

Action plan for tackling fraud and error in Housing Benefit and Council Tax Benefit

DWP Housing Benefit Strategy Division

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Introduction

1. This Government is committed to reducing the level of fraud and error right across the benefit system. In October 2005 we published “Reducing Fraud in the Benefit System” and in January 2007: “Getting Welfare Right: Tackling Error in the Benefits System”. These two strategy papers set out how we will achieve these reductions. Our detailed plan for achieving this in Housing Benefit (HB) and Council Tax Benefit (CTB) is set out in this document.
2. The Housing Benefit Review (HBR) estimates that for the period April 2005 to March 2006, 5.5% or £770m of Housing Benefit was overpaid¹. This represents an increase of 11% from the 2002/03 baseline.
3. Within this, fraud has been halved whilst official error has remained largely unchanged. However, customer error has risen by two thirds and now accounts for more than fraud and official error combined.
4. In Housing Benefit we will:
 - make the best use of the information and data available within and to DWP;
 - change customer behaviour;
 - improve IT and processes;
 - empower local authorities and partner organisations.
5. **Making the best use of information and data.** We will ensure that local authorities have access to as much information and data as possible that will help to prevent and detect incorrectness in HB and CTB. For example, we will develop DWP’s Customer Information System (CIS) as the single point of contact for reporting changes in circumstances across government. We will also make better use of historical data and will exploit data from the private sector, such as that owned by credit reference agencies which can identify benefit fraud.
6. **Changing customer behaviour.** The best way to tackle customer error is to change customer behaviour. We will develop resource efficient ways of reminding customers of their responsibility to report changes in circumstances, and what changes they have to report - for example by using targeted mail shots. We will encourage them to accept this responsibility through the targeting fraud and targeting error campaigns and will enable them to fulfil this responsibility by making it

¹ This is for the working age and pensioner caseload combined and covers 100% of caseload. The PSA target is based on working age alone and this shows an increase of 13% based on the 85% of caseload captured by the sample. Full details can be found in: ‘Fraud and Error in the Benefit System April 2005 to March 2006’ published as National Statistics and on the DWP website at http://dwp.gov.uk/asd/asd2/fraud_error.asp

easier to report changes in circumstances - for example, by allowing changes to be reported over the phone.

7. **Improving IT and processes.** Developments in our IT will improve the transfer of data between DWP, LAs and HMRC that can help to reduce fraud and error. For example, we will deliver data matches and risk-based products through a secure electronic link. Where possible, we will align and simplify processes across benefits, including moving towards a risk-based approach to verification and aligning verification standards.
8. **Empowering local authorities and partner organisations.** For example, we will give local authorities autonomy over the choice of activities used to tackle fraud and error through the revised security performance measure; continue to provide training, including developing new error awareness packages for use in local authorities, JCP, TPS and HMRC; offer the support of the Performance Development Team and provide feedback and good practice guidance.

Making the best use of information and data

9. **Exploitation of the Department's Customer Information System (CIS).** CIS is a powerful platform for building a comprehensive picture of a customer's benefit history. Indeed, the Department has been asked to develop CIS as a vehicle for managing not just DWP benefit data, but citizen data across government. This will ensure LAs are informed of any changes in their customers' circumstances that are reported to any part of Government.
10. **HMRC data onto CIS.** We are working with HMRC to incorporate tax credit data onto CIS during 2008 to ensure that vital award details are brought much nearer to the point where they are needed.
11. **Standard HB data onto CIS.** There is currently no system of automatic notification for customers of non-passported benefits or tax credits. We will start to explore the practicalities of bringing the non-passported cases into the scope of this strategy.
12. **Risk based approach to verification.** Currently, a blanket approach is taken to the verification of all new claims regardless of the likelihood of any particular claim containing fraud or error. So, supported by earlier use of the data available to our matching service, we will develop a risk-based approach to the verification of new claims. This will be supported by guidance to local authority staff that will equip them to spot typical scenarios where we know there to be greater risk to the integrity of the benefit system.
13. **Credit Reference Agencies (CRAs).** CRAs hold useful data about individuals and their access to financial services. Local authorities already use CRA information successfully when investigating fraud on an individual basis and we will examine how we can extend the use of this service by matching CRA data with local authority benefit records to identify discrepancies such as undeclared members of the household. A pilot exercise to examine the use of this service is underway.
14. **National Fraud Initiative (NFI).** Local authorities participate in the NFI run by the Audit Commission (or Audit Scotland) that matches data-sets not available to DWP against their HB records. The Department co-operates closely with the Audit Commission and provides useful data to assist them with the exercise. We have refined the matches further to enable DWP benefits to be dealt with directly and to include some of these matches in the local authority performance targets set by the Department.
15. **Tax credits data-matches.** We have recently introduced a data-match that compares tax credit data with HB records. This will enable local authorities to investigate, and correct cases where there is a

discrepancy. A match against undeclared tax credits has been running since October 2005.

16. Working age case cleanse. In the second part of 2006/07, local authorities are undertaking a number of measures that will cleanse their working age caseload of existing error. This exercise is targeting:

- High risk cases that have not been reviewed in the last two years;
- Cases where declared earnings have not changed;
- Cases where payments of tax credits are received; and
- Cases where P45 or P46 data are available allowing us to match benefit records with HMRC income data. This data match is already in production.

17. Making use of historic data. DWP have access to data from both our own systems and those of HMRC (through the Work and Pensions Longitudinal Study) that will allow us to more effectively track not just the characteristics of customers which increase the risk of fraud but the actual cases where fraud and error has entered into the system. Using the wealth of these data we hope to:

- directly tackle persistent causes of fraud and error entering the system;
- significantly improve our data matching routines to maximise the effective use of this wealth of data in detecting fraud and error;
- improve our wealth of knowledge on risk and ensure that we are able to understand the risks to the HB/CTB system; and
- identify the gaps in our knowledge about customers and acquire further data for matching where required.

18. Enhance risk scoring of LA caseloads. The new security performance measure is based on the 6 risk groups LAs are already familiar with. We need to ensure that the list of risk scored cases we send LAs each month is adapted to fully support the new measure. Consequently, we are reviewing these risk lists with a view to:

- sending the whole risk-scored caseload to LAs to allow them to better deliver the reductions target under the new security performance measure;
- continuing to improve the relative weighting given to various risks;
- completing a pilot exercise to better align the frequency of intervention with the risk of incorrectness;
- adjusting or removing the 6 month and 3 year suppression of cases from the risk-list in light of this pilot and other work; and
- adding last reduction information to the last date of review already provided.

19. Predictive scans. Where local authority set case controls are not effective, we will offer local authorities the results of data matching

scans to help them follow up potential discrepancies. These scans will identify potential changes and allow the local authority to further prompt the customer.

Changing customer behaviour

20. **Measures to simplify HB.** The Department has recently established a new Benefit Simplification Unit and we will ensure that future policies are subjected to a 'simplification test' to ensure that they do not add to the complexity of the benefit system and that guidance is clear and easy to follow.
21. We will also be working with the unit to explore a range of measures to simplify existing rules. For example, we would like to further align HB for pensioners with Pension Credit, and with tax credits for people in work.
22. **Targeting Error campaign.** DWP is piloting a national Targeting Error media campaign and will extend the use of direct mailing pilots to run in conjunction with and support the campaign. An important element of this campaign will be to send clear messages to HB and CTB customers that changes should be reported. The pilot will involve sending a mailing to JCP customers telling them to report their changes both to JCP and to their local council if they are receiving HB/CTB. This will be supported with a 'model' letter that local authorities can send to their standard HB/CTB customers when the media campaign is running.
23. **Targeted mailshots.** We will also explore the wider use of targeted mail shots for when the national campaign is not running. A number of volunteer authorities have agreed to run an initial pilot in March 2007.
24. **Making reporting changes easier.** In December 2006 we enabled, through regulations and an Order under the Electronic Communications Act, local authorities to accept claims to benefit, amendments to claims and changes of circumstance notifications electronically or by telephone. This will encourage greater innovation and flexibility amongst local authorities in accepting notifications of changes. Although local authorities will not be obliged to accept changes in these ways, we believe that, with adequate security in place, it will mean more customers report changes on time.
25. **Develop model communications with customers.** In order to encourage timelier, and more accurate, reporting of changes, we will provide local authorities with 'model' documentation that can be tailored for local use. These documents will be clear, concise and help customers to fully understand when to report changes, how to report them and to whom. We will also ensure that all Departmental communications convey the correct messages.
26. **Customer compliance.** DWP continues to treat deliberate fraud with the utmost seriousness and conducts robust criminal investigations against such fraud. However, lower level fraud and incorrectness are

addressed through a compliance route with the intention of making sure that claims are put right. This allows more resources to be concentrated on serious cases of fraud. Some local authorities have gone some way towards adopting this compliance route. Our strategy will be to work with LA representatives to evaluate JCP's experience of compliance and encourage more authorities to adopt compliance working if appropriate.

27. Targeting Fraud campaign. The Department's previous campaign has been refocused and renamed: "Targeting Benefit Thieves", but it still aims to increase public awareness of the problem of benefit fraud. The new campaign targets fraudsters, and potential fraudsters, in their local communities: "No ifs, no buts, benefit fraud is a crime". The overall aim of the campaign remains to change the attitudes of the general public and benefit customers to benefit fraud, but delivers the tougher message that benefit fraud is a crime, and those who commit it are thieves. The campaign's objectives are to increase awareness amongst benefit customers of what constitutes benefit theft; increase fear and awareness of the likelihood of being caught committing benefit theft and the associated consequences; and to maintain levels of public acceptance that benefit fraud is wrong and is socially unacceptable.

28. 'Two strikes' fraud sanctions. We are taking powers in the Welfare Reform Bill to extend the Loss of Benefit provision, known as 'two strikes', from three to five years. This will allow it to build upon the positive deterrent effect already being seen in reducing the volume of benefit re-offences.

Improving IT and processes

29. **Information flows.** During 2006, we introduced a new computer link to replace the ageing Remote Access Terminals. This is a powerful system that will ensure that local authority staff have greater, more secure, access to information about DWP benefits. It includes improvements to the system of automatic notification of changes of circumstance to the local authority on passported HB claims.
30. **Housing Benefit indicators electronic notifications.** A significant cause of official error, amounting to around £85m each year, are the mistakes made by incorrect assessments, and assumptions made, regarding other social security benefits. For example, mistakes occur when DWP do not inform the local authority that entitlement to a passporting benefit has ceased. Existing procedures to ensure that local authorities are informed of relevant changes are dependent on the accurate setting of indicators on DWP systems. When these indicators are not set correctly, mistakes occur.
31. The rollout of the Customer Information System allows local authorities themselves to ensure that these indicators are correctly set. Our new error awareness training will stress the importance to both LA and DWP staff of setting the indicator correctly. We will also run data cleansing exercises, on a quarterly basis, to correct any cases not detected during the normal course of business. We will also review the process of issuing and acting upon Electronic Transfers of Data (ETDs) to ensure that the right data are issued to local authorities and that they are acted upon effectively when received.
32. **Modernise the Housing Benefit Matching Service (HBMS).** As part of the wider departmental strategy to make best use of data in our battle against fraud, we are taking steps to acquire and apply these datasets more frequently. For example:
- From autumn 2007 DWP systems will download data weekly rather than 2-6 weekly as at present.
 - We are developing secure e-mail links to enable data matches.
 - Other HBMS products will be delivered to local authorities more quickly.
 - We will explore the opportunities offered under the Government Connect programme for LAs to submit their data to HBMS more frequently.

These advances will enable us to alert LAs much more quickly to known changes that could bring about a reduction in customers' entitlement, thereby substantially reducing the duration of any overpayments.

33. **Case controls.** Our strategy will be to encourage customers to report their changes accurately and on time. However, where they do not, we will encourage more pre-emptive use of case controls to predict likely changes so that the customer may be prompted to report them. For instance, the local authority would set a diary date to prompt a customer to tell them whether a 16 year old dependant child was continuing full time education. We will work with local authorities to ensure that case control facilities are available in all authorities and active management of foreseeable changes is encouraged.
34. **Pre and post payment checking.** Our strategy recognises that performance indicators should encourage good performance so we are looking at whether current pre-payment accuracy indicators are consistent with the strategy. We will look at ways to encourage more imaginative use of pre and post payment checking to ensure that: genuine areas of risk are targeted; valuable resources are used more effectively and that the information gained is used to inform refresher training programmes and for monitoring individual performance.

Empowering LAs and partner organisations

35. We will continue to build on the new relationship that we have been developing with local authorities. This is based on a single funding stream, backed up by output based performance measures. So we are committed to supporting authorities and building a partnership based on trust. We are encouraging local arrangements, local judgement and local initiative
36. **Administration Subsidy.** We have reviewed the way that local authorities are resourced for activities to combat fraud and error and have subsumed the associated funding streams within the main administration subsidy. So funding is no longer based on individual inputs and processes, thereby allowing authorities to focus on the outputs required by the various performance measures. In particular, the funding for counter-fraud activity is now paid in advance ensuring authorities know in advance of the financial year how much they are able to commit to counter-fraud work.
37. **New security performance measure.** We are introducing, in April 2007, a more robust performance measure for the reduction of fraud and error within local authorities' caseloads. The revised security measure, PM10, requires local authorities to process a number of reductions in benefit entitlement specific to each authority based on the nature of their individual caseloads. These reductions may be as a result of customers reporting changes in their circumstances, or the authority detecting an unreported change through any kind of activity. However, as only the actual reduction in benefit will count towards the new PM, local authorities will be encouraged to focus on outputs and to use their local knowledge and judgement to determine the most efficient way to achieve their target.
38. **Performance data.** We are putting systems in place to make the collection of performance data less burdensome, less prescriptive and simpler. The current method of collecting information on quarterly clerical returns is being phased out, and instead we will be obtaining comprehensive performance data through monthly electronic data scans. This will provide the department with a much more detailed picture of local authority performance. When fully rolled out, it will give local authorities much clearer information on their performance at securing the HB and CTB systems.
39. **Performance monitoring.** We shall use this data to monitor performance and continue our programme of engagement with weaker performers. Where appropriate, we shall visit poorly performing authorities to discuss their plans for improvement and monitor their progress closely. Where appropriate, we shall offer the services of the Performance Development Team (PDT) to help authorities develop and implement their improvement plans.

40. **Performance Development Team.** The PDT provides help to local authorities in improving the delivery of HB and CTB. It works closely with local authorities to help plan service delivery improvements by drawing on the best practices identified during inspections. We will ensure that the consultancy service offered by the PDT will continue to support LAs' efforts to reduce fraud and error.
41. **Providing advice and guidance.** We will provide information and advice on the effectiveness of the activities local authorities can use to encourage claimants to report changes in their circumstances, and to detect changes in circumstances that have not been reported. We will conduct robust pilots, evaluations, analysis of management data, and research with local authority staff and customers to find out what works, and what we should investigate further. This information and advice will be posted on our website.
42. **Error awareness package for LAs.** We have been working with local authority staff to identify the most common causes of official and customer error and to learn from ways that they have successfully tackled it. This work will inform an error awareness package that we will make available to local authority benefit staff to supplement existing benefit training. The package will set out the reasons why error occurs and what staff can do to stop it.
43. **Workflow management.** As part of the LA error awareness package, we will provide advice on the active management of caseloads, diary dates, ETDs and overall prioritisation in order to keep error to a minimum.
44. **HB error awareness for DWP and HMRC staff.** A key element of the strategy is to ensure that staff in partner organisations receive adequate training to ensure that they are aware of the impact of their actions and processes on HB. For instance, failing to appreciate the significance of correctly closing dormant benefit claims may mean vital data not being sent to local authorities resulting in overpayments. Our training will be aimed at ensuring that the impact on HB will be considered whenever changes to DWP benefits or tax credits are reported or detected.
45. **Intervention training.** To address concerns that many local authority staff do not possess the necessary skills to carry out intervention interviews effectively, we have introduced intervention and interviewing training to circulate good practice amongst visiting officers. This will also ensure that lessons learned by higher performing authorities can be circulated around the local authority community, so driving up the standards of interventions.
46. **Investigation and prosecution powers.** We also intend to give local authorities tough new powers to prosecute offences against DWP

administered benefits. This will ensure that, where a local authority is prosecuting an HB or CTB offence, it can bring the overall fraud against the wider benefit system before the courts. This will ensure that fraudsters can be punished for the full extent of the crime they have committed.

47. **Use of the Department's legal service.** Effective investigations, coupled with tough penalties speedily imposed, are an effective deterrent against benefit fraud. We will continue to support local authorities through the prosecution service that we offer them. This means that any local authority who signs up to the service can ask DWP to prosecute cases of HB or CTB fraud on its behalf. This is particularly useful for smaller authorities who may not have access to the legal resources available to larger councils and means that fewer fraudsters are likely to escape justice.
48. **Fraud awareness.** There is already a national Fraud Awareness programme that is available to local authorities. This informs benefit and customer service staff of the major causes of fraud and how to identify and prevent it. So far, over half the local authorities have made use of this product. More funding has recently been released to enable it to be turned into a web-based product to encourage further take-up.
49. **Professionalism in security.** Local authority fraud investigators are trained to the same standards as their DWP counterparts. DWP Learning and Development Services provide Professionalism in Security (PinS) training to both DWP and local authority investigators. Our strategy will see this training continue.
50. **Joint working.** We will encourage a joined-up approach between DWP and local authorities. There are already some pilots with regard to the joint working of both fraud teams and visiting teams. The results of these pilots indicate that closer working between DWP and LA teams offers many benefits and few additional operating problems.

Timetable

Key Element	2006/07	2007/08	2008/09	2009/10	2010/11
Making the best use of information and data					
Reporting & dissemination of changes through one body					X
HMRC data onto CIS		X			
Standard HB data onto CIS			X		
Risk based approach to verification (PA)			X		
Data matching with Credit Reference Agency data		X			
Data matching with NFI	X				
Working Age case cleanse	X				
NTC data matches	X				
Use of Work and Pensions Longitudinal Study historical data		X			
Reform the risk score & LRRD		X			
Predictive scans	X				

Key Element	2006/07	2007/08	2008/09	2009/10	2010/11
Influencing customer behaviour					
Measures to simplify HB		X			
Targeting Error campaign	X				
Targeted mail shots		X			
Allow reports of changes by phone and email/web	X				
Develop model communications with customers		X			
Evaluate Compliance route for LAs		X			
Targeting Fraud campaign	X				
“Two strikes” fraud sanctions		X			
Improving IT and processes					
IT Flows roll out	X				
Y/N indicator fixes	X				
Modernise delivery of HBMS		X			
Implement and monitor case controls		X			
Pre & Post payment checking		X			

Key Element	2006/07	2007/08	2008/09	2009/10	2010/11
Empowering LAs and partner organisations					
Administration subsidy	X				
New Security Performance Measure		X			
Performance data		X			
Performance monitoring		X			
Performance Development Team		X			
Providing advice and guidance on the effectiveness of different activities at achieving PM10 target and reducing fraud & error		X			
Error Awareness package for LA staff		X			
Workflow Management package for LA staff		X			
HB Error Awareness package for DWP/HMRC staff			X		
Intervention training	X				
Post-Howell implementation		X			
Continue to enable LAs to use SOLP	X				
Review Fraud Awareness training for LA staff		X			
PINS & other fraud training	X				
Support Joint working/teams		X			