Department for Work & Pensions

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Stephen Timms MP
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Dear Stephen

FRAUD, ERROR AND DEBT FUNDING ANNOUNCEMENT

I am pleased to let you know that today we have announced new funding of £510m to reduce fraud, error and debt over the next three years. This is in addition to the £103 million funding we received as part of the Spending Review.

As I set out at the Work and Pensions Select Committee last month, the Spending Review funding of £103m will enable us to continue supporting key fraud and error detection and prevention activity originally agreed in Spring Budget 2021. This includes:

- Transaction Risking, which uses advanced analytics to target potentially incorrect benefit claims before they go into payment;
- Our Counter Fraud and Error Management System, a modern case management platform for staff to manage interventions or route them to specialist areas;
- The Verify Earnings and Pensions Service, which extends our use of HMRC RTI (PAYE) data to maintain claim accuracy; and
- Expanding our Serious and Organised Crime team.

The additional £510m will enable us to fund the remainder of our plan to reduce fraud, error and debt. This second phase of funding will support the development of a number of new innovative initiatives which include:

- Investment to drive down the level of Fraud and Error in Universal Credit (UC) and collect more debt, through:

a. A targeted review of UC claims to allow us to systematically review stock UC cases to quickly uncover fraud and error and remove it from the system. This will provide a valuable opportunity to help us understand more about the root causes of systemic fraud and error and take preventative action in the future.
b. A Debt Enforcement Function to allow us to target hard to collect debt.

- Investment to transform our services and prevent the flow of fraud and error through a dedicated Fraud Prevention Fund to explore and test innovative approaches to designing out fraud and error. Preventing fraud and error has always been a key part of our overall plan and this gives us the flexibility to explore and test innovative approaches for designing it out.

Prior to the pandemic, we were beginning to see the overall aggregate level of overpayments falling across Tax Credits, DWP legacy benefits and UC. As I have outlined during my recent appearances before the Work and Pensions Select Committee, the progress of this has sadly been disrupted by COVID-19 but our focus has not changed - cracking down on fraud and minimising error in our systems is a top priority for the Department. This will however take time, and I have been clear with the Committee about this. But the investment announced today will allow us to drive down the level of fraud and error in UC through the targeted review, and collect more debt. I will keep you updated as implementation of this funding package progresses and will set out what this means for our targets in the new year.

Yours sincerely

Peter Schofield

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Permanent Secretary