



## Getting welfare right: Tackling error in the benefits system

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## Ministerial foreword

This strategy will build upon our principles for reform of the welfare system; our approach is based on rights and responsibilities – providing the individual with the support they need to fulfill their potential.

To do this we must work in partnership. Central and local government must make every effort to pay the right amount of benefit to the right person at the right time – every time. Our customers must make every effort to report changes in their circumstances, as they occur, to help us keep their benefit claim correct.

Our customers rightly expect to be paid the correct amount of money when they claim benefit. And taxpayers expect central and local government to ensure that all entitlements are paid as efficiently as possible.

When this Government came into office, loss due to fraud was twice as high as loss due to error. Since then, we are proud to have cut benefit fraud significantly. But we need to do much more. We now need to apply the same drive, determination and focus to reducing official and customer error.

The benefits system has evolved over decades, and we know that this means that it can be complex, making it difficult for customers and staff to understand. Tackling this complexity is a key element of our strategy to reduce error.

We will stop new errors from entering the system through better benefit design and simpler business processes. We will increase the use of data available from sources outside the Department, comparing our data to help identify where errors might occur.

We will make sure that customers know what changes they are responsible for telling us about while fulfilling our responsibility to make those changes easy to report.

Our strategy is ambitious. It has the support of our most valuable asset – our staff. They deliver our core business, day in, day out, to over 30 million customers each year. Their suggestions are reflected in our strategy, which is based on greater **prevention, compliance and correction**. I am very grateful to all those who have taken the time and effort to contribute to the strategy's development.

We are determined to reduce both official and customer error and, with the ongoing commitment of all staff alongside a simplified benefits system supported by improved IT, we are confident our strategy to 2012 will deliver results.



A handwritten signature in black ink, appearing to read 'James Plaskitt'.

**James Plaskitt MP**  
Parliamentary Under Secretary of State  
Department for Work and Pensions

# Executive summary

## Introduction

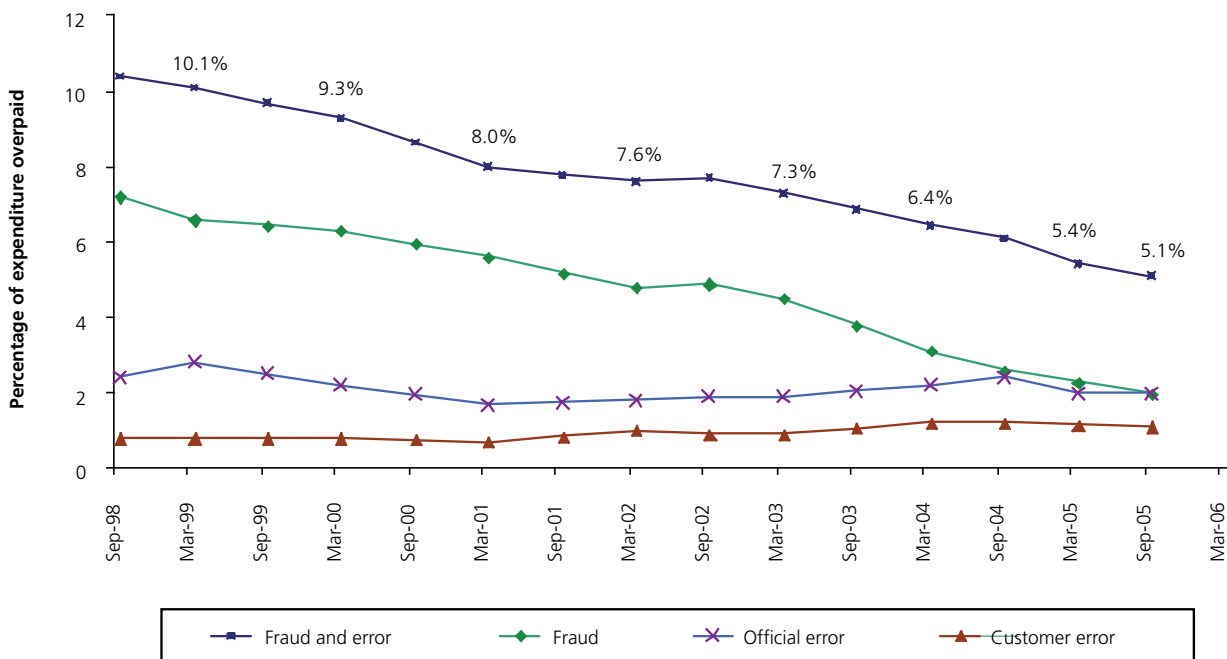
1. The Government is committed to protecting the integrity of the benefits system. In 1997, the Government's first priority was to reduce benefit fraud. Since then, we have made great strides in tackling fraud. It is now at an all-time low (see Figure 1).

2. In July 2006, in a major international study,<sup>1</sup> the National Audit Office found that the Department's levels of fraud and error were comparable with those of other countries, and reported that the UK is at the forefront of comparable countries in measuring losses from fraud and error. The study found that the Department also stands out in developing a comprehensive range of actions designed to tackle fraud and error.

3. One key strand of this work is to both simplify and improve the delivery of services to our customers. For example:

- In Jobcentre Plus, in many cases customers are no longer required to complete complex forms when making a claim to benefit. Instead, their details are now taken over the telephone and they are then invited to meet with a personal adviser to discuss, where appropriate, options for returning to work.
- The Pension Service has simplified the new claims process for customers of Pension Credit. Customers can now choose between telephoning The Pension Service; completing a short paper claim form; or, in certain circumstances, arranging a visit to their home by a member of staff.

Figure 1: Fraud and error in Income Support and Jobseeker's Allowance, 1997–2005



Source: Departmental statistics (Office for National Statistics) from Regional Benefit Reviews, 1997–2005.

<sup>1</sup> Comptroller and Auditor General, National Audit Office, 2006, *International benchmark of fraud and error in social security systems* (HC 1387), 20 July.

- The Disability and Carers Service is raising the skill levels of its decision makers to a level accredited by an external academic body.

## Our challenge

4. But, despite these and many other efforts, we have not yet achieved the same degree of success in reducing levels of error as we have in reducing fraud. Too many customers receive incorrect benefit payments – either too little or too much money – often causing unnecessary hardship and distress. This means we are not delivering the best possible service to our customers, nor are we completely fulfilling our duty to protect the public purse.

5. In 2005/06, an estimated £1.9 billion was overpaid as a result of error in the benefits system, equivalent to 1.7 per cent of total benefit expenditure.<sup>2</sup> We recognise that we need a new strategy for improving the correctness of benefit payments. We want to ensure we **get welfare right** every time we make a payment to our customers. If we can achieve this, we will achieve our aim of reducing the overall monetary value of error in the benefits system.

6. This strategy makes a significant contribution to the Department's existing public fraud and error target and future targets to 2012.

## Our strategic direction

7. Organisations that have low rates of error are generally excellent at managing and delivering quality in everything they do. We aspire to be such an organisation. Our strategy for tackling error means that we must move further to become an organisation driven by quality – constantly looking at ways of improving our efficiency and effectiveness – in the delivery of benefits and services to our customers.

## Our aim

8. Our strategic aim in this respect is clear: to pay the correct amount of benefit to all our customers every time. Building on our experience of successfully tackling fraud, our strategy for reducing error is based on:

- **prevention** – preventing new error from getting into the system;
- **compliance** – reminding both our customers and staff of their responsibilities; and
- **correction** – identifying and correcting error already in the system.

## Official error

9. For errors we generate (which are termed 'official error'), we aim to prevent **new** error from getting into the system by simplifying the design of social security benefits, starting with those most vulnerable to error. A simpler benefits system will be easier to administer and will help our staff follow the correct procedures. Specifically, we will:

- identify and target the root causes of error and, where appropriate, make changes to simplify policy and legislation;
- ensure that new benefits, such as the new Employment and Support Allowance (the replacement allowance for Incapacity Benefit), are designed to be as simple as possible so that they are less vulnerable to error when they are introduced;
- continue to improve our ability to find and correct data inconsistencies, including detecting and preventing error earlier than we do at present;
- ensure that the end-to-end benefit processing training we provide is continually improved;

<sup>2</sup> Department for Work and Pensions, 2006, *Resource Accounts 2005/06*.

## Getting welfare right: Tackling error in the benefits system

- focus our departmental business and local authority targets more explicitly on the monetary value of error; and
- extend the range of data to which we have access over the long term, for example with credit reference agencies, which will help us to ensure the information used to calculate benefit payment is accurate and up to date.

10. To remove error that has already found its way into the benefits system, we will undertake more intensive checks and correction of existing cases. The Pension Service, for example, will undertake a 'case-cleansing' exercise on its existing Pension Credit claims, prioritising those claims at risk of containing high-value errors, and correcting cases where error is found.

11. In recognition of the importance of this work, the Department established a Task Force in January 2006 with the specific aim of reducing official error in the benefits system. And it's working. By October 2006, the value of overpayments identified and corrected by the Task Force had reached over £1 million a week. Although no two benefit claims are entirely the same and some of these overpayments would have been identified and corrected in the normal course of events, the vast majority would have continued for the remainder of the claim. Consequently, overpayments of around this weekly level would have continued had the work of the Task Force not resulted in their being corrected.

### Customer error

12. To reduce the errors our customers make, our strategy is based on doing more to help them keep their benefit correct. For our part, we will continue to simplify benefit rules wherever possible, removing unnecessary requirements from the benefit conditions. Specifically, we will:

- review the information that we give to customers when they make a new claim and during the life of their claim to ensure that it is clear and simple to understand and

that it makes clear when they need to tell us that their circumstances have changed;

- make it easier for our customers to report changes in their circumstances via the telephone and, in time, over the internet;
- launch a new awareness campaign on the importance of our customers reporting changes of circumstance when they happen;
- update our departmental and business websites to include clearer and more accessible information about how and when to report relevant changes of circumstance;
- pilot sending a pre-populated letter to customers, around six months after the start of a claim, asking them to confirm whether or not the entitlement details we hold on them continue to be correct; and
- maximise recovery of overpaid benefit where it is appropriate to do so and will not cause unnecessary hardship to our customers.

### Conclusion

13. Since 1997, we have made real progress in reducing overpayments due to benefit fraud. But we recognise that both this and the monetary value of official and customer error remain too high, and we are determined to reduce them further.

14. Our challenge is to continue our drive against benefit fraud while bringing renewed focus to preventing and correcting error in the benefits system. This strategy for improving the correctness of benefit payments, based on improving our capability for managing quality throughout the system, sets out how we will aim to achieve our ambition of **getting welfare right** for all our customers – every time.

15. The strategy is a further major contribution to the Government's wider programme of welfare reform.



## 1. Introduction

# 1. Introduction

## Background

1.1 The Department for Work and Pensions and local authorities pay over £115 billion in social security benefits to approximately 30 million customers each year.<sup>3</sup> This money includes pensions, help with housing costs, support for people with an illness, disability or care responsibilities, and help for those who are out of work. The vast majority of benefit – just under 98 per cent<sup>4</sup> – is paid correctly.

1.2 But, unfortunately, the remaining proportion of benefit expenditure – just over 2 per cent – is paid incorrectly as a result of deliberate fraud by customers and mistakes made both by customers and by staff. When we make a mistake, we call it ‘**official error**’, but if the mistake did not involve our staff and deliberate customer fraud is ruled out, we treat it as ‘**customer error**’.

1.3 Mistakes matter because they mean we pay our customers either too little or too much money. Paying customers the wrong amount of benefit falls short of our objective to provide excellent customer service. It also represents an inefficient use of resources. That is why we are committed to driving error from the benefits system.

## What causes official error?

1.4 There is no single reason for paying benefit incorrectly. It happens for a number of reasons. Our research tells us that when these factors work together, it is far more likely that a benefit payment will be paid incorrectly.

Some of the most common reasons for error include:

- the complex nature of the rules governing the benefits system;
- IT systems that are not as integrated as they could be;
- poor business process design; and
- human fallibility.

## Complexity

1.5 The Department and local authorities administer around 40 benefits, allowances and grants to a wide and diverse population. Detailed benefit rules allow us to tailor benefit payments to people’s differing needs so that changing incomes and family structure, different residential arrangements, varying working hours and fluctuating states of health can all be catered for.

1.6 Such a system promotes fairness between individuals in similar situations, and allows taxpayers’ money to be directed towards those most in need. Individually, each of the rules in this complex system makes sense, but it is clear that the cumulative effect has created a structure which is confusing both for staff and for our customers.

<sup>3</sup> Department for Work and Pensions, 2006, *Resource Accounts 2005/06*.

<sup>4</sup> Department for Work and Pensions, 2006, *Resource Accounts 2005/06*.

1.7 The National Audit Office report, *Department for Work and Pensions: Dealing with the complexity of the benefits system*,<sup>5</sup> recognised that in order 'to meet the needs of people in a wide range of circumstances ... benefit legislation and supporting regulations are inherently detailed'. For example, we know that there are over 200 potential things that can go wrong when handling a claim for Income Support or Jobseeker's Allowance. This complexity can lead to errors either by staff administering the benefit or by customers not being clear about what they need to report. It also makes the system time consuming and therefore costly to administer.

1.8 We now need to strike a better balance between these competing aims. The system needs to contain an appropriate level of complexity to allow it to meet the needs of different groups of individuals, yet be simple enough to be efficient and more easily understood by staff and customers. Simpler systems are also less prone to error.

The Employment and Support Allowance proposals directly address a key area for simplification. They rationalise the current complex structure of incapacity benefits by introducing a single point of entry and level of benefit to those with an illness or disability.

### Poor IT integration

1.9 Many of the income-based benefits are linked with other benefits, allowances and grants. For example, the award of Disability Living Allowance can alter the amount of Income Support payable to include extra premiums. Over time these 'linked' entitlements may change, which means that the Income Support award needs to be recalculated. At the moment this and other similar business processes are not as fully

automated or integrated with other computer systems as they could be. Consequently, staff are required to make some calculations offline, and this is where mistakes can creep into the benefit payment award.

1.10 Where computer systems are not integrated, staff inform other parts of the Department with an interest in the benefit claim using paper-based communications. These clerical parts of the process can go wrong. Actions are missed when papers are lost for example, allowing mistakes that affect the amount of benefit paid.

1.11 Those parts of benefit processing which are fully automated and integrated – requiring little or no routine staff intervention – operate well. Where the system requires input from our staff, the potential for error entering the system increases. This is not because our people are careless, but because any action requiring human intervention is open to mistake. More effective automation in the calculation of benefits which are interrelated would have a significant impact on keeping official error out of the system. Further modernisation of the Department's computer systems is a key element in reducing the levels of error.

### Poor compliance

1.12 Error occurs when our people, for whatever reason, fail to follow agreed business processes. Ensuring that our staff are able to understand and comply with instructions and follow business processes is essential in the fight to reduce official error across the Department and local authorities.

1.13 Staff may fail to follow a business process for a number of reasons:

- A process may be difficult to follow because it is designed to administer a complex income-related benefit, for

<sup>5</sup> Comptroller and Auditor General, National Audit Office, 2005, *Department for Work and Pensions: Dealing with the complexity of the benefits system* (HC 592), 18 November.

## Getting welfare right: Tackling error in the benefits system

example requiring the processing and inputting of a great deal of information regarding a customer's capital or income over a lengthy period of time.

- Business processes may not be fully supported by the computer system that staff use and may require clerical work to be carried out such as performing complex calculations manually, which means that mistakes can be made.
- Departmental guidance is not always as clearly written as it should be and may also not be easily accessible or up to date, leaving some people in doubt about the correct course of action to take and with a greater propensity to make errors.

1.14 All of these factors contribute to an environment where our people can make innocent mistakes. These factors must be addressed if we are to reduce official error in the benefits system.

### What causes customer error?

1.15 Many of the factors that contribute to official error also give rise to confusion and therefore lead to mistakes by our customers. This can happen either when a customer makes a claim for benefit or after a claim is in payment, when a relevant change of circumstance is not reported on time or not reported at all. This is because in all benefits, once benefit is in payment it is a customer's responsibility as a condition of entitlement to keep the Department informed of any changes which may affect the amount they are paid.

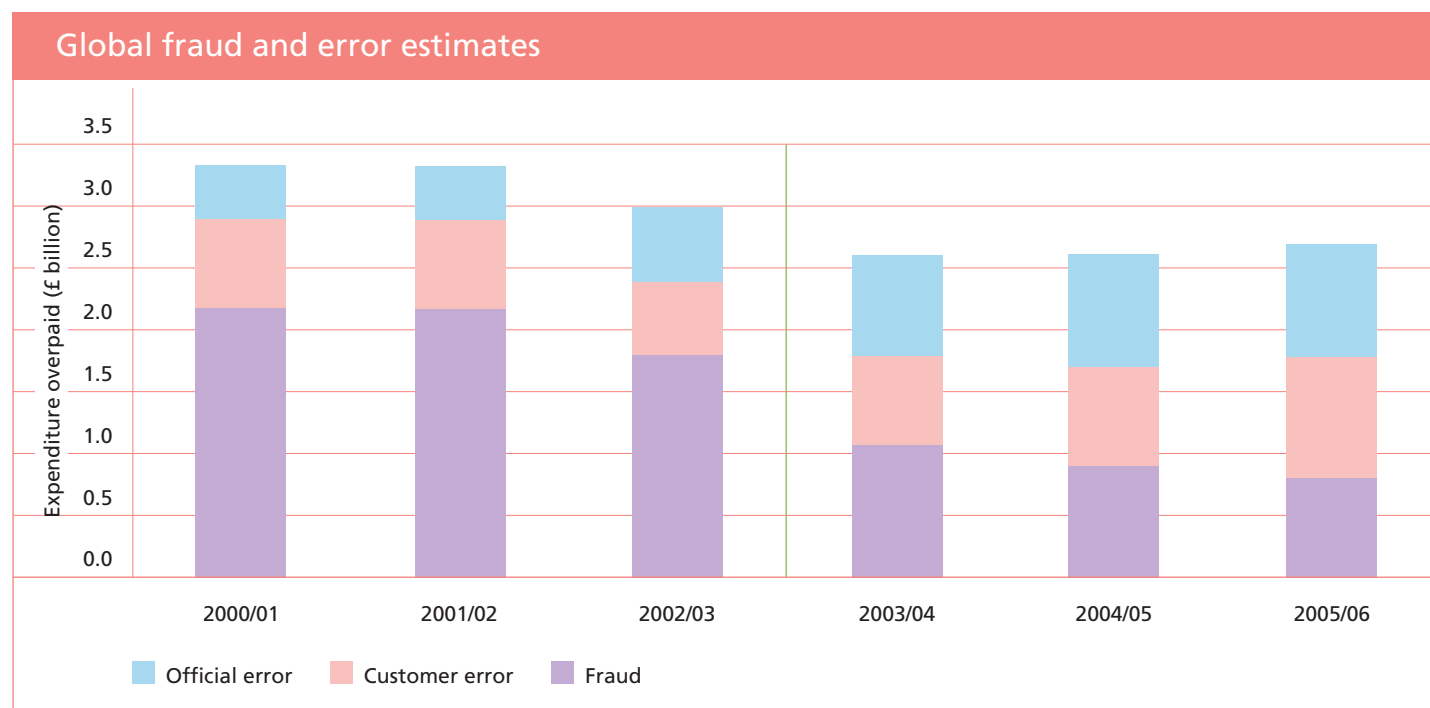
1.16 We know honest people can make honest mistakes. But our internal research indicates that customers sometimes fail to fulfil their responsibility to report changes as they occur.

1.17 According to findings of our internal research, some customers fail to report changes in their circumstances for the following reasons:

- Customers' awareness and knowledge of the specific changes that have to be reported can be patchy. They understand the general need to report changes but don't understand what this means in practice, for example if a child leaves home temporarily.
- Customers struggle to apply the requirement to report changes in circumstances to real-life situations. In particular, it can often be difficult to work out when a change has occurred (for example, slight deterioration in a medical condition), and whether it should be reported.
- Customers also assume that when they report a change of circumstance to one part of the Department or their local authority, the information is automatically shared with other relevant parts of the Department, and that they therefore do not need to inform them separately.

1.18 We accept that we have to do a lot more to explain the requirements of individual benefits to our customers more clearly and on a more frequent basis. Simplification of complex rules will help, and we need to support those who make honest mistakes while taking a harder line with those who fail to take reasonable care to comply during the lifetime of their claim.

Figure 2: Total overpaid benefit expenditure between 2000/01 and 2005/06



Source: Department for Work and Pensions, Resource Accounts between 2000/01 and 2005/06.

## Size of the challenge

1.19 Our latest estimates indicate that approximately £0.9 billion (around 0.8 per cent of total benefits expenditure) was overpaid across the benefits system as a result of official error in 2005/06. Of this, Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit accounted for approximately £520 million, which is around 60% of the total loss from official error in all benefits.<sup>6</sup>

1.20 We estimate that a similar amount (approximately £1.0 billion) was overpaid due to customer error in 2005/06. Again, income-based benefits such as Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit accounted for approximately £650 million (around two-thirds of the amount paid incorrectly due

to customer error).<sup>7</sup> Figure 2 shows the amount of benefit expenditure overpaid due to fraud and error over the last five years.<sup>8</sup>

1.21 But it should be noted that not all of these overpayments represent a monetary 'loss' to the taxpayer. This is because these figures estimate gross total overpayments in the benefits system and do not take account of any money that we recover during the year. For example, the Department and local authorities recovered a total of £489 million in overpaid benefits from customers in 2004/05.

1.22 The Department's auditor, the National Audit Office, considers this level of fraud and error to be above the level acceptable to Parliament. For this and other reasons, the Department's accounts have been qualified by them for the last 17 years.

<sup>6</sup> Department for Work and Pensions, 2006, *Resource Accounts 2005/06*.

<sup>7</sup> Department for Work and Pensions, 2006, *Resource Accounts 2005/06*.

<sup>8</sup> The green vertical line between 2002/03 and 2003/04 in Figure 2 indicates the point at which the Department's measurement system was updated.

## How does this compare with other countries?

1.23 In July 2006 the National Audit Office published a report following an international benchmarking exercise of fraud and error in eight countries.<sup>9</sup> It found that the Department's levels of fraud and error were comparable with those of other countries and noted that the other seven countries placed less emphasis than the UK on measuring and reporting the occurrence of official and customer error.

1.24 The report concluded that the Department is at the forefront in developing estimates of losses from fraud and error, and compares well in terms of focus and activities to combat the problem. The Department also stands out in developing a comprehensive range of actions in the area of prevention and detection.

'... the Department not only shows above average awareness of the specific issues of error, but is distinguished by a comparatively comprehensive range of actions both in the areas of prevention and of detection.'

National Audit Office<sup>10</sup>

## Our strategy

1.25 This document sets out in more detail our strategy for reducing both customer and official error rates within the benefits system over the next five years to 2012. It focuses on the practical steps the Department and local authorities will take to ensure we pay all of our customers the right amount of benefit every time a benefit payment is made.

<sup>9</sup> Comptroller and Auditor General, National Audit Office, 2006, *International benchmark of fraud and error in social security systems* (HC 1387), 20 July.

<sup>10</sup> Comptroller and Auditor General, National Audit Office, 2006, *International benchmark of fraud and error in social security systems* (HC 1387), 20 July.



## 2. Our strategy

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### Our aim

2.1 Our clear aim is to ensure that we pay the correct amount of benefit to all of our customers every time they are due a payment. To achieve this, we will build on and reinforce a culture of getting it '**right every time**' across the whole of the Department, its agencies and its partners, including local authorities.

### Our strategic direction

2.2 We aspire to create an environment across the Department where quality is a priority for everyone. We can improve correctness, and therefore reduce error, by improving the way we manage and deliver quality throughout the organisation. From our policy makers to our frontline customer advisers, we want to remind people that our aim of preventing and reducing error is everyone's responsibility.

2.3 To improve our capability for managing quality throughout the organisation, we need to achieve the following:

- **Deliver better IT and business processes** – we will strive to design new computer systems and business processes from the perspective of those who have to use them on a daily basis. By designing new systems from the perspective of the user, we will help to make sure that they prevent staff from making errors. So in the future, our technology will make it impossible for staff to process a benefit claim without following the correct process or entering all the required information.
- **Make better use of data** – we want our organisation to make better use of the information it has available. Too much of our core business continues to be delivered in isolation by one delivery business or another. To improve efficiency and reduce error we need to share more data on our customers, such as their individual circumstances, benefits and entitlements, between agencies so that we can ensure their benefit account is correct at all times. This also means sharing more data across other government departments.
- **Improve our customers' experience** – our customers matter to us. We want to continue to respond to their needs and individual circumstances. We will look again at our range of communications to customers, from information leaflets to computer-generated letters, to ensure that the information they contain is clear and accessible. We also need to make benefit rules simpler and clearer to understand, and therefore easier to comply with. We will continue to respond to technological advances and will work to ensure that a full range of our services is available interactively over all communication channels, including the internet.
- **Ensure people development and continuous learning** – our people are our key resource, and we rely on their continuing commitment to deliver a quality service to our customers. We want to recognise the contribution of staff and the importance of their role in protecting the integrity of the benefits system. We will also continue to invest in their skills so that they are equipped to respond to the

way we deliver our services, which may change over time. We need to recognise their professionalism and we will pursue implementation of a system of formal accreditation for the skills required to process and maintain benefit claims accurately.

- **Reinvigorate performance improvement and innovation** – effective organisations learn from their own performance and from that of others. They put in place clear lines of accountability to ensure the achievement of business objectives. They also monitor staff performance proactively and react quickly to address any decline, taking whatever action is required to address it. In order to align ourselves more closely with this model, the Department will go further than it has before to improve its performance, building on the positive results of its Capability Review<sup>11</sup> undertaken by the Cabinet Office.

## Our objective

2.4 The primary objective of our strategy is to increase correctness in the benefits system, thereby reducing the proportion of incorrect payments – both overpayments and underpayments – during the period to 2012.

2.5 Overpayments result in a loss to the public purse, and it is the Department's responsibility to do all that it can to minimise these losses. We will meet this responsibility by putting in place a range of initiatives which will take us further towards meeting our published fraud and error targets.

2.6 Our fraud and error reduction Public Service Agreement (PSA) target, set as part of Spending Review 2004, challenges us to reduce

overpayments from fraud and error in Income Support and Jobseeker's Allowance by 15 per cent by 2010 against the baseline set in 2006, and by 25 per cent in working age Housing Benefit by 2008 against the 2002/03 baseline. At the same time we will continue to report the value and proportion of overpaid benefit for all departmental benefits as part of the Department's annual Resource Accounts.

## Delivering against our objective

2.7 We will achieve our objective by focusing on improved **prevention, compliance** and **correction** for both official error and customer error.

### *Prevention*

2.8 We will prevent new error from entering the benefits system by designing it out wherever we can. For example, we will subject the Employment and Support Allowance to rigorous testing for anti-fraud and error measures before it is introduced into live operations in Jobcentre Plus from 2008.

2.9 We will also simplify our business processes across the Department to ensure that they are easier to administer. Where resources allow, we will continue to automate those processes which are most vulnerable to error.

### *Compliance*

2.10 We will implement measures to increase staff compliance with agreed business processes. A rise in the level of compliance will improve the correctness of the information stored within the benefits system and therefore reduce the level of error. Measures such as improved training and procedural guidance for staff and clear lines of accountability will help to improve staff compliance.

<sup>11</sup> Cabinet Office, 2006, *Capability Review of the Department for Work and Pensions*.

## Getting welfare right: Tackling error in the benefits system

2.11 By supporting customers more effectively we will encourage greater customer compliance with the benefit rules. The improvement of the quality of all our communications (claim forms, notifications and our website in particular) is key in the drive for increased customer compliance. We will increase awareness of customer responsibilities through a new media campaign. We will also consider what more we can do to encourage customers to comply with the rules and help to keep their benefit claims correct.

### *Correction*

2.12 We will make sure we identify and correct error faster, wherever we find it in the benefits system, building on existing standard practice. We will do this through the greater use of data matching with other government department and

private sector data sources, subject to obtaining the necessary legal powers to do so, as well as ensuring that we make best use of the data sources to which we already have access. We will also review customers' benefit claims over an agreed time period to ensure they remain correct.

### **Recovery**

2.13 We will maximise the amount of overpayments we recover where it is cost-effective to do so and does not cause financial hardship to the customer. We will put extra effort into recovering overpayments where an error has been made by our customers. And we will also look to recover overpaid benefit where there is reasonable indication that the customer knows they are receiving an incorrect award of benefit.



### 3. Tackling official error

## 3. Tackling official error

3.1 The success of our strategy relies on our ability to prevent new official error from entering the system at any point during the lifetime of a customer's claim. We will achieve this by improving our preventative measures, as well as levels of staff compliance in administering the benefits system.

3.2 If we are to improve the rate of correctness in all our main benefits, we must put greater emphasis on reviewing existing claims to ensure they are correct. When we find incorrect cases, we must correct them to ensure that the customer receives the correct amount of money to which they are entitled.

3.3 This chapter sets out how we propose to tackle official error by focusing on managing quality. We have identified initiatives under the elements of prevention, compliance and correction which we will take forward over the next five years in order to improve the accuracy of the work our staff carry out, thereby reducing the overpayments and underpayments for which we are responsible.

### Prevention

#### Quality products and processes

3.4 As was noted in paragraph 1.7, it is widely acknowledged that our benefits system is complex. We are committed to simplifying it in two ways:

- We will simplify the benefit rules so that staff (and customers) can understand them more easily.

- We will simplify the business processes that staff must follow to assess whether benefit should be paid, and how much should be paid.

3.5 In January 2006 the Department established a dedicated Benefit Simplification Unit to act as a catalyst in driving forward simplification across the benefits system. In May 2006 the Unit published *Simplification: Guide to Best Practice*, which sets out ways in which complexity can occur and provides advice for the Department's staff on how to avoid introducing new complexities into the system. Compliance with the guide is monitored both within the Department and independently by the Social Security Advisory Committee in its role of scrutinising the Department's proposals for new benefit rules.

3.6 We propose to simplify the benefits system in the following ways:

- **Reducing complexity wherever we can** – some benefits can have different rules for similar events; for example, the day on which benefit is paid can differ between benefits. We will try to align these rules, paying careful attention to the balance between the need for simplicity and a reduced level of error and the impact further legislative change may have on our customers and the benefits system.

- **Simplifying business processes** – we want delivery processes across all benefits to be as efficient and simple as possible while also being easy for staff to understand. The current programme for standardising processes across Jobcentre Plus (the Standard Operating Model programme), for example, will have a positive impact as it is rolled out over the period to April 2008.
- **Error proofing future policies** – as we reform the benefits, allowances and grants we provide and introduce new ones (such as the Employment and Support Allowance for people with disabilities or health conditions, and the Local Housing Allowance for Housing Benefit customers) we will ensure that simplicity is a priority, both for staff and customers.

In 2006 we have already made several changes which have reduced the complexity of the benefits system. For example, we have made improvements to the Social Fund scheme; aligned the treatment of charitable/voluntary/personal injury income; abolished the requirement to downrate benefits after 52 weeks in hospital; revoked wholly or in part over 200 statutory instruments introduced since the start of the Housing Benefit scheme in 1988; and aligned the capital limits across the working age benefits.

## Making better use of data

3.7 Data matching is the Department's way of identifying inconsistencies by comparing the information it has on its customers with other information sources. Indications of official or customer error are found when there is a discrepancy between sets of data on the same customer, and this triggers further investigation by our staff.

3.8 For example, during the last two years, data matching has identified over £100 million in Pension Credit underpayments. The Pension Service has corrected these and has paid any money owed to customers. We intend to build on the success of this approach and make it even more effective by speeding up the process where possible and gaining access to a wider range of data sources.

3.9 The Department currently runs two data-matching services which use different risk identification processes: the General Matching Service runs matches for departmental benefits, and the Housing Benefit Matching Service runs matches for Housing Benefit. We will investigate the possibility of bringing these two services together in order to make their processes more effective and efficient.

3.10 By speeding up our current data-matching processes, we will reduce the duration of any underpayment or overpayment in a customer's claim. The Housing Benefit Matching Service is already looking to automate as many processes as possible to enable local authorities to receive data matches more quickly. The development of a secure e-mail link between local authorities and the Housing Benefit Matching Service is the first part of this work.

The On:Time Solution project will introduce a new IT process within Jobcentre Plus and The Pension Service, which will provide improved data-sharing and data-matching capability. It will also contain tools for use by managers and staff, which will help them to carry out their work more easily and efficiently. By extracting and converting data held in the Department's existing computer systems in a new way, it will be possible to make better use of this information in the future. This means it will be possible to:

- cross match a greater range of data across different IT systems;
- identify those cases most likely to fall into error and flag them for checking sooner;
- identify error earlier in a claim's life-cycle through the use of earlier data matching;
- provide reports directly to processing staff, allowing them to take corrective action or carry out investigations into claims sooner. For example, such a report would be produced when the system identified that a customer's medical evidence is due to expire shortly; and
- capture information about errors made by staff, in order to inform what additional information or training they may need.

The project will also enable managers and staff to understand better how workflow issues arise and to predict potential bottlenecks. This means that appropriate resources can be directed to problem areas more quickly.

3.11 We will seek to extend the range of data sources we use in order to help us identify possible inconsistencies sooner. Jobcentre Plus is currently testing the effectiveness of matching its benefit data on some Income Support claims with data held by private sector credit reference agencies, to assist with the identification of cases where particular kinds of fraud may be being committed. This process will also help to identify

potential fraud on any Housing Benefit associated with these claims.

3.12 We believe that matching customer data with that held by credit reference agencies also has the potential to uncover customer error in some benefit claims. If the pilot evaluation demonstrates the initiative to be successful, we will look to use this form of data matching as part of our future strategy for reducing error.

3.13 Local authorities are participating in the National Fraud Initiative, which is a data-sharing project being run by the Audit Commission. This initiative allows Housing Benefit data to be matched with data sets that are not available to the Department. We are planning to exploit these matches further by enabling other benefit data to be included in this initiative and to include some of these matches in local authority performance targets that are set by the Department.

3.14 A new computer link was rolled out to local authorities during 2006. This provides up-to-date information about departmental benefits for staff processing Housing Benefit and Council Tax Benefit, and will help reduce both official and customer error. It will also provide the platform for future developments such as more extensive and quicker data sharing. We have already started work to improve access to HM Revenue & Customs' tax credit data across this link and plan to introduce it in April 2008.

3.15 The Department has rectified the situation whereby the Income Support and Jobseeker's Allowance systems inaccurately show that some customers are not in receipt of Housing Benefit when, in fact, they are. This will greatly assist local authorities in knowing when a customer in receipt of Housing Benefit ceases to receive another benefit. Local authority staff are now also able to set the relevant indicators on the departmental systems themselves, providing additional safeguards that the information contained on these systems is correct.

3.16 The Department also has a longer-term aim to extend its access to other valuable data sources, thereby detecting and preventing incorrect awards sooner and with greater accuracy. We will invite members of the Department's Ethics Committee, which considers issues associated with the use of customer data, to comment on proposals to ensure they are consistent with appropriate legal and ethical guidelines before they are implemented.

## IT and process excellence

3.17 Modern and efficient IT is vital for any business, especially one as complex as ours. We need to move away from the paper-based prompts and outputs produced by many of our current computer systems and continue to build an integrated system that will automate those parts of the business process not currently supported by IT. This will minimise our reliance on staff intervention to action a case and will reduce the level of official error in our system. We will not achieve this overnight, but this remains our long-term ambition.

3.18 Before we realise our long-term vision for fully automated IT processes, there is a lot we can do to address the weaknesses of our current computer systems. We will do this through a programme of system fixes targeted at the top high-value errors. Where we identify that a system fix could help to reduce the occurrence of a particular error, we will endeavour to introduce this change as quickly as possible.

3.19 We will also look at introducing system enhancements that will prevent a user from making an error. For example, the user will be required to complete certain fields in order to proceed with the next part of processing a benefit claim. Again, this will ensure that staff are less able to make mistakes, especially when entering customer information into the IT systems.

3.20 The Department's businesses each hold customer information on their own benefit computer systems. For example, an individual in receipt of Income Support and Disability Living Allowance will be a customer of both Jobcentre Plus and the Disability and Carers Service, and their details will be stored on both computer systems. Error can occur in such a case when the customer's claim details change for one benefit, but this information is not shared with or acted upon by the agency responsible for determining the other benefit.

3.21 To solve this problem, we are introducing a new computer system, the Customer Information System (CIS), which interacts with our current IT. It will share across the Department basic customer information such as name, address and rate of other benefits in payment. The CIS will provide authoritative customer details and will ensure that data is collected only once and shared across all the Department's agencies, and eventually with other government departments. By having access to this better quality and more reliable data, our processing staff will be able to spot anomalies more quickly and take the necessary action to prevent error.

3.22 The CIS will also notify staff of reported changes received by other parts of the Department. Acting on this information will help keep the benefit payment correct and up to date. This notification will include information on the customer's benefit award as well as any change in their circumstances. In time, this information will be available to staff as soon as the changes happen, which will, in turn, help them to keep benefit claims as up to date as possible and will therefore reduce the level of official error in the system.

## Getting welfare right: Tackling error in the benefits system

3.23 Over time, a subset of the information held by the CIS will be available to other government departments and local authorities. This will enable data to be compared, with discrepancies between the data sets indicating the potential for a case to contain errors.

3.24 The Pension Service is also currently modernising the way it delivers its services to pensioners, via its Pensions Transformation Programme. The programme will introduce new functions that support staff and enable them to process claims more accurately. Overpayments and underpayments in Pension Credit will both be reduced as a result.

3.25 In the longer term, we aspire to enable customers to submit a claim directly to our IT systems over the internet, supported by appropriate security measures. In time, this facility would also allow customers to report changes of circumstance online. Such technologies will reduce the likelihood of input errors that sometimes occur when staff enter data manually into our benefit computer systems.

### Staff compliance

3.26 Ensuring that staff can better comply with business processes is at the heart of our strategy to reduce error. It is our responsibility to ensure that the processes staff follow in order to administer a complex benefits system effectively are as simple and straightforward as possible. However, simple processes in themselves will not ensure compliance. Investment in effective training and clear guidance for staff are central to improving compliance, as is the professional recognition of the skills our staff possess.

### People development and continuous learning

3.27 The scope and remit of training has to be wider than simply teaching staff how to process the particular benefit they are working on. By increasing a member of staff's knowledge of the wider benefits system, we will increase their ability to spot potential error, which may not fall specifically within their benefit or particular area of work. The Department will address this weakness, which will be particularly important for staff new to our business. We will also look to improve the training we provide to existing staff throughout their career. Our revised training packages will also make clear to staff the important role they have in protecting the benefits system from error.



3.28 The Disability and Carers Service has made a commitment to introduce a system of formal, externally recognised accreditation for decision makers (Professionalism in Decision Making and Appeals). This new modular work-based programme will provide decision makers with the knowledge, skills and competencies needed to support them in doing their job to nationally recognised standards of excellence. Once decision makers have reached a certain professional standard this will be officially recognised, both inside and outside the workplace. We aim to replicate this scheme across other parts of the Department over the period to 2012.

3.29 The Pension Service, Jobcentre Plus and the Disability and Carers Service will consider how best to implement a range of training initiatives to improve staff compliance. Most importantly, they will look to reintroduce (or reinforce where they already exist) training evaluation packages. These packages test staff skills on an ongoing basis. The results of these evaluations will help to inform managers of specific training needs. To complement the training evaluation packages, we will ensure that refresher training is available for staff. These will be short, intensive training packages focused on a particular area of legislation or business process.

3.30 These businesses will also review how best to deliver training to staff and ensure that the methods used are most appropriate to the material that needs to be communicated. They will look at the level of knowledge staff require to perform particular roles within their organisations and will ensure that these needs are met in the training packages provided.

3.31 The overall success of the error strategy relies on an understanding by all those involved in taking claims and processing benefits of the consequences of making a mistake. If incorrect information is accepted by one part of an agency and is then processed, the customer's claim will be incorrect from the outset. This results in poor customer service, as the customer will receive the wrong amount of benefit. It is also very inefficient, as it costs the Department additional staff time to find the error and then correct it.

3.32 To combat this, The Pension Service will introduce a new checking regime that ensures all staff have a minimum number of checks performed on their work. In addition, there will be a facility to target checks on known areas of weakness.

3.33 As we move towards greater emphasis on error **prevention** rather than error **correction**, our people need to ensure that during key interactions with the customer they consider error prevention as their primary objective. Such an objective would improve the service we offer customers. A programme of awareness sessions for departmental staff will remind them of the importance of getting it '**right every time**' and keeping benefit correct on an ongoing basis.

3.34 Error awareness training will also be developed for local authority staff involved in processing benefit claims. To help reduce official error, these sessions will highlight frequent mistakes made by staff, and offer examples of good practice. (They will also ensure that staff are able to identify situations where they should be particularly vigilant in order to prevent customer error entering the system.)

3.35 Refresher training on common Housing Benefit errors will also be developed for the Department's operational staff to ensure that they are able to offer comprehensive and accurate Housing Benefit advice to customers. In particular it will highlight the importance of passing on any reports of changes in customers' circumstances to the relevant local authority.

3.36 Improved training on workflow management will be developed for local authority staff to help them identify weaknesses in procedures, including communication channels between the Department and local authorities. This training will help them prioritise work that could lead to an incorrect benefit payment if not actioned quickly.

All staff rely on written guidance manuals when processing complex elements of any of the benefits provided by the Department. The majority of our guidance is accessed through the Department's intranet site, which is available to all staff on their desktop computers. However, at times this guidance can be difficult to locate or understand, and it is not always up to date. We will address this and ensure that all guidance:

- uses clear and precise language to explain complex benefit rules;
- is presented in a clear and easy-to-follow format;
- is in one place;
- offers a good search-engine facility; and
- is regularly updated.

### Correction

3.37 For error that has already been allowed into the benefits system, we need to find it, correct it promptly and pay arrears as soon as an underpayment comes to light. This is already standard practice across the Department, and our strategy builds on this by implementing a number of additional corrective initiatives across the Department's delivery businesses.

3.38 To reduce the stock of existing error in The Pension Service, we plan to undertake a targeted case-cleansing exercise. This involves staff reviewing cases and prioritising those with the highest risk of containing high-value errors. During 2007 the agency will put in place dedicated

resources to work through cases to check their accuracy and, where appropriate, take corrective action to ensure that customers are receiving the correct amount of Pension Credit. Where an underpayment is identified, we will also ensure that any money due is paid promptly.

3.39 In June 2006, Jobcentre Plus introduced Action Teams across the country in a drive to reduce official error. The Action Teams are deployed into local delivery units to help resolve those cases where inconsistencies have been identified by data-matching activity and which are likely to contain high-value errors. By October 2006, the Action Teams had reviewed 45,000 cases and reduced the weekly value of overpayments by around £745,000. We will extend this activity beyond 2006/07 as part of the strategy to 2012.

3.40 Towards the end of 2006/07, local authorities will begin to undertake a number of measures that will cleanse their working age caseload of existing error. This exercise will include targeting cases where there is a suspicion of non-declaration of earnings or tax credits, reviewing all cases where a customer has not reported any change in their earnings for over 12 months and checking high-risk cases that have not been reviewed in the past two years.

## Performance improvement and innovation

3.41 Jobcentre Plus will adopt a priority approach to performance management for benefit processing. This approach requires delivery units to achieve nationally set minimum standards. If a delivery unit falls below this level, performance improvement activity will be initiated. This activity will range from providing additional training to local managers to moving work to other units, depending on an analysis of the underlying causes of poor performance.

3.42 Jobcentre Plus has at its disposal a range of tools designed to tackle underperformance. As part of this strategy, where appropriate, it will deploy high-performing managers into poorer-performing delivery units on a short-term basis to help coach and mentor managers with the explicit aim of raising their performance against official error.

3.43 To help improve staff performance further, The Pension Service will develop a programme of workshops aimed at capturing good practices developed in high-performing business units and sharing these with poorer-performing ones. These events will be aimed at both managers and operational staff responsible for processing new claims to benefit and customer changes of circumstance.

3.44 The Disability and Carers Service has already appointed a senior quality improvement manager who will have lead responsibility for improving the levels of quality within Disability Living Allowance and Attendance Allowance. The manager will look at ensuring that good practice is circulated and embedded across the agency, while also providing feedback to operational managers on errors identified from the new end-to-end benefit-checking regime.

3.45 Well-designed business targets are an effective management tool to drive and reward the right behaviours. We will therefore look to strengthen our agencies' focus on reducing official error by introducing improvements to the target regimes for 2007/08 for our delivery businesses.

3.46 In April 2007 we will also introduce a more robust performance measure for the reduction of fraud and error in local authorities' Housing Benefit caseloads. This new measure will be based on the number of reductions in benefit a local authority achieves, both as a result of customers reporting their changes and as a result of local authorities detecting those changes that customers fail to declare.





#### 4. Addressing customer error

## 4. Addressing customer error

4.1 It is inevitable that some of our customers will make honest mistakes in the information they provide to us. We know the benefits system is complex and can sometimes be confusing for customers to understand. It is therefore our responsibility to ensure that the system is designed in a way that reduces confusion and the chance of mistakes occurring.

4.2 However, our customers also have a responsibility to make every effort to understand what is required of them during the life of their claim, and this includes the duty to inform us of changes to their circumstances once their benefit is in payment.

4.3 Our strategy for reducing customer error is therefore based primarily around measures that will better inform customers about their responsibilities. By providing clearer information to our customers, we will move them towards greater compliance with the benefit rules, and this will improve our levels of customer service.

4.4 Many of the initiatives we are introducing to reduce official error will also contribute to a reduction in the levels of customer error. Again, our approach is based around **prevention**, **compliance** and **correction**.

### Prevention

#### Product quality

4.5 Our programme of work to simplify the benefits system will help to reduce complexity for our customers and make it less vulnerable to all forms of error. To achieve this, benefit rules and processes need to be easier for customers to understand and comply with.

4.6 In particular, customers may be confused when they are in receipt of benefits that contain different rules for similar situations. As part of our drive to simplify the benefits system, we will look to align similar rules in different benefits and remove anomalies and inconsistencies, unless there is a compelling reason for not doing so. This will reduce the confusion that some customers experience, especially those who may receive more than one benefit.

#### Improved customer experience

4.7 To improve customers' understanding of benefit rules, we will review and simplify the information we provide to customers at each point of interaction with the Department. This includes the information we give them through leaflets, claim forms and computer-generated letters.

Following the recommendations of the National Audit Office report on communications,<sup>12</sup> the Department has reduced the number of leaflets it produces for customers. These have been rationalised to ensure that the range of information we provide through leaflets is clear, concise and meets customer needs. In the future we will:

- reduce the number of leaflets we produce;
- ensure that all leaflets, where possible, are accredited with the Plain English campaign Crystal Mark status for clarity; and
- test all our new leaflets with a sample of customers before issue to ensure that they are clear and easily understood by the target audience.

<sup>12</sup> Comptroller and Auditor General, National Audit Office, 2006, *Department for Work and Pensions. Using leaflets to communicate with the public about services and entitlements* (HC 797), 25 January.

4.8 At the moment it can be difficult for customers to find clear and concise information about what, when and how to report changes in their circumstances. This causes unnecessary confusion and results in customers not providing important information to the Department. More readily available information would increase customers' understanding of their responsibilities once in receipt of benefit, and will encourage them to report relevant changes.

4.9 We will therefore look at how we might restructure the Department's website to ensure that it provides a clear, reliable source of information to customers, clarifying what changes need to be reported, how customers can report them and when. Local authorities, where they have not already done so, will also be encouraged to review and update their websites to make it easier for Housing Benefit and Council Tax Benefit customers to understand their responsibility to report changes.

4.10 An increasing proportion of customer contact with the Department is carried out over the telephone, and customers can be held in queues until a member of staff is available to answer their call. Jobcentre Plus will use this waiting time to best advantage by introducing a telephone message for waiting customers which outlines the customer's responsibilities to report changes in their circumstances. This message will also inform customers of the types of change they need to report, as well as how and when they should report them. If successful, we will consider introducing this more widely across the Department.

4.11 In the longer term, we aspire to enable most of our customers to make benefit claims over the internet securely. We already provide electronic versions of claim forms, which can be completed electronically before being printed and returned to one of the Department's agencies. But we want to go much further than this. If customers can complete the forms online, they should be able to

complete them in their own time, with the ability to save them and return to them when they have the correct information to hand. The online application should be so easy to use that it will prevent customers from making simple errors when inputting their information.

4.12 The technology supporting the interactive online application would be able to validate the information the customer inputs as each page is completed online and would provide a warning message should the information appear to be incorrect. The online application form could also be designed so that a claim could not be submitted until simple errors or inconsistencies are corrected. This information would then be ready to be input directly into our benefits systems without the need for re-entry of data, which is where error can enter the system. The ability for a claim to be submitted directly to our systems would be carried out on a risk basis; that is, those claims that include particularly complicated information would be validated by departmental staff before being submitted.

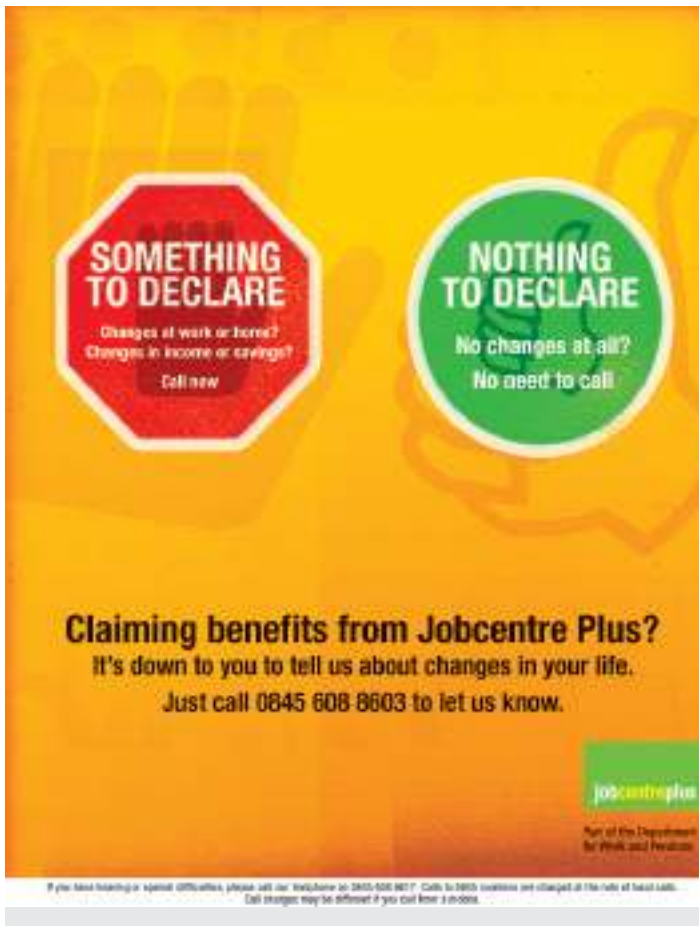
4.13 In December 2006, new legislation enabled local authorities to accept claims to benefit, amendments to claims and change of circumstance notifications electronically or by telephone.

4.14 We also aspire, over time, to introduce an online customer account service. This would enable customers to check the current status of their benefit claims online and notify the Department of changes of circumstance automatically. The system would then be able to re-calculate and amend benefit payment based on the information provided, without the need for human intervention. This process would be subject to an appropriate risk assessment. Such a system is currently being used by the Australian Government's welfare delivery arm, Centrelink. We will explore the potential of this technology as part of the Department's long-term IT modernisation plans.

## Customer compliance

4.15 Although most customers already receive their correct benefit entitlement, we want to ensure that all customers do so, and that it remains correct for the duration of their claim. This means ensuring that the claim is based on the customer's current circumstances. All customers have a responsibility to report relevant changes to the Department and their local authority when they occur. To ensure that this happens, we need to state clearly to customers their responsibilities at the start of the claim and remind them of these responsibilities on an ongoing basis.

Figure 3: A poster from the Department's customer awareness campaign



4.16 We will encourage greater customer compliance with the benefit rules as part of a new awareness campaign (see Figure 3). This campaign will explain a customer's responsibility to report changes in circumstances when they happen. It is in our customers' best interests to make sure that the details held by the Department are kept up to date.

Pension Credit recipients are normally entitled to receive Pension Credit for the first four weeks while abroad. But some customers leave the country and continue to claim Pension Credit beyond four weeks. If it continues to be paid and the customer unintentionally fails to notify the Department of this change, the resulting overpayment is due to customer error. The Pension Service has improved its leaflets to make clear the benefit entitlement rules while abroad. It has also used postal redirects as a data-matching source to identify and correct such cases. We are investigating further data-matching possibilities and also standardising rules across benefits to reduce the frequency of this error.

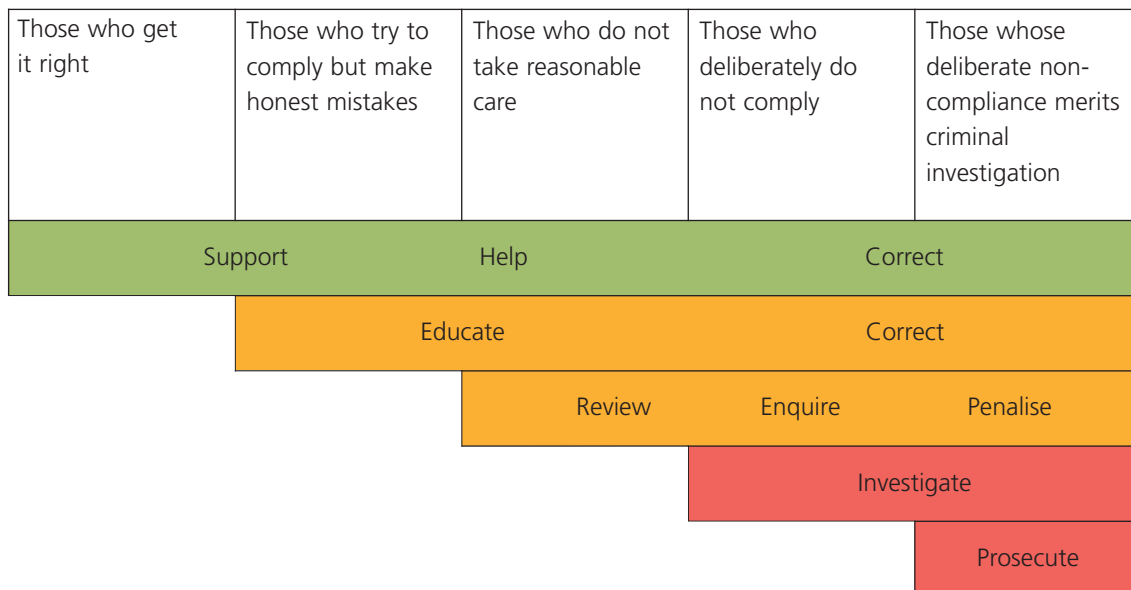
4.17 However, we need to do more than improve our leaflets and heighten customer awareness. We plan to look creatively at how to make it easier for customers to report changes of circumstance, as well as raising their awareness about what they need to report, when and to whom – a particular difficulty for those recipients of Housing Benefit who are not receiving any other benefits, as they do not have the regular face-to-face contact that Jobcentre Plus has with many of its customers.

## Rights and responsibilities

4.18 The Department is committed to ensuring that customers' benefit payments are correct, and we expect our customers to take the same care when they provide us with information at the outset or during the lifetime of their claim. Customers can make honest mistakes but, unfortunately, a small minority of customers persistently give rise to customer error. In order to ensure that we can respond appropriately to customer error, we will tailor our actions according to how customers behave.

4.19 The responses are tailored to those customers who get it right, those who try to comply but make honest mistakes, those who do

Figure 4: Our approach to tackling different types of customer behaviour



not take reasonable care, those who deliberately do not comply and those whose deliberate non-compliance merits criminal investigation. We will make best use of resources by targeting our responses as appropriate to each of these behaviours. Figure 4 shows how different customer behaviours will be addressed.

4.20 We will provide ongoing support and help to those customers who already get it right or who make honest mistakes. This means providing clear information about rights and responsibilities, as well as striving to ensure that we reduce complexity and therefore possible confusion. We will educate and introduce more frequent checks of claims of those customers who appear to be making more regular mistakes with the information they provide to us. This will be in the form of more targeted support to encourage them to comply with the rules and regular reviews of their claim to ensure the information we hold is current and correct. For

those customers who deliberately do not comply with the benefit rules, but where customer fraud is ruled out, we will investigate and penalise them for their carelessness. Throughout this process we will recover any overpayments that occur.

4.21 From April 2006, Jobcentre Plus introduced a new customer compliance approach. Where it appears that a customer may have failed to report a change in their circumstances, Jobcentre Plus invites them to an interview to discuss their benefit claim. During that interview, allegations or suspicions are put to the customer in order to establish the correct benefit entitlement. Action is also taken to recover any overpayments. The customer is told of the consequences of failing to comply in the future. A key outcome is to ensure that customers are fully aware of their responsibilities to report changes, and the consequences of failing to do so in the future.

### Consequences of non-compliance

4.22 The Department will explore the feasibility of introducing a number of further measures to encourage customers to return to compliance. It is not our intention to penalise unfairly the customer who makes a genuine mistake when completing a claim form or providing information to the Department or local authority. But we do wish to tackle those who refuse to take their responsibilities seriously or fail to take reasonable care to comply with the benefit rules. We will therefore make clear to all customers throughout the life of their claim that it is in their best interest to ensure that the information they give us is accurate and kept up to date.

### Correction

4.23 We want to work more effectively with our customers to ensure that the information on which we calculate their claim continues to be correct over the lifetime of their benefit claim. We cannot do this alone. We therefore want to explore ways in which we can achieve our shared aim of ensuring that customers receive the correct amount of benefit to which they are entitled.

4.24 We understand that our customers' circumstances can change frequently. Most people report changes that affect their benefit payment. But some don't. In 2007 we will test a new approach to capturing changes of circumstance more promptly by sending a pre-populated letter to customers around six months after the start of their claim. This will ask them to confirm whether or not the entitlement details we hold are still correct.

4.25 If the customer's circumstances have not changed and the information is accurate, we will invite the customer to confirm this in writing. No further action will be required and the customer will have fulfilled their responsibility. But where the customer's circumstances have changed, we will ask them to provide details of the change and to return the information to us for processing. The benefit claim will be updated, and we will notify the customer of the new amount of benefit they are due.

4.26 If the pilot proves effective, we will consider introducing this initiative on a national basis.

4.27 The initiatives we propose to put in place to tackle official error, such as the case-cleansing exercise in The Pension Service, are also likely to identify customer error in the caseload. Again, where we find this category of error, we will correct it to ensure that the customer's payment is correct.

### Recovering debt

4.28 The Department and local authorities make every effort to recover overpaid benefit. We will continue to recover debts where it is cost-effective to do so and, building on our new debt-management strategy, we also aim to:

- increase overall recoveries;
- produce a long-term reduction in the amount of money the Department is owed through overpayments; and
- improve financial processes to reduce the cost of recovering benefit debt.

4.29 These improvements will see enhanced management and recovery of debt in future years.



## 5. Conclusion

## 5. Conclusion

### Success to date

5.1 The Government's fraud strategy is working. Fraud stood at £0.8 billion in 2005/06 (equivalent to 0.7 per cent of total benefit expenditure),<sup>13</sup> down from an estimated £2 billion (2 per cent of expenditure) in 2001.<sup>14</sup> In tackling benefit fraud, we know what works and we are committed to driving it down further.

### The challenge

5.2 But the problem of error in the system remains. Too many of our customers continue to receive incorrect benefit payments – either too little or too much money – as a result of official or customer error in the benefits system. This falls short of the high-quality customer service we expect to deliver to all of our customers.

### The strategy

5.3 This strategy focuses on how we will further improve our capacity for delivering quality throughout the whole of the organisation. Our strategic objective in this respect is clear: to reduce official and customer error in the benefits system. We will do this through greater focus on **prevention, compliance and correction**.

5.4 Over the next five years from 2007/08 we will focus increased energy on preventing error from entering the system in the first instance. We will also work to help our customers to adhere to benefit rules, simplifying them wherever we can.

5.5 And we know we also need to do more to identify and correct a greater proportion of existing error in the system than we do now. Embedding these principles of prevention, staff and customer compliance and correction across the Department's delivery businesses will create new culture of **getting welfare right** every time we make a benefit payment.

### Delivery

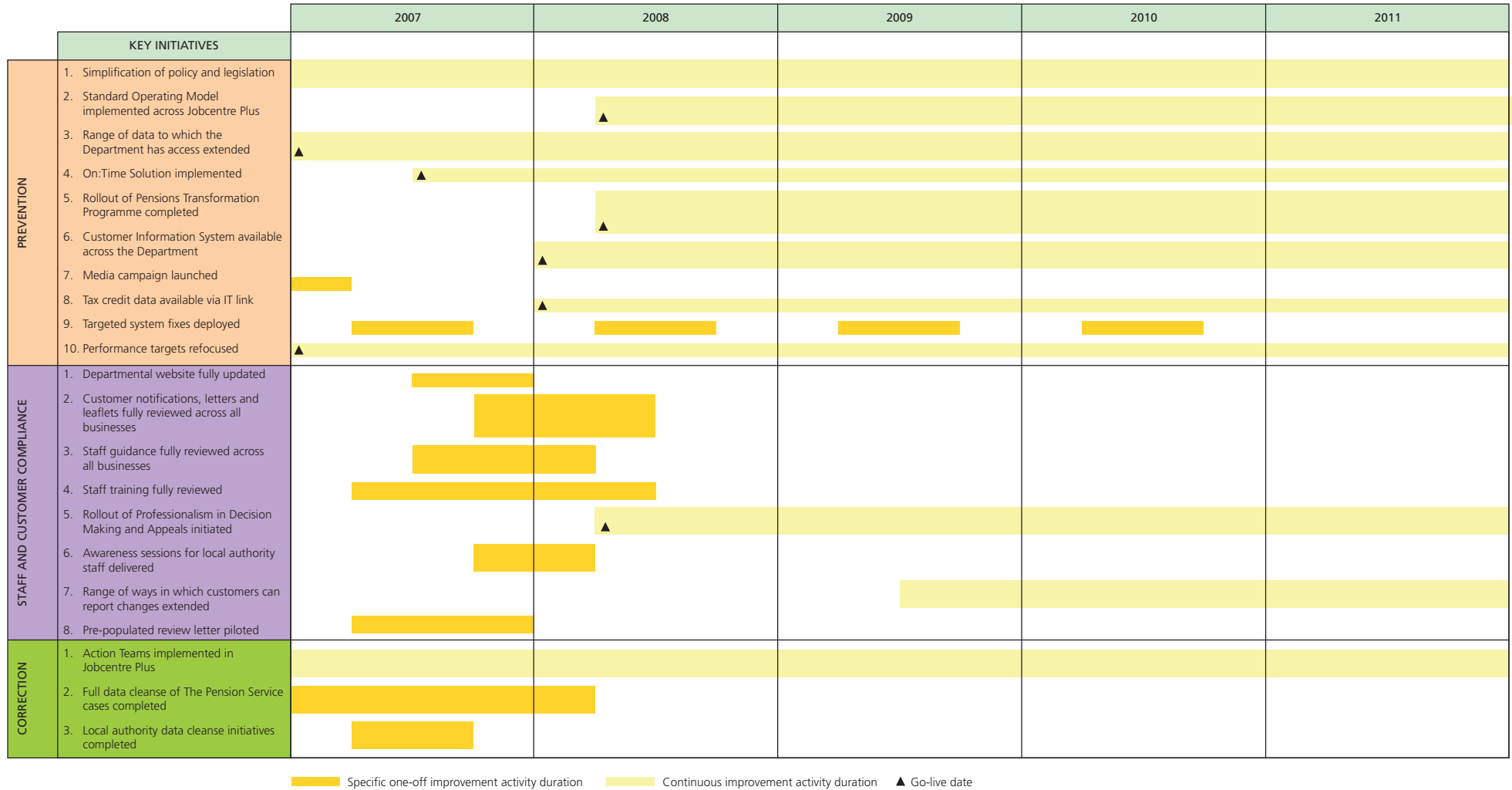
5.6 Figure 5 sets out our plans for implementing our strategic initiatives across all the Department's businesses and head office, alongside what we propose to introduce in partnership with local authorities.

5.7 We are confident that this strategy will take us further towards achieving the Government's existing public fraud and error target, as well as future targets to 2012.

<sup>13</sup> Department for Work and Pensions, 2006, *Resource Accounts 2005/06*.

<sup>14</sup> Department for Work and Pensions, 2001, *Resource Accounts 2000/01*.

Figure 5: Error reduction strategy – High-level implementation timetable







Annexes

# Annex A: Measuring fraud and error

The Department first started routinely measuring the level of fraud and error in the benefits system in 1997. The first exercise to measure incorrect payments showed that Income Support and Jobseeker's Allowance were most vulnerable to loss. We therefore focused our attention on these benefits.

Estimates of the amount of fraud and error in the benefits system are calculated from the results of checks carried out on a sample of benefit claims. We currently undertake continuous measurement of fraud and error in Income Support, Jobseeker's Allowance, Pension Credit and Housing Benefit, because these benefits contribute towards the highest monetary loss every year. Other benefits are measured less frequently, to obtain an estimate of the total global fraud and error in the benefits system. It is also done to keep an eye on any shifts in the level of fraud and error.

## Distribution of error

The measurement exercise, like all measurement exercises, is subject to a degree of uncertainty. But it still provides us with valuable information regarding the nature of these errors.

## Where does error enter the system?

Error enters the benefits system at three distinct points:

- the start of a claim (the gateway), when gathering information and processing the claim to benefit;
- during a claim's lifecycle, usually through a change to a customer's circumstances; and

- when the action to close a claim is carried out incorrectly.

## Measurement of fraud and error

It is essential to assess accurately the scale and nature of the problem of fraud and error in the benefits system in order to develop an effective response to it. Most major benefits were measured as separate one-off snapshot exercises in the 1990s.

In 1997 continuous rolling measurement of Income Support (including the Minimum Income Guarantee, which was replaced by Pension Credit in October 2003) and Jobseeker's Allowance was begun in recognition of their particular vulnerability to loss. Continuous measurement of Housing Benefit was added to this in 2002.

Measurement enables estimates to be made of the total number of cases that are incorrect within the benefit at any point in time; the loss in cash terms and the loss as a percentage of benefit spend. Given that benefit spend may rise or fall, the key indicator is the percentage rather than the cash loss.

## Estimating the total fraud and error loss in the benefits system

We first published an estimate of overall fraud and error loss across the benefits system in 2001: an annual figure of approximately £2 billion in fraud and £1 billion in error.<sup>15</sup> We have since developed our methodology for estimating and presenting fraud and error overpayments across the benefits system. Our best estimate, therefore, is that total annual loss from fraud in 2005/06 now stands at £0.8 billion (0.7 per cent of spend) and error at £1.9 billion (1.7 per cent of spend).

<sup>15</sup> Department for Work and Pensions, 2001, *Resource Accounts 2000/01*.

# Annex B: Estimates of overpayments due to fraud and error in 2005/06<sup>16</sup>

	Expenditure 2005/06	Fraud and error	Fraud	Customer error	Official error	Period of exercise <sup>1</sup>
<b>REGULARLY REVIEWED</b>						
Income Support	£9.1bn	£490m 5.3%	£210m 2.3%	£100m 1.1%	£170m 1.9%	Apr 04–Mar 05
Jobseeker's Allowance	£2.3bn	£140m 6.0%	£50m 2.2%	£30m 1.5%	£50m 2.3%	Apr 04–Mar 05
Pension Credit	£6.4bn	£300m 4.6%	£70m 1.0%	£90m 1.5%	£140m 2.1%	Apr 04–Mar 05
Housing Benefit	£14.0bn	£760m 5.4%	£170m 1.2%	£430m 3.1%	£160m 1.1%	Oct 04–Sep 05
<b>PERIODICALLY REVIEWED</b>						
Disability Living Allowance <sup>2</sup>	£8.6bn	£160m 1.9%	£40m 0.5%	£50m 0.6%	£60m 0.7%	Apr 04–Mar 05
State Pension <sup>3</sup>	£51.3bn	£70m 0.1%	£0m 0.0%	£40m 0.1%	£30m 0.0%	Apr 05–Mar 06
Carer's Allowance	£1.1bn	£60m 5.5%	£40m 3.9%	£10m 1.0%	£10m 0.6%	Apr 96–Mar 97
Incapacity Benefit <sup>4</sup>	£6.6bn	£120m 1.9%	£10m 0.1%	£20m 0.2%	£100m 1.5%	Apr 00–Mar 01
Instrument of Payment fraud		£20m	£20m			Apr 05–Mar 06
Interdependencies <sup>5</sup>		£30m	£10m	£10m	£10m	Apr 04–Mar 05
<b>UNREVIEWED</b>						
Unreviewed (excluding Council Tax Benefit) <sup>6</sup>	£12.4bn	£340m 2.7%	£110m 0.9%	£110m 0.9%	£110m 0.9%	Apr 05–Mar 06
Council Tax Benefit <sup>7</sup>	£3.8bn	£210m 5.4%	£50m 1.2%	£120m 3.1%	£40m 1.1%	Oct 04–Sep 05
<b>TOTAL<sup>2,8,9</sup></b>	<b>£115.8bn</b>	<b>£2.7bn 2.3%</b>	<b>£0.8bn 0.7%</b>	<b>£1.0bn 0.9%</b>	<b>£0.9bn 0.8%</b>	

## Notes

1 Individual estimates are produced from the latest available information at the time of preparation of the Accounts (covering a twelve month period in the 'period of exercise' column) updated in line with expenditure for the relevant reporting year. The monetary amounts quoted here may therefore differ from previously published values for the individual benefits.

2 The 2004–05 DLA National Benefit Review identified cases where the change in customer's needs have been so gradual that it would be unreasonable to expect them to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as we cannot quantify or define when the customer's change occurred. Because legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the customer to inform us that their needs have changed, cases in this subcategory are legally correct. The difference between what claimants in these cases are receiving in DLA and related premiums in other benefits and what they would receive if their benefit was reassessed is estimated to be around £0.7 billion (+/- £0.2 billion). This figure is not included in the total above, but a similar figure was included in the global fraud and error figure of £3 billion reported in the Resource Account for 2003–04.

3 The 2005–06 SP pilot National Benefit Review identified around £30 million overpayments due to non-notification of death to the International Pension Centre. These have been included as customer error in this table – a small amount of these may be fraudulent.

4 Official error rates have been updated with estimates from the 2004–05 measurement exercise.

5 Overpayments due to knock-on effects between loss of DLA component entitlement and premiums on income-related benefits.

6 The estimated rate of fraud and error on unreviewed benefits, for which we have no reliable review information, has been set at 2.7% and divided equally among fraud, customer error and official error. This rate was set for the 2004–05 estimates on the basis of the overall level of fraud and error measured across reviewed benefits. This has not been altered to reflect subsequent reductions in the overall rate of fraud and error to avoid making the estimate too sensitive small changes in other estimates which are not statistically significant.

7 Fraud and error on CTB has not been measured before and is assumed here to be equal to fraud and error rates on HB.

8 Although quoted to the nearest £0.1 billion, there are considerable uncertainties around the total estimates (95% confidence intervals of between +/- £0.2 billion and +/- £0.3 billion).

9 Individual figures may not add across to total fraud and error figures due to rounding.

<sup>16</sup> Department for Work and Pensions, 2006, *Resource Accounts 2005/06*. Updated estimates for 2005/06 are due to be published as National Statistics on 1 February 2007, available at [www.dwp.gov.uk/asd/asd2/fraud\\_error.asp](http://www.dwp.gov.uk/asd/asd2/fraud_error.asp)

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