m of government projections for the reform.
- 6) \$UCLCWNNewClaimShare values for 2027 to 2029 were projected forward on the assumption that each successive year resulted in the same increase in the parameter as between system years 2025 and 2026.

The exchequer effect of the reform for 2026/27 reported by the government is £750m. It should be possible to replicate this figure via the following process:

- 1) Run the model as supplied by default, system UK\_2026 with input data UK\_2022\_a1.txt.
- 2) Edit the file name of the simulated output data generated by (1).
- 3) Un-freeze the parameter \$UCLCWRAG by setting parameter 4.17.27 to value 438.88#m in system year UK\_2026
- 4) Omit new claims for UC by setting parameter 4.17.29 to 0.
- 5) Save the model and re-run as under (1)
- 6) Use the Statistics Presenter Baseline/Reform template to check the effects of differences between simulations (1) and (5) defined here.

## Reforms to PIP Assessment

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

- Claimants for the living component of PIP 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. Furthermore, probabilities of not receiving PIP are set to zero for Scottish residents, who are scheduled to be subject to the Adult Disability Payment from 2026/27 (which is not affected by the current reform).

A similar procedure was used to parameterise the model to reflect the reform to PIP as set out above for UCHE. Specifically, Government projections for exchequer effects of the PIP reforms consider a cost base that reflects “current and forecasted PIP cases and those of passported benefits like Carer’s Allowance and Universal Credit Carer’s Element”. Current caseloads can be taken from the contemporary data and forecasted caseloads are provided in various government reports. The forecasts indicate sharp increases anticipated for caseloads of PIP.<sup>3</sup>

The fact that the reforms are scheduled for introduction in 2026/27 rather than over a longer phase-in period suggests that the steep inclines in projected budget savings with time reported in the Spring Statement are driven by forecasted growth in caseloads. The forecasted increases in PIP caseloads are not reflected by contemporary data. This focusses interest in the short-term impact projected for the reform. For PIP, the model is consequently matched to the projected budgetary impact of the considered reforms in 2026/27, and held fixed thereafter. We also ignore the costing implications of the reforms to PIP for passport (carer) benefits, due to missing links in the input data.

The value for \$PIPExclude in 2026/27 was adjusted to match the model to the reported exchequer impact of the two reforms noted above 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 system UK\_2026 using input data UK\_2022\_a1.txt and results saved under an alternative name.
- 5) The value for \$PIPExclude in system UK\_2026 was 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.

The exchequer effect of the reform for 2026/27 reported by the government is £220m. It should be possible to replicate this figure via the following process:

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<sup>3</sup> [https://www.gov.uk/government/consultations/modernising-support-for-independent-living-the-health-and-disability-green-paper/evidence-pack-modernising-support-for-independent-living-the-health-and-disability-green-paper#:~:text=and%20caseload%20tables,Since%20PIP%20was%20introduced%20in%202013%2C%20the%20number%20of%20people,DLA%20\(of%20all%20ages\)](https://www.gov.uk/government/consultations/modernising-support-for-independent-living-the-health-and-disability-green-paper/evidence-pack-modernising-support-for-independent-living-the-health-and-disability-green-paper#:~:text=and%20caseload%20tables,Since%20PIP%20was%20introduced%20in%202013%2C%20the%20number%20of%20people,DLA%20(of%20all%20ages))

- 1) Run the model as supplied by default, system UK\_2026 with input data UK\_2022\_a1.txt.
- 2) Edit the file name of the simulated output data generated by (1).
- 3) Set parameter \$PIPEXclude (13.8.1) to 0 in UK\_2026.
- 4) Save the model and re-run as under (1)
- 5) Use the Statistics Presenter Baseline/Reform template to check the effects of differences between simulations (1) and (4) defined here.