



Department
for Work &
Pensions

Public Authorities (Fraud, Error and Recovery) Bill

Impact Assessment

Summary of Impacts

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RPC Opinion: Green

Declaration

Department:

Department for Work and Pensions

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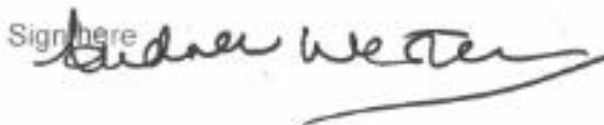
Minister responsible:

Andrew Western MP, Minister for Transformation, Parliamentary Under-Secretary of State, Department for Work and Pensions

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:

Sign here



Date:

XX/XX/XXXX

21/1/25

Introduction

1. Fraud against the public sector - and associated error - is a significant and continuously evolving challenge. In 2023-24 the NAO estimated that public sector losses to fraud and error were estimated to be between £55 billion to £80 billion¹.
2. The public sector response to fraud and error has historically focused on the areas with the highest known losses – generally these have been in tax and social security. This means that some government departments have limited powers and resource to act on fraud and error. As a result, outside of tax and social security it is estimated that around £5 billion to £30 billion is being lost to fraud and error per year².
3. However, losses in the social security system remain large. Last year alone, overpayments in the social security system from fraud and error were almost £10 billion, and since the pandemic this has amounted to £35 billion being incorrectly paid to those not entitled³. This has created a significant stock of debt in the social security system, which stood at £9.4 billion in March 2024⁴.
4. The Government’s manifesto outlined it will not tolerate fraud or waste anywhere in public services and is committed to ensuring that every pound of taxpayers' money is spent responsibly and effectively.
5. To deliver this commitment, the Government’s strategy to reduce fraud and error is twofold. First, to prevent and deter fraud and error from happening at the outset. Second, where it cannot be prevented, the strategy is to detect, identify and stop those committing fraud and recover the debt owed. This Bill is intended to support the delivery this strategy, deliver the government’s manifesto commitment to safeguard public money and protect the economic wellbeing of the country.
6. The Bill makes provisions to reform the legislative framework across the public sector to help identify, prevent and deter public sector fraud and error, and enable the better recovery of debt owed to the taxpayer where money has been overpaid.
7. The provisions in Part 1 of the Bill provide the Public Sector Fraud Authority’s (PSFA) Enforcement Unit powers to investigate and address fraud against the public sector, these are powers to enable:
 - a. Gathering and sharing of information to find and recover fraud. This will give Authorised Officers (AOs) within the PSFA powers to compel the production of information from information holders; issue a financial civil penalty for failure to comply with the request for information; and receive, disseminate, and share criminal offence data between government departments. This is a regulatory provision as per Better Regulation Framework.

¹ <https://www.nao.org.uk/wp-content/uploads/2024/11/fraud-overview-2023-24.pdf>

² <https://www.nao.org.uk/wp-content/uploads/2024/11/fraud-overview-2023-24.pdf>

³ <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2023-to-2024-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2024#total-estimates-of-fraud-and-error-across-all-benefit-expenditure>

⁴ https://assets.publishing.service.gov.uk/media/67347985b613efc3f1822fe8/dwp_annual_report_and_accounts_2023_2024.pdf

- b. Introducing a framework of civil penalties for fraud and incorrect payments that the PSFA can impose, including on behalf of departments, as an alternative mechanism to dealing with fraud cases via criminal prosecution. AOs will have the power to impose penalties on individuals involved in fraudulent activities, provided that on the balance of probabilities, the fraud was committed to gain an incorrect payment or assist another in doing so, resulting in a loss to a public authority. This is a regulatory provision as per Better Regulation Framework.
 - c. Introducing investigative and enforcement powers by amending the Police and Criminal Evidence Act (PACE) 1984, which will give Higher Level Authorised Investigators (HLAI) in the PSFA powers to apply for court mandated search warrants and production orders, enter premises with a warrant, and search for and seize evidence and deal with the evidential chain thereafter. This is not a regulatory provision as per Better Regulation Framework.
 - d. Enabling the recovery of fraud-related debt identified through PSFA investigation or application of penalties on behalf of government departments. Debt will be recovered directly from an individual's earnings via a Direct Earnings Attachment ("DEA"), and directly from bank accounts via Lump Sum Deduction Orders ("LSDO") for specified amounts, and Regular Deduction Orders ("RDO") for regular deductions. This is a regulatory provision as per Better Regulation Framework.
 - e. Establishing an assignment gateway whereby AOs within PSFA can refer cases to the Crown Prosecution Service (CPS). This is not a regulatory provision as per Better Regulation Framework.
 - f. Creating a new oversight function for use of the powers in the Bill, to help build trust in government and ensure the correct and appropriate use of powers. This is not a regulatory provision as per Better Regulation Framework.
8. The provisions in Part 2 of the Bill make new powers for the DWP to reduce fraud, error, and Debt in the social security system. These powers will be tough on criminals, fair for claimants and provide confidence to the taxpayer that money spent is reaching those who need it, and not those who exploit the system.
9. The Bill will help the DWP identify more incorrect payments, reduce fraud and error and improve the recovery of debt by:
- a. Requiring banks and financial institutions to examine their own data sets against specified criteria, to highlight where someone may not be meeting specific eligibility rules for the benefits they are being paid. This will help the DWP to identify more incorrect payments sooner, meaning more claimants are paid accurately, more errors are found and resolved, individual debt is minimised, and potential fraud can be identified and investigated. This is a regulatory provision as per Better Regulation Framework.
 - b. Giving DWP new powers to recover debts from individuals who can pay money back but have avoided doing so or refused to do so, bringing greater fairness to debt recoveries. This is a regulatory provision as per Better Regulation Framework.
 - c. Modernising the Department's information gathering powers to investigate, and prove or disprove, individual cases of suspected fraud more quickly. This is a regulatory provision as per Better Regulation Framework.

- d. Creating new powers of search and seizure, so DWP can take greater control of investigations into criminal gangs defrauding the taxpayer. This is not a regulatory provision as per Better Regulation Framework.
 - e. Extending the penalties regime to non-benefit payments to ensure there is an effective and proportionate approach to dealing with fraud across the social security system once found. This is not a regulatory provision as per Better Regulation Framework.
10. Further detail on particular provisions can be found below and in the explanatory notes for the Bill.
 11. The Government recognises a responsibility to consider the impact, in terms of costs and benefits, of new regulatory proposals.
 12. This note summarises the Impact Assessments for the provisions contained in the Bill:
 - **Annex 1** contains the impact assessment for the DWP Eligibility Verification Measure.
 - **Annex 2** contains the impact assessment for the DWP Debt Recovery Measure.
 - **Annex 3** contains the impact assessment for the DWP Information Gathering powers Measure.
 - **Annex 4** contains the impact assessment for the DWP Search and Seizure powers.
 - **Annex 5** contains the impact assessment for the PSFA measures.
 13. The total Net Present Social Value (NPSV) or Equivalent Annual Net Direct Cost to Business (EANDCB) has not been calculated for the full package of measures. This is because the Eligibility Verification Measure only has indicative cost to business assessment at this stage, so it is not possible to provide a full economic impact for the bill. Instead in the annexes are the individual impact assessments for each measure which outlines their associated estimates of the NPSV and EANDCB.
 14. A high-level summary on the reforms to the penalties regime is outlined in this overall note. There are no impacts to business expected from these reforms, therefore there is no corresponding impact assessment contained within the annex. The summary of total impacts is outlined in table 1 below.

Background

15. Fraud against the public sector - and associated error - is a significant and continuously evolving challenge. In 2023-24 the NAO estimated that public sector losses to fraud and error were estimated to be between £55 billion - £81 billion. The National Audit Office (NAO) has concluded that reducing fraud and error is a key opportunity for increasing efficiency and productivity in public spending⁵.
16. The public sector response to fraud and error has historically focused on the areas with the highest known losses – generally these have been in tax and social security. This means that some government departments have limited powers and resource to act on fraud and

⁵ <https://www.nao.org.uk/wp-content/uploads/2024/07/making-public-money-work-harder.pdf>

error. This includes intelligence gathering; building evidence to form an investigation; verifying information with third parties or cross-Government information to prove or disprove regularity; and identifying, investigating and recovering funds fraudulently taken from the public sector.

17. As a result, outside of tax and social security £5 billion - £30 billion is being lost to fraud and error per year. It is essential that all of government has access to the capabilities and tools required to stop fraudsters stealing from the taxpayer. This Bill will address this gap and enable the Public Sector Fraud Authority to investigate and deal with public sector fraud outside of tax and social security, utilising its expertise to act on behalf of other parts of government. This will result in more money being recovered, more robust action being taken against those who attack the system, and an increased deterrent to potential fraudsters.
18. Losses in the social security system remain large and these overpayments due to fraud and error in the social security system constitutes a significant opportunity cost for Government as it takes money away from those who need support. Estimates of the level of fraud and error in the welfare system have exceeded £8bn in each of the last four financial years resulting in a combined total of £35bn overpaid (2020-21 to 2023-24). In 2023-24, it is estimated that £9.7bn of benefit expenditure was overpaid (3.7% of the Department for Work and Pensions' (DWP) benefit expenditure). Fraud remains the most significant reason for overpayments, with 76% of DWP's overpaid benefit the result of fraud in 2023-24⁶.
19. These overpayments create debts. Any debt adds to the stock of debt owed to DWP, and debt can have negative impacts on claimants. During 2023–24, £3 billion of detected overpayments were added to the DWP debt stock (debt yet to be recovered) and by the end of 2023–24 the DWP debt stock totalled £9.4bn.
20. This government is committed to preventing fraud and error from happening and, where it can't be prevented, detecting those seeking to commit fraud and identifying errors at the earliest opportunity. As the nature of fraud and error becomes more sophisticated, the DWP's legislative framework requires modernisation to meet the challenges presented by the scale of fraud, error and debt. Without new legal powers, DWP cannot properly keep pace with the changing nature of fraud, error and debt and is not aligned with other government departments and public bodies.
21. The Bill supports the delivery of the government's strategy on fraud and error and delivers on the government's manifesto commitment to safeguard taxpayers' money and demonstrates that it will not tolerate fraud or waste anywhere in public services, including the social security system.
22. To support the scrutiny of the Bill, this document provides a short summary of each of these measures and then sets out what assessment has been made of the estimated impact of each measure.

The Eligibility Verification Measure (DWP – regulatory provision as per Better Regulation Framework)

23. The measure will provide DWP with new powers to require banks and financial institutions to examine their own datasets to highlight where someone may not be meeting specific eligibility rules for the benefits they are being paid. Banks will only be required to share limited information where it appears these rules are not being met, and this information will

⁶ <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2023-to-2024-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2024>

only be used by DWP for the purposes of identifying incorrect payments of a relevant benefit.

24. Improved access to data held by banks and financial institutions will allow more eligibility criteria for key benefits to be independently verified and help DWP identify any incorrect payments. This will mean more people are paid accurately, more errors are found and resolved, individual debt is minimised, and any suspected fraud can be identified by DWP and separately investigated.
25. DWP already uses several data streams to help verify a person's claim or entitlement to benefit. This has helped significantly reduce other types of fraud and error. For example, the use of data from HMRC's PAYE systems to verify earnings has virtually eradicated earnings-related fraud and error for persons on PAYE in Universal Credit.
26. The new powers to require this information from banks and financial institutions will be limited explicitly to this group only. No personal information will be shared by DWP to support banks in the identification of these accounts.
27. This measure will save around £900m by 29/30, and £500m per year once fully rolled out.

The Debt Recovery Measure (DWP – regulatory provision as per Better Regulation Framework)

28. DWP seeks to recover overpayments where it is reasonable and cost effective to do so by agreeing affordable and sustainable repayment plans with customers to ensure that recovery does not cause undue financial hardship. Where a plan cannot be negotiated, the Department's current recovery powers are limited to deductions from benefit or Direct Earnings Attachments (DEAs), which allow DWP to instruct employers for those in PAYE employment to take deductions directly from earnings.
29. These proposed new powers would allow DWP to improve recoveries from those with other income streams and capital, who are currently able to evade recovery despite on-going requests to-do so.
30. This will enable DWP to recover direct from a debtor's bank account through regular or lump sum deductions without the need for a court order. This measure will be used as a last resort and only where attempts to engage with the debtor and agree a voluntary repayment plan have failed. The Department will request three months of bank statements in order to determine their ability to repay. This will also ensure that sufficient funds are available to apply the appropriate recovery power and prevent placing individuals into hardship. The Department will also undertake checks for any vulnerability, as it does now, as well as ensuring other safeguards are in place.
31. In more serious cases of fraud, the powers will also provide the ability to disqualify a debtor from holding a driving licence following approval from a judge where recovery from a bank account is not possible. These powers would again be used as a last resort where all other attempts to negotiate a voluntary repayment plan have been unsuccessful.
32. DWP's current debt recovery powers are limited to deduction from benefits and PAYE earnings. This creates unfairness in the way DWP recovers debt between those who are on benefit or in PAYE employment and individuals with other incomes who are currently able to avoid repayment. These proposed new powers will bring greater fairness to debt recoveries and would allow DWP to improve recoveries from those with other income streams and capital, who are currently able to evade recovery despite on-going requests to-do so. The measures will be proportionate, they will only be applied as a last resort and additional safeguards will be introduced to ensure the powers are used effectively and

fairly. An assessment of the debtor's vulnerability and ability to afford repayments will always be completed before any money is taken.

33. It is estimated that the proposed powers could generate recoveries with a net present value of around £1.9bn over the next 10 years (up to 2034/35).

The Information Gathering Powers Measure (DWP – regulatory provision as per Better Regulation Framework)

34. This measure relates solely to when DWP already has a suspicion of fraud on an identifiable individual and undertakes an investigation to prove, or disprove, that allegation. It involves reforming existing information gathering powers to make it easier and clearer for organisations to respond when DWP asks for information to support a fraud investigation, which will in turn contribute to more efficient investigations. This will modernise DWP's approach and enable information to be provided digitally through a secure portal. The following reforms are proposed:

- a. Updating the scope of the existing legislation to allow DWP to compel information from all third parties (subject to specific exemptions), creating a clear, single legal framework.
- b. Allowing the department to make and receive requests via a digital portal, as opposed to using the postal system, bringing these powers into the 21st century.
- c. Bringing all criminal investigations in relation to any DWP payment into scope, not just benefit fraud.
- d. Reforming how DWP uses these powers by providing a single statutory gateway for Authorised Officers to request information, making the process simpler and more efficient for DWP and third-party information holders.

Search and Seizure Powers (DWP – not a regulatory provision as per Better Regulation Framework)

35. This measure will boost DWP's ability to tackle Serious and Organised Crime by enabling Authorised Investigators to apply to a court to obtain a search warrant, conduct the search and seize evidence to aid the investigation of the most serious cases of fraud against the welfare system. This will include the requisite ancillary powers, such as the ability to obtain production orders to dispose of seized items. This will be of benefit to the Police by reducing the number of Police required to remain at the scene post-arrest, and reducing the administrative burden as DWP Authorised Investigators will apply for warrants and log evidence rather than the Police. The corresponding benefits to DWP include greater administrative efficiency, including the ability to seize evidence and sift it off-site, shortening the evidence chain and allowing DWP to apply to a court to dispose of seized evidence where necessary.

Penalties regime (DWP – not a regulatory provision as per Better Regulation Framework)

36. DWP can apply Administrative Penalties (Ad Pen) where there is clear evidence of wrongdoing after a thorough investigation in relation to benefit overpayments. However, currently Ad Pens cannot be applied to non-benefit payments made by the Secretary of State. A change in legislation is needed to expand the scope of the penalties system to go beyond benefit payments to include those in receipt of non-benefit payments like grants, to ensure the department have a range of options to respond to fraud where it is found. Currently, any fraud related to grants (such as Access to Work) administered under these acts would typically be prosecuted under alternative legislation: this measure would

now allow DWP to consider using the Ad Pen as an alternative to prosecution, bringing this in line with approaches taken to fraud in social security benefits.

37. In supporting a reform of the Department's approach to administering Ad Pens, DWP will also remove the Loss of Benefit (LOB) penalty when an Ad Pen is accepted – namely the removal of the four-week Loss of Benefit. This applies to certain payments or elements of payments (like the UC standard allowance) for four weeks⁷. To promote greater fairness and balance in the system the Department intends to focus criminal investigations, prosecutions and the harshest consequences on the most serious cases (i.e. those successfully prosecuted). The Ad Pen already imposes a strong financial penalty (up to £5,000) alongside repaying the overpayment, this suggests reform in this area is needed.

Information Sharing and Gathering Powers (PSFA – regulatory provision as per Better Regulation Framework)

38. *Power to compel the production of information in civil cases (criminality is dealt with separately in PACE instructions):* These powers are required because the PSFA Enforcement Unit (EU) currently has no powers to compel the production of information or documents from first or third parties. This would enable all reasonable lines of enquiry to be followed to establish facts and develop evidence to meet the standard of proof. This power would therefore make it possible for the PSFA EU to establish, on the balance of probabilities, that the person has committed the fraud.
39. *Power to issue a financial civil penalty for failure to comply with the request for information:* This power is required to prevent non-provision of information to delay or frustrate an investigation or penalty imposition. Without it, fraud investigations may not reach the appropriate standard of proof and may not progress to the right outcome.
40. *Power to share information provided with other public bodies, government departments, regulatory bodies and bodies providing services to PSFA or other departments or public bodies if it is in the interests of detecting and preventing fraud, where it meets specified 'reasonable grounds':* This power is required to ensure clear statutory vires for PSFA AO's to share information in joint investigations with law enforcement and other investigating bodies, to providers of services under contract (such as legal advisers or forensic service providers), to regulators where regulated persons have committed offences which regulators may take action on and to disseminate intelligence.

Civil Penalty Powers (PSFA – regulatory provision as per Better Regulation Framework)

41. *Financial civil penalties pertaining to fraud:* Investigation bodies need a range of enforcement tools to effectively respond to the facts in any given case. Criminal investigations leading to prosecution are often resource-heavy and time intensive. Civil penalties offer a cost-effective alternative to criminal prosecution. The lower civil burden of proof, on the balance of probabilities, means that cases which would not otherwise be enforced can be pursued.

⁷ <https://www.gov.uk/government/publications/loss-of-benefit-as-a-penalty-for-benefit-fraud/loss-of-benefit-as-a-penalty-for-benefit-fraud>

42. *Penalties for individuals and companies for non-provision of information:* These powers are required to prevent non-provision or provision of inaccurate information to delay or frustrate an investigation or penalty imposition.
43. *Penalties for employers who fail to comply with provisions under the Debt Recovery powers, for example non-compliance with a Direct Earnings Attachment (DEA):* This measure is required to deter non-compliance from employers once a DEA has been issued to recoup debt if a civil penalty is not paid.

Police and Criminal Evidence Act 1984 (and other criminal powers) (PSFA – not a regulatory provision as per Better Regulation Framework)

44. *PACE 1984 (and other criminal powers):* These powers are required to enable the PSFA to undertake criminal investigations for the purpose of seeking prosecution and subsequent conviction, via the court, for cases originating in any government department or public body. Existing Law Enforcement bodies have limited capacity to undertake the type of public sector fraud cases the PSFA aims to adopt. The PSFA requires the powers to ensure that all reasonable lines of enquiry can be followed as required by the Criminal Procedure and Investigations Act (CPIA) 1996 and the CPIA Code of Practice. The PSFA has requested in these measures powers to gain access to premises and seize relevant evidence when that is not volunteered and do so on a warrant basis approved by a court as part of a fraud investigation in respect of public money. The PSFA will utilise powers to compel the production of documents and computerised records, in whatever form they are held, as well as the power to access premises to retrieve such material.
45. *Oversight:* Ensuring that PSFA EU's use of criminal powers⁸ is regulated by the existing oversight bodies to ensure that they are used lawfully and is a dependency on getting them.

Debt recovery powers (PSFA – regulatory provision as per Better Regulation Framework)

46. *Power to issue Direct Earnings Attachment orders (DEAs):* the PSFA will be able to issue a Direct Earnings Attachment to a liable person's employer. There are limits on the amount that can be deducted, which are not to exceed 40% of net earnings if the conditions in subsection 36 (4) of the Bill are met, and 20% in other cases. This will be used after all other avenues for voluntary repayment have been exhausted, and when the liable individual is in PAYE employment. This is an efficient and more cost-effective method than litigation and one which can be directly exercised by PSFA.
47. *Power to seize funds directly from bank/building society accounts:* the PSFA will be able to make Direct Deduction Orders (DDOs) from bank accounts, either as a rolling or lump sum deduction. This will be of value where liable individuals are not in PAYE employment, but have funds available in their accounts, as confirmed through an analysis of bank statements prior to implementing the Order. When making a deduction order, the PSFA must ensure that order will not cause the person hardship or prevent them from making reasonable routine payments. It will only be used after all options for voluntary repayment have been exhausted.

⁸ Specifically: The Criminal Procedure and Investigations Act 1996 and the Criminal Procedure and Investigations Act Code of Practice.

48. Application for court orders: For particularly difficult to recover debts, or where the liable individual has significant non-cash assets and aren't in regular employment, there will be a power to apply to the county court for a recovery order.

Referral of criminal cases to Director of Public Prosecutions (PSFA – not a regulatory provision as per Better Regulation Framework)

49. Case review by CPS: Any case which the PSFA wishes to refer to the CPS for consideration will be dealt with by way of an assignment by the Attorney General under Section 3(2)(g) of the Prosecution of Offences Act 1985. This will ensure that cases of public sector fraud are given a suitable independent evaluation of the merits of proceeding with criminal prosecution. Referring cases to the CPS in this manner will mean that the PSFA and CPS always discuss and agree prosecution costs and case file quality before the CPS take on a case.

50. This approach puts the PSFA on the same footing as DWP so there will be parity in how both departments access the CPS in order to gain legal advice and ask the CPS to institute and conduct criminal proceedings in England and Wales.

Oversight (PSFA – not a regulatory provision as per Better Regulation Framework)

51. The proposed oversight measures will ensure the new powers are the subject of independent oversight. These oversight provisions and the establishment of a new function are intended to complement rather than replace existing oversight bodies and processes, further strengthening the existing provision.

Summary of Impacts

52. This section summarises the impact of each measure on key groups. More detail on measures can be found in the individual impact assessments contained in the relevant annex.

53. As a whole, the impact of the bill measures is a moderate net cost to financial institutions, and a small net cost to third party information holders, to ensure that the department can make millions of pounds of savings by reducing overpayments.

54. A summary of the impacts to business is set out below. These are calculated using the Regulatory Policy Committee's measure of Equivalent Annual Net Direct Cost to Business (EANDCB).

Table 1: Business impacts of the Bill measures

Measure	EANDCB (2024 prices)
The Eligibility Verification Measure (DWP)	The cost to Data holders has not been estimated at this stage; estimates will be included in a subsequent IA.
The Debt Measure (DWP)	£0

	Any costs to business, in this case limited to banks, will be recovered from debtors.
The Information Gathering Powers (DWP)	£0.1m This is the aggregated annual cost for businesses to retrieve and share data with DWP.
Search and Seizure Powers (DWP)	£0.0m DWP does not expect the number of operations to increase significantly following the implementation of this policy so the impact on business will be limited.
Penalties regime (DWP)	£0.0m No cost to businesses as penalties will only be applied to those individuals and organisations found to have committed fraud.
Information Sharing and Gathering Powers (PSFA)	£1,794 We anticipate the impact on business is expected to be low as a result of the small number of cases expected to be taken on by the EU each year, i.e. c30-40 cases per year. We envisage this will form part of an already salaried person's job. The £1,794 annual figure is the total cost to businesses to respond to requests for information and is based on £44.85 per case.
Civil Penalty Powers (PSFA)	£21,540 £21,540 total cost (£718 per case) for c. 30 cases for businesses to process and respond to letters imposing civil penalties.
Police and Criminal Evidence Act 1984 (and other criminal powers) (PSFA)	£0
Debt recovery powers (PSFA)	£0 It is envisaged that use of debt recovery powers will be very small (approximately 1-5 cases per year). The costs to these businesses to respond implement Direct Deduction Orders and DEA can be recouped from the liable individual.
Process of assignment whereby the PSFA can refer cases to the CPS under section 3(2)(g) of the Prosecution of Offences Act 1985 (PSFA)	£0

Oversight (PSFA)	£0

55. The following tables summarise the impacts of each measure on key affected groups:

Table 2: The Eligibility Verification Measure (DWP)

<p>Summary of Measure</p>	<p>This Measure will require banks and financial institutions to examine their own records and highlight to DWP where there is an indication that someone is receiving an incorrect benefit payment and may not meet the eligibility criteria for the benefits they are being paid.</p> <p>This will allow more eligibility criteria for key benefits to be independently verified, meaning more people are paid accurately, more errors are found and resolved, suspected fraud can be separately investigated, and it will help protect claimants from accruing debts and getting into financial difficulty.</p> <p>DWP will not share any personal data with banks or financial institutions in order to obtain the information it needs under this measure.</p> <p>It will be accompanied by robust safeguards and further information can be found in the full Impact Assessment.</p>
<p>Sections and Schedules</p>	<p>The new provision will be contained in Schedule 3B of the Social Security Administration Act 1992.</p>
<p>Impact on claimants</p>	<p>The EVM will help DWP identify claims which may be being incorrectly paid when those cases have breached capital and abroad rules. This will allow DWP to correct such claims quickly, preventing claimants accruing large debts, particularly in cases of claimant error.</p> <p>The EVM may also assist the department in identifying possible fraud and will enable the department to investigate suspected fraud further, if necessary, through separate processes.</p> <p>The EVM will result in additional information on claimants being shared with the department. The information provided by banks and financial institutions may be used only for the purposes of identifying incorrect payments of a relevant benefit and will be handled in accordance with existing data protection law, and existing DWP processes, including the department's personal information charter. A Code of Practice will also be brought forward during the passage of the Bill that will provide further detail on how information will be handled, processed and disposed of. The Department has continued to assess the relevant aspects and mitigations of the ECHR impacts on claimants throughout policy development.</p>

Impact on third parties (banks and Financial Institutions)	<p>There will be transition costs and on-going costs for businesses. The impact assessment outlines some indicative costs to business however at this stage we are unable to provide a robust assessment of business costs for validation. This is because the operational solution for the measure is currently being developed, alongside further engagement with banks. We have committed to work in partnership with banks to develop the most appropriate implementation route.</p> <p>Estimates will be included in a subsequent IA.</p>
Impact on Government	<p>We anticipate both costs and savings to DWP as a result of this measure, with a positive net impact.</p> <p>The measure is expected to generate around £900m in Annually Managed Expenditure (AME) savings for DWP over the next five years (up to 2029/30), and around £500m per year once full rollout is reached the same year.</p> <p>Costs will be incurred by the department as implementation will necessitate the recruitment, reallocation, and training of staff for DWP to build systems and act on the data provided. It is anticipated at this stage that the total Departmental Expenditure Limit (DEL) costs from 2024/25 to 2033/34 are likely to be around £420 million.</p>
Wider impacts	<p>It is anticipated that this measure will deter individuals from starting new fraudulent claims and result in the closure of existing ones.</p>

Table 3: The Debt Recovery Measure (DWP)

Summary of Measure	<p>To increase fairness in debt recovery to more effectively and efficiently be able to recover debt from individuals who are not in receipt of benefit or in PAYE employment via the introduction of new debt recovery powers.</p> <p>These powers will encourage voluntary repayment of off benefit debt as well as ensuring where individuals do not voluntarily repay, that there is recourse to ensure all debts can be recovered.</p> <p>The Debt Recovery Measure will introduce the power to recover directly from a debtor's bank account, either via lump sum or regular deductions, depending on their circumstances. To determine the correct deduction order to be applied, the Department will request and consider three months' worth of the debtor's bank statements.</p> <p>In the case of the most serious fraud debts the Debt Recovery Measure also includes the power to disqualify a debtor from holding their driving license following approval of a judge where recovery from a bank account has not</p>
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	<p>been possible. These powers would again be used as a last resort where all other attempts to negotiate a voluntary repayment plan have been unsuccessful.</p> <p>Rollout of the powers likely beginning in Autumn 2026. The success of these powers will be seen by the increased recoveries from off benefit debtors, both voluntary and enforced via application of the powers.</p>
Sections and Schedules	TBC
Impact on claimants	<p>No direct impact on current claimants (the measure applies to debtors not on benefits). Direct impact on former claimants with debts they are not repaying, as the new powers will enable these debts to be recovered more effectively. Indirect impact on current and other former claimants who may anticipate additional recoveries of debts in the future.</p> <p>The department estimates additional recoveries of £2.4bn (nominal cash value) over the period.</p>
Impact on third parties	<p>Any costs to business, in this case limited to banks, will be recovered from debtors. The recovery from bank accounts is something banks already do for debts to other parts of government, and we anticipate these systems can be used. Therefore, the EANDCB is zero.</p>
Impact on Government	<p>The government will be the primary beneficiary, as additional debt will be recovered. Estimate additional recoveries of £2.4bn (nominal cash value) over the period.</p>
Wider impacts	<p>The measure will increase fairness in the recovery of debts.</p>

Table 4: The Information Gathering Powers Measure (DWP)

Summary of Measure	<p>The Information Gathering Powers measure introduces reforms to existing powers the department routinely uses to compel information from third party information holders in support of criminal investigations.</p> <p>Information can be crucial to proving or disproving a fraud investigation but at the moment DWP is limited in relation to the information holders it can compel information from. The new power will mean that DWP can compel information from all information holders (subject to exemptions), when undertaking a criminal investigation in relation to any DWP payment. It can already ask for this information from those not currently included, but only on a voluntary basis, this will bring the powers into a single, clear legal framework.</p>
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	<p>There will be provisions to support DWP in digitalising the use of these powers, by enabling the department to compel a digital response.</p> <p>There will be changes to rules governing how the powers can be exercised by DWP which should result in efficiency savings.</p>
Sections and Schedules	TBC
Impact on claimants	These powers may result in a small number of additional information requests being made to help prove or disprove suspected fraud. DWP have standards in place so that requests for information are only made when it is necessary and proportionate and in accordance with General Data Protection Regulations.
Impact on third parties	It is estimated that this measure will result in a small increase in the number of requests for information that the private sector is required to fulfil, removing the existing option for voluntary responses for some third-party information holders. This is estimated to be an additional 2,040 information requests per year and a cost of approximately £40 per request, in steady state (2028 onwards). This results in annual costs to business worth £80,000 in steady state and an EANDCB of £56,000.
Impact on Government	<p>The Government will be the main beneficiary of this measure as it will support counter-fraud investigations generating an estimated £4m in departmental savings per annum at steady state.</p> <p>Enabling information requests to be made and retrieved digitally will require investment into a digital platform and ongoing maintenance costs. DWP does not anticipate a need for any additional resources within fraud investigation teams such as staffing resources as existing information gathering processes are already in place. Ongoing costs have been modelled at £530,000 per year from 2027/28 onwards.</p>
Wider impacts	The increase in the volume of investigations cases and their effectiveness could have an indirect benefit of increasing the deterrent effect of the investigations function.

Table 5: Search and Seizure Powers (DWP)

Summary of Measure	This measure will boost DWP’s ability to tackle Serious and Organised Crime by enabling Authorised Investigators to apply to a court to obtain a search warrant, conduct the search and seize evidence to aid the investigation of the most serious cases of fraud against the welfare system. This will include the requisite ancillary powers, such as the ability to obtain production orders, serve notices of disclosure and dispose of seized items. This will allow Authorised Investigators to better support the Police during operations, improving efficiency.
Sections and Schedules	TBC
Impact on claimants	This will not directly affect the vast majority of claimants, only those involved in Serious and Organised Crimes. These suspected fraudulent claimants will already be under investigation irrespective of new powers. These powers relate only to the application for warrants and roles of Authorised Investigators during operations.
Impact on third parties	The only potential cost to business would originate from operations conducted on business premises. It is not expected that the number of these operations will increase as a result of this policy.
Impact on Government	Implementation of the measure will incur costs to Government. From expanding the departments digital storage capabilities, training to enable search and seizure capability, equipment costs, governance, and delivery costs. The total Departmental Expenditure Limit (DEL) costs from 2027/28 to 2036/37 are estimated to be £27 million. The government will be the primary beneficiary, as they will operate more efficient SOC investigations. There will also be efficiencies to the Police, as they will be able to focus resources onto to other demands.
Wider impacts	There are likely to be some implementation and administration costs involved for sectors such as justice, policing and independent scrutiny bodies to adjust to and reflect that DWP will have the ability to carry out different functions that were previously the role of the police.

Table 6: Penalties regime (DWP)

Summary of Measure	DWP makes other types of payments that are not legally classified as benefits (such as grants) where fraud does occur. DWP are therefore expanding the scope of the Administrative Penalty (Ad Pen) to cover all payments the department administers to ensure greater consistency in the Department’s handling of fraud.
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	<p>Alongside this, where an Administrative Penalty is accepted, a Loss of Benefit penalty is currently also applied to certain payments or elements of payments for four weeks (a LOB can negatively impact claimants). DWP want to provide greater balance in the system and strengthen the proportionality and fairness of the Administrative Penalty by reserving this additional sanction exclusively for cases following a conviction in court where eligibility of benefit remains.</p>
Sections and Schedules	Section 115A & B of SSA1992 and Section 6 of Social Security Fraud Act 2001
Impact on claimants/households	<p>This will impact a small minority of claimants/households and will have a broadly positive impact. Previously in cases of fraud related to DWP non-benefit payments there was no alternative to prosecution, but expanding the scope of Ad Pens to these cases will provide someone an alternative sanction for lower value, less serious offences.</p> <p>The removal of the Loss of Benefit (LOB) penalty in less serious cases also means that households will have higher benefit receipts as they will not have part, or all of their benefit payments suspended following an Ad Pen (in certain circumstances).</p>
Impact on third parties	There will be no impact to businesses, as only those businesses that are found to have committed non-benefit payment fraud may receive a penalty as a result of this change.
Impact on Government	<p>The changes to the penalties regime are expected to be cost neutral on DWP's Departmental Expenditure Limit (DEL). This is because the expansion of penalties will not result in any significant changes on how the department carries out investigations or penalties.</p> <p>The changes are expected to result in a negligible Annually Managed Expenditure (AME) cost for the department.</p>
Wider impacts	The expansion of payments that Ad Pens cover may have a deterrent effect on future fraud of these payments, potentially further reducing fraud. Expanding the scope of the Administrative Penalty (Ad Pen) to cover more payments the department administers aims to ensure greater consistency and fairness in the Department's handling of fraud and to provide an alternative to pursuing prosecution for these payments where there is clear evidence of criminality.

Table 7: Information Sharing and Gathering Powers (PSFA)

Summary of Measure	The Information Gathering (via an Information Notice) and Information sharing measure will aid finding and recovering fraud against public authorities. This will give AOs in the PSFA investigating fraud the power to collect data and evidence and to promulgate it to enable action. It will enable AOs to compel the production of information from
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	information holders; issue a financial civil penalty for failure to comply with the request for information; and receive, disseminate and share criminal offence data between government departments.
Sections and Schedules	Part 1, Chapter 2, Clauses 2-7 and Clause 46
Impact on claimants/households	These powers may result in a small number of information requests being made to help prove or disprove suspected fraud on the basis c 40 cases will be investigated per year. The PSFA will have standards in place so that requests for information are only made when it is deemed necessary and proportionate, and the AO has reasonable grounds to suspect fraud has been committed against public authorities. Requests for information will be in accordance with General Data Protection Regulations.
Impact on third parties	As part of these measures, it is expected that a small number of businesses (perhaps less than 100 a year) would need to respond to requests for information relating to a fraud investigation. We expect the costs on business to be minimal, based on anticipated case volumes with the Enforcement Unit (EU) targeting c.30-40 cases per year, and to form part of an already salaried person's job. The number of requests for information that can be made will vary on a case-by-case basis, but an average of two requests per case is in line with similar practice in DWP. We have calculated business costs of at least £44.85 per information request on circa 40 cases a year. Total estimated cost to all businesses of responding to information requests would be minimal c. £1,794 in total divided by the number of businesses impacted in any one year. There is an acknowledgement however that this additional activity could displace or de-prioritise other work in a business.
Impact on Government	If the proposed measures are taken forward including the info gathering and sharing measure which will enable an investigation to commence, and assuming that cases from across government were actioned by the PSFA EU, then the best estimate prediction for Present Value benefits over the 10-year assessment period is £53.7m (best estimate) in expected recovered fraud.
Wider impacts	<p>Deterring/ preventing future public sector fraud through wider coverage</p> <p>Lessening damage to government reputation for not acting on allegations of public sector fraud.</p> <p>Likely some administrative costs for sectors such as justice who may hear Tribunal appeals but we envisage this to be low and under 5 cases per year.</p>

Table 8: Civil Penalty Powers (PSFA)

Summary of Measure	<p>This measure will introduce a framework of civil penalties for fraud and incorrect payment that the PSFA can impose, including on behalf of departments, as an alternative mechanism to dealing with fraud cases via criminal prosecution. AOs will have the power to impose penalties on individuals involved in fraudulent activities, provided that on the balance of probabilities, the fraud was committed to gain an incorrect payment or assist another in doing so, resulting in a loss to a public authority. In addition, the PSFA will have the power to impose penalties for non-compliance with certain requirements. These requirements include obligations to provide information concerning investigatory powers and requirements related to the recovery of incorrect payments and related matters.</p>
Sections and Schedules	Part 1, Chapter 4, Clauses 43-57
Impact on claimants/households	Penalties will be issued to individuals for non-provision of information and for committing fraud.
Impact on third parties	<p>For civil penalties, we expect that there will be a minimal cost for businesses to respond to an initial letter imposing a penalty and inviting representations where the fraud has been committed by a business like a sole trader. The person in the business has 28 calendar days to reply, setting an outside limit on time related costs. PSFA believes that a reasonable estimate of the time necessary to effectively consider and respond to a civil penalty notice would be 1 working day of familiarisation with the penalty system (by reference to the Code of Practice) and 2-4 working days to draft a response, of 7 hours each, spread over the 28 days allowed. Pricing the time value of a person in potentially any occupation to respond to a penalty notice is extremely difficult. For the purposes of this estimate PSFA assume a reasonable level of employee responsibility is Company Secretary. The average company secretary salary in the United Kingdom is estimated at £50,000 per year or £25.64 per hour. Our estimate at 1 day of familiarisation and 3 days on average to respond is therefore a cost of £718 per case. If PSFA imposes 30 penalties per year, this would be a cost of £21,537 across all business pa.</p>
Impact on Government	<p>The Government will be the main beneficiary of this measure as they will receive revenue generated from penalties.</p> <p>It is difficult to estimate the amount of revenue which this measure would bring in. As a comparator, DWP's Annual Report and Accounts 2022-23 included collection of civil penalties to the value of £3.4 million. They issued 765 administrative penalties during this period, meaning an</p>

	<p>average value of £4,444 per case. Using this figure, the PSFA could look at penalty sums up to c.£130k-£180k based on 30-40 cases. However, this is a non-monetised benefit due to a lack of evidence over how many civil penalties are expected to be issued.</p> <p>A £35k cost per year has been assumed to manage civil appeals and/ or tribunals, in addition to £35k start-up costs.</p>
Wider impacts	<p>Deterring/ preventing future public sector fraud through wider coverage.</p> <p>Reduce burden on policing and the criminal courts by using civil powers instead.</p>

Table 9: Police and Criminal Evidence Act 1984 (and other criminal powers) (PSFA)

Summary of Measure	<p>The provisions listed in subsection 2 of the Police and Criminal Evidence Act 1984 will apply to PSFA Higher Level Authorised Investigators (HLIA) who will be able to apply for and execute search and seizure warrants and production orders. All applications will be authorised by the court.</p>
Sections and Schedules	<p>Part 1, Chapter 2, Clauses 8-9</p>
Impact on claimants/households	<p>This will not directly affect the vast majority of households, only those involved in Serious and Organised fraud against public authorities.</p> <p>As we are seeking criminal investigation powers, it is likely that we will undertake criminal investigations for fraud. Given the resource intensive nature of these cases, and the expected FTE of the PSFA EU, it is highly likely that cases which meet this standard will be pursued. They will be rare and only in cases where the evidence truly demands the highest-level response. We anticipate there will be no more than 1 or 2 subjects in any given period. We are conscious of the burden on the criminal justice system.</p>
Impact on third parties	<p>The only potential cost to business would originate from operations conducted on business premises. It is not expected that the number of these operations will increase as a result of this policy.</p>
Impact on Government	<p>Implementation of this measure will incur costs to government. There will be resourcing costs for PSFA (recruitment/training) to operationalise a system similar to HMRC's Contractual Disclosure Facility) and there will be training costs for PSFA, i.e. PSFA HLAI in PSFA will have to be trained in and utilise Sections 71 to 74 of the Serious Organised Crime and Police Act 2005.</p>

	The Government will be the primary beneficiary, as they will be deterring/ preventing future public sector fraud and will be lessening damage to the government's reputation for not acting on allegations of public sector fraud.
Wider impacts	There are likely to be some implementation and administration costs involved for sectors such as justice, policing and the independent oversight body to adjust to and reflect that the PSFA now have new powers and an ability to carry out different functions. For civil penalties, as this is a new function and given the size of the Enforcement Unit applying the penalty power, we estimate the number of cases which may proceed to the Tribunal will likely be in low single figures, i.e. approx. 5 per year. For criminal cases which proceed to Crown Court, we anticipate this to be very low, and we are unlikely to see more than 1-2 cases per year in Crown Court. Legal costs for criminal prosecution have been estimated at £157k.

Table 10: Debt recovery powers (PSFA)

Summary of Measure	This measure makes provision for the PSFA to recover fraud-related debt which could be an incorrect payment, a recoverable loss, or a penalty. The fraud related debt could be identified through PSFA investigation or application of penalties on behalf of government departments. This measure will give powers to the PSFA to recover such debt. This will be done directly from an individual's earnings via a Direct Earnings Attachment ("DEA"), and directly from bank accounts via Lump Sum Deduction Orders ("LSDO") for specified amounts, and Regular Deduction Orders ("RDO") for regular deductions.
Sections and Schedules	Part 1, Chapter 3, Clauses 10-42 & Schedule 2
Impact on claimants/households	The Bill provides that the PSFA's powers will not extend to tax or welfare, limiting the possibility that the PSFA and DWP will be pursuing the same individuals. There are a number of safeguards on the face of the Bill. Obtaining bank statements is a safeguard so we can ascertain financial status of the relevant person before considering a Direct Deduction Order (DDO) - preventing hardship. The PFSA will notify the debtor that we are going to take a deduction from the account - the amount, frequency, time period etc. The Bill sets limits regarding the maximum amount that can be deducted from DDOs, i.e. not to exceed 40% of the amounts credited to the account in the affected period, and in any other case, 20% of the amounts credited to the account in the affected period. In the case of DEAs, this will not exceed 40% of net earnings if conditions are met, and 20% in other cases.

Impact on third parties	<p>Businesses could incur costs when making deductions direct from salaries or bank accounts on behalf of a person who owes fraud related debt and has refused to pay it through other voluntary means, albeit they will be recouped from the liable individual. For example, where DWP uses a DEA to recover any debt, employers may charge up to £1 administrative costs (per deduction) which can be taken from the liable person's earnings to prevent any additional burden. We will maintain parity with DWP on this, with the £1 administrative charge being an established standard amount for a wide variety of court and non-court orders. In addition, banks will be able to charge up to £55.00 for making DDOs from bank accounts. This has been found by HMRC to offset the actual costs and can be recouped from the liable individual. The PSFA is taking its approach to DEAs and DDOs from legislation and departments that have already operationalised these powers (e.g. DWP and HMRC). Maintaining parity means that businesses and banks will already be familiar with the processes, reducing the administrative burden.</p> <p>We expect that only around eight debt management cases a year will proceed to DEA and DDO action, with a total cost to businesses of under £110.00 which will be recouped from the liable individual. If we have four DEAs a year running for 12 months, with a monthly deduction, the total in annual administrative costs would be £48.00, which would offset the cost to business. We also expect the PSFA to make a low number of DDOs a year (likely four), which will further reduce the time impact. We estimate that it will take up to a total of three hours of bank staff time a year costing approximately £56.13 (against a compliance officer's average annual salary of £36,000 working a 37-hour week). This will be split across multiple banks, resulting in a lower actual cost that will still be offset by the £55.00 administrative charge received from the liable individual. Clause 25(3) of the Bill states that the Minister is able to make regulations regarding which costs a bank may take into consideration when calculating its own administrative costs reasonably incurred in complying with a direct deduction order. A direct deduction order may include an amount to cover the costs a bank may reasonably incur in complying with that order.</p>
Impact on Government	<p>The government will be the primary beneficiary as additional debt will be recovered.</p> <p>If the proposed measures are taken forward, and assuming that cases from across government were actioned by the PSFA EU, then the best estimate prediction for Present Value benefits over the 10-year assessment period is £53.7m (best estimate) in expected recovered fraud.</p>

Wider impacts	The measure will increase fairness in the recovery of debts and will not cause the liable person to suffer exceptional hardship in meeting ordinary living expenses.
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Table 11: Referral of criminal cases by way of an assignment by the Attorney General under Section 3(2)(g) of the Prosecution of Offences Act 1985 (PSFA)

Summary of Measure	Any case which the PSFA wishes to refer to the CPS for consideration will be dealt with by way of an assignment by the Attorney General under Section 3(2)(g) of the Prosecution of Offences Act 1985. Referring cases to the CPS in this manner will mean that the PSFA and CPS always discuss and agree prosecution costs and case file quality before the CPS take on a case.
Sections and Schedules	TBC
Impact on claimants/households	This measure will ensure that cases of public sector fraud are given a suitable independent evaluation of the merits of proceeding with criminal prosecution thereby providing value for money for the taxpayer in addition to providing reassurance to households in the detection and prevention of fraud.
Impact on third parties	Businesses will have to comply with requests for information on cases that go to prosecution.
Impact on Government	There will be training costs for PSFA, i.e. PSFA HLAI in PSFA will have to be trained in case file quality, disclosure etc. before referring cases to the CPS. The government will be the primary beneficiary, as they will be deterring/ preventing future public sector fraud and will be lessening damage to the government’s reputation for not acting on allegations of public sector fraud.
Wider impacts	It is anticipated this measure will deter /prevent individuals in wanting to defraud public sector authorities.

Table 12: Oversight (PSFA)

Summary of Measure	The proposed measure includes provision for an independent oversight function that will sit independently to those using powers in the Bill. This will be in addition to both management oversight and existing criminal powers oversight, with which the PSFA will comply. His Majesty’s Inspectorate for Constabulary and Fire & Rescue Services (HMICFRS) have confirmed that they can provide this for PSFA’s civil and criminal cases. However, in addition and to
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	<p>complement the above provision, PSFA intend to proceed with creating an internal oversight function within the PSFA to test and review use of powers in cases. We will also look to establish an Independent Person (or 'Chair') to oversee and assure these internal processes, likely through a Public Appointment process.</p>
Sections and Schedules	Part 1, Chapter 5, Clause 58
Impact on claimants/households	None
Impact on third parties	Businesses will have to comply with requests for information for cases that are being inspected.
Impact on Government	<p>There are expected to be external oversight costs for the use of criminal investigation powers from His Majesty's Inspectorate of Constabulary, Fire, and Rescue Services (HMICFRS). This is in addition to the internal 8 FTE internal oversight team which is likely to be needed initially but will increase staffing wise. HMICFRS advise that inspection services might cost £35,000 - £50,000. This would be voluntary and by invitation. From PSFA discussions the view has been formed that an inspection once every three or four years would be reasonable given the scale of the EU and the likely limited use of the criminal powers. PSFA has not applied for use of force powers or arrest and detention powers - these would be dealt with by the Police. It is highly unlikely the PSFA would need to refer our use of production orders or search warrants. Both of these powers are overseen by the Courts in the first instance, and subject to rigorous process control and internal oversight. PSFA would be able to deal with any other complaints internally through normal Cabinet Office/PSFA procedure.</p>
Wider impacts	This measure will provide reassurance to the public that the powers in the Bill are used lawfully, fairly and transparently thereby providing protection against error and /or abuse.

Interactions between measures (DWP)

56. Table 6 shows some of the potential interactions between DWP measures. The Search and Seizure measure is not included as it is not anticipated to have any direct interactions with the other measures in the bill and the Debt Recovery measure is not anticipated to have an impact on any of the other measures.

57. The arrows in the table show the direction of the impact from each measure on the volumes, NPSV and EANDCB for the other measure.

Table 13: interactions between the Eligibility Verification Measure, the Information Gathering Powers, the Debt Measure and Penalties Regime

Bill Measure		Eligibility Verification Measure (EVM)			Information Gathering Powers			Debt Measure			Penalties Regime		
		Volumes	NPSV	EANDCB	Volumes	NPSV	EANDCB	Volumes	NPSV	EANDCB	Volumes	NPSV	EANDCB
Eligibility Verification Measure (EVM)	Predicted Impact on bill measure				▲	▲	▲	▲	▲		▲	▲	
	Explanation				EVM is combined with ringfenced resource to conduct criminal investigations when appropriate. Data collected from the EVM measure when considered through DWP's business as usual routes, may lead to a suspicion of fraud. If this happens, it may increase the volume of cases where these powers are used, and the number of information requests to external evidence holders			EVM will result in more overpayments being identified which will lead to an increase in the debt stock, meaning the debt policy will impact a larger volume of debts. When these claimants flow off benefit the debt measure may be used to recover monies the individual refuses to repay if they do not enter PAYE.			EVM will result in more cases of fraud being identified (as the stock of existing cases are cleared through) which will lead to more investigations of fraud cases in the short term which in turn may result in more Ad Pens being administered.		
Information Gathering Powers	Predicted Impact on bill measure	▲	▲					▲	▲		▲	▲	
	Explanation	If data from the EVM measure, when considered through DWPs business as usual routes, leads to a suspicion of fraud, the updated Information Gathering Powers will enable investigations to be undertaken more efficiently to prove or disprove fraud.						Where the Information Gathering Powers identify fraud, this will lead to an increase in the debt stock meaning the debt policy will impact a larger volume of debts.			The efficiency gains from the information gathering powers may result in a small increase in the number of investigation cases reaching the evidential threshold for prosecution. This could result in an increase in the numbers of Ad Pens administered.		

Penalties Regime	Predicted Impact on bill measure						
	Explanation			The expansion of the payments the Ad Pen can cover could result in more cases of fraud overpayments being administered an Ad Pen resulting in a larger debt stock			






58. There will be some connection between the measures, for example, the data that flows in from the Eligibility Verification Measure will identify where overpayments are occurring, this will result in more debt. Consequently, reforms which increase volumes in the earlier stages of the process, can increase the impact of reforms which target later stages of the process.

Interactions between measures (PSFA)





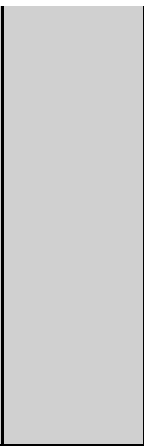




59. Table 14 shows some of the potential interactions between the PSFA measures. The Powers of Entry, Search & Seizure are not included as they are not anticipated to have any direct interactions with the other measures in the bill and the power to recover incorrect payments is not anticipated to have an impact on any of the other measures.

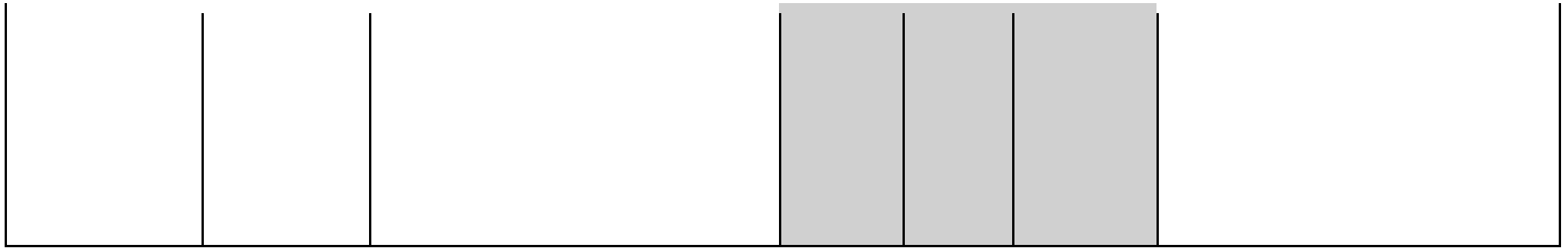
60. The arrows in the table show the direction of the impact from each measure on the volumes, Net Present Social Value (NPSV) and Equivalent Annual Net Direct Cost to Business (EANDCB) for the other measure.

Table 14: Interactions between the Investigatory Powers (Information) Measure, the Civil Penalty Powers and the Powers to collect Incorrect Payments

PSFA Bill Measure		Investigatory Powers-Information			Civil Penalties			Power to recover incorrect payments		
		Volumes	Net Present Social Value (NPSV)	Equivalent Annual Net Direct Cost to Business (EANDCB)	Volumes	Net Present Social Value (NPSV)	Equivalent Annual Net Direct Cost to Business (EANDCB)	Volumes	Net Present Social Value (NPSV)	Equivalent Annual Net Direct Cost to Business (EANDCB)
Investigatory Powers - Information	Predicted Impact on PSFA Bill measure									

Explanation				<p>The investigatory powers information measure in the Bill will give Authorised Officers (AOs) within the PSFA information sharing and information gathering powers. This includes a power to compel the production of information from information holders. Where a request for information is not adhered to, AOs will have the power to issue a financial civil penalty to both individuals and businesses for failure to comply with the request for information. This may increase the volume of cases where these CP powers are used, and the number of CPs issued to businesses/employers.</p>	<p>The investigatory powers information measure in the Bill will give Authorised Officers (AOs) within the PSFA information sharing and information gathering powers. This includes a power to compel the production of information from information holders via an information notice. The data/information from that information notice may trigger an investigation only (i) where there is a reasonable suspicion that fraud has been committed in respect of public money; and (ii) where it is necessary and proportionate to do so. Information notices being issued where there is reasonable suspicion that fraud has taken place will lead to an increase in fraud against public authorities being detected and therefore an increase in the volume of Direct Earnings Attachments (“DEA”), and directly from bank accounts via Lump Sum Deduction Orders (“LSDO”). As a result, the powers will enable the PSFA to recover fraud-related debt against public authorities. As alluded to above, this will be done directly from an individual’s earnings via a DEA and directly from bank accounts via LSDOs for specified amounts, and Regular Deduction Orders (“RDO”) for regular deductions.</p>
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<p>Civil Penalty Powers</p>	<p>Predicted Impact on PSFA Bill measure</p>										
	<p>Explanation</p>	<p>Non-compliance by individuals, employers or businesses with the information gathering powers in the Bill via an information notice will lead to an increase in the volume of civil penalty notices issued for failure to comply with information. In addition, the information gathering powers may result in investigations taking place where a penalty will be imposed on a person if satisfied, on the balance of probabilities, that the person has carried out, or conspired to carry out fraud in order to gain or help another person to gain an incorrect payment or with the result that a public authority has incurred a loss. It should be noted that a “person” is an entity that is treated as a person for legal purposes and legal persons can be private, such as a business entity hence, there will be a direct cost to businesses who have conspired to carry out fraud in order to gain an incorrect payment.</p>					<p>The civil penalty powers will have a direct interaction with the power to recover incorrect payments because where banks do not provide information, a penalty will be issued for failing to comply with requirements. This will lead to the information being provided which will allow an investigation to proceed. Ultimately if satisfied, on the balance of probabilities, that the person has carried out, or conspired to carry out fraud, this will lead to large volumes of fraud being recovered via DEAs and LSDOs.</p>				



61. There will be some connection between the measures. For instance, the data that flows in from information notices as a result of the investigatory powers will identify where incorrect payments are occurring which will ultimately result in more debt. Consequently, reforms which increase volumes in the earlier stages of the process, can increase the impact of reforms which target later stages of the process.

62. There are no expected interactions between the DWP and PSFA measures.

Annexes

Annex 1: The Eligibility Verification Measure Impact Assessment (DWP)

Title: Eligibility Verification Measure IA No: DWP_001 PA(FER) Bill_2025 RPC Reference No: RPC-DWP-24014-IA(1) Lead department or agency: The Department for Work and Pensions Other departments or agencies:	Impact Assessment (IA)
	Date: 1 st November 2024
	Stage: Final
	Source of intervention: Domestic Domestic
	Type of measure: Primary legislation
Contact for enquiries: policygroup.fedbill@dwp.gov.uk	
Summary: Intervention and Options	RPC Opinion: GREEN

Cost of Preferred (or more likely) Option (in 2024 prices): £360m

Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
£2,000m	N/A	N/A	Qualifying provision

What is the problem under consideration? Why is government action or intervention necessary?

Last year alone almost £10 billion of taxpayers’ money was overpaid in the welfare system, and since the pandemic, a total of £35 billion has been overpaid. This is a significant challenge for DWP. Incorrect declaration of capital, and abroad fraud are consistently the top causes of overpayments within DWP with over £1bn overpaid in Universal Credit alone in 2023-24. Currently claimants are required to self-report their compliance with certain eligibility rules that affect their entitlement to benefits and how much they receive. Where possible DWP uses data to verify eligibility criteria, however in some instances, DWP are unable to independently validate this information routinely using an external data source and are reliant on claimants reporting their circumstances accurately.

This measure will allow more eligibility criteria for key benefits to be independently verified by DWP, using information shared by banks and financial institutions. The use of data from HMRC’s Pay-As-You-Earn (PAYE) systems to verify earnings has virtually eradicated earnings-related fraud and error for persons on PAYE in Universal Credit, so improving our access to important information from other sources to check compliance with capital and abroad requirements is key to ensuring the accuracy of benefit payments, reducing the risk of individuals building up debt, and reducing fraud and error.

What are the policy objectives of the action or intervention and the intended effects?

The strategic objective is to reduce the amount of overpayments in the welfare system, prevent individuals building up debt, and ensuring taxpayers’ money can be invested in public services and not lost in overpayments.

The policy objectives are to enable DWP to identify potentially inaccurate benefit payments, verify benefit eligibility, prevent fraud and error from embedding into the system and prevent claimants accumulating debts.

To achieve this, we are seeking a data sharing power to require banks and financial institutions to look within their own data and provide relevant and limited information to DWP that may signal where DWP claimants do not meet the eligibility criteria for the benefit they are receiving. Banks and financial institutions will be required to look within their own data to identify accounts in receipt of a DWP payment that may be in breach of specified eligibility rules, based on the information they hold and criteria shared by DWP. No personal information will be shared by DWP to support the identification of matching accounts. DWP will only use this information to help identify inaccurate benefit payments, which will in turn reduce losses and help to prevent the build-up of debt. The impact assessment focuses on the initial use of the power to identify evidence of potential ineligibility for benefits due to capital fraud, abroad fraud, and error. The measure will apply to banks and financial institutions only. No further third parties will be brought into scope outside the financial sector.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0: ‘Do-nothing’, no new government intervention. Likely that fraud, error and debt will continue to grow under this option so has been ruled out.

Option 1: ‘Industry and Government partnership’ whereby permissive legislation will be used, enabling financial institutions to share data with DWP on a voluntary basis. Ruled-out as it is unlikely to reach universal compliance, would not provide an obvious route for the safe sharing of information, and may result in unintended consequences for the banking sector.

Option 2: Alternatives to regulation: Use open banking to independently verify details about bank accounts a claimant chooses to share with the department. Access to this information would reduce unintentional mis-declaring of financial details, acting to reduce claimant error. Due to the consent-based nature of Open Banking, claimants must actively give DWP permission to view their financial information. Therefore, although this measure could be very effective at reducing claimant error, it is unlikely to identify all claimant error and in particular deliberately fraudulent activity.

Option 3: Introduce legislation compelling Banks and Financial Institutions to share specific, limited information with DWP. There will be a requirement on Banks and Financial Institutions to provide data. An appeals process will be instituted, and fines will be applicable for non-compliance. The power will include safeguards, reporting mechanisms and independent oversight, to give greater confidence to claimants that it is being used fairly and effectively. **This is the Government’s preferred option, as it meets the Government’s objectives.**

Other broader options are discussed in the main document below.

Will the policy be reviewed? YES If applicable, set review date: 2030 MonthYear

Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister

Summary: Analysis & Evidence Policy Option 3: Eligibility Verification Measure

Description: Legislation compelling Banks and Financial Institutions to share specific, limited information with DWP to identify potentially inaccurate benefit payments.

FULL ECONOMIC ASSESSMENT

Price Base Year 2024	PV Base Year 2024	Time Period Years: 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £1,600m	High: £2,500m	Best Estimate: £2,000m
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)
Low	N/A		£36m		£300m
High	N/A		£48m		£410m
Best Estimate	N/A		£42m		£360m
Description and scale of key monetised costs by 'main affected groups'					
DWP and banks and financial institutions will be directly impacted. Implementation requires the recruitment, reallocation, and training of staff for DWP to build systems and act on the data provided, and, where required, compliance activity or fraud investigation, and decision making. The department requires current and additional FTE to operate the policy, costs totalling around £420m from 24/25 to 33/34. From 2031/32 costs are estimated to reach a steady state of around £30m per year (including additional non-staff costs). The cost to Data holders has not been estimated at this stage; estimates will be included in a subsequent IA.					
Other key non-monetised costs by 'main affected groups'					
Banks and Financial Institutions may face transition and on-going costs. Transition costs include familiarisation (understanding requirements) and set-up costs (setting up a digital process). On-going costs include any labour cost associated with processing requests or costs associated with maintaining digital infrastructure. These costs are not monetised within this IA, as costs are dependent on implementation of a test and learn process, so a robust assessment cannot be made due to current legislation limitations.					
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)
Low	N/A		£250m		£2,000m
High	N/A		£480m		£2,800m
Best Estimate	N/A		£420m		£2,400m
Description and scale of key monetised benefits by 'main affected groups'					
The measure is expected to generate around £940m in Annually Managed Expenditure (AME) savings for the Government over the scorecard period up to 2029/30, and around £500m per year when fully rolled out (2030/31).					
Other key non-monetised benefits by 'main affected groups'					
New powers for DWP to identify inaccurate payments may deter people who deliberately set out to defraud the benefit system, this deterrence effect would prevent additional overpayments and save taxpayer money. Claimants will benefit from the measure as 'error' will be identified earlier, preventing larger overpayments and debts accruing. Reducing the size of overpayments for claimants who have made errors and the total amount of debt, will help ensure that repayments are manageable, may reduce the period over which they need to be repaid (if less needs to be repaid) and will reduce the negative impact debt can have on individual welfare.					
Key assumptions/sensitivities/risks			Discount rate (%)		3.5%
Assumptions - High-level assumptions have been adjusted to produce upper and lower bound estimates. Sensitivities - No automatic decisions will be based on this data alone, further checks will be needed using the data as a prompt for this, and a final decision will always involve a human agent. Risk – DWP may have to slow the volume of data requests to manage potential volumes. Potential for operational challenges for the Department if the data flow is not well managed. Risk that banks and other financial institutions may challenge a request for data.					

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: N/A	Benefits: N/A	Net: N/A	
			N/A

Figure 1: Abbreviations

Abbreviation	Term
AME	Annually Managed Expenditure
API	Application Programming Interface
BAU	Business As Usual
CRA	Credit Reference Agencies
DEL	Departmental Expenditure Limit
DWP	Department for Work and Pensions
EANDCB	Equivalent Annual Net Direct Cost to Business
ESA	Employment & Support Allowance
EVM	Eligibility Verification Measure
FTE	Full Time Equivalent
GDPR	General Data Protection Regulations
HB	Housing Benefit
HMCTS	HM Courts and Tribunals Service
HMRC	His Majesty's Revenue & Customs
MVA	Monetary Value of Adjustment
NPV	Net Present Value
PAYE	Pay As You Earn
PC	Pension Credit
PoC	Proof of Concept
IA	Impact Assessment
RPC	Regulatory Policy Committee
SAMBA	Small and Micro Business Assessment
SARs	Suspicious Activity Reports
UC	Universal Credit

Evidence Base

Problem under consideration and rationale for intervention

- 1. Overpayments due to fraud and error constitutes a significant opportunity cost for Government** as it takes money away from those who need it most. Estimates of the level of fraud and error have exceeded £8bn in each of the last four financial years resulting in a combined total of £35bn overpaid (2020-21 to 2023-24)⁹. In 2023-24, it is estimated that £9.7bn of benefit expenditure was overpaid (3.7% of the Department for Work and Pensions' (DWP) benefit expenditure). Over two-thirds of the £9.7bn overpaid can be attributed to Universal Credit (UC), with overpayments estimated to stand at £6.5bn (12.4% of UC expenditure). Fraud remains the most significant reason for overpayments, with 76% of DWP's overpaid benefit the result of fraud in 2023-24. In UC alone, fraud was worth almost 11% of total UC expenditure at £5.7bn. Claimant error also represents a significant opportunity cost for Government, with levels exceeding £1bn in each of the last five financial years (2019-20 to 2023-24). In 2023-24, £1.6bn was overpaid due to claimant error.
- 2. Capital fraud and error is one of the biggest areas of loss in the social security system.** The under-declaration of financial assets represented 16% (£1bn) of the total fraud and error overpayments in UC in 2023-24. Incorrect declaration of capital is now the biggest source of overpayments in the other means-tested benefits, Passported Housing Benefit (HB) and Pension Credit (PC). Capital overpayments increased in both benefits in 2023-24 to £347m and £198m respectively. Claimants remaining abroad for a longer period than is allowed (Abroad) is another area of loss. Whilst Abroad overpayments account for less monetary value than Capital, UC overpayments are still substantial at £250m (0.5%) in 2023-24. In PC, abroad fraud and error is the second largest source of overpayments.
- 3. Targeting fraud and error can help prevent the build-up of large overpayment debts, which can have negative impacts on an individual's wellbeing and result in administrative costs to Government.** Once fraud and error enter the system, it is repeated with every payment, until it is detected. This can lead to a build-up of debt which is compounded until the overpayment is stopped. External evidence suggests that debt has a negative impact on physical and mental health¹⁰, and on employment and productivity¹¹. Thus, demonstrating that there is benefit for Government and individuals in detecting overpayments early, particularly in the case of accidental error to help ensure that debt does not build up.
- 4. Tackling the problem of imperfect information should be prioritised** as it contributes to the inefficient allocation of taxpayer resource, and claimant data is the only source of information we have to verify compliance with some rules (such as capital and abroad requirements) that determine benefit entitlement. Benefit claimants hold

⁹ DWP (2024), <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2023-to-2024-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2024>

¹⁰ Fitch et al. (2011) found individuals with problem debt are two times more likely to develop major depression. Whereas, Sweet et al. (2013) find high financial debt is associated with higher perceived stress and depression, worse self-reported general health, and higher diastolic blood pressure.

Fitch, C., Hamilton, S., Bassett, P. and Davey, R. (2011) 'The relationship between personal debt and mental health: a systematic review', *Mental Health Review Journal*, 16, 4, 153-166.

Sweet, E., Nandi, A., Adam, E.K., and McDade, Thomas W. (2013) 'The high price of det: Household financial debt and its impact on mental and physical health', *Social Science and Medicine*, 91, 94-100.

¹¹ The Money Advice Service (MAS) found widespread evidence to indicate that financial distress lowers productivity in the UK (MAS, 2018). Financial distress has led to a loss of around 16 million working days in the private sector (Cebr, 2023).

Money Advice Service (2018) *The Economic Impact of Debt Advice*, Money Advice Service Report, London.

complete information on their personal circumstances. This information is not always readily available to the Department, who need such information to administer benefit payments accurately. Thus, the Department is reliant on claimants fulfilling their commitment to accurately declare their circumstances on entering the system and subsequently reporting any changes to ensure compliance with some requirements. This reliance creates an opportunity for fraud and error to enter the system. For example, a claimant may decide to purposely withhold information that would lead to a change in entitlement and benefit award resulting in an overpayment.

5. **Claimants may be unaware of benefit requirements, the information they are responsible for reporting, or forget to report a change** (e.g., not understanding what constitutes as capital). This is a form of *bounded rationality* which is the theory that rationality is restricted by time, information, and cognitive constraints. The presence of claimant error in the system supports this, as well as publications such as the Fraud and Error in Welfare Benefits, 2016 to 2022: British Social Attitudes survey¹². Bounded rationality exacerbates the problem of imperfect information.
6. **If DWP can obtain relevant information to verify a claimant's circumstances, overpayments could be avoided**, allowing the Government to ensure taxpayer money is spent responsibly and preventing the build-up of large overpayment debts while still accepting that it is the claimant's responsibility to provide an accurate account of their circumstances.
7. **The current powers DWP have are limited and leave the Department unable to address the problem of imperfect information at scale or in a timely manner.** Parts of the Department's legislative framework to tackle fraud and error are over 20 years old. In this time, fraud has evolved and become increasingly sophisticated, and the rise of internet banking, increased cashless transactions, plus UC being a benefit for both in and out of work increases the risk of accidental capital breach. Furthermore, as above, the DWP does not have powers to independently acquire or verify some of the information that is relevant to verifying entitlement to benefit. Persistently high levels of fraud and error demonstrate the need to modernise and strengthen DWP's legal framework to keep pace with change in the digital age so it can stand up to future challenges. Financial institutions, in particular banks, hold data which could help the Department see clear indications of potential overpayments, including if an individual has capital exceeding eligibility limits or if that bank account is regularly accessed from abroad. However, at present the Department can only request this data on an individual basis where fraudulent activity is suspected.
8. **Data and information are the key to enabling Government to tackle fraud and error.** The Department already uses several data streams to help verify a person's claim or entitlement to benefit. This has helped significantly reduce other types of fraud and error. For example, the use of data from HMRC's PAYE systems to verify earnings has virtually eradicated earnings-related fraud and error for persons on PAYE in Universal Credit. In 2023-24, nearly £1.2bn of UC expenditure was overpaid due to incorrect self-employed earnings, whereas there were no fraud or claimant error overpayments due to incorrect PAYE earnings.
9. The above evidence demonstrates the need for Government action to tackle the level of fraud and error in the social security system.

¹² <https://www.gov.uk/government/publications/fraud-and-error-in-welfare-benefits-2016-to-2022-british-social-attitudes-survey/fraud-and-error-in-welfare-benefits-2016-to-2022-british-social-attitudes-survey>

Description of options considered

Option 0: Do Nothing

10. This is the status quo, in which the Department does not intervene further. As outlined previously, benefit fraud, error, social security and welfare constitute a significant opportunity cost to Government. Without Government intervention, evidence suggests a long-term average rise in fraud against organisations and a softening of attitudes towards benefit fraud¹³. Within forecasts of benefit fraud and error it has been estimated that this long-term behavioural trend would cause fraud levels to grow at around 5% per year without DWP's action to reduce it. This creates a challenging environment for the Department to prevent, detect and stop fraud and error going forward, demonstrating the importance of continued intervention and the risks of a 'Do Nothing' approach.

Option 1: Industry and Government Partnership

11. Permissive legislation is introduced enabling the department to request the relevant data on a voluntary basis but would not compel banks and building societies to share data. If any banks and building societies' refuse this would reduce the impact of the power. If some institutions do not comply with the legislation, claimants may be more likely to switch to these institutions. This is because the risk of an overpayment being identified is significantly reduced. Institutions could be disadvantaged by complying with the legislation which is not a policy objective.
12. To cost this option, we could take a representative sample of data sharing institutions and estimate compliance rates. We could then apply this rate to all institutions in scope to estimate costs and benefits. There is a high degree of sensitivity in this approach since each institution does not have an equal share of capital overpayments in the benefit system e.g., some institutions might be willing to comply but may not have customers with high levels of capital that would be of interest to the benefit system. Additionally, without approaching each bank or financial institution, and asking if they would voluntarily comply, it would not be possible to estimate compliance rates. We have not costed this approach due to the uncertainties explained above.
13. We have discounted this policy option as it does not meet the Government's objectives and would also have negative impacts on competition within the banking industry in the instances that there are varying compliance rates.

Option 2: Open Banking (Non-Legislative Option)

14. Open Banking is a banking practice that allows a consumer to share their financial information with authorised providers. The service requires consent and must be 'opted into' and claimants can withdraw consent at any time. It provides a platform to see a claimant's full financial picture across all providers used (providing consent is given for all bank accounts held).
15. Implementing this scheme would enable the Department to independently verify details about the accounts the claimant has chosen to share. Access to this information would reduce unintentional mis-declaring of capital, acting to reduce and prevent claimant

¹³ DWP (2024), <https://www.gov.uk/government/publications/dwp-annual-report-and-accounts-2023-to-2024/dwp-annual-report-and-accounts-2023-to-2024-html>

error. Open Banking would also remove the need for the claimant to provide paper statements, creating a more digital and efficient claimant journey.

16. Due to the consent-based nature of Open Banking, claimants must actively give DWP permission to view their financial information. Therefore, although this measure could be very effective at preventing capital error, it is unlikely to identify all fraudulent activity. Given 95% of UC capital overpayments were fraudulent in 2023-24 (£967m), use of Open Banking alone would not be likely to achieve the reductions in fraud and error we are looking for.
17. In addition to Open Banking, other non-legislative data options have been explored:
 - Credit Reference Agency (CRA) Data. CRAs collect and keep information about consumer's borrowing and financial behaviour but do not have access to multiple financial accounts making it difficult to ascertain the total capital an individual might have.
 - VocaLink is a company that administers the UK's banking payment infrastructure. This company can only see transactional data (movements between banks and building societies) and therefore cannot provide information that may indicate a capital overpayment.
 - HMRC obtains banking data on interest bearing accounts which is subsequently shared with DWP, however, there is a time lag in receiving the data. Therefore, it is often out-of-date by the time it is received and does not capture all accounts that would be relevant to DWP.
 - The Proceeds of Crime Act 2002 requires banks and building societies to notify law enforcement of suspicious activity using Suspicious Activity Reports (SARs), however, the focus is on money laundering or other serious illicit financing and doesn't therefore fully capture benefit fraud and error. We explored the option of using SARs to identify benefit fraud with a high-street bank, but it was determined primary legislation was needed and that this was not an appropriate route. Additionally, error would not be in scope of SARs.

Option 3: New Primary Legislation (Preferred Option)

18. DWP will legislate for a primary power requiring banks and financial institutions to share limited, relevant, information with DWP that may indicate that someone does not meet the eligibility criteria for the benefit they are receiving. Banks and financial institutions will be required to look within their own data to identify accounts in receipt of a DWP payment that may be in breach of specified eligibility rules, based on the information they hold. Only the minimum amount of information needed to support DWP with a further enquiry will be provided by banks and no personal information will be shared by DWP to support the identification of matching accounts. The measure will be supported by safeguards for example a statutory Code of Practice will be issued and consulted on and oversight of the power by an independent body. DWP will carry out a test and learn process (following royal assent) to ensure we can deliver this efficiently and safely. Whilst the power itself is intended to help identify potential incorrect payments due to failure to meet a broad range of benefit eligibility criteria, the initial use will focus on risks around capital and abroad overpayments. This IA focuses on this initial use.
19. To demonstrate the feasibility and potential of using the EVM, DWP has tested two Proof of Concepts (PoCs) which consisted of establishing data-sharing collaborations with two separate banks. The Department asked the two high-street banks to use their internal data to identify accounts receiving specified types of benefit payments and matching the criteria provided by DWP for capital and abroad entitlement rules.

20. Bank 1, in 2017, examined a limited sample of cases at the request of the DWP so that the department could test the potential of using a regular feed of banking data to identify capital and abroad fraud and error. This resulted in around 500 bank accounts being reported by Bank 1 to the DWP as Suspicious Activity Reports (SARs)¹⁴. These cases were then reviewed by the department through their usual processes and of the bank accounts reported, 32% were related to the capital eligibility rule and 11% were related to the abroad eligibility rule¹⁵. Of the cases related to the capital eligibility rule 58% (the hit rate) led to a positive outcome of either positive compliance, positive criminal investigation, an administrative penalty, or prosecution. For the abroad eligibility rule the positive outcome hit rate was 66%.
21. Bank 2 examined non-personal information to establish the number of accounts that matched the criteria provided by DWP for capital and abroad fraud or error, to their entire client base in receipt of three benefits: Universal Credit (UC), Pension Credit (PC) and Employment & Support Allowance (ESA). A total of 713,000 accounts were in receipt of the above benefits during July, August, and September 2022. Among these accounts, approximately 60,000 accounts were in risk of breaching the capital rule (8%) and 3,000 were in risk of breaching the abroad rule (<1%).
22. The above results of the small-scale tests with two banks and building societies indicate a strong potential for the use of banking data to identify possible capital and abroad fraud and error across a range of means-tested benefits.
23. See paragraph 33 for an explanation of ‘test and learn’.

Policy Objective

24. The overarching aim of this measure is to deliver a high-quality social security system where taxpayer resource is spent responsibly, public funds are protected, benefits are paid correctly to the people who are entitled to them and the risk of individuals building up debt is reduced. This objective can be achieved through DWP having the ability to better detect incorrect payments and prevent fraud and error, ensuring a greater proportion of claims are paid correctly. Thereby reducing the misallocation of taxpayer resource resulting from benefit overpayments and preventing the build-up of large overpayment debts. Specific policy objectives include:
 - The reduction in the level of overpayments due to fraud and error, initially focused on capital and abroad loss areas, by having better access to data to establish benefit entitlement, making it harder for fraud and error to occur.
 - Modernising and strengthening DWP’s legislative framework to better identify and address overpayments and minimise the impact of genuine mistakes that can lead to debt.
 - Provide a more efficient system where incorrect payments due to fraud and error are detected earlier, preventing the build-up of large overpayment debt and the harms associated with financial debt, as well as releasing money that could be spent elsewhere on other vital services or support.

Summary and preferred option with description of implementation plan

¹⁴ Under the Proceeds of Crime Act 2002 banks and building societies are required to notify law enforcement of suspicious activity such as money laundering and illicit financing using Suspicious Activity Reports (SARs).

¹⁵ The sample of cases reviewed were not random, but instead derived from suspicious activity reports. Therefore, hit rates are likely to be higher than a randomly selected sample.

Preferred Option: Introduce New Primary Legislation

25. The proposed Legislation will require banks and financial institutions to look within their own data and provide limited, relevant information to DWP that may indicate where claimants do not meet the eligibility criteria for the benefit they are receiving. In doing so, it will allow more eligibility criteria for key benefits to be independently assessed.
26. This measure will provide the Department with the minimal data held by Banks and Financial Institutions that is required to identify whether someone is adhering to the eligibility rules for the benefit they receive. The measure will help address errors by establishing if claimants are in receipt of the correct amount of benefit to which they are entitled and reduce the risk of claimants inadvertently getting into debt. This measure will also help identify potential fraud that will then be referred to DWPs counter fraud and compliance teams for further consideration, and if necessary, investigation.
27. The measure will be supported by certain safeguards. There will be a statutory Code of Practice, which will be set out as a requirement in statute to be consulted on, as well as oversight of the power by an independent body. The Information Commissioner's Office who are independent from government will also oversee compliance of the measure with data protection legislation. They uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals. The measure will apply to banks and financial institutions only and where there is a three-way link between the department, the bank or financial institution and the benefit claimant, or recipient of payment. No other data holders will be in scope of this power. Legislation will limit the data that can be requested and specify that it must be minimal and restricted to exclusively establishing eligibility for benefits only, ensuring that no more data can be gathered than is necessary to identify a benefit recipient and any potential overpayment.
28. For example, when looking for those with capital above £16,000 – the capital limit for Universal Credit – DWP will only receive limited information about the capital balance being above £16,000. This will then enable DWP to look at its own records and establish whether there is a legitimate reason for exceeding the capital limit, such as a relevant disregard for a compensation payment, and if so, the information is therefore discarded safely and securely in line with data retention limits. Alternatively, further inquiry may be necessary in line with our business-as-usual processes. If the customer does not hold capital above this level, no information will be shared.
29. No data source is perfect or infallible and any information gathered under this measure will act as a prompt to check for inaccuracies in specific claims. No benefit entitlement decision will be made on the Bank and Financial Institution data alone and further checks would be needed using additional data as a prompt and a final decision will always involve a human agent.
30. To protect personal information and claimant privacy, this approach avoids DWP having to share any personal data with banks or financial institutions in order to obtain the information it needs. Furthermore, only the minimum amount of information necessary to allow DWP to identify individuals will be requested on accounts that match the criteria provided so that DWP can identify the claimant in our own databases.
31. Through primary legislation we aim to set a clear scope for this power, including:
 - Definition of data holder – The data holders in focus are banks and financial institutions.

- Definition of the type of data we will be looking for – the minimum data needed to establish the identity of the data-matched claimant and the ‘relevant data’ which signals potential overpayment i.e., the reason they have been matched. We will ensure we are able to demonstrate compliance with the data-minimisation principle of the General Data Protection Regulation (GDPR).
- The benefits in/out of scope – The Bill will set out that this power can be used with Universal Credit, Pensions Credit, Employment Support Allowance and passported Housing Benefit. These are benefits with high levels of capital or abroad fraud and error rates. Provision will be made for further benefits to be added to the Bill at future date where fraud and error rates are high and where the measure can be used to help verify key eligibility requirements. State Pension will be excluded for use with the measure.
- The purposes for which we are asking the information – data requests will be defined to ensure DWP requests only the data items required for the purpose of identifying incorrect payments and verifying benefit eligibility. The specific data items to be requested will be detailed in the data request notice to the Banks or Financial Institution, at the time of request.
- Appeals process – rights of appeal for banks and financial institutions against a request for data.
- Penalties for banks and financial institutions where there is a failure to comply with a request for data and an appeals mechanism against a penalty issued for non-compliance.
- Who is authorised to use this power – this will set out the authority for DWP to use the power.
- A new statutory Code of Practice required to support the legislation – The code of practice will outline in more detail how the power will be used, safeguards and explain the detail of Disputes, Appeals and Fines procedures. A draft of the Code of Practice will also be published for consultation.
- Details of independent oversight for the power - An independent body will provide an Inspection and reporting function in relation to the DWP’s discharge of the power. This would provide the independent overseer full access to the operation of the designated measures with a clear requirement to report independently on the use and effectiveness and make statements on the compliance with legislation and Government’s intent.

32. The likely scale of impacts on businesses of this measure as outlined in this Impact Assessment are indicative only due to the limitations of the currently available evidence. We will continue to work with banks and financial institutions to develop how the policy will operate and associated delivery mechanisms and further develop the evidence base for the impact on businesses. We commit to voluntarily completing an updated Impact Assessment and submitting this for RPC scrutiny within 12 months of Royal Assent.

Implementation of Policy

33. The policy has been designed in collaboration with Operational and Change colleagues. A period of ‘Test and Learn’ will begin following Royal Assent with a limited number of banks and building societies. The purpose of this approach is to get the data sharing agreement between DWP and Data Holders right, before implementing the policy on a larger scale. After the focused test and learn, the policy will begin gradual roll-out (from 2027/28), with it reaching full scale by 2029/30 once the relevant safeguards have been ensured.

34. During the test and learn phase, we anticipate direct costs to banks and building societies will be very low. Both banks from earlier PoCs agreed to the PoC for no financial incentive, indicating minimal impact to business operations. PoCs are of course different to official legislation, but we believe this suggests minimal additional burden during the testing phase and negligible costs. However, we anticipate our costs and benefits to begin from 2026 as will be outlined below.

Monetised and non-monetised costs and benefits of each option (including administrative burden)

Modelling Direct Benefits to Government

35. The scope of this costing is limited to a data share between DWP and partnering banks/building societies, in which the latter will identify claimant accounts at-risk of Capital or Abroad related Fraud and Error. The costing assumes that checks will be run on income-related Employment Support Allowance (ESA), Pension Credit (PC), and Universal Credit (UC) – commonly referred to as means-tested benefits. The model further assumes that a proportion of PC claims will passport eligibility to associated Housing Benefit (HB) claims. The model uses different rates and assumptions for each benefit and the type of fraud.
36. The costing draws on insight developed through the two data sharing exercises with high-street banks (outlined in paragraphs 19-22). The 2017 exercise included ESA and PC (both in-scope for the current costing) but did not include UC as UC caseloads were very low at the time of the exercise. The 2022 exercise included ESA, PC, and UC.
37. Each step of the model is outlined below, alongside illustrative calculations. See Annex 1a for a flowchart of the model.

Step 1: Calculate the Annual Volumes

38. The costing model starts with DWP administrative data on the number of claimants that have accounts in the top 15 banks and building societies amongst DWP claimants. Then the proportion of at-risk cases identified through the Bank 2 exercise is applied to these volumes (by benefit) to estimate the volume of at-risk cases we are likely to have on the DWP caseload.
39. Insight from the Bank 1 exercise is then used to estimate the volume of these cases that would be triaged to DWP Investigations and Compliance, and subsequently the volume of cases that would result in an Overpayment being identified (e.g., a “Hit”). The Bank 1 exercise did not include UC and therefore, for modelling UC, ESA Hit Rates have been used as a proxy since this is the most similar benefit from the exercise.

$$\begin{array}{l} \text{Volume of claimants per} \\ \text{benefit with accounts} \\ \text{in the top 15 banks} \end{array} \times \begin{array}{l} \% \text{ of cases at risk of fraud} \\ \text{and error} \end{array} = \begin{array}{l} \text{Volume of potential fraud and} \\ \text{error cases} \end{array}$$

$$\text{Volume of potential fraud and error cases} \times \% \text{ of cases triage team assessed as likely to be successful/investigated} = \text{Post-Triage Volumes}$$

$$\text{Post-Triage Volumes} \times \% \text{ Hit rate for cases} = \text{Volume of cases detected (likely to lead to a positive outcome)}$$

Step 2: Adjust for Changes to Benefit Caseload

40. The costing model adjusts the volume of hits for each year of the appraisal period to account for forecast changes in the benefit caseload¹⁶. Following the end of the forecast period, the model flatlines the benefit forecast as there are currently no official forecasts to cover those future years.

$$\text{Volume of cases detected} \times \text{Forecasted change in benefit caseloads} = \text{Volume of hits per year}$$

Step 3: Adjust for Service Rollout

41. The costing model adjusts the volume of hits for assumptions around service rollout. This is based on high-level assumptions about the roll-out profile, with full roll-out expected from 2029/30. Lower initial roll-out reflects the period of 'test and learn' with a limited number of banks and building societies.

	Rollout %	Year
Volume of hits per year	0	2024-25
	0	2025-26
	2	2026-27
	25	2027-28
	75	2028-29
	100	2029-30
	100	2030-31
	100	2031-32
	100	2032-33
	100	2033-34

Step 4: Adjust for Behavioural Change

42. The costing model adjusts the volume of hits for changes in claimant behaviour. It is assumed that a proportion of the more active fraudsters will adapt their method to circumvent the rules. This may be offset by increases in compliance behaviour. Whilst

¹⁶ DWP (2024), <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2024>

we acknowledge that this assumption is difficult to evidence as the nature of fraudulent behaviour is that it is “hidden”, DWP feel it is important to establish that a decrease in hits will be likely and to account for this in the modelling. The adjustments here are based on high level assumptions from policy, operational employees, and the Office of Budget Responsibility. We have conducted sensitivity analysis on this assumption.

$$\text{Volume of hits (step 3)} - 25\% \text{ of hits} = \text{Volume of hits post behavioural assumption}$$

Step 5: Adjust for error detecting in previous years

43. Based on internal DWP analysis of historic distributions of Fraud and Error durations, a proportion of Capital / Abroad Fraud and Error is assumed to persist for more than a year. The costing model assumes a proportion of cases in any given year will be greater than one year old and will have already been identified in a previous year – this varies by benefit and is applied accordingly.

$$\text{Volume of hits (step 4)} - \text{Proportion of hits already identified in previous years} = \text{Volume of hits post error detecting assumption}$$

Step 6: Calculate the total annual Monetary Value of Adjustment ¹⁷

44. Insight from the Bank 1 exercise and internal DWP analysis is used to estimate the average value per hit for Capital and Abroad cases. The costing model uses these averages to estimate the total value of award adjustments per year. Where the monetary value of adjustment (MVA) is based on data from 2017, the MVA is adjusted for inflation using benefit uprating records as retained through the House of Commons Library¹⁸.

$$\text{Volume of hits (step 5)} \times \text{Average MVA per hit} \times \text{Benefit uprating factor} = \text{Total Annual MVA}$$

Step 7: Apply Future Overpayment Methodology

45. The costing model uses conventional DWP Fraud and Error methodology to estimate the Future Overpayments Prevented through the Hits, whilst also netting off any recoveries that would have been achieved through business as usual (BAU) activities. The same methodology assumes that a proportion of overpayments that have already been made will be recovered.

Step 8: Apply the Capital and Abroad Fraud and Error Forecast Trends

46. As outlined in Paragraph 10, fraud levels are expected to grow at around 5% per year without DWP’s action to reduce it. Therefore, to account for this a 5% upward pressure is applied in the last stage of the model and is applied cumulatively each year of the scorecard. It is just applied to the UC figures and other benefits are considered flat in terms of growth.

¹⁷ Monetary Value of Adjustment - change in amount of benefit entitlement due to a fraud/error being identified.

¹⁸ Wade, E., and Harker, R. (2022),

<https://commonslibrary.parliament.uk/research-briefings/cbp-9680/#:~:text=The%20full%20rates%20for%202023,%C2%A3141.85%20in%202022%2F23.>

See Annex 1b for an illustrative example of the model with dummy figures.

Limitations in the PoC's

47. The PoC exercises provide an indication of the potential effectiveness of the policy so were used to inform the costing. However, there were limitations in the exercises which are outlined below as they create some uncertainty in the estimates.
48. A limitation of the Bank 1 exercise is that it was based on a relatively small sample of 500, creating uncertainty in the hits generated. This sample contained claimants who were already identified as at-risk, resulting in a smaller sample compared to the Bank 2 exercise which aimed to assess all of those in one bank who'd be identified as at-risk.
49. Additionally, the Bank 1 exercise was conducted in 2017, a time when UC was not sufficiently rolled out to be included, hence ESA is used as a proxy in this instance. UC and ESA capital rules are very similar so the likelihood of a case, post-tirage, being identified as a true overpayment is anticipated to be broadly similar. This contrasts with PC for example, which has complex capital rules – and displays a lower hit rate. Due to the uncertainty surrounding the hit rates generated from the Bank 1 exercise sensitivity analysis has been conducted, outlined in paragraph 68.
50. The Bank 2 exercise, was by contrast, conducted on a much larger sample of 713,000 accounts and was conducted more recently in 2022. Therefore, we believe the at-risk rates generated by the exercise are relatively more representative of the population rate. Though the model assumes a static at-risk rate and caseload (no changes from 2022).

Direct Benefits to Government

Table 1: Summary of Non-Discounted AME (Annually Managed Expenditure) over 10-year Appraisal Period

Year	Total AME (rounded to nearest £10m)
2024/25	0 – no savings
2025/26	0 - no savings
2026/27	10
2027/28	120
2028/29	340
2029/30	480
2030/31	500
2031/32	510
2032/33	520
2033/34	530
Total	3,000

51. The measure is expected to generate around £3,000m total savings across the period 2024-2034.

Direct Costs to Government

52. It is anticipated at this stage that the Departmental Expenditure Limit (DEL) costs from 2024/25 to 2033/34 are likely to be around £420 million. We anticipate there will be staffing costs and additional costs such as general non-staff and digital costs associated with processing the large volumes of referrals. Due to the nature of how departmental budgets are calculated and agreed some elements are not captured here, for example estates.

Full Time Equivalent

53. The implementation of the measure will necessitate the recruitment, reallocation, and training of personnel to build and deliver the services, including to handle the increased numbers of detection of fraud and error cases, appeals and for the recovery of debt. We estimate that over the appraisal period (2024/25 to 2029/30) the Department requires current and additional FTE to operate the policy, costing around £290m. Two years after the policy has been fully rolled out, 2031/32, costs are estimated to stabilise around £30m per year (including non-staff costs).

Table 2: Summary of Departmental Expenditure Limit (DEL) Costs

Year	Service Delivery Costs (Million £s)	Investment Costs (Million £s)	Other Costs (Million £s)	Total DEL Costs (Million £s)
2024/25	0	<10	<10	<10
2025/26	0	<10	<10	10
2026/27	<10	10	<10	20
2027/28	40	10	<10	60
2028/29	90	10	20	120
2029/30	50	10	10	70
2030/31	20	<10	<10	40
2031/32	20	<10	<10	30
2032/33	20	<10	<10	30
2033/34	20	<10	<10	30
Total	270	70	80	420

Note: These figures are subject to change and agreement as per the usual scrutiny process applied to government spending. Figures are rounded so totals may not appear to be the sum of costs in table.

Sensitivity Analysis

54. The figures presented in this section focus on the DEL and AME calculations (costs and benefits to government) as these currently have more certainty.

High and Low Estimates

55. For the central cost and benefit estimates (as seen in the summary pages), we have adjusted costs and benefits in both directions by 15%. This is to allow for both variation in the behavioural assumption and higher optimism bias than currently assumed. This means the Net Present Value (NPV) lower bound is £1,600m and the upper bound is £2,500m over the appraisal period. Note that the NPV Upper Bound is calculated as the difference between the AME Savings Upper Bound and DEL Lower Bound, while the NPV Lower Bound is calculated as the difference between AME Savings Lower Bound and DEL Upper Bound.

Table 3: High and Low Estimates

Million £s	Lower Bound	Central	Upper Bound
AME Savings	2,000	2,400	2,800
DEL Costs	300	350	400
NPV	1,600	2,000	2,500

56. Additionally, the present value of costs would need to increase by 571% or the present value of the benefits would need to decrease by 85% over the appraisal period to result in a zero NPV in the central scenario. Equally there could be a combination of both, however in any case there are large deviations from current estimates required for this to occur.
57. Below shows the impact split by year, which highlights the significant deviation in either costs or benefits required for a neutral impact to occur.

Table 4: Breakeven Analysis % change in benefits for a neutral impact

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
% change required	-	60	-46	-64	-84	-92	-94	-94	-94

Table 5: % change in costs for a neutral impact

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
% change required	-100	-38	84	181	537	1214	1607	1619	1632

Behavioural Change

58. There is potential for both positive and negative behavioural responses from claimants upon implementation of this measure. The proposed measure deters individuals from committing fraud by increasing the risk of being identified as not complying with benefit eligibility rules. It is anticipated that this will deter individuals from starting new fraudulent claims and result in the closure of existing ones. This positive response would lead to a reduction in fraud without the associated cost to business or DWP, although we do not expect an impact on error.
59. Though some claimants may respond by attempting to evade this measure. This anticipated negative behavioural response reduces the measure's effectiveness. Currently, this behavioural assumption has been set at 25%, and is compounded within the model each year, capped at 30% as advised by the Office of Budget Responsibility. This means we assume that 25% of those with a positive outcome, adjusted for benefit caseload and rollout will enact this negative behaviour and this will reduce the overall fraud referral volumes.
60. Accounting for this impact acts as a form of optimism adjustment, therefore we have not applied a separate optimism bias adjustment to final estimates.
61. Given the inherent uncertainty, there is a risk that changes to this proportion could adversely affect the savings estimated. Therefore, we have conducted sensitivity analysis on this assumption to understand how deviations from this affects the total NPV. In Table 6 we have set out multiple scenarios alongside our current assumption to understand this sensitivity:

Table 6: Impact of altering behavioural assumption

Behavioural Change	NPV (Million £s)	AME Savings (Million £s)	DEL Costs (Million £s)	Comparison from central NPV (%)
5.0%	2,400	2,800	420	18.2
10.0%	2,100	2,500	380	3.8
15.0%	2,100	2,400	360	0.8
20.0%	2,000	2,400	360	0.3
25.0%	2,000	2,400	360	0.0
30.0%	2,000	2,400	360	-0.01
35.0%	1,900	2,200	340	-7.4
40.0%	1,700	2,000	320	-14.9
45.0%	1,600	1,900	300	-22.3
50.0%	1,400	1,700	280	-29.7

62. An increase in the behavioural assumption to 30% leads to a 0.01% decrease from the central NPV, whereas a decrease in the behavioural assumption to 20% leads to a 0.3% increase from the central NPV. There is a compounding nature of the behavioural assumption within the model and is capped at 30%. Hence, an increase of 30% to the behavioural assumption leads to a smaller magnitude of impact as there is no compounding in this instance, when compared to retaining a behavioural assumption of 20%. Increases beyond 30% of the behavioural change (and cap) have been provided to demonstrate the effect on NPV, although this behavioural response is unlikely.

Scope

63. Currently, the analysis focuses on the top fifteen banks and building societies amongst DWP claimants – as this is the planned initial use of the power during the test and learn phase. Internal analysis shows these banks and building societies receive approximately 97% of all benefit payments from the DWP.
64. The number of banks and building societies included could have an impact on the amount of savings generated. Theoretically, the more banks and building societies included, the greater the number of benefit claimants in scope and subsequently, the more likely we are to detect fraud and error. Conversely if there are a lower number of banks and building societies included the savings realised would likely be lower.

Table 7: Impact of altering the scope of banks included.

Number of banks included	NPV (Million £s)	AME Savings (Million £s)	DEL Costs (Million £s)	Comparison from central NPV (%)
All Banks (165)	2,100	2,500	370	3
Top 15	2,000	2,400	360	0
Top 10	1,900	2,200	340	-8

65. Sensitivity analysis was carried out to investigate the top ten banks and building societies (as opposed to fifteen). After this adjustment to the model, the savings profile over 10 years are estimated to reduce by 8%. Despite this, the measure is still viable without the additional five banks and building societies, as most payments for claimants go to the top ten banks and building societies.
66. Conversely, the impact on AME savings from including all banks and building societies (not just the top fifteen) is small. By potentially including all banks and building societies in this measure, the projected savings increase by 3% from the central scenario.

Hit Rates

67. Hit rates are applied within the model to estimate the proportion of cases post-triage which lead to a positive outcome. The hit rates are based on the PoC with Bank 1 in 2017, and therefore, may not accurately reflect current or future circumstances.
68. Due to this, there is some uncertainty in the hit rates generated which creates a risk that changes to the rates could lead to sizeable changes in savings estimated. Therefore, we have conducted sensitivity analysis on this assumption to understand how deviations from this affects the total NPV.

Table 8: Impact of altering the hit rates

Hit Rate Change	NPV (Million £s)	AME Savings (Million £s)	DEL Costs (Million £s)	Comparison from central NPV
-15%	1,700	2,000	360	-18%

-10%	1,800	2,200	360	-12%
-5%	1,900	2,300	360	-6%
0%	2,000	2,400	360	0%
5%	2,200	2,500	360	6%
10%	2,300	2,600	360	12%
15%	2,400	2,800	360	18%

69. Table 8 shows the impact of altering the hit rate. This was done by altering the proportion in levels. For example, when testing the impact of an increase of 5 percentage points (ppts), a hit rate which was previously held at 60% is now held at 65%. An increase of 10ppts in the hit rate leads to a 12% increase in the NPV, whereas a 10ppts decrease in the hit rate leads to a 12% decrease in the NPV.
70. Changing the Hit Rate does not affect the DEL as these are cases that would have to be worked by DWP regardless and as such would still have their associated costs.
71. Additionally, it is shown that hit rates would have to decrease by 85% for the NPV to reach 0. This suggests a large change to the hit rates would be required for the NPV to reach 0.

Rollout Schedule

72. The costing model adjusts the volume of hits for assumptions around service rollout. This is based on high-level assumptions about the roll-out profile, with full roll-out expected from 2029/30. Lower initial roll-out reflects the period of 'test and learn' with a limited number of banks and building societies.
73. Table 9 below shows an alternate rollout schedule with half the volume of hits and a resulting 1-year delay in 100% rollout. Table 10 shows the resulting effect on the AME and DEL.

Table 9: Original and Alternate Rollout Schedule (Volume of hits per year)

Year	Original Rollout %	Alternate Rollout %
2024/25	0	0
2025/26	0	0
2026/27	2	1
2027/28	25	12.5
2028/29	75	37.5
2029/30	100	50
2030/31	100	100
2031/32	100	100
2032/33	100	100
2033/34	100	100

Table 10: Rollout Schedule AME and DEL Comparison

Year	Original Rollout Total AME (rounded to nearest £10m)	Alternate Rollout AME (rounded to nearest £10m)	Original Rollout Total DEL (rounded to nearest £10m)	Alternate Rollout Total DEL (rounded to nearest £10m)
2024/25	0 – no savings	0 - no savings	<10	<10
2025/26	0 - no savings	0 - no savings	10	10
2026/27	10	<10	20	20
2027/28	120	60	60	40
2028/29	340	170	120	70
2029/30	480	240	70	40
2030/31	500	470	40	110
2031/32	510	510	30	30
2032/33	520	520	30	30
2033/34	530	530	30	30
Total	3,000	2,500	420	390

Discounting

74. The measure is modelled from beginning of implementation costs (2024/25) for a period of 10 years (2033/34). The Green Book recommends a discount factor of 3.5%, which discounts future total costs from 420m to a present value of £360m.

Direct costs to business calculations

75. The proposed measure is designed to focus on Banks and Financial Institutions so costs and benefits to these organisations will be assessed. To assess the potential cost and benefits of compliance on these organisations DWP have previously engaged regularly with industry groups, as well as individual banks, building societies and other financial institutions including via the Proof of Concepts. A working group will be established ahead of the Bill being introduced to continue collaborative work with the finance sector on the implementation and delivery of the measure. DWP is also working with other departments across government, particularly the Home Office and Cabinet Office, to understand the collective impact government has on the financial services industry.
76. At this stage we are unable to provide a robust assessment of business costs for validation because the operational solution for the measure is still being developed alongside further engagement with banks as we have committed to work in partnership with banks to develop the most appropriate implementation route. These decisions include how the measure will operate; this includes determining how the data will be transferred from the data holder to DWP. As will be outlined below the operational design of the measure has implications on costs, demonstrating why it is not meaningful to provide a full assessment of costs to business at this stage. We are therefore committed to provide an updated IA within 12 months of Royal Assent and submit it for scrutiny by the RPC.

77. Through initial industry engagement, we have identified the below as potential sources of costs to businesses:

Transition Costs	On-Going Costs
<p>Familiarisation Costs</p> <ul style="list-style-type: none"> - The costs incurred by an organisation to understand the requirements associated with the measure. - For example, the cost of staff reading guidance and/or any costs associated with updating customer privacy notices. 	<p>Labour Costs</p> <ul style="list-style-type: none"> - The costs associated with staff working to comply with the measure. - This includes staff time to process each DWP data request. - Some organisations may also incur increased costs associated with Quality Control, Assurance, and Governance.
<p>Set-Up Costs</p> <ul style="list-style-type: none"> - The costs incurred by an organisation to set-up the digital process to handle DWP data request notices. 	<p>Digital Infrastructure Costs</p> <ul style="list-style-type: none"> - Includes any costs incurred from maintaining or updating the infrastructure associated with the measure.

78. In addition to the engagement with the financial industry, we have drawn upon evidence from other pieces of legislation across Government that share similarities with the proposed measure, mainly the Immigration Act 2014¹⁹ and 2016 (secondary legislation)²⁰ but also HMRC's International Tax Compliance Regulations 2015²¹.
79. Although HMRC's International Tax Compliance Regulations are nearly 10 years old, there are some similarities. The regulations require financial institutions to identify, collect and report information in a specified manner on specified persons to HMRC. One-off and on-going costs of this measure were estimated at £70m to £209m and £2m to £4m respectively. Our initial engagement with financial institutions does not suggest the proposed DWP measure would result in this significant level of cost. This will be outlined below.
80. Section 40A of the Immigration Act 2014 requires financial institutions to check existing current accounts to identify any that may be held by disqualified persons. Both the Immigration Act and the proposed Eligibility Verification Measure (EVM) require financial institutions to check their consumer records, match against key criteria set by Government and report relevant data back to investigation and enforcement agencies. Through consultation with the analysts in the Home Office we have determined that the practical delivery of this measure is expected to be different to section 40A in the following ways:
- We anticipate the EVM to be a fully automated process for the Banks and Financial Institutions, running within existing systems, once they and DWP have jointly defined the criteria we need to match data to.

¹⁹ HM Treasury (2015), Immigration Bill: tackling existing current accounts held by illegal migrants, <https://www.parliament.uk/globalassets/documents/impact-assessments/IA15-008B.pdf>

²⁰ HM Treasury (2016), Immigration Act 2016 regulations: tackling existing current accounts held by illegal migrants, https://www.legislation.gov.uk/ukia/2016/244/pdfs/ukia_20160244_en.pdf

²¹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/413976/TIIN_81_48_tax_admin_automatic_exchange.pdf

- We will not ask all banks to search data for a specific customer. Whereas the Immigration Act IA assumes that all personal current accounts would be checked (estimated to be over 70 million).
- We will not need to pass any personal detail to the banks for the measure to be successful; banks can already identify DWP benefit claimants by the payment identifier linked to each benefit DWP administers and hence the transfer will only be one way (from banks and building societies to DWP).

81. **Transition costs** for the Immigration Act (2014 and 2016) were at estimated at £0.2m across the 10-year appraisal period, driven by set-up costs – the cost of software and IT development, setting up a reporting system and making changes to firms checking processes. Familiarisation costs for the Immigration Act were expected to be minimal at £4,700 for the private sector in the first year only. We believe the transition costs for the EVM will be similar, though may differ should the operational design be different (e.g., using an API). We acknowledge these figures and the assumptions behind them are dated. A post implementation evaluation has not yet taken place to assess the accuracy of the Immigration Act estimates.

82. As in the Immigration Act IA, the standard cost model which is the standard government and DWP method will be used in the subsequent IA to calculate familiarisation costs:

Time taken to read guidance * volume of staff * gross median hourly wage.

83. Uncertainty around the volume of staff and occupation of those staff has meant that we are unable to provide a robust estimate of familiarisation costs. We will work to establish these assumptions through further engagement with financial institutions. Assumptions around the gross hourly wage will be taken from the Annual Survey for Hours and Earnings²².

84. Whilst the exact data transfer method has not yet been determined, potential options are being explored. The preferred method currently being considered is utilising an API (Application Programming Interface). DWP currently use this technology with other existing integrations with external organisations, so there are existing processes around security, providing connectivity, development and testing. The API solution is a single solution that would allow for a flexible approach for transfer of data from data holders to DWP. It would provide a universal approach for transferring data and is therefore positioned well for futureproofing. This solution also avoids bespoke integrations with banks.

85. Early insight suggests that set-up costs will be dependent on the mechanism used for the data transfer. A few banks expressed the belief that there is a lower cost associated with using file transfer protocol compared to an API. Two banks provided estimates of set-up costs based on their experience of complying with the Immigration Act, with one bank estimating costs at around £0.5m. The other estimated that if the proposed measure used existing channels their infrastructure costs would be around £125k-£150k. The latter also estimated that if they had to start this as a new project (following architecture principles of API use etc) costs would be higher, estimated between £450k - £1m.

²² ONS (2024),

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/previousReleases>

86. Based on consultation with industry sources, it has been estimated that initial set-up costs for a financial institution linking to an external API range between £0.5m and £5m. This implies a central estimate of £41.25m for the sector, applying the mid-point to the top 15 banks. The cost is dependent on the complexity and volume of the data exchange and on the bank's existing IT infrastructure and operating model. This demonstrates the difficulty in robustly estimating set-up costs before operational decisions have been made. To provide a robust estimate in the subsequent IA, we will continue to work with financial institutions to collaborate on the practical design and estimations of the costs to financial institutions.
87. On-going costs for the Immigration Act 2014²³ were estimated at £2.3m across the 10-year appraisal period. In the subsequent 2016 Act²⁴ total on-going costs were estimated at £4.6m; the increase was driven by £2.4m of anticipated process change costs. Within both IA's, £2.1m of the total on-going cost estimates were a result of potential losses due to unrecovered debit balances. This cost is not applicable to the EVM as there will never be any ask of banks to de-bank customers from this measure. Other on-going costs for the Immigration Act include process change costs which occur because of firms electronically checking data on a quarterly basis (£0.1m), firms checking matches (£1.3m), reporting (£0.5m) and closing an account (£0.5m).
88. Due to the differences outlined above we expect the on-going process costs of the EVM be lower. We believe the Immigration Act estimates are indicative of an upper bound rather than a central estimate. This is supported by anecdotal evidence from bank engagement, where it was suggested by one bank that on-going costs are expected to be minimal. Though, banks noted that costs are contingent on operational design. For example, certain delivery methods may be more labour intensive than others or require more frequent auditing.

Impact on small and micro businesses

89. As outlined previously, the proposed measure will focus on banks and other financial institutions.
90. Table 11 demonstrates that in 2023, 39% of Banks and 88% of Building Societies were SMBs. Although the overall market share for SMBs in the finance sector is small, as this sector is dominated by large Banks and Building Societies. Reports suggest that the four largest UK Banks control 75% of current accounts²⁵. Internal analysis supports this, with 97% claimants being paid into 15 Banks or Building Societies, all of which are considered large. The large majority of micro sized Banks and Building Societies are Credit Unions.

Table 11: Number of VAT and/or PAYE based enterprises in the UK by employment size band for UK SIC 2007 Sub-classes Banks and Building Societies.²⁶

²³ HM Treasury (2015), Immigration Bill: tackling existing current accounts held by illegal migrants, <https://www.parliament.uk/globalassets/documents/impact-assessments/IA15-008B.pdf>

²⁴ HM Treasury (2016), Immigration Act 2016 regulations: tackling existing current accounts held by illegal migrants, https://www.legislation.gov.uk/ukia/2016/244/pdfs/ukia_20160244_en.pdf

²⁵ Moneyfacts (2024),

<https://www.moneyfactsgroup.co.uk/media-centre/group/are-the-big-four-banks-too-big/>

²⁶ The Better Regulation Framework guidance defines micro businesses as those employing between 1 and 9 employees, small businesses between 10 and 49, and medium businesses between 50 and 499.

https://assets.publishing.service.gov.uk/media/65420ee8d36c91000d935b58/Better_Regulation_Framework_guidance.pdf

2023	Micro (1-9)	Small (10-49)	Medium (50-499)	Large (500+)	Total
Banks	25 (10%)	75 (29%)	110 (43%)	45 (18)	255 (100%)
Building Societies	225 (68%)	65 (20%)	25 (8%)	15 (5%)	330 (100%)

91. Due to this significant proportion of claimants covered by these 15 Banks and Building Societies, the test and learn phase will focus on these institutions only. Thus, SMBs will not be in scope of the measure initially so will face no burden. For SMBs to become in scope (one of the top 15) they would need to experience significant growth in their customer base. This growth would also likely correspond with significant organisational growth, meaning they would no longer be classified as an SMB.
92. It is not appropriate to exempt SMBs from this measure entirely. The exclusion of SMBs would lead to unintended consequences, resulting in potentially significant reductions in the anticipated benefits of the measure. Exempting SMBs would create a loophole, whereby individuals wishing to commit benefit fraud could open an account with a SMB and evade detection from the measure. An exemption may also have adverse effects on competition within the banking sector, as individuals may be deterred from opening an account with a medium or large bank.
93. As the initial use of the measure (the test and learn phase) is expected to have no burden on SMBs no assessment for the burden on SMBs beyond this stage has been made. This assessment will be completed in the subsequent IA within 12 months following Royal Assent where the operational details will be confirmed and in-depth engagement with the financial sector has taken place. If disproportionate burdens are uncovered during this assessment, then potential mitigations will be explored.

Wider Impacts

Impact on individuals' access (equity/distributional):

94. In discussion with the banking sector, the Department has been clear that any data received under this measure should not be seen as indicative of any financial crime. Many claimants will have a legitimate, authorised reason to hold savings in excess of capital benefit rules (disregards for injury compensation, for example) and in many cases, overpayments could have been caused by genuine claimant error. Given this, the Department has been clear that there should be no action to risk claimant bank accounts because of the measure.
95. In addition to this, the Department has worked with the sector to provide a legal carve out within our provision linked to the Suspicious Activity Report (SARs) reporting regime. Banks feedback was that as social security fraud is an offence which may signal wider financial crimes, such as money laundering, a financial institution may consider itself required, under the Proceeds of Crime Act 2002, to submit a SAR where they have suspicions that a customer may be fraudulently claiming benefits. However, this measure is about overpayments of any nature, not necessarily fraud. On that basis, submitting a SAR may not be appropriate, would risk overwhelming the SAR system with a significant number of additional referrals and would pose a risk to benefit claimants. The Department has agreed with DWP Ministers that we will use the

legislation to remove any requirement to submit a SAR, mirroring an approach that was taken within the Immigration Act 2014 whereby banks and building societies are required to check if existing account holders are 'disqualified persons'. However, the requirement is only removed for information supplied as a result of this measure and where the financial institution does not have any other concerns that would trigger a SAR. A SAR should be submitted in the usual way if a bank holds a suspicion of money laundering or terrorist financing that financial institutions would be obligated to report. Should a SAR prove necessary, DWP also has the power to do this itself as part of a criminal investigation. This approach will remove any burden on banks to provide a Suspicious Activity Report to the National Crime Agency for every data match they find.

96. The Department does not anticipate any issues with consumer choice in the banking sector. This measure should not lead to banks and building societies declining to accept consumers who are on benefits. There are tight regulations surrounding these issues, and there has been a strong parliamentary response to any banks who decline customers because of matters such as legally held views. Furthermore, many individuals will already hold bank accounts prior to claiming DWP benefits, and many of our claimants are also in work and have salaries paid into accounts.

Impact on the privacy of individuals:

97. Eligibility verification notices will only return specific data about DWP claimants who are, or will be, in receipt of a specified benefit, or non-claimants in circumstances where they are, or will be, in receipt of a specified benefit payment (e.g. a 'linked account'). Accounts identified under the measure must meet certain eligibility indicators, which must only indicate that the specified benefit may have been, or may be, incorrectly paid. The eligibility indicators will not include personal data.
98. By ensuring this measure only focuses on data which indicates the incorrect payment of a specified benefit, the Department is complying with General Data Protection Regulation (GDPR), including compliance with the data-minimisation principle.
99. The Department has continued to assess the relevant aspects and mitigations of the ECHR impacts on individuals, throughout policy development.

Impact on competition:

100. Maintaining the ability to apply the power with all banks and financial institutions is key to ensuring consumer choice and competition within the market is not impacted. Ensuring the power is a mandatory one is also a key factor to avoid adverse impacts on competition and something banks have stated they would welcome. This means that all banks would be under the same obligation to share information, there would not be a choice for banks to opt-out and look more favourably to consumers, and banks can be clear and transparent with customers on how and when their data might be shared with DWP with assurance that this is a level playing field. Informal conversations with the industry suggest this would be welcomed (over Option 1) to avoid the unintended consequences mentioned above.

A summary of the potential trade implications of measure

101. The proposed legislative measure and the other options considered are not anticipated to have any impact on international trade.

Monitoring and Evaluation

102. To aid operational adjustments, the Department will conduct a Test and Learn approach in partnership with Banks and Building Societies. This will begin in 2026-27 and build up to full scale delivery by 2029-30. This approach will allow the Department to test:

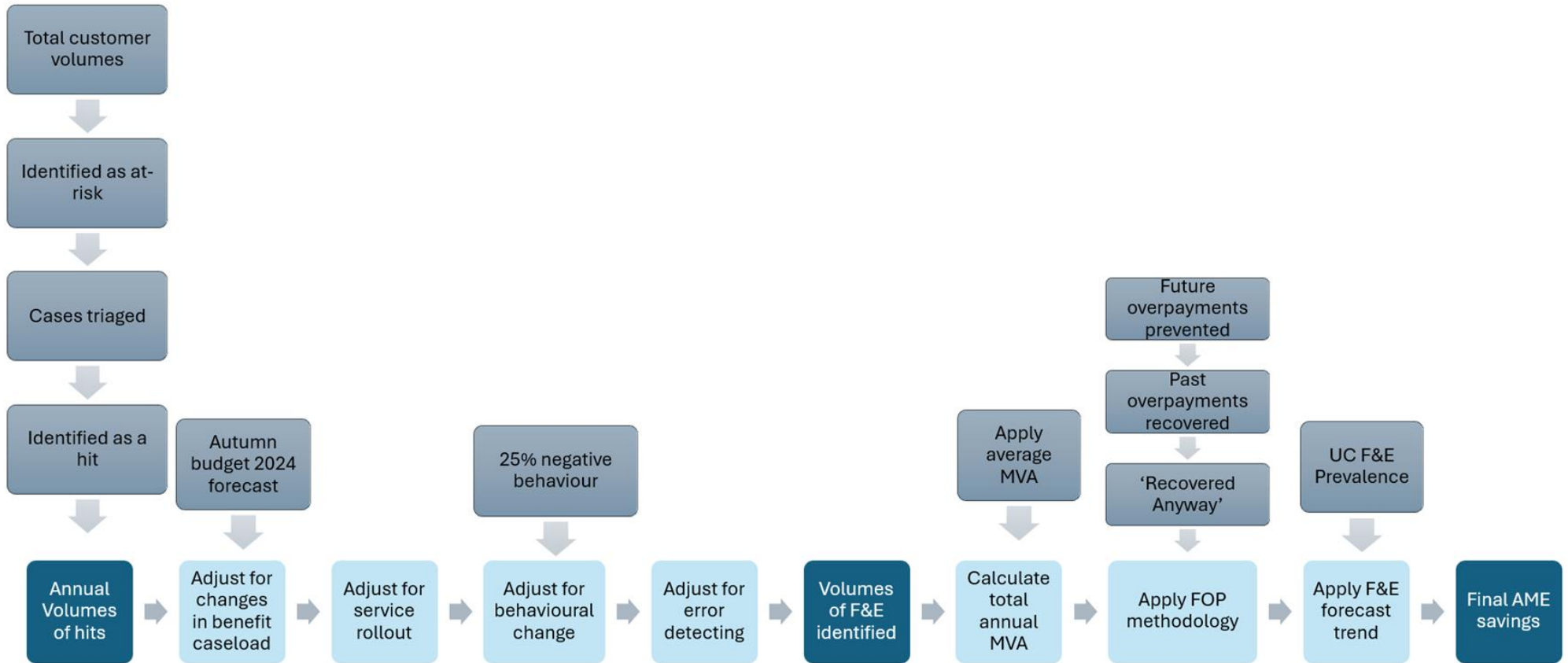
- **The criteria** – refining the criteria with banks and building societies to effectively target fraud and error and minimise false positives.
- **Digital Infrastructure** – to ensure the process works for both financial institutions and DWP to transfer the data efficiently.
- **The impact on DWP resources** – resource on the DWP side will need to be available to manage the data received from Banks and Financial Institutions in a timely and secure manner.
- **Ability of financial institutions to share this data** – there will be a legislative requirement for Banks and Building Societies to provide data but to ensure efficient deliverability the Department needs to determine the capabilities of the spectrum of financial institutions.
- **Appropriate safeguards** – the Department must ensure that there are safeguards in place to control and monitor the use of the power.

103. The success of the measures introduced by the Government will be evaluated by monitoring how the policy is utilised, including:

- Monitoring through feedback from DWP staff, Banks, Financial Institutions, and other stakeholders about how effective the new powers have been in practice.
- Monitoring the number of disputes received internally in the department and the number of formal appeals heard by the first tribunal.
- Monitoring the number of data matches from each Bank and Financial Institution and the time taken for the Department to receive matches.

Annex 1a

Model flowchart



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Annex 1b

Model Example with dummy figures

Here is a (basic) example using dummy figures, linked to the steps above:

Number of "Benefit X" claimants who bank with top 15 banks = 1,000,000

1. % of cases considered "at-risk" (from Bank 2 PoC for Benefit X) = 20%
2. % of cases triaged (from Bank 1 PoC for Benefit X) = 50%
3. % of cases with overpayment identified (from Bank 1 PoC for Benefit X) = 70% = "hit rate"
4. Change in Benefit X caseload over time = 2% increase each year
5. Rollout assumptions Y1 = 2%, Y2 = 10%, Y3 = 40%, ...
6. Behavioural assumption = 5% reduction
7. Adjust for error detection = 2% reduction

Steps 1, 2 and 3:

$$1,000,000 * 20\% * 50\% * 70\% = 70,000$$

Step 4:

$$\text{Year 1} = 70,000$$

$$\text{Year 2} = 70,000 * 2\% \text{ increase} = 71,400$$

$$\text{Year 3} = 71,400 * 2\% \text{ increase} = 72,828 \text{ etc for following years}$$

Step 5:

$$\text{Year 1} = 70,000 * 2\% = 1,400$$

$$\text{Year 2} = 71,400 * 10\% = 7,140$$

$$\text{Year 3} = 72,828 * 40\% = 29,131 \text{ etc for following years}$$

(Step 6 onwards in reality are more complicated as we take into account the time period and previous year, but for simplicity):

Step 6 and 7:

$$\text{Year 1} = 1,400 * 95\% * 98\% = 1,340$$

$$\text{Year 2} = 7,140 * 95\% * 98\% = 6,647$$

$$\text{Year 3} = 29,131 * 95\% * 98\% = 27,121 \text{ etc. for following years}$$

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The remaining steps are not demonstrated as they rely on complex internal models to identify the distribution of historic cases, and how we anticipate the overpayments we have prevented from occurring in the future by detecting and ceasing early.

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Annex 2: The Debt Measure Impact Assessment (DWP)

Title: Debt Recovery Measure IA No: DWP_001 PA(FER) Bill_2025 RPC Reference No: RPC-DWP-24014-IA(1) Lead department or agency: The Department for Work and Pensions Other departments or agencies:	Impact						
	Date: 01/11/24						
	Stage: Final						
	Source of intervention: Domestic Domestic						
Type of measure: Primary Legislation Primary legislation							
Summary: Intervention and Options				RPC Opinion: GREEN			

Cost of Preferred (or more likely) Option (in 2024 prices) (£m)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status Qualifying provision
-124.5	0	0	

What is the problem under consideration? Why is Government action or intervention necessary?

There is approximately £1.7bn (see Table 2) of off benefit debt where individuals are able to avoid repayment as DWP is currently unable to effectively and efficiently recover. This creates unfairness in the way DWP recovers debt between those who are on benefit or in PAYE employment and individuals with other incomes who are currently able to avoid repayment. This debt stock is forecast to grow as further debts to the department are incurred and individuals with existing debts move off benefit. DWP wishes to replicate powers in use across Government, primarily the power to deduct directly from individual's bank accounts as a last resort when all other engagement has failed, which would allow the department to recover fairly.

What are the policy objectives of the action or intervention and the intended effects?

DWP's current system of debt recovery lacks fairness across different types of debtors. DWP's powers are currently limited to recovery by deduction from benefit or PAYE earnings. As a result, there is approximately £1.7bn of debt owed by individuals with other incomes who are able to avoid repayment as DWP is currently unable to effectively and efficiently recover. This debt stock is forecast to grow as further debts accrue and individuals with existing debts move outside the scope of the Department's powers. In order to recover from all individuals more fairly DWP wishes to replicate powers in use across government, primarily the power to deduct directly from individual's bank accounts. The powers will be applied only as a last resort, and only where all other avenues to recovery have been exhausted.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1 - DWP needs an approach to recovering from individuals who are able to evade repayment of their debts which can operate at a scale sufficient to address the inequalities that exist between the treatment of different groups of debtors at present. DWP aim to agree affordable and sustainable repayment plans with all of its debtors. Without sufficient powers to bring individuals who seek to avoid repayment into conversation with the department, there would continue to be a disparity in treatment of individuals with debts who remain on benefit or in PAYE employment.

Option 0 - The alternative option of a court-based approach has been trialled but proved to be too inefficient to tackle the issue at scale and is inflexible as it does not allow for regular deductions. It would also place an immense burden the court system (which is already dealing with backlogs; data published by the law society indicates that small claims are taking more than a year to reach court) if DWP were to recover from all its debtors in a fair and equal manner. Doing nothing would fail to address the inequalities in the current system and allow not in recovery debt to grow.

Will the policy be reviewed? No It will not be reviewed. If applicable, set review date:

Is this measure likely to impact on international trade and investment?		No			
Are any of these organisations in scope?	Micro No	Small No	Medium No	Large No	
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: 0		Non-traded: 0	

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I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister

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Summary: Analysis & Evidence Policy Option 0

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2024	PV Base Year 2025	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: -124.5

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0	0
High	0		0	0
Best Estimate	0		0	0

Description and scale of key monetised costs by 'main affected groups'

Option is to do nothing so no costs

Other key non-monetised costs by 'main affected groups'

Option is to do nothing so no costs

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0	0
High	0		0	0
Best Estimate	0		0	0

Description and scale of key monetised benefits by 'main affected groups'

Option is to do nothing so no benefits

Other key non-monetised benefits by 'main affected groups'

Option is to do nothing so no benefits

Key assumptions/sensitivities/risks Discount rate (%) 3.5%

Option is to do nothing so no benefits

BUSINESS ASSESSMENT (Option 0)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	Benefits: 0	Net:0	
			0

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Summary: Analysis & Evidence Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2024	PV Base Year 2025	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: -124.5

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	5.8	207.6	1,683.0
High	5.8	304.1	2,468.5
Best Estimate	5.8	246.5	2,003.0

Description and scale of key monetised costs by 'main affected groups'

Individuals with debts to DWP who are not currently repaying them will make repayments of their debts as a result of this policy (and the value of their debt will fall by an equivalent amount). They will also incur bank charges in some circumstances.

Other key non-monetised costs by 'main affected groups'

None

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	193.2	1,558.5
High	0	289.6	2,344.0
Best Estimate	0	232.1	1,878.5

Description and scale of key monetised benefits by 'main affected groups'

The exchequer will benefit by the value of the additional debt recovered. This can be treated as a gain spread across society as a whole.

Other key non-monetised benefits by 'main affected groups'

A key policy objective is fairness between on benefit and off benefit debtors which is not captured by the monetised figures.

The NPV methodology does not capture the financial case for recovering debts effectively. DWP considers this measure is value for money, because otherwise this debt will not be recovered for decades (without any alternative means of recovery the Department would likely have to wait for any future claim to benefit, which in some cases would be when a person reaches pension age, or a person moves into PAYE employment).

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
-------------------------------------	-------------------	------

Forecast growth of the debt stock.
Proportion of cases in which use of the powers will be needed rather than the claimant setting up a payment plan.
Specific roll out plans and DEL limits, will be developed and updated once the legislation is passed.
Proportion of debt that will remain unrecoverable
Time taken to recover debts

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	Benefits: 0	Net:0	
			0

Figure 1: Abbreviations

Abbreviation	Term
AME	Annually Managed Expenditure
API	Application Programming Interface
BAU	Business As Usual
CRA	Credit Reference Agencies
DEL	Departmental Expenditure Limit
DWP	Department for Work and Pensions
EANDCB	Equivalent Annual Net Direct Cost to Business
ESA	Employment & Support Allowance
FTE	Full Time Equivalent
FYE	Financial Year Ending
GDPR	General Data Protection Regulations
HB	Housing Benefit
HMCTS	HM Courts and Tribunals Service
HMRC	His Majesty's Revenue & Customs
IA	Impact Assessment
MVA	Monetary Value of Adjustment
MVFE	Monetary Value of Fraud and Error
NPV	Net Present Value
OBR	Office for Budget Responsibility
OCG	Organised Crime Group
PC	Pension Credit
PoC	Proof of Concept
PSNCR	Public Sector Net Cash Requirement
PSND	Public Sector Net Debt
RPC	Regulatory Policy Committee
SARs	Suspicious Activity Reports
TPD	Third Party Data
UC	Universal Credit

Evidence Base

Problem under consideration and rationale for intervention

1. Under rules published by HM Treasury in Managing Public Money²⁷, the Department has an obligation to protect public funds and to ensure that, wherever possible, debt is recovered. Where someone owes a debt to DWP but is not on benefit or in PAYE employment, some refuse to engage and are not repaying their debt, even when they can afford to do so. This leads to a lack of fairness in how the Department recovers debts as those on benefits or in PAYE are compelled to make affordable repayments.
2. DWP is currently unable to effectively and efficiently recover large amounts of off benefit debt. This debt stock will continue to grow as new debts are incurred as we detect additional fraud and error, and individuals move off benefit.
3. This can be addressed by introducing measures, modelled on those already in use across Government, to be able to deduct directly from an individuals' bank account where they have evaded all other attempts by the department to recover their debt. This will have some impact on the banking sector, however banks will be able to levy a charge on individuals to compensate them for any costs incurred, mitigating this impact. Due to the pre-existing powers already in use across Government we do not anticipate that this will not place a new burden upon these institutions as they already have functions in place to allow for deductions to be made.

Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)

4. The analysis is based primarily on DWP's administrative systems for managing debt. These are comprehensive databases of the debts owed to DWP and provide a good insight into the levels of relevant debt outstanding. This is supplemented by DWP's debt forecasts which are consistently high quality. The debt stock model has previously had an error rate of below 2% and is used by the department to set the recovery profile.
5. Until the powers are in effect there is necessarily limited information about the balance between the extent the powers must be formally used (for instance to take money from bank accounts) and the extent to which debtors will set up payment plans when approached rather than forcing the department to use the powers. HMRC reported that out of 22,667 cases evaluated, powers to deduct money from bank accounts was only used in 19 cases. DWP will be testing this as the use of the powers are rolled out.

Description of options considered

Continue Current Debt Enforcement Activity:

6. Under this approach there would continue to be a disparity in treatment of individuals with debts who remain on benefit or in PAYE employment, and those who have another kind of income which currently allows them to evade the requirement to repay their debt.
7. Enforcement of this off benefit debt via the County Court has proved slow, resource intensive, difficult to effectively target and puts pressure on the County Courts. Existing court powers also only allow for lump sum deductions, preventing the department from recouping debts at an affordable and sustainable rate from individuals over time and creating inequality in how debts are recovered.

New Debt Measures:

8. The alternative to relying exclusively on court enforcement is to introduce new debt measures.

²⁷ <https://www.gov.uk/government/publications/managing-public-money>

9. Options for these were considered by looking at approaches taken to recovering difficult to enforce debts across Government and consulting with Government departments and other areas of DWP that have had success in making significant and consistent returns recovering these.
10. Through this consultation it was identified that other areas of Government were able to more fairly and more effectively recover debts across different cohorts, for example HMRC and Child Maintenance. These areas of Government are able to make deductions directly from individuals' bank accounts where they refuse to engage and arrange terms of repayment. They also have powers to suspend driving licences, which they use primarily to encourage repayment, and are rarely²⁸ used suggesting an effective deterrent. These tools allow them to recover from evasive debtors far more effectively than DWP at present. Where claimants set up a payment arrangement they will be able to set up repayment at a rate that takes into account any vulnerability or financial hardship they will encounter, as is already the case for debtors who repay through deductions from benefits or by direct earnings attachments.
11. The proposed powers therefore are modelled on taking broadly the same approach used in addressing the issue of evasive debtors elsewhere in Government and draws on that policy intent.

Policy objective

12. The intent of these powers is to increase fairness in the recovery of debt. This will be through further encouraging those off-benefit debtors who can afford to repay but currently refuse to do so, to set up voluntary repayments. Where they continue to refuse, as a last resort DWP will enforce recovery of these debts via application of the powers. This will create greater equality in the way DWP recovers from its debtors, as those who are off benefit will not be able to evade repaying their debts while those on benefit and PAYE employment have their debts recovered by deductions.
13. We expect to be able to begin rollout of the proposed powers in Autumn 2026, and relatively quickly after they are introduced, as DWP has a debt enforcement function in place and has conducted test and learn trials of the court version of these powers to enable more seamless application of these powers.
14. We will know these measures are successful by their impact on the percentage of off benefit debts that are in recovery, both resulting from the outreach stage of the process through voluntary repayment plans, and via full application of the powers.

Summary and preferred option with description of implementation plan

15. The options considered were 'do nothing' (i.e. continue with current approaches or legislating to introduce new recovery powers. Primary legislation will provide the necessary legislative framework for use of these powers. This will allow DWP to be more effective in recovering debt from off benefit debtors
16. Rollout of the measures will be administered by DWP's debt management service with ongoing evaluation and case volumes increasing over time to ensure implementation of the new processes is thorough and without gaps.
17. The Department will implement a test and learn approach to rollout with a review period in the initial stages of implementation that allow us to closely monitor how the powers are applied and ensure these are in keeping with any best practices and policy guidance

²⁸ <https://assets.publishing.service.gov.uk/media/66f146ec76558d051527abc5/national-tables-child-maintenance-service-to-june-2024.ods>

as set out in a Code of Practice. By taking this approach DWP will be able to recover much more effectively from those who can afford to pay but refuse to, as shown by the use of similar powers across Government. These returns will be seen incrementally as case volumes are increased over time.

18. We expect to be able to begin rollout of the proposed powers in Autumn 2026, bringing recovery of debts belonging to this cohort in line with those on benefit and in PAYE employment.

Monetised and non-monetised costs and benefits of each option (including administrative burden)

19. See the recoveries per year, which are both a cost to individual households and a gain to society in Table 8, and additional staffing costs in Table 9

Direct costs and benefits to business calculations

20. Any costs to business, in this case limited to banks, will be recovered from debtors. The recovery from bank accounts is something banks already do for debts to other parts of government and we anticipate these systems can be used.

Risks and assumptions

21. The main risks are:

- Whether the rate of onflows remains stable
- The proportion of onflows which remain in scope
- The average amount repaid by a debtor per month
- The proportion of debts that are unrecoverable
- The number of cases processed each year

22. Sensitivity analysis is provided on these in Annex 2a.

Impact on small and micro businesses

23. The businesses impacted by these proposals are banks. Some of these may be small and micro businesses but as discussed earlier, the banks will be able to recover costs from debtors, so there should be no impact regardless of the size of business.

24. *Table 1* demonstrates that in 2023, 39% of Banks and 88% of Building Societies were SMBs. Although the overall market share for SMBs in the banking sector is small, as this sector is dominated by large Banks and Building Societies. Reports suggest that the four largest UK Banks control 75% of current accounts²⁹. Internal analysis supports this, with 97% claimants being paid into 15 Banks or Building Societies, all of which are considered large. The large majority of micro sized Banks and Building Societies are Credit Unions.

25. Although the ability to pass on costs means there are no costs to SMBs, consideration was given to exempting SMBs from this measure. It is not appropriate to exempt SMBs from this measure. The exclusion of SMBs would lead to unintended consequences, resulting in potentially significant reductions in the anticipated benefits of the measure. Exempting SMBs would create a loophole, whereby individuals wishing to avoid repaying their debts could move their money to an account with a SMB and evade one

²⁹ Moneyfacts (2024), <https://www.moneyfactsgroup.co.uk/media-centre/group/are-the-big-four-banks-too-big/>

of the mechanisms by which recoveries could be made. An exemption may also have adverse effects on competition within the banking sector, as individuals may be deterred from opening an account with a medium or large bank.

Table 1: Number of VAT and/or PAYE based enterprises in the UK by employment size band for UK SIC 2007 Sub-classes Banks and Building Societies ³⁰

2023	Micro (1-9)	Small (10-49)	Medium (50-499)	Large (500+)	Total
Banks	25 (10%)	75 (29%)	110 (43%)	45 (18)	255 (100%)
Building Societies	225 (68%)	65 (20%)	25 (8%)	15 (5%)	330 (100%)

Source: Inter-Departmental Business Register (2023)³¹

Wider impacts

26. We do not expect there to be any wider impacts.

Monitoring and Evaluation

27. The Department will begin using the new powers under a test and learn approach, targeting fairly small numbers of debts in the first year. (i.e. where it was assumed that the policy will start from Autumn 2026). We will use this year to monitor and improve the processes involved.

28. The Department will continue to report on the level of debt recovered in its Annual Report and Accounts.

Direct Impacts to Government

29. The main data source for the cost estimates is taken from DWP Debt Manager system to estimate the stock of in scope debtors combined with a forecast of the newly in scope debtors over subsequent years.

Stock of in scope debtors

30. The modelling begins with looking at all debtors on debt manager systems as of January 2024 (the stock) and narrowing down those that are in-scope to be only from debtors who are off-benefit and not in recovery. Then, some more debtors are excluded to reflect additional factors to ensure the approach is proportionate and takes account of wider considerations: currently this excludes from the calculations those living outside of England and Wales as some benefits have been devolved to Scotland and debt recovery for those cases will be for the Scottish Government to determine; those whose debts are time-barred in statute; those who are 60 and over as their debts will soon be able to be recovered from their State Pension; and debtors with less than £500 of total debt, to ensure that recovery is cost-effective. Some debts may also be written off or

³⁰ The Better Regulation Framework guidance defines micro businesses as those employing between one and nine employees, small businesses as those employing between ten and 49, and medium businesses as those employing between 50 and 499.

https://assets.publishing.service.gov.uk/media/65420ee8d36c91000d935b58/Better_Regulation_Framework_guidance.pdf - Annex 3.

waived in line with department policy due to vulnerability or affordability. This reduction can be found later in the modelling process. These implementation assumptions may differ once the process for recovering these benefits has been finalised and tested, but as the design has not yet been finalised they avoid overestimating the impacts. This is summarised below.

Table 2: Summary of debt stock

	Debtors (thousand)	Value of debt (£bn)
All debtors	4,730	8.99
Of which off benefit debtors	1,393	2.79
Of which off benefit not in repayment debtors	885	1.74
Of which are in England and Wales	823	1.65
Of which are not 'statute barred'	796	1.59
Of which are under 60	763	1.44
Of which debt value exceeds £500 (In scope debtors)	350	1.36

Flow of new in scope debtors

31. As well as the currently in scope debtors discussed above additional people will come into scope for the measure. This will consist of both new debtors who arrive on the system 'in scope' and other debtors not in scope whose circumstances change to bring them into scope for this measure.
 - a. To calculate the volumes of these, existing forecasts of new debtors are used (around 150,000-180,000 per month) and multiplied by the proportion who quickly flow into the "in-scope" categories mentioned for the stock. To estimate that proportion (which is around 1%), data from the debt management system is used to identify the proportion of new debtors which met this criterion in January 2024.
 - b. Added to these, new debtors in scope are the group of existing debtors newly in scope. Forecasts are that around 56-68 k debtors each month flow from being on benefit debtors to being off benefit debtors, multiplied by the proportion that have historically become in-scope (around 48%).
32. These are added together, and then this is multiplied by the proportion who have historically ended up requiring existing debt enforcement (41%) rather than returning to benefit or beginning to pay off their debts by other routes. To estimate that proportion the department used data from the debt management system to identify the proportion of new debtors which met this criterion during 2023.

33. In order to estimate the value of these in scope debts these numbers are then multiplied by the mean value of debts held by an in-scope debtor (found from the previous size of new in-scope debts) to find final flow figures.
34. The existing forecasts used for this stage extend to the end of 2027/28. Beyond the forecast figures, the number of onflow debtors is expected to remain stable at 171,000 per annum as we do not expect large changes in underlying macroeconomic factors.
35. These calculations are summarised in the table below. The figures for 2026/27 only include 7 months worth of flows, as the measure is due to come into effect in September 2026.

Table 3: calculation of in scope new debts

	2026/27	2027/28	2028/29	2029/30	2030/31
New debtors	1,108,000	1,963,000	Beyond forecast figures	Beyond forecast figures	Beyond forecast figures
Of which in scope [a]	15,000	26,000	Beyond forecast figures	Beyond forecast figures	Beyond forecast figures
Existing on benefit to off benefit debtors	457,000	804,000	Beyond forecast figures	Beyond forecast figures	Beyond forecast figures
Of which are in scope [b]	221,000	389,000	Beyond forecast figures	Beyond forecast figures	Beyond forecast figures
Debtors in scope [a] + [b] = [c]	236,000	415,000	Beyond forecast figures	Beyond forecast figures	Beyond forecast figures
Of which remain eligible	97,000	171,000	171,000	171,000	171,000

Recoveries per year

36. The calculations above identify the number of debtors and value of debts coming into scope for the new powers. In order to work out the amount of recoveries per year, other factors must be taken into account. These are how much of the debt will be recovered, the length of time taken to recover a debt, and the rate at which the department moves to fully implementing the policy.

37. Although this measure aims to bring into recovery the majority of debts not currently being recovered, it is unlikely that all debt will ever be recovered. For instance, some debt will be written off or waived in line with wider departmental policy and some will not be possible due to vulnerabilities or affordability. For this reason, an amount is taken off both the flow and stock figures. It is assumed that the amount of debt in scope that will not be able to be recovered is 31.8%.
38. The in-scope stock and flow figures separately (shown in Table 2 and Table 3) are discounted by the 31.8% non-recovery rate from paragraph 37. This gives the impaired number of stock cases as 239,000 and the impaired flow cases as 66,000 in the first year and 117,000 in the following years. The first year is lower due to only including 7 months of the measure.
39. Although the proposal gives the department new powers to recover benefits it is anticipated that in most cases debtors approached will agree a payment plan rather than having deductions taken directly from their bank account by the department. It is not known at which rate they will set up such repayments but looking at the most recent data available (from July 2024), the average voluntary repayment per month was £74.24. This has been chosen as the most similar group to those in-scope as they are not having their debt recovered through deductions to benefit or PAYE income. The debts have been split into small debts (£500-£5000 with an average debt value of £1,642) and large debts (over £5000 with an average debt value of £13,274). Combining these average debt values with the repayment rate small debts would be repaid over an average of 1.8 years and large debts over an average of 14.9 years.
40. Debtors who have difficulty repaying their debt can approach the department and have a slower rate of repayment agreed. There is no evidence for how many of these in scope debtors (who are not currently repaying) will require such a slower rate. Existing departmental Management Information shows that 12.34% of UC debtors in active repayment had a hardship rate applied in February 2024. Therefore, 12.34% of the in-scope debt has been assumed to be paid back at a slower rate. The slower rate was determined by comparing the rates that those existing debtors with hardship rates were paying before and after their hardship rate was agreed. It was found that the average hardship rate was 62% of the average rate before a lower rate was agreed. Therefore, the average time calculated for someone granted a hardship rate to repay was $1/0.62 = 1.61$ times as long as in standard recovery, lengthening recovery for small and large debts from 1.8 and 14.9 years to 3.0 and 24.0 years respectively.
41. Hypothetically, if the new powers were to be implemented immediately from September 2026 and there was no restriction on the amount of staff working on delivering the powers, the recoveries would be as shown in Table 4. This would mean that all debt would be put into recovery in the first year it was available (e.g. all the stock and the first year of flows in the first year), and would be recovered over 1.8 to 24 years, depending on the type.

Table 4: fully rolled out savings

Year	Total saving - fully implemented from day 1
2025/26	£0m
2026/27	£259m
2027/28	£328m
2028/29	£253m
2029/30	£261m
2030/31	£280m
2031/32	£299m
2032/33	£318m
2033/34	£347m
2034/35	£356m
2035/36	£375m

42. This 'big bang' approach demonstrates a step in the analysis but does not reflect the department's intention to take a test and learn approach to phase in the use of this policy. Therefore, a phased approach will be taken where the department builds up to full implementation over a number of years.

Phased implementation of the policy

43. The final parameters needed in the calculation of how much debt will be recovered in each year is the amount of cases that can be processed in each year. Although specific rollout plans are to be developed for the purposes of this assessment it is assumed the policy will start to be implemented from Autumn 2026 and it will take several years to reach full operation of the measure. the maximum number of revenue generating cases that can be processed each year is shown below (Table 5).

Table 5: Maximum number of cases processed by financial year

Year	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 and on
Potential cases processed ('000s)	24	89	138	159	166	167

44. From the number of available cases, stock cases are processed first up to the maximum amount processable by the available staffing. Any unprocessed stock cases (plus new flow cases) are then available for processing in the next year. If there is any capacity

remaining, the number of flow cases processed is removed from the amount available for the next year.

45. In order to get the cash flow the recovery from each case brought into payment this spreads the recoveries for each year over the amount of time calculated earlier, depending on whether each case is a large or small debt, and whether there is a standard or hardship rate of recovery.

Table 6: Amount available for recovery vs the amount put into recovery each year

Year	Amount potentially available for recovery	Amount brought into recovery each year
2026/27	£1183m	£94m
2027/28	£1540m	£345m
2028/29	£1647m	£535m
2029/30	£1564m	£616m
2030/31	£1400m	£643m
2031/32	£1208m	£647m
2032/33	£1013m	£647m
2033/34	£818m	£647m
2034/35	£623m	£623m
2035/36	£452m	£452m

Table 7: Example of cash flow in 2028/29

Big debt amount put into recovery in this year (normal)	£308m
Big debt amount put into recovery in this year (hardship)	£43m
Small debt amount put into recovery in this year (normal)	£161m
Small debt amount put into recovery in this year (hardship)	£23m
Amount recovered in 2028/29	£117m
Amount recovered in 2029/30	£104m
Amount recovered in 2030/31	£30m
Amount recovered in 2031/32	£22m
Amount recovered in 2032/33	£22m
Amount recovered in 2033/34	£22m
Amount recovered in 2034/35	£22m
Amount recovered in 2035/36	£22m

46. In Table 7, the amount recovered in 2028/29 can be found by finding the amount that would be recovered in the first year due to the recovery rate for each of the four rows:

- a. Normal large debts are recovered evenly over 14.9 years (see paragraph 39), meaning 7% will be recovered in the first year. This means that £20.7m of £308m will be recovered in 2028/29.
- b. Hardship large debts are recovered over 24 years (see paragraph 40), so 4% will be recovered in the first year. This is £1.8m of £43m in 2028/29.
- c. Normal small debts are recovered over 1.8 years (see paragraph 39), so 54% will be recovered in the first year. This is £87.2m of £161m in 2028/29.
- d. Hardship small debts are recovered over 3 years (see paragraph 40), so 34% is recovered in the first year. This is £7.6m of £23m in 2028/29.

47. These four values sum to be the amount recovered in 2028/29 (with rounding error), from debts put into recovery in 2028/29.

48. The final costings are found by adding together all the amounts that are recovered from being put into recovery over the previous four years. Therefore, the amount actually recovered in 2028/29 also includes some debt put into recovery in 2026/27 and 2027/28.

Table 8: Savings due to the debt measure

Year	Total additional recoveries
2025/26	£0m
2026/27	£21m
2027/28	£94m
2028/29	£189m
2029/30	£262m
2030/31	£309m
2031/32	£342m
2032/33	£370m
2033/34	£397m
2034/35	£419m
2035/36	£404m

Departmental costs

49. The costs to deliver the measure were calculated by finding how much staff time would be required to process cases, and added to this was the cost of postage for letters sent.

Table 9: Delivery costs

Year	Average of FTE over the year	DEL cost
2025/26	0	£6m
2026/27	58	£2.7m
2027/28	217	£10m
2028/29	335	£15.8m
2029/30	383	£18.5m
2030/31	400	£19.7m
2031/32	400	£20.1m
2032/33	400	£20.5m
2033/34	400	£20.9m
2034/35	400	£21.3m
2035/36	400	£21.7m

Annex 2a: Sensitivity Analysis

50. There are a number of assumptions in the modelling that are uncertain. The following are the assumptions which may be the most likely to vary from given value. The recoveries are given in comparison to Error! Reference source not found..

Debts remaining in scope

51. Paragraph 32 discusses the proportion on onflows who have historically remained in scope, which is 41%. This is based on the status of these debtors six months after they flow into being in scope. If this parameter is based on the status of debtors one year later instead, 37% remain in scope. The effect of using 37% for this parameter is shown below.

Table 10 - Effect of fewer debtors remaining in scope.

Year	Total additional recoveries (follow up after 12 months)
2025/26	£0m
2026/27	£21m
2027/28	£94m
2028/29	£189m
2029/30	£262m
2030/31	£309m
2031/32	£342m
2032/33	£370m
2033/34	£352m
2034/35	£331m
2035/36	£339m

Average amount of debt recovered per month

52. The average amount repaid by a debtor each month was assumed to be £74.24 as this was the current average voluntary repayment. It is possible that the average repayment amount could be lower or higher. The alternative scenarios given here are that debtors repay £25 more (£99.24) or less (£49.24) per month.

Table 11: Effect of different paces of debt recovery

Year	Total additional recoveries (slower repayment)	Total additional recoveries (faster repayments)
2025/26	£0m	£0m

2026/27	£14m	£28m
2027/28	£72m	£116m
2028/29	£162m	£217m
2029/30	£233m	£291m
2030/31	£275m	£343m
2031/32	£301m	£383m
2032/33	£320m	£420m
2033/34	£338m	£456m
2034/35	£353m	£486m
2035/36	£340m	£468m

Proportion of unrecoverable debts

53. It is assumed that even with the powers some debts will remain unrecoverable (for instance because the debtors cannot be contacted). Therefore 31.8% are assumed to be unrecoverable. It's possible that these debts may be more or less likely to be recovered.

Table 12: Effect of a different proportion of unrecoverable debts

Year	Total additional recoveries
2025/26	£0m
2026/27	£26m
2027/28	£117m
2028/29	£236m
2029/30	£327m
2030/31	£385m
2031/32	£426m
2032/33	£461m
2033/34	£495m
2034/35	£523m
2035/36	£504m


Number of cases processed

54. If cases take a different amount of time to process or staff productivity is higher this would change the number of cases that can be processed with the level of spending planned. Differences in this number of cases we can process would have the following effect on recoveries.

Table 13: Effect of staff productivity

Year	Total additional recoveries (extra 1/6 th of cases can be processed)	Total additional recoveries (1/6 fewer cases can be processed)
2025/26	£0m	£0m
2026/27	£17m	£24m
2027/28	£78m	£110m
2028/29	£158m	£221m
2029/30	£218m	£306m
2030/31	£257m	£360m
2031/32	£285m	£399m
2032/33	£308m	£383m
2033/34	£331m	£354m
2034/35	£354m	£358m
2035/36	£376m	£375m

Annex 3: The Information Gathering Powers Impact Assessment (DWP)

 <p>Department for Work & Pensions</p>	Impact Assessment (Final)	
Title of measure:	Information Gathering Measure	
Lead Department/Agency:	Department for Work and Pensions	
Planned coming into force/implementation date	2026	
Origin (Domestic/EU/Regulator)	Domestic	
Contact for enquiries	policygroup.fedbill@dwp.gov.uk	
Departmental Assessment	Self-certified	
Total Net Present Social Value (over 10-year period): <p style="text-align: center;">£13.8m</p>	Equivalent Annual Net Direct Cost to Business (EANDCB) (over 10-year period): £0.1m	Business Impact Status: Non-Qualifying Regulatory Provision
Summary - Intervention and impacts		
<p>Policy Background – Issue – Rationale for Intervention – Intended Effects</p> <p>Last year alone almost £10 billion of taxpayers money was overpaid in the welfare system, and since the pandemic, a total of £35 billion has been overpaid. This is a significant challenge for DWP. Around 75% of this is fraud. The ability to undertake investigations to prove, or disprove, fraud efficiently is therefore vital.</p> <p>Existing information gathering powers allow DWP’s authorised officers to compel information only from a prescribed list of information holders, specifically in relation to social security benefit offences via writing. This leaves the department unable to compel evidence from a wide range of information holders into fraud on DWP payments such as grants, and often restricts the department to antiquated and slow communication methods when conducting benefit fraud investigations including requesting information by letter or visit.</p> <p>Whilst information can be requested from organisations not currently in scope, this puts the onus on organisations to determine their action and means information that could be vital to an investigation is not always available. Creating a single, clear legal framework covering all third-party information holders, with clear exemptions, that DWP can compel information from, and extending the powers to include all DWP payments will enable a simpler and more efficient approach to information gathering.</p> <p>This is intended to improve DWP’s ability to prove or disprove fraud against the social security system. This will result in efficiency savings for the taxpayer from both helping DWP to directly identify frauds, and indirectly by having a stronger deterrence mechanism.</p>		
Brief description of viable policy options considered (including alternatives to regulation)		
<p>Option 1: Do Nothing – Existing legislation hampers DWP’s ability to secure vital information to inform criminal investigations and build evidence. This option has been discounted.</p>		
<p>Option 2: Legislate through Secondary Regulation – Under existing legislation, DWP has the power to add to the list of data holders who are compelled to disclose information. This is unsatisfactory as the legislation would remain restrictive both in terms of a prescriptive list, the types of fraud DWP can use it for, the inflexibility of updating secondary legislation every time a new information holder is required, and that information could not be compelled digitally. This option has been discounted.</p>		

Option 3: Amend Primary Legislation – Removing the list of prescribed information holders who can be required to provide information so that all information holders can be compelled (with some exemptions). This will now cover all forms of DWP payments with these information gathering powers. Information will also be required to be provided digitally by default, with exceptions for where this is not possible. Updating the existing statutory Code of Practice (which will be consulted upon) and internal policy on the role of the Authorised Officers exercising these powers retaining high-quality safeguards, enabling an efficient process. **Preferred option.**
Preferred option.

Option 4 – Non-legislative - The nature of the powers (criminal) are such that there aren't any viable non-regulatory options

Preferred option: Summary of assessment of impact on business and other main affected groups

Option 3 – Legislating through Primary Legislation is the preferred option. Some of the main affected groups are:

Impact on third-party data holders

Third party information holders not covered by existing legislation will now be compelled to provide information upon request. This measure will pose a cost on businesses who are currently asked for information but don't provide the evidence on a voluntary basis. This measure will compel those to comply unless subject to an exemption.

Costs to business are limited by the presence of safeguards such as exemptions to the compulsion, only allowing requests to be made by those Authorised Officers who are trained and accredited, and only requesting information when there is a suspicion of fraud about a 'named' or 'identifiable' person. DWP will work with stakeholders to minimise any unnecessary burdens, particularly where small businesses are concerned. The Equivalent Annual Net Direct Cost to Business is estimated as £56,000 per year over the full appraisal period.

Impact on Government

The government will be the main beneficiary of this measure as it will support counter-fraud investigations. By making efficiencies and obtaining more evidence to help prove or disprove a fraud allegation, DWP will save an additional £4.04m per year once the measure is fully rolled out.

Enabling information requests to be made and retrieved digitally will require investment into a digital platform and ongoing maintenance costs. DWP does not anticipate a need for any additional resources within fraud investigation teams such as staffing resources as existing information gathering processes are already in place.

Additional detail – policy, analysis, and impacts

Figure 1: Abbreviations

Abbreviations	Description
AME	Annually Managed Expenditure (AME)
ARA	Annual Report and Accounts
CFEMS	Counter Fraud and Error Management Service
COP	Code of Practice
DPA 2018	Requests made in accordance with the Data Protection Act 2018
DWP	Department for Work and Pensions
MI	Management Information
NPSV	Net Present Social Value
PV	Present Value
RFI	Requests for Information
RPC	Regulatory Policy Committee
SAMBA	Small and Micro Business Assessment
SSAA 1992	Social Security Administration Act 1992
SSAA 109's	RFI's made under the section 109B2, section 109B2A powers of the SSAA 1992 and SSFA 2001
SSFA 2001	Social Security Fraud Act 2001

Background and rationale

1. Estimates of the level of overpayments due to fraud and error have exceeded £8bn in each of the last four financial years resulting in a combined total of £35bn overpaid (2020-21 to 2023-24). In 2023-24, it is estimated that £9.7bn of benefit expenditure was overpaid (3.7% of the Department for Work and Pensions' (DWP) benefit expenditure)³². This takes money away from those who need it most and constitutes a large opportunity cost for Government, who could use these resources elsewhere, and reduces public confidence in the social security system. Interventions which reduce fraud and error in the social security system can help alleviate these pressures.
2. Furthermore, a range of evidence indicates there is a long-term rising trend in fraudulent behaviour and a softening of attitudes towards committing fraud³³. It is therefore important that DWP has strong powers to detect such fraud (and error), so it can identify fraud more quickly and show that potential fraudsters cannot defraud the department or escape punishment.
3. DWP's information gathering powers, whilst innovative for their time (Social Security Administration Act 1992³⁴, Social Security Fraud Act 2001, 2012³⁵), now pre-date the mass use of digital systems and are less relevant to the type of information or information holders of today. As the sophistication of criminals increases and social security delivery becomes even more digitalised, DWP must update its information powers to stay relevant. Furthermore, the information gathering process must be efficient and should mirror other government bodies equally tasked with tackling economic crime to ensure parity and consistency.
4. DWP needs to adapt to the changing environment and new trends in fraud, and its ability to gather information quickly and efficiently is crucial to protect the taxpayer, both in relation to disproving fraud or building evidence to prosecute those who are taking advantage of the welfare system. As new trends in consumption patterns develop, there are new opportunities to obtain information which can help support DWP in investigating fraud. It is important that DWP is able to make the most of new sources of information as they arise.
5. Given the importance of information held by third parties in proving and disproving allegations of fraud, more effective information gathering powers are essential. This proposal will enable DWP to compel third party information whenever it is necessary and relevant, supported by an efficient digital process that is fit for advances in technology.

³² <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2023-to-2024-estimates>

³³ See pages 98 – 101 of DWP's ARA:

<https://assets.publishing.service.gov.uk/media/669e2ca2ab418ab055592996/annual-report-accounts-2023-2024-web-ready.pdf>

³⁴ <https://www.legislation.gov.uk/ukpga/1992/5/section/109B>

³⁵ <https://www.legislation.gov.uk/ukpga/2001/11/crossheading/obtaining-and-sharing-information>

Doing this will support the detection of fraud, reduce the scope for fraudsters to evade detection and ensure burdens on third parties are minimised.

6. The existing powers are restrictive and impede DWP from achieving these objectives:
 - a. When the power for an Authorised Officer to compel information was introduced by the Social Security Administration Act 1992³⁶, it enabled all investigators who are authorised under sections 109 A & B to obtain information in relation to a restricted list of areas - employment, pensions, licences granted by a local authority, provision of goods/ services and certain compensatory payment matters (see Annex 3a for a detailed description of the relevant information providers covered). In 2013, the Social Security (Persons Required to Provide Information) Regulations³⁷ expanded the list of information providers to cover key information holders relevant to the then new Universal Credit (namely landlords, childcare, local council tax reduction scheme).
 - b. In 2001 measures in the Social Security Fraud Act (SSFA) amended and built upon the legislation in sections 109B Social Security Administration Act 1992. This allowed an Authorised Officer to compel information about individuals from specified private and public sector organisations. Those organisations include banks; credit reference agencies; utility providers and education bodies (see Annex 3a for a detailed description). The 2001 Act introduced a statutory code of practice relating to the exercise of the specific powers introduced in 2001. This does not account for changes in industry.
7. This impacts DWPs ability to operate in several ways:
 - a. The lists are prescriptive, meaning that DWP Authorised Officers can only compel information from those third-party information holders listed in the legislation, excluding providers such as challenger banks, gambling firms and airlines.
 - b. Information holders who are not included in the legislation are sent information requests in accordance with the exemptions set out in Data Protection Act 2018 (DPA). However, these types of requests are not compulsory, and under the existing powers DWP risks being unable to obtain crucial evidence. It also puts the onus on the business to consider the request and decide whether or not to respond.
 - c. DWP currently have two distinct sets of Authorised Officers, which can cause delays. The new approach will mean that any Authorised Officer with the appropriate training/credentials will be able to exercise these new powers, within the remit of the existing safeguards – creating a more effective and efficient process. The existing process is:
 - i. Authorised Officers (regional investigators) who are authorised to obtain information in accordance with the powers contained in section 109B2 of the

³⁶ <https://www.legislation.gov.uk/ukpga/1992/5/contents/enacted>

³⁷ <https://www.legislation.gov.uk/uksi/2013/1510/contents/made>

1992 Act such as employers, occupational pension providers, licence holders, childcare providers, landlords and local authorities for council reductions schemes,

- ii. Authorised Officers (Intelligence Gathering Officers) who are authorised to obtain information in accordance with the powers contained in section 109B2A (introduced by the 2001 Act). These include banks/ building societies, credit reference agencies, money transfer companies, insurers, educational establishments, student loan companies and utility companies such as water, gas, electricity and sewage.
 - iii. Both types of authorised officers are mandated to go through appropriate training and accreditation. IGOs are required to adhere to a mandatory Code of Practice.
- d. The number of Information Gathering Officers DWP can authorise to use the powers conferred under section 109B2A is restricted to 300. In practice, this means that where additional sensitive information is required under subsection 109B2A, the Authorised Officer must refer the case to an Information Gathering Officer, which can take up to 4 weeks because of administrative constraints. This process is both inefficient and isn't suited to the levels of fraud referrals that DWP is now dealing with (for example in 2023/24, nearly 20,000 Requests for Information (RFIs) were issued in this way).
- e. RFI's under the existing legislation can only be made in writing or by visit, which is inefficient and not fit for purpose, either for DWP or organisations providing information.
- f. The legislation only applies to fraud in benefit claims and excludes other DWP support such as grant payments (which are also vulnerable to fraud including money laundering and serious and organised crime).
- g. For grant fraud DWP request information in accordance with the exemptions set out in the Data Protection Act 2018 (DPA), however responses to these types of requests are voluntary and is not the most efficient way to gather vital information, especially where there is suspicion of serious and organised crime. Where a grant related fraud may relate to potential offences under the Proceeds of Crime Act (POCA) 2002, such as a suspicion of money laundering, then an application for a Production order may be considered by a DWP accredited financial investigator (under part 8 of POCA³⁸). However, this means that when investigating grant related fraud DWP is currently reliant on limited methods to investigate.

8. To address these inadequacies, the following options were considered:

- **Option 1:** 'Do Nothing'– As set out above, doing nothing will mean that DWP will continue to rely on existing legislation when investigating benefit fraud. Vital evidence from information sources will not be secured meaning DWP will continue to be

³⁸ <https://www.legislation.gov.uk/ukpga/2002/29/part/8>

constrained in its ability to prove or disprove a suspicion of fraud. **This option has been discounted.**

- **Option 2:** Legislate through Secondary Regulation – This option will legislate through secondary regulations to allow additional information holders to be included to the list of those already compelled to provide DWP with information. This will help DWP gather some vital information for an investigation, however this doesn't give the full flexibility required to address all the existing restrictions. For example, this does not allow the powers to be used for other types of payments, such as grant payments or compelling a digital response. Nor will it allow for information to be provided digitally.
- **Option 3 (Preferred Option):** Reforming through Primary Legislation – This option will allow for the full host of changes to be made by amending primary legislation and will modernise existing information gathering powers held by DWP. These reforms will also combine the role of the Authorised Officer. **This is the department's preferred option.**
- **Option 4 – Non-legislative - The nature of the powers (criminal) are such that there aren't viable non-regulatory options**

The changes under option 3 are as follows:

Removing the prescriptive list and providing clarity for organisations

9. The proposed power will allow requests to be made to a relevant information holder where the information they hold is relevant and necessary, with clear exemptions set out on the face of the Bill (**See Annex 3b and Annex 3c**).
10. This will not change the existing principles of how DWP operates. Information will continue to be compelled only where the enquiry relates to an identifiable individual (by name or description) and will only be exercised by an authorised officer when there is a suspicion of fraud and when it is necessary and proportionate.
11. There are some organisations contacted outside the Social Security Administration Act Section 109B2 and 2A legislation who do respond promptly to non-statutory information requests with the correct information. However, with the introduction of General Data Protection Regulation (GDPR) legislation, DWP has seen some trends where certain information holders do not comply with such requests, or do not respond promptly due to being uncertain of their obligations. This measure will provide for a clear statutory gateway for all information holders (unless exempted).

Authorised Officers

12. Policy changes will be made to combine those authorised currently under s109B2 and s109B2A (Regional Investigator and Information Gathering Officer functions) into a single Authorised Officer and remove the restriction of 300 permitted Information Gathering

Officers³⁹. This will result in a smoother process and the ability to respond more effectively and quickly to demand to prove or disprove fraud.

13. DWP will ensure the safeguards described above (exemptions, only requesting information when there is a suspicion of fraud etc.) will be in place before introducing this measure, to ensure the information gathering powers are being used in accordance with the relevant legislation. An updated Code of Practice will reflect this, which will be publicly consulted upon and then laid in Parliament. Implementation will be carefully controlled to ensure a smooth transition.

Introducing a digitally enabled service

14. These proposals will allow all information requests to be issued to information holders online/electronically and to compel the response to be provided back online/ electronically. The current provisions in s109B2A allows for information to be compelled in a digital format - but it can only be applied where the information holder already holds it digitally - and s109A does not enable a digital response. This means that DWP continues to receive and must then deal with different formats of responses, including by fax and by post, which is not the most efficient way to operate and is more difficult to track. DWP will provide a digital function to allow information holders to comply with information requests more easily online. The existing provision to request (and receive) information by 'writing' or 'by visit' will remain and will also be important as a contingency method if, for example, DWP or information providers digital servers were disrupted, or an organisation did not hold information digitally for any reason the digital option will be the default position. The estimated time to implement a digital solution is two years, beginning in 2025/26 and finishing in 2026/27.

Extending information gathering powers to all DWP payments

15. This measure will extend the power to allow investigations into any DWP payment where fraud is suspected. For example, Access to Work grant fraud or 'Kickstart', which was a scheme that provided funding to employers to find job placements for those aged between 16-24 years old and in receipt Universal Credit. Currently DWP can only investigate grant fraud in accordance with the exemptions set out in the DPA, which as noted above is limiting due to it being a permissive power. Extending this power to be used for all DWP administered or issued payments would allow investigators to gather vital evidence to prosecute all types of fraud perpetrated against DWP including NINO application frauds. This means that all types of social security related criminal investigations undertaken by DWP will have a clear and statutory power to compel information.

10-day turnaround time

16. The existing statutory Code of Practice (COP)⁴⁰ stipulates that information holders are required to respond to an information request made in accordance with s109B2A within 10 working days. In current practice, information is usually returned within 28 days on average,

³⁹ <https://hansard.parliament.uk/Commons/2001-03-27/debates/df5e9c24-8b2f-4bfe-a2c0-695b715e6011/SocialSecurityFraudBillLords>

⁴⁰ <https://assets.publishing.service.gov.uk/media/634565d5e90e0731a5423356/code-of-practice-on-obtaining-information-social-security-fraud-act-2001.pdf>

which can create unnecessary delays. There is a separate non-statutory Code of Practice with no enforceable timeframe for responses that is used by regional investigators who gather information under S109B2⁴¹. Reasons for delays may be due to information holders not being aware of their obligations and providing documents back in formats that cannot be accessed by DWP (due to security reasons). However, the expectation is that introducing a digital system for the information requests to be issued and for responses to be made in the same way, should enable information holders to service these requests more quickly and efficiently, reducing burdens on businesses. However, the intention is to consult stakeholders to ensure that the digital approach and any timeframes are practical and reasonable. On completion of that engagement the details and obligations of an information provider will be clearly set out in a Code of Practice.

Scope of the Costing

17. The scope of this costing covers the following aspects of the policy:
 - Removing the prescriptive list
 - Reforming the Authorised Officer role
 - Introducing a digitally enabled service
 - Retaining the 10-day turnaround time

18. These aspects of the policy have been covered as they are the most impactful elements of the policy and because there is sufficient data and evidence to include them. 'Extending information gathering powers to all DWP payments' is not included in this costing as the efficiencies (and costs) created by this element are unmonetizable in their current form. However, if a large level of grant-related fraud were to happen in the future, this element of the policy would be crucial in ensuring the department is fully able to tackle such fraud.

19. This costing will outline the impacts of these aspects of the policy on the government and on businesses (by which this means third-party information holders). The base price year will be 2024 with costs and benefits discounted from 2025 onwards.

20. A key output of this costing is the Equivalent Annual Net Direct Cost to Business (EANDCB), which stands at £56,000 per year. This falls well below the £5m per year de minimis level set by the government.

21. The Net Project Social Value is £13.8m, with a Present Value of Social Benefits of £23.5m (made up of savings from improvements in identifying and correcting benefit fraud) and a Present Value of Social Costs of £9.68m (primarily made up from costs to government such as training and setting up digital systems, but also including costs to businesses). This makes a benefit to cost ratio of £2.43 of social benefits per £1 of social costs.

Methodology for modelling the benefits to government

⁴¹<https://assets.publishing.service.gov.uk/media/5a7baa90e5274a7318b9021b/authorisedofficersguideao1may2008.pdf>

22. Some key definitions used throughout this section are explained below:

Types of information request:

- **RFI's are Requests for Information.** These are requests made by the Criminal Investigations unit to external data holders for evidence that is relevant for a criminal fraud investigation. They include requests made under the existing powers to compel, and outside existing powers to compel.
- **SSAA109's are RFI's which are made within the department's existing powers to compel.** External data holders who receive SSAA109's must respond with evidence in 10 working days.
- **DPA's are RFI's which do not compel external data holders to respond.** Data holders who receive a request in accordance with DPA can choose whether and when they respond with requested evidence. The proposed policy is to bring these recipients under the SSAA109 umbrella, and the costing focuses on how the policy will impact these types of RFI in steps 4 and 5.

Counter fraud definitions:

- **Productivity** is the number of investigations completed per investigator per unit of time (annually in the modelling). These can include positive outcomes and non-positive outcomes (see below).
- **Positive outcome** is a completed investigation which results in a benefit correction and/or a recovery of a historic overpayment. These result in savings for the taxpayer. Non positive outcomes are outcomes which do not result in a positive outcome, including cases where no wrongdoing was found.
- **Hit Rate** is the percentage of overall completed investigations which result in positive outcomes.
- **AME Savings (Annually Managed Expenditure Savings)** are the savings made by the government when a positive outcome is realized. This is composed of a future overpayment which is prevented and a historic overpayment value which is recovered.

23. Key sources of information include:

- **Administrative data:** used to inform a counterfactual model of counter-fraud savings without these powers, a model of counter-fraud savings with these powers, and the number of RFI's sent annually. This data comes from DWP's in-house IT systems used to manage fraud cases. These systems provide data reports which are used for modelling and performance measurement on a regular basis.
- **A survey issued to experienced investigators:** used to inform an assumption that the policy will cause a behavioural effect amongst DWP's criminal investigators (see annex 3a for more detail)
- **RFI data collection exercise:** used throughout the modelling as it informed many assumptions on the characteristics of different types of RFI's. This is a sample of approximately 300 information requests recently made by a small group of investigators on their most recently concluded cases. These investigators were based across the country working on a wide variety of types of fraud. This data shows how often the

department receives responses for different request-types and how long these responses take.

24. Benefits of the policy are expected to take two key forms. Firstly, there are efficiencies derived from digitalising information gathering, refocussing the 10-working-day turnaround time, and reforms to the AO role. These are explained in steps 2 and 3. Secondly, there are the extra frauds identified from obtaining more evidence. This is obtained by expanding the scope of the powers to all information holders (aside from exemptions), digitalising information gathering and reforms to the AO role. These are explained in steps 4 and 5.

Step 1: Determine counterfactual savings and key drivers of performance.

25. Administrative data was used to create a model which predicts departmental savings generated by the criminal investigations unit over the 10-year appraisal period from when costs are expected to begin (2025 – 2035).
26. This model is consistent with recent operational performance with departmental expectations for near-term performance improvements, long-term steady state performance, and uses long term staffing plans. The following factors were identified as important drivers of long-term savings performance: staffing levels, hit rates, productivity and AME savings per positive outcome. Though these parameters change in the near term, once the policy change is first rolled out (2027) these parameters are constant in the counterfactual. Table 1 shows these parameters before and after the policy.
27. Of the key drivers of long-term performance, 'Hit Rates' and 'Productivity' were identified as the parameters which would be impacted by this policy. Departmental savings are calculated as follows:

Annual investigations completed = Productivity (Investigations per year) * Staff

Positive outcomes in year = Annual investigations completed * Hit Rate

Total AME Savings = Positive outcomes in a year * AME savings per positive outcome (see step 6 for more detail)

Step 2: Determine impact of policy change on productivity

28. Obtaining information on cases sooner will allow investigations to progress to the next stage more quickly on a regular basis. This allows the department to conclude cases more quickly, resulting in a productivity improvement. The following calculations use the RFI data collection exercise (which shows the average times taken to return RFI's both on average, and specifically digitally issued SSAA109's) and internal administrative data (showing the number of RFI's per case) to inform assumptions:

Time saving per RFI = Days to return average RFI under current policy – Days to return a SSAA109 RFI issued digitally (this will be the case for all RFI's under the proposed policy)

Time saving per case (days) (concurrent RFI's) = Time saving per RFI

Time saving per case (days) (consecutive RFI's) = Time saving per RFI x RFI's per case

Unadjusted productivity improvement = (Average of consecutive and concurrent time saving per case) / Average case duration.

Equal weighting has been given to time savings for concurrent and consecutively issued RFI's as the clerical nature of these requests means there is uncertainty regarding which is more common.

Adjusted productivity improvement = unadjusted productivity improvement * 0.8 (20% adjustment to explicitly account for optimism bias)

29. The resulting productivity improvement is estimated to be a 2% increase in the number of investigations completed in a year per staff member. We include scenarios of 0% and 4% in the sensitivity analysis (see paragraphs 80-84).

Step 3: Determine impact of higher productivity on positive outcomes

30. Higher productivity will result in more positive outcomes being achieved. The effect is modelled as follows:

Productivity (with policy) = Counterfactual productivity * (1 + Adjusted productivity improvement (cases per staff per year))

Annual investigations completed (with policy) = Productivity (with policy) * Staff

Positive outcomes in year (with policy) = Annual investigations completed * Hit Rate

31. Higher productivity results in an additional 77 positive outcomes per year, worth £1.56m in non-discounted savings per year.

Step 4: Identify increase in evidence being obtained.

32. It is expected that this policy will allow investigators to obtain more evidence. This is because the proportion of RFI's which are fulfilled will increase (i and ii) and the volume of RFI's made per case will increase (see iii):
- i) By bringing DPA's under the SSAA109 umbrella, the proportion of RFIs being fulfilled should increase. This is because organisations not currently compelled by the SSAA109 powers are not obliged to provide information.
 - ii) The creation of a new digital platform, reform of the Authorised Officer role (including training), and a further Code of Practice should increase the percentage of SSAA109's returned successfully.
 - iii) A behavioural effect is expected. Currently, criminal investigators do not issue DPA's to certain information holders because they currently routinely refuse to respond. Under

the new law, these organisations will be compelled to respond. Therefore, investigators will be more likely to issue RFI's to these information holders. This assumption is supported by the staff survey which showed that criminal investigators would expect to issue more RFI's with these powers.

33. The following assumptions have been made:

- RFI that are currently issued under the DPA per case will increase by 10% from 0.67 to 0.74. This assumption has been informed by qualitative evidence from the staff survey (see iii) which implies a small increase can be expected. Overall, this assumption is somewhat uncertain. The sensitivity of this assumption has been tested using a sensitivity analysis (see paragraphs 85 to 87).
- The proportion of these RFIs returned will increase from 88% to 96% (i and ii). This is the difference observed between the current return rate of DPA's and the return rate of digitally issued SSAA109's observed in the RFI data collection exercise.
- There will be no change to RFI's issued under SSAA109's as these are unchanged by the policy.

34. There will also be an increase in the evidence obtained due to the productivity improvements described in steps 2 and 3. These benefits have already been scored so must be accounted for to avoid double counting.

Volumes of DPA's issued under new policy = DPA's issued per case (new Policy) (0.74) * Total investigations concluded (new policy) (see step 3)

Volumes of DPA's returned (new policy) = Volume of DPA's issued under new policy * Proportion of DPA's returned (96%)

Volumes of DPA's issued accounting for productivity improvements = DPA issued per case (old policy) (0.67) * Total investigations concluded (new policy)

Volumes of DPA's returned accounting for productivity improvements = Volume of DPA's issued accounting for productivity improvements * Proportion of DPA's returned under old policy (88%)

Increase in evidence obtained = Volumes of DPA's returned (new policy) - Volumes of DPA's returned accounting for productivity improvements.

35. The increase in the evidence obtained is used to estimate the costs to business and EANDCB. DWP expects an additional 2,037 RFI's to be fulfilled by information holders as a result of this policy.

Step 5: Derive increase in positive outcomes from the additional evidence.

36. Obtaining more evidence should result in more positive outcomes being achieved. This is because investigations which miss key pieces of evidence can either fail or take longer to

gather sufficient relevant evidence. This impact has been modelled by assuming a ratio of evidence to positive outcomes (i.e. that obtaining a fixed amount of evidence will result in a fraud being identified).

37. This ratio is set at the current level, and then adjusted downwards to account for optimism bias. This suggests new evidence (obtained by the policy) will be slightly less useful than the evidence currently obtained:

$$\begin{aligned} \text{Ratio of positive outcomes per piece of evidence} &= \text{Total positive outcomes (FY23/24)} / \text{Total RFI's} \\ &\text{fulfilled (FY23/24)} \\ &= 0.07575 \end{aligned}$$

$$\text{Increase in positive outcomes} = \text{Increase in evidence obtained (step 4)} * \text{Ratio of positive outcomes per piece of evidence} * 0.8 \text{ (20\% adjustment to explicitly account for optimism bias)}$$

38. According to the modelling, a greater volume of evidence being obtained should result in an additional 123 positive outcomes per year, worth £2.48m in AME savings prior to discounting. This increase is the equivalent of an increase in hit rates from 25% to 25.8%.
39. It is assumed that each extra piece of evidence results in an additional 0.0606 positive outcomes. A sensitivity and breakeven analysis of this impact has been conducted to show how the Net Present Social Value (NPSV) changes if this assumption changes (see paragraphs 92 – 97).

Step 6: Calculate savings made by the department

40. The conventional DWP Fraud and Error methodology has been used to estimate the Future Overpayments Prevented for each positive outcome, whilst also netting off any recoveries that would have been achieved through business-as-usual activities. The same methodology assumes that a proportion of overpayments that have already been made will be recovered.
41. Savings are composed of two forms: a historic overpayment set to be recovered and a future overpayment which is prevented from occurring. The values for each component are based on the average from positive outcomes achieved by the criminal investigations unit from the 2022/23 and 2023/24 financial years, uprated to 2024 prices, shown in table 1 as £20,200 when summed over the whole appraisal period and not discounted. These values are subject to a sensitivity analysis (see paragraphs 88 and 89).
42. The historic overpayment component is considered a governmental asset and is realised in the year that the positive outcome was achieved.
43. The future overpayment component is realised across several years in the future (when that overpayment is expected to have been made) and diminishes every year to reflect that some overpayments stop (both naturally as claimants inform DWP of a change of circumstances, and because DWP would have otherwise identified them). Consequently, steady-state savings do not occur until year 7 of the appraisal.

Direct Benefits to Government

44. There are two key benefits of this policy. The first revolves around efficiencies created through the introduction of a digitally enabled service and refocused turnaround times which leads to RFI's being obtained more quickly. This, in turn, results in shorter investigation times, improved productivity of DWP's counter-fraud resource, and a larger number of positive outcomes being achieved. Outcomes which result in a benefit correction and/or overpayment recovery are considered positive outcomes. From 2028 onwards, this contributes an extra 77 positive outcomes annually.
45. The second benefit of the policy revolves around the additional evidence DWP would be able to obtain by removing the prescriptive list, reforming the Authorised Officer role and by introducing a digitally enabled service. By compelling information (instead of relying on the good will of information holders), and by simplifying the RFI process, DWP will obtain more pieces of evidence which will lead to a higher proportion of investigations resulting in a positive outcome. From 2028 onwards, this contributes an extra 123 positive outcomes annually.
46. Table 1 shows the outputs of the modelling on key drivers of long-term performance:

Table 1: Performance parameters before and after the proposed policy (2028 onwards)

Parameter	Productivity (Annual investigations completed per staff per year)	Hit Rates (Percentage of investigations resulting in a positive outcome)	Savings per hit (Not discounted)
Pre-policy	24	25%	£20,200
Post-policy	24.48	25.8%	£20,200
Change	+2%	+3%	No change

47. Under these powers, DWP expects to identify and correct an additional 200 positive outcomes per year from 2028 onwards, generating £4.04m in departmental savings per annum at steady state, and £29.6m in total. Each positive outcome holds the same amount of savings in our modelling, meaning efficiency gains account for 38.5% of benefits (£11.4m), whilst evidence gains account for 61.5% of benefits (£18.2m). The annual breakdown (not discounted) is shown in table 2.

Table 2: Non-discounted AME savings made by DWP with new powers (2024 prices).

Year	Savings (Million £s)
2027/28	1.75
2028/29	3.74
2029/30	3.97
2030/31	4.03
2031/32	4.04

2032/33	4.04
2033/34	4.04
2034/35	4.04

48. These savings have been calculated using DWP's Internal Savings Methodology, outlined in the ARA⁴² and monitored by the National Audit Office (see step 6 of the modelling methodology).
49. Savings are expected to begin in 2027/28 as this is when the legislation will take effect. However, as training will begin by rolling out to 50% of staff in 2027, this means the full benefit is only seen from 2028/29 onwards. Over the 10-year appraisal period, the present value of benefits to government is £23.5m.

Direct Costs to Government

Investment / Set Up Costs: Digital Portal

50. Set up costs will largely come from the cost of setting up a digitally enabled service between 2025 and 2027 and integrating this service within DWP's systems.
51. These costs are assumed to be between £2million - £9million. In the modelling a central figure of £5.5million is used, with a sensitivity analysis of the NPSV under a £2million and £9million scenario (see paragraphs 90 and 91).

Initial training

52. There will be a requirement for Accredited Officers to be trained to use the new powers. DWP estimate a cost of £300,000 spread across 2026/27 and 2027/28.

Data Storage, ongoing training and other non-specific costs

53. Existing data storage systems will be used, however, to account for the increase in information coming into the department digitally and under a statutory routeway, it's anticipated data storage costs will amount to approximately £100k per year.
54. In addition, staff will receive regular training to maintain skill levels and new staff will receive training when being onboarded.
55. To take account of these specific costs and any other operating costs which have not been specified, ongoing costs have been modelled at £530,000 per year from 2027/28 onwards.

Table 3: Total Annual Costs to Government (2024 prices)

Year	Costs (2024 prices, Million £s)
2025/26	2.91
2026/27	3.07
2027/28	0.69
2028/29	0.53

⁴² Page 96: <https://assets.publishing.service.gov.uk/media/669e2ca2ab418ab055592996/annual-report-accounts-2023-2024-web-ready.pdf>

2029/30	0.53
2030/31	0.53
2031/32	0.53
2032/33	0.53
2033/34	0.53
2034/35	0.53

56. When accounting for discounting, this gives a present value of costs worth £9.68m in 2024 prices.

Direct costs to business

57. Once steady state has been reached (2028-2035), the annual costs to business are expected to be £80,000 (2024 prices). When converted into the EANDCB, this is £56,000 per year.
58. This will be the cost of processing an extra 2,037 information requests (approximately) annually when compared to the counterfactual 'do-nothing' case over the 10 years.
59. Costs to business have been modelled using a Standard Cost Model using the additional number of information requests fulfilled as modelled in Step 4, (frequency) multiplied by wage multiplied by hours to complete a referral (time):

$$\text{Costs} = \text{wage} \times \text{frequency} \times \text{time}$$

$$\text{Time} = \text{time spent on familiarisation} + \text{time spent gathering information}$$

Time spent on Familiarisation

60. Given that the policy change is unlikely to burden single businesses significantly, DWP are not expecting firms to spend significant amounts of time familiarising themselves with the change in legislation in advance of receiving an RFI. Instead, DWP will issue guidance alongside RFI's which will inform the third-party of their obligations and how to respond in a reasonable manner.
61. The amount of time taken to read and understand the guidance is modelled as 1 hour per request. DWP are assuming that firms will have to familiarise themselves with this guidance every time they receive a request, however, this will be an overestimate for larger firms who are likely to develop experience (or already have experience) in responding to these requests once they have received one. Thus, given the uncertainty, the modelling approach taken is pessimistic and cautious.
62. Due to the widened scope of the new power, consultation with all those who may be impacted will not be feasible. However, DWP will continue to engage with key representatives from businesses and industries, including representatives of small

businesses, that are likely to be impacted by this new compulsion and work with them to avoid any unnecessary burdens.

Time spent on Information Gathering

63. The time taken to collate information requested will vary depending on the investigation. This is as RFIs are likely to vary in complexity, with some being complex and others straightforward, for example a simpler request would be where a RFI is sent to an employer where a digital portal has already been set up. An example of a more complex request is those RFIs which are sent to multiple banks to gather information on a suspect who has savings accounts spread across multiple bank accounts, meaning several RFIs are required. In the interests of simplicity, DWP have decided to use the time taken for an average RFI.
64. Due to the breadth of organisations in scope, there are no specific estimates for the amount of time it may take for a business to gather information and respond to the request. Therefore, DWP have elected to use insights from a variety of other impact assessments to inform this choice that show a range of possible options.
65. Relevant Impact Assessments include:
- The Impact Assessment from the previous SSAA109 legislation. This yielded a time range of 15-45 mins, or 0.25 – 0.75 hours.
 - The Impact Assessment from expanding Freedom of Information requests to National Rail⁴³. This yielded a time 6.16 hours.
66. From using feedback from Investigators and Case Studies, it is concluded that specific RFIs are highly unlikely to be as complex and as demanding as a typical Freedom of Information Request. In reality, many requests will be simple requests on whether a claimant has an account with the information holder, or on recent transactions. This means information gathering times are not likely to exceed this time.
67. However, a 15–45-minute information processing time has also been considered to be optimistic for this measure. This estimate was considered appropriate for financial institutions who are highly capable with collecting, organising, and sharing information, and is not reflective of the wider private sector who may have a less sophisticated digital infrastructure.
68. To strike a balance between the larger more complex asks of a FOI, and the shorter requests which banks are currently adept at processing it is assumed that it will take businesses 1.5-hours to process an RFI (which is included in the Standard Cost Model). We have opted for a gathering time that is slightly closer to that assumed in the existing legislation, as most RFI's that will be made in respect of this legislation are fairly simple requests that should be straightforward to respond to.

⁴³ Page 8, General Costs: https://www.legislation.gov.uk/ukia/2015/183/pdfs/ukia_20150183_en.pdf

69. Due to the uncertainty of this assumption, the higher 6.16 hours processing time (for FOI's) has been included in a scenario analysis. The purpose of this is to show that the EANDCB is highly unlikely to breach the RPC's de-minimis level, and that an increase in these costs is unlikely to have a significant impact on the overall NPSV.
70. Table 4 shows that if there is a 6.16-hour processing time, and a 1-hour familiarisation time for every information request, annual aggregated costs to information holders would reach £217,865 (2023 prices).

Frequency

71. The frequency of additional RFIs comes from the modelling (Step 4). The increase in frequency is derived from improvements to productivity (resulting in more investigations and more RFIs), and a higher proportion of RFIs being carried out due to this measure improving the delivery of requests via a digital solution and the increase in responses to the requests due to the change in legal standing.
72. In this modelling, DWP are assuming that RFIs that are already being fulfilled within the current legislation, won't change in nature following the reforms.
73. According to the modelling, there will be an additional 2,037 information requests being fulfilled every year from 2028 onwards, within a range of 827 and 3,286.

Wages

74. As per Green Book guidance, the Annual Survey of Hours and Earnings (ASHE)⁴⁴ has been used to calculate the hourly costs of staff who are fulfilling these RFIs.
75. The assumption has been made that the individuals actioning information requests will be administrative and support staff. Wages from the Administrative and Support Staff section have been selected, and wages for Senior Managers, Directors, and industries not likely to be affected by the legislation have been removed. A weighted average (according to numbers of jobs) of all remaining wages has been calculated, resulting in a weekly wage of £597.60, or an hourly wage of £14.94 (assuming a 40-hour work week). Table 4 shows the impact of a 10% uplift in wage costs to £16.43/hr.

Total Costs

76. Under the central scenario, fulfilling an RFI costs a business £37.35 (including familiarisation). If an extra 2,037 RFIs were made, this would equate to an annual cost to business of £76,070 per year (2023 prices). In 2024 prices, this is worth £80,000 per year.

Table 4: Annual Costs to business under different Standard Cost Model Assumptions

⁴⁴<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2023/relateddata>

Frequency	Wage	Time	Annual Cost to Business at Steady State (2028 onwards) (2023 prices)
Additional Information Requests per year	Hourly cost of employment (2023 prices)	Time taken to fulfil information request (information gathering and familiarisation)	
2,037	£14.94 / hr	2.5 hours	£76,070
2,037	£16.43 / hr	2.5 hours	£83,677 (+10%)
2,037	£14.94 / hr	7.16 hours	£217,865 (+186%)
3,286	£14.94 / hr	2.5 hours	£122,749 (+61%)

*£76,070 translated into 2024 prices gives approximately £80,000 per year

77. **Although uncertainty is fairly high, under all scenarios there is a low net annual cost to business, relative to the total costs and benefits of the measure.** The most impactful parameter is the amount of time taken to fulfil an RFI. If requests take far longer than expected, in line with FOI requests, then costs to businesses could reach £217,865 per annum (£230,000 per year in 2024 prices).

Impact according to business size (SAMBA)

78. Small and micro-businesses will be included within the scope of the policy. DWP is already entitled to compel information from small businesses in relation to their role as employers, and DWP does not expect these changes to either disproportionately impact small and micro businesses or significantly increase the volume of RFI's going to small businesses. Safeguards such as restricting the use of the power to trained investigators, and only requesting information when it is necessary and proportionate ensures small businesses would only receive an RFI if the information they hold might be important. DWP will consider the size of the business and their capability when considering how best to exchange information.
79. Furthermore, there are grounds to include small and micro businesses due to the high value of RFI's to DWP relative to the likely cost to a business. Between 2022 and 2024, the average positive outcome resulted in savings to DWP in excess of £20,000 (in 2024 prices), whereas the average information request is expected to cost approximately £40. Whilst small and micro businesses may be more likely to encounter higher costs when fulfilling RFI's, it is unlikely to scale beyond the potential value of a fulfilled RFI. If, as modelled, the department identifies 0.0606 frauds per additional RFI, implicitly the marginal RFI is worth over £1,200 to DWP.

Sensitivity and Breakeven Analysis

Productivity Impacts

80. Management Information collected by DWP shows that RFIs returned electronically from information holders under a voluntarily basis are, on average, returned faster than the average for all RFIs that are returned.
81. The following parts of the measure will all result in information being obtained more quickly:
- Bringing wider information requests within the SSAA 109 powers,
 - Reforms to the AO role,
 - Developing a digital system for information requests to be made and fulfilled,
 - Re-establishing the 10-day turnaround time.
82. Our modelling implies a modest improvement of 2% in total productivity could be expected (see table 1).
83. There is uncertainty surrounding this parameter and these changes may generate a larger improvement, or a smaller improvement than expected. The table below shows the net present social value of this measure under a variety of plausible scenarios.

Table 5: NPSV under three productivity scenarios.

Productivity	Impact	Present Value (PV) of benefits (£m)	PV of costs (£m)	NPSV (£m)	% difference to central
Lower	0%	12.94	9.63	3.31	-76.09%
Central	2%	23.52	9.68	13.84	
Upper	4%	34.10	9.73	24.37	+76.09%
Extreme Upper	10%	65.84	9.89	55.95	+304.35%

84. As shown above, the NPSV of this measure is highly sensitive to productivity impacts which are a crucial benefit to this measure. However, even without this improvement in productivity, the NPSV remains positive. Under an extreme scenario, the department would benefit significantly, whilst social costs would increase marginally. These costs would largely be to businesses who would have to fulfil more information requests (worth £110,000, instead of £80,000 per year at steady state). While there is a risk of productivity gains resulting in higher regulatory burdens on businesses, the increase in frauds corrected associated with this productivity increase would significantly outweigh these costs and result in a large increase in the NPSV.

Information requests issued per investigation.

85. Insights gathered via interactions with operational staff and a formal survey issued to senior investigators implied that if the scope of third-party information holders subject to SSAA109 legislation was widened, RFIs would be issued more regularly. Survey results are described in more detail within annex 3a.

86. Because of this, DWP expects the number of RFIs made per investigation to information holders not currently covered by SSAA109 legislation to increase by 10% to 0.74. This behavioural assumption is uncertain, so a sensitivity analysis has been conducted on this variable.

Table 6: NPSV under three behavioural assumption scenarios.

Behavioural Impact	Impact	PV of benefits (£m)	PV of costs (£m)	NPSV (£m)	% difference to central
Lower	0%	16.34	9.45	6.89	-50.20%
Central	10%	23.52	9.68	13.84	
Upper	20%	30.70	9.92	20.78	+50.20%
Extreme Upper	50%	63.03	10.99	52.04	+276.10%

87. As shown above, the net present social value of this measure is less sensitive than the expected productivity impacts, but still highly sensitive. However, even with no behavioural impact, this measure still has a positive NPSV (although this does use the central estimate for productivity improvements). An extreme scenario where Investigators issue far more information requests would result in a substantial rise in annual costs to business (from £80,000 to £280,000). However, this additional evidence is expected to support DWP in identifying more frauds, resulting in significant savings, and a large increase in NPSV.

Savings made per hit

88. In recent years, departmental savings made per positive outcome (calculated under a strict analytical process monitored by National Audit Office and outlined in the ARA) has increased. The savings per hit in this modelling uses the average from the last two years (as Covid-19 and pre-covid-19 data were not considered representative of the future), uprated into 2024 prices. However, there is a risk this could reduce in the future as DWP makes progress in reducing fraud. Table 7 shows the sensitivity analysis conducted on this variable.

Table 7: NPSV under three different savings per hit scenarios.

Savings per hit	Impact relative to central	PV of benefits (£m)	PV of costs (£m)	NPSV (£m)	% difference to central
Lower	-26%	17.22	9.68	7.54	-45.54%
Central	0%	23.52	9.68	13.84	
Upper	26%	29.82	9.68	20.14	45.54%

89. Similarly with productivity impacts and the behavioural assumption, the net present social value of this measure is sensitive to the savings made per hit, but NPSV remains positive in the lower scenario.

Costs of setting up a Digital Portal

90. The costs of setting up a digital portal are uncertain and have been quoted within a range of £2million and £9million in 2023 prices. Modelling currently assumes a cost of £5.5million, which is in the middle of the £2million - £9million range, however, higher, or lower than expected costs could have a large impact on the net present social value of this measure.

Table 8: Net Present Social Value under three different scenarios for the cost of setting up a Digital Portal.

Cost of Digital Solution	Parameter (£m)	PV benefits (£m)	PV costs (£m)	NPSV (£m)	% difference to central
Lower	2	23.52	6.17	17.35	25.39%
Central	5.5	23.52	9.68	13.84	
Upper	9	23.52	13.20	10.32	-25.39%

91. As shown above, the net present social value of this measure is less sensitive to the cost of a digital portal than the other variables which have been analysed. Even if the cost of setting up the Digital Portal is £9million, the project would still have a net present social value worth £10.3m.

Positive outcomes per additional information request fulfilled.

92. It is expected that additional information should result in a greater proportion of investigations resulting in a positive outcome (identification and correction of an overpayment). In 2023/24, the organisation obtained 0.076 positive outcomes per information request received under and outside the SSAA109 powers. In the modelling used for this measure, this figure is given an explicit downward adjustment for optimism bias, becoming 0.061, with an additional 2,037 fulfilled RFI's then generating 123 extra positive outcomes per year. However, this figure could be both higher (for example in aiding investigations which fall short by the smallest of margins) and lower (officers may issue more RFIs to little effect).
93. When considering the impact of this ratio, a breakeven analysis has been used to show how much the additional information has to help the department in proving fraud for the policy to have a positive NPSV, and then assess whether this is likely.

Table 9: NPSV under differing scenarios for the effectiveness of additional information on counter-fraud investigations

Hits per extra information request	Parameter	PV benefits (£m)	PV costs (£m)	NPSV (£m)	% difference to central
Breakeven	0.0027	9.68	9.68	0.00	-100%
Lower	0.0303	16.28	9.68	6.59	-52.34%

Central	0.0606	23.52	9.68	13.84	
Upper	0.0909	30.76	9.68	21.08	52.34%

94. Whilst the NPSV of this measure remains positive under the lower scenario (which is half as effective as the central scenario based on being 80% as useful as current data), there is low a chance that, if this policy does not lead to enough additional positive outcomes, NPSV is negative.
95. Under the central scenario, hit rates (the percentage of investigations which results in fraud and/or error being identified, proven and corrected) would increase from 25% to 25.8%.
96. Under the breakeven scenario (where costs equals benefits), hit rates would only increase to 25.04%. This is an extremely modest increase in hit rates, worth 6 extra cases of fraud per year (at steady state). This means that for every extra case of fraud identified, DWP would have needed to obtain over 360 extra pieces of evidence for the policy to have a negative NPSV. The department considers this to be very unlikely as the current ratio of evidence to positive outcomes is between 13 to 1. Under the breakeven scenario, the value of additional evidence would have to be approximately 4% as useful as evidence currently obtained, instead of 80% as useful (as used in the central estimate).
97. Alternatively, if marginal information proves more influential in identifying and proving fraud and/or error than the current ratio of positive outcomes per fulfilled RFI implies, then the NPSV of this measure will be far higher than expected. For example, if each information request is 50% more influential than current information, hit rates would rise to 26.2% and the NPSV would be £21.1m.
98. Overall, the combination of benefits associated with this wider measure means that policy value remains resilient even if one of the key benefits underperforms. For example, even if productivity improvements are weaker than expected, hit rate improvements will still cover the project costs. Likewise, if there is a very small impact on hit rates (see breakeven analysis), the productivity improvements should cover most (if not all) of the project costs.
99. Analysis of extreme scenarios shows that the risks of the department making higher than expected volumes of information request are balanced by the benefit that additional evidence would serve the department, and by extension the taxpayer.

Non-monetized costs and benefits (wider costs and benefits to society)

Benefits: Improving the deterrent against fraud

100. The increase in the volume of investigations cases and their effectiveness could have an indirect benefit of increasing the deterrent effect of the investigations function. The outcomes from the Investigation function of issuing penalties and prosecutions provides a wider deterrent against committing fraud against the social security system. By having a strong set of consequences, the department can prevent people from attempting fraud,

resulting in savings for the taxpayer. DWP lacks sufficient evidence to accurately monetise these benefits, meaning they haven't been considered part of this costing.

Benefits: Enabling other parts of the business to target fraud

101. Another measure being considered is the Eligibility Verification Measure (EVM) which will require third-party data holders (banks and financial institutions) to look within their own data and provide relevant information to DWP that may signal where claimants do not meet the eligibility criteria for the benefit they are receiving. Once the data is received this will be reviewed through business-as-usual routes to decide whether no further action needs to be taken or if the matter needs to be scrutinised further and the most appropriate route for intervention. If that included a criminal investigation, the information gathering measure would then allow DWP to better investigate those potentially fraudulent cases by gathering information from a greater number of sources.

Costs: costs to privacy for individuals

102. There may be further costs to individuals which are unable to be monetised. For example, these powers will be used to request information from third parties to either prove or disprove fraud. If the information is gathered from a third-party and the suspect had later been found innocent, there could be costs associated with this such as, the individual may not return or engage with that organisation. However, DWP have standards in place where in all instances, RFIs are only be made when it is necessary and proportionate and in accordance with General Data Protection Regulations.

Monitoring, Evaluation and Risks

Monitoring & Evaluation

103. DWP will monitor the effectiveness of this policy as it is rolled out. As part of this evaluation the department will monitor the following variables:
- Total number of requests made under the SSAA109 power
 - Proportion of information requests fulfilled
 - Amount of time taken to fulfil information requests
 - Typical management information which will allow DWP to calculate productivity, hits and hits per information request
 - Savings per hit
 - Who DWP makes information requests to
 - Where the information gathered helped to *disprove* an allegation
 - Whether Investigators and third parties are satisfied with the new digital system.
104. This data can be compared with DWP's current modelling and be used to inform ongoing estimates of costs to business. Any evaluation is likely to take place after the majority of costs (building and implementing the digital portal) have been incurred, meaning the main consideration will be whether additional RFIs provide enough benefits to the department to offset against the costs that business incurs in fulfilling these information requests.

Risks

105. Given the fairly low NPSV and the high sensitivity of the NPSV with respect to some key, uncertain parameters, there is a risk that the NPSV is negative. However, current modelling remains the department's most central estimate.
106. Additionally, changes to the rollout of training and wider operational factors could impact the value of the project. This modelling seeks to estimate the performance of operation until 2034/35 and unanticipated external events which might change the department's priorities (such as Covid-19) have not been accounted for and could heavily impact the value of the measure.
107. Whilst there is a risk that changes to the regulations could lead to larger than expected requests for information, resulting in higher-than-expected costs to business, this risk is mitigated through various means.
- Firstly, only fully trained staff members will be authorised to use these powers, this will mean that the powers are not available to 'any' DWP member of staff and as a result the access to the powers will be controlled.
 - RFI's made under these powers must be made with a reasonable suspicion that they are necessary, meaning spurious requests will not be made.
 - Requests may only be made where there is an identifiable person (by name or description).
 - Any information provided by Information Providers will be treated and evaluated in exactly the same way as information gathered from any other source during a benefit investigation.
 - All requests for information will include specific details to assure Information Providers that requests received are genuine and who they should deal with if they have any enquiries about the request.
 - Authorised Officers who obtain information from Information Providers will remain under a legal duty to observe the rules on confidentiality and must ensure that the information is kept securely, and the information is only used for the purpose for which it has been obtained.
 - Authorised Officers will be required to maintain a record of all access to electronic information using the powers in the Administration Act. This will also provide audit checks.
 - Finally, all Authorised Officers will act within an updated code of practice which will ensure the RFI process is consistent and will reinforce the necessary and proportionate requirement.
 - DWP will manage requests in such a way as to cause the least amount of inconvenience to the Information Provider and ensure that the burdens on business are kept to a minimum.
108. Finally, there is a risk of non-compliance by Information providers. Currently, where an information provider obstructs or fails to comply with a request for information, it is an offence under section 111 of the Social Security Admin Act 1992, and can lead to a fine (not exceeding £1000) and if after conviction they continue to refuse or neglect to provide

the requested information they may be liable on conviction to a fine not exceeding £40 for each day on which they have continued to fail to provide the requested information. This offence will continue to apply to information requests made under the new provisions. However, currently, instances of non-compliance are rare, and issues are normally resolved without seeking punitive measures. As result, there is no reason to expect that this position would change, nor lead to any increase in prosecution action. If prosecution and a conviction was to follow it would not result in a custodial sentence as the maximum punishment available to the court at sentencing is a financial penalty – which is in line with similar offences for obstruction or failures to comply with a request ffor information held by other government departments.

Annex 3a

Management Information (MI) and Data used for the costing

Investigations Information Requests Survey: 112 experienced investigators filled out a survey on their use of information requests. This showed that:

- All Investigators surveyed considered the use of RFIs to be 'somewhat' or 'extremely' important.
- Significant proportions of Investigators felt that a large proportion of RFIs made outside the SSAA109 powers would not result in the requested evidence being provided within one month.
- When asked what would happen if the SSAA109 prescriptive list was to be removed, the following answers were observed. Investigators strongly indicated that they believed the powers would result in more positive outcomes (fraud being identified and punished) being achieved more quickly, with similar numbers expecting an increase in the number of information requests being made.

Table 10: Likelihood of different outcomes reported by investigators following 109 reform

	Extremely unlikely	Unlikely	Neutral	Likely	Extremely Likely	Not sure
Issue more information requests	0 (0%)	9 (8%)	16 (14%)	35 (31%)	52 (46%)	1 (1%)
Achieve more positive outcomes	0 (0%)	1 (1%)	4 (4%)	48 (43%)	56 (50%)	3 (3%)
Conclude investigations more quickly	0 (0%)	1 (1%)	6 (5%)	36 (32%)	67 (60%)	2 (2%)

Annex 3b

Extract from SSAA 1992 on existing exemptions

6(5) No one shall be required under this section to provide — (a) any information that tends to incriminate either himself or, in the case of a person who is [F17married or is a civil partner, his spouse or civil partner]; or (b) any information in respect of which a claim to legal professional privilege or, in Scotland, confidentiality as between client and professional legal adviser, would be successful in any proceedings; and for the purposes of this subsection it is immaterial whether the information
s in documentary form or not.]

Annex 3c

List of proposed exemptions

Under the legislative changes, it's proposed to keep the exemptions cited in Annex 3d and adding the following exemptions, however we continue to establish whether this is a sufficient list or if more exempted bodies are required

- Any Journalistic Material
- Very confidential information such as medical or social security records, or very sensitive business documents such as contract negotiations, staff discipline or human tissue

Annex 3d

Summary of who DWP can compel information from under Social Security Administration Act 1992:


Section 109B2

- Employers
- Occupational Pension providers
- Licence holders
- Childcare providers
- Landlords
- Local authorities for council tax reduction scheme

Section 109B2A

- Banks and building societies
- Credit reference
- Money transfer companies
- Insurance
- Educational establishments
- Student loans
- Water, gas, electricity, sewage

Annex 4: The Search and Seizure Powers Impact Assessment (DWP)

 Department for Work & Pensions	Impact Assessment (Consultation/Final)	
Title of measure		Search and Seizure Powers
Lead Department/Agency		Department for Work and Pensions
Planned coming into force /implementation date		Spring 2027
Origin (Domestic/EU/Regulator)		Domestic
Contact for enquiries		policygroup.fedbill@dwp.gov.uk
Departmental Assessment		Self-certified
Total Net Present Social Value (over 10year period):	Equivalent Annual Net Direct Cost to Business (EANDCB) (over 10-year period):	Business Impact Status:
-£21.8m	£0m	Non-Qualifying Non-Regulatory Provision
Summary - Intervention and impacts		
<p>Policy Background – Issue – Rationale for Intervention – Intended Effects. DWP carries out investigations into Economic, Serious and Organised Crime (ESOC) but cannot conduct, or apply for, or execute warrants or search premises, seize items, or dispose of seized items. DWP relies on the police to carry out these functions on its behalf. This means DWP investigators are restricted to playing an advisory role to the police on its own investigations, who must provide multiple officers on a single case. This constrains DWP’s ability to lead its own investigations from start to finish and carries impracticalities for both DWP and the police and a resource burden resulting in inefficiencies. To change this requires new investigation powers for DWP.</p>		
<p>Brief description of viable policy options considered (including alternatives to regulation)</p> <p>Option 1: Do Nothing DWP would continue to be unable to carry out search, and seizure activity affecting its ability to effectively tackle economic and serious organised crime.</p> <p>Option 2: Legislate to equip DWP with law enforcement powers to provide them with greater autonomy over their own investigations. This would allow DWP to apply for warrants and conduct search and seizure activity and related ancillary matters, aiding DWP to tackle economic and serious organised crime more effectively.</p> <p>The nature of the powers (criminal) is such that there aren’t any viable non-regulatory options.</p>		
<p>Preferred option 2: Summary of assessment of impact on business and other main affected groups</p> <p>DWP DWP will incur ongoing Departmental Expenditure Limit (DEL) costs associated with option 2 including training and equipment for investigators, there will also be DEL costs associated with the implementation, rollout and maintenance of this power. This would include setting up a</p>		

change team to deliver the policy and the creation of new instructions and assurance processes. However, DWP should also experience improved efficiency when conducting search and seizure activity to support investigations, although it has not been possible to quantify any associated savings.

Police

We anticipate savings to the Police from DWP taking these powers, as they will need to contribute fewer resources to support DWP during these kinds of operations in the future. Police time has an opportunity cost associated with it, and any reduction in resource needed to support DWP activity can be re-deployed to other priority Police work.

Appropriate independent oversight is a crucial safeguard for DWP in taking on these powers. Oversight arrangements are in the process of being agreed with the Home Office and the Scottish Government:

Additional detail – policy, analysis, and impacts

Figure 1: Abbreviations

Abbreviations	Description
AME	Annually Managed Expenditure (AME)
CFCD	Counter Fraud and Compliance Directorate
CPS	Crown Prosecution Service
DEL	Departmental Expenditure Limit
DWP	Department for Work and Pensions
ESOC	Economic, Serious and Organised Crime
HMRC	His Majesty's Revenue and Customs
MI	Management Information
PACE	Police and Criminal Evidence Act 1984
SAMBA	Small and Micro Business Assessment

SPD	Service, Planning and Delivery
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Background: fraud in the Social Security System

1. Estimates of the level of overpayments due to fraud and error have exceeded £8bn in each of the last four financial years resulting in a combined total of £35bn overpaid (2020-21 to 2023-24)¹. In 2023-24, it is estimated that £9.7bn of benefit expenditure was overpaid (3.7% of the Department for Work and Pensions' (DWP) benefit expenditure), taking money away from those who need it most. This has occurred amongst a backdrop of high levels of fraud across the economy, and a rising propensity to commit fraud against the social security system, increasing at an estimated 5% per year⁴⁵. This is not unique to social security: the Crime Survey for England and Wales indicated that there were 3.1 million offences in the year ending December 2023⁴⁶.
2. Fraudsters range from individual opportunists to serious and organised international crime groups. To protect the UK taxpayer against this wide range of risks, DWP has a dedicated Counter Fraud and Compliance Directorate (CFCD) which has a variety of controls and measures to find and correct fraud within the benefit system. This includes the Economic, Serious and Organised Crime (ESOC) unit, who target the most serious offences committed against the department. These are mainly complex and sophisticated attacks on DWP's benefits and grants payments, and in many cases, they take advantage of government systems becoming increasingly digitised.
3. Under existing powers, DWP ESOC investigators can carry out investigations into these most serious crimes but cannot execute warrants related to the search of premises, seizure of items, or make decisions about appropriate ways to dispose of seized items.
4. Instead, DWP relies on the police to carry out these functions on its behalf. It is the police who ultimately decide whether, and when to undertake this operational activity based on information provided by DWP and their own operational priorities, which are generally crimes with individuals as victims, rather than government/the taxpayer. This can cause difficulties for DWP in terms of securing police time to support DWP operations.
5. In 2023-2024, DWP worked with police to undertake search and seizure of evidence at 83 locations across England, Wales and Scotland⁴⁷. All ESOC cases taken to court by the Crown Prosecution Service (CPS) in the last year resulted in a conviction⁴⁸. Alongside this success, ESOC progressed 265⁴⁹ operations into serious and organised crime with an estimated net savings of £5m.

Rationale

⁴⁵ <https://www.gov.uk/government/publications/fighting-fraud-in-the-welfare-system/fighting-fraud-in-the-welfare-system-going-further>

⁴⁶ <https://www.ons.gov.uk/releases/crimeinenglandandwalesyearendingdecember2023>

⁴⁷ Data based on clerical records.

⁴⁸ Data based on clerical records.

⁴⁹ <https://assets.publishing.service.gov.uk/media/669e2ca2ab418ab055592996/annual-report-accounts-2023-2024-web-ready.pdf>

6. ESOC target the highest risk crimes to disrupt criminal activity, pursue proceeds of crime, and minimise the societal impact of criminality by creating a deterrence for those who exploit the UK's benefits system. Serious and organised crime often involves poly-criminality, and the ESOC team work closely across Law Enforcement Agencies⁵⁰ to counter these criminals at a strategic and operational level.
7. Whilst DWP has had success in disrupting serious criminal activity, the rising rate of fraud and increasing level of sophistication amongst serious criminals means the department needs to be well-equipped for dealing with serious and organised crime. Without greater control of their investigations and access to stronger enforcement mechanisms, DWP will not keep pace with serious and organised fraud in the future.
8. The most serious of crimes against the Department almost always involve suspects being arrested by the police and entering premises by warrant to conduct a search for critical evidence. This activity plays a crucial role in gathering and securing evidence to bring perpetrators to justice. In a high-profile recent example, "claim packs" (which contained falsified documents to aid fraudulent benefit claims) were found following a search operation. This evidence would not have been uncovered without undertaking searches of premises and proved crucial in convicting a criminal gang responsible for fraudulent claims worth over £53m⁵¹.
9. However, obtaining evidence through search and seizure operations under the current law has two significant issues. Firstly, DWP is not in full control of their investigations. DWP depends on the police to apply for search warrants and to conduct the operations. This means a search operation can only be conducted once the police have conducted their administrative duties and have organised a time where there is a suitable level of staffing. Competing demands for local police forces can make it difficult for the police to do this quickly, meaning DWP is often left waiting, and fraud allowed to continue, despite deciding that a search is necessary for an investigation to progress. Secondly, this arrangement acts as a drain on police resources. When a search is conducted, police are required to conduct all elements of the operation, with DWP investigators often observing and directing the search. This use of police time constitutes an opportunity cost for the taxpayer who could benefit if the police were preventing or tackling crime elsewhere, or a resource cost for the taxpayer who must fund additional police resource to support these operations. **To address these issues, the following options were considered:**
 - i) **Option 1: Do Nothing.** As set out above, this option is a continuation of the current collaboration between the Police and DWP. Whilst this arrangement has led to some success in tackling serious and organised crime, this option does not alleviate the current issues outlined in 2.4 and has therefore been discounted.

⁵⁰ https://assets.publishing.service.gov.uk/media/65798633254aaa0010050bdc/SOC_Strategy_23-28_V9_Web_Accessible.pdf

⁵¹ <https://www.gov.uk/government/news/fraudsters-behind-539-million-benefits-scam-brought-to-justice-in-countrys-largest-benefit-fraud-case>

- ii) **Option 2: Legislate to give DWP’s ESOC officers the power to conduct search and seizure operations.** This involves a suite of changes achieved through primary legislation, which allows DWP’s ESOC officers to apply for warrants, conduct search and seizure operations, and dispose of key evidence. This option does not fully reduce the department’s reliance on the Police, as they will still be required to arrest and detain individuals for questioning and in respect of securing entry where there are high risk individuals or premises. **(This is the preferred option)**

10. Providing DWP with the powers to undertake search and seizure activity without needing to be fully reliant on the police will help alleviate these issues. DWP will not have to wait for the local police forces to conduct administrative duties and subsequently find time when enough police are available. This can enable DWP to tackle organised and serious fraud more efficiently and effectively, which is important given the large levels of fraud DWP is having to address now, and the potential for increased levels of fraud in the future.
11. Furthermore, there would be a reduction in the amount of police resource required to support DWP – without a negative effect on the volume of benefit fraud related crimes addressed. This will allow the police to use this resource elsewhere, meaning the total volume of crime that is prevented or identified should increase, resulting in wider benefits for society.
12. Finally, a set of tailored investigation powers appropriate to the legal jurisdiction where the activity is to be undertaken by DWP (England & Wales or Scotland) will provide DWP with the same kinds of powers as other government departments and agencies tasked with investigating economic crime, such as the Gangmasters and Labour Abuse Authority (GLAA), HMRC (His Majesty's Revenue and Customs) and the Food Standards Agency (FSA)⁵². This would mean DWP is less likely to be seen as an easy target for serious fraudsters.

Policy Detail

Overarching detail

13. These powers will provide for trained and authorised DWP ESOC officers to:
- i) Apply to a court for warrants of search and seizure and **Police and Criminal Evidence Act 1984**⁵³ (PACE) production orders.
 - ii) Enter and search premises with an authorised warrant and to seize evidence and then sift through it.
 - iii) Use reasonable force in exercise of such powers.
 - iv) Make an application to the court to deal with seized evidence appropriately.

Safeguards

⁵² <https://www.legislation.gov.uk/ukpga/1984/60/section/114>

⁵³ <https://www.gov.uk/guidance/police-and-criminal-evidence-act-1984-pace-codes-of-practice>

14. All staff with these powers will undertake training equivalent to that already undertaken by the police. Independent oversight will be set out in statute and staff will also need to adhere to the applicable statutory code of conduct which applies to all authorities empowered to carry out these activities, alongside additional internal DWP guidance and processes.
15. When warrants are applied for, there will be a variety of tests that must be passed before the court is approached. This includes a full justification which considers whether the necessary objectives could be met by less intrusive means. This means that DWP will only consider applying for a warrant if they are satisfied this is the only way that the investigation can be progressed. This aligns with the current approach, but for the fact that DWP will deal directly with the court and not the Police.
16. Furthermore, authorisation will be required from a Senior Investigations Leader who is distinctly separate from the investigation. This will only be provided if they are content with the full justification, and that the activity is proportionate in relation to the offence under investigation.
17. ESOC investigators who are to undertake this action will undergo specialist training and be subject to refresher training at regular intervals to ensure they remain equipped with the right knowledge and skills. They will also be given appropriate PPE equipment suited to the activities that they will be required to perform.
18. New guidance and instructions will be put in place and records will be kept in accordance with the law and level of governance required.
19. DWP investigators will be brought into scope of appropriate external oversight across Great Britain. This oversight will investigate the effectiveness of DWP investigations as well as any potential serious breaches of conduct in relation to the use of these powers.
20. Internal oversight will be introduced alongside the powers. This will operate as a separate team to the investigation to ensure there are checks and balances and provide clarity in relation to decision making and oversight of decision making as well as professional standards unit which will oversee conduct, complaints and be an internal escalation route to the appropriate independent oversight.
21. Governance which will set out the warrant application process will take a similar format and operational process to the way that DWP operates applications for surveillance. This is something that is already done by DWP.

Application for warrants

22. A search warrant is a document issued by a magistrate or judge (“the issuing authority”) to a police officer or other investigator which grants legal authority to enter premises and search for specified material. Around 40,000 search warrants⁵⁴ are issued in England

⁵⁴ <https://cloud-platform-e218f50a4812967ba1215eaecede923f.s3.amazonaws.com/uploads/sites/30/2020/10/Search-warrants-report-grayscale-web-1.pdf>

and Wales every year and they are a vital tool for investigating all forms of crime including benefit fraud. A broadly similar approach applies in Scotland. DWP are legislating for the right to apply for search warrants contained within Section 8 & 9 of the Police and Criminal Evidence Act 1984, which provides for a magistrate or judge to authorise entry and search of a premises, DWP will also be required to have due regard to the Home Office's PACE Code of Practice B when conducting this activity⁵⁵. In Scotland the law is a mix of common and statutory powers. Most search warrants that are granted authorise the applicant body to seize and retain relevant material found during the search.

23. This differs from the current arrangement where DWP is wholly reliant on the police to undertake all aspects of a warrant. DWP ESOC investigators will be required to attend the court for application hearings, complete the documentation for the application and will answer questions from the court relating to the warrant. This should result in time savings for the police, although will pose an equal (or similar) administrative burden on DWP.
24. Crucially, this new process should reduce the risk of delay caused by not being able to answer such queries. DWP ESOC investigators are the subject matter expert on the specific investigation, meaning they are best placed to manage any queries, rather than the police who are less familiar on the detail of a DWP investigation.
25. As part of the application process all operational details about the execution of the warrant will be considered internally before it is submitted. For example, time of entry to the premises and the number of DWP investigators that will be involved (and need for any other bodies to be involved e.g. police in cases of poly-criminality, social services). These kinds of considerations will be influenced by what we know of the suspect and dependents or individuals concerned who may be vulnerable.
26. Being able to make these applications independent from the Police means that search warrants are likely to be made according to DWP's timelines. This ensures investigations into serious frauds can progress at a pace which is most suitable to the needs of the department and is not subject to potential administrative delays caused by reliance on various police forces.

Execution of warrants

27. Where the case is likely to involve poly-criminality and/or if a situation is considered high risk, (for example if there is suspicion that firearms etc could be found on the premises), then DWP will only execute the warrant alongside the police to minimise the risk of harm to staff and the public in general.
28. DWP will have the right of entry, and the right to use reasonable force when doing so. These activities are likely to be conducted jointly with the Police who will undertake any arrests. All activity will follow the PACE code-of-practice and will be conducted in

⁵⁵ https://assets.publishing.service.gov.uk/media/652951096b6fbf0014b7564e/Revised_PACE_Code_B.pdf

accordance with DWP guidance, which will be introduced before these powers are exercised by investigators.

29. DWP will also have the right to search the premises to collect evidence, to handle evidence, and to sift evidence at an alternative location (for example, if a large volume of paper or electronic evidence is obtained and cannot be reasonably processed on site – or if specialists are required to aid sifting). This comes with a variety of responsibilities such as keeping a full record of evidence handled.
30. Being able to operate independently should result in key benefits for the Police and DWP. There will be a lower burden on the police (see 4.6), meaning they can redeploy officers elsewhere according to how they see fit.
31. Furthermore, DWP could see improvements in the efficiency of search operations. Currently, searches are difficult to conduct due to the high volume of staff involved and those who are most familiar with the case are unable to handle any evidence, often taking an advisory role. These reforms will allow these investigators to handle evidence upfront, meaning faster decisions can be made on what evidence is relevant to the investigation or not, and where the most useful evidence is likely to be found.

Production orders

32. Production Orders cover evidence that is considered sensitive (where disclosure may be damaging to national security), special procedure material (subject to legal privilege), or excluded material (personal records, human tissue, or journalistic material). Business and banking records held in confidence are likely to fall under these definitions and may be of use to DWP during an investigation.
33. Such evidence can be obtained by the Police from the courts using a production order. As part of the proposed legislative changes, DWP is seeking the right to apply for production orders to the court.
34. Under section 9 and schedule 1 of PACE a constable can apply to a judge for access to special procedure material or excluded material. Under Schedule 1 a production order requires the person in possession of the material to produce it to a constable to take away, or give access to it, within seven days (or another specified period). A judge may make an order to this effect if they are satisfied that all relevant conditions are fulfilled. Failure to comply can amount to contempt of court.
35. DWP will execute applications for production orders in accordance with the court procedures relevant to the legal jurisdiction of the crime. In England and Wales this is expected to be through an existing application process used by those bodies that already have these powers available to them⁵⁶.

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<https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F5fce0c14d3bf7f5d0bb8babb%2Fiw004-eng.doc&wdOrigin=BROWSELINK>

36. This will ensure that DWP has the right set of powers to compel information in the same way as the police and HMRC can already do.

Policy detail surrounding the disposal of seized material

37. Some DWP criminal investigations may not proceed to prosecution. This can be due to insufficient evidence for the specific allegation of fraud, or if such a prosecution isn't in the public interest. This kind of outcome does not always mean that the allegation of fraud is not true, but in cases like this DWP is required to return seized items to the suspects, even if there is a strong belief that those items could then be used for the furtherance of crime.

38. Currently the police have the power to dispose of evidence in these circumstances, but DWP does not. This means DWP must return the evidence to the person it was seized from (who is not necessarily the legitimate owner), regardless of whether there is a legitimate suspicion that the material would then be used in further criminal activity. To avoid the difficult position of being required by law to return items that DWP has good reason to suspect could be used in the furtherance of crime, DWP is seeking equivalent powers to the police.

39. Prior to using these powers DWP will ensure that appropriate processes and procedures are in place to ensure that any applications of this kind are appropriately reviewed and authorised internally prior to being submitted to the courts, and that all seized materials relating to its investigations will be stored safely and handled appropriately, and that accurate records are kept in accordance with the law.

Benefits to Government

40. The primary benefits of the policy are savings to police time and efficiencies in planning and executing search and seizure for DWP however it has not been possible to quantify these benefits.

41. We are unable to quantify these as, by their nature criminal investigations into Economic, Serious and Organised Crime are complex, with requirements of the level of operational activity, numbers of locations, police officers and planning-time (the time between requesting and conducting an operation) varying significantly between cases. This makes it exceedingly difficult to measure an estimated efficiency gains and subsequently model efficiency savings. An attempt to model any savings would come with significant disclaimers about the reliability of the model. Therefore, it is not possible to monetise the precise level of savings associated with enabling DWP investigators with the power of search and seizure.

42. Instead, some case studies from operations in 2023/24 have been analysed to look for potential efficiency savings (Table 1). The required observations to meet an expected efficiency saving are outlined in Table 2.

Table 1: Summary of search, seizure, and arrest case studies.

Case Study	Planning time	Would DWP have made an efficiency saving?	Number of Police	Duration spent on each property (hours)	Total Police time spent on property (hours)*	Number of properties searched	Would Police have made efficiency savings?
A	3 months	Highly likely	10	2.5	25	2	Highly Likely
B	2 months	Highly likely	54	1-1.5	50 – 80	5	Highly Likely
C	2 weeks	Unlikely	9	2-3	20 – 30	3	Highly Likely
D	9 weeks	Highly likely	7	3.5	24.5	1	Highly Likely
E	6 months	Highly likely	10	2	20	5	Unlikely
F	3.5 months	Highly likely	8	1 hr 20 – 2 hr 20	10 – 20	2	Highly Likely
G	3 months	Highly likely	26	2hr 10	50 – 60	9	Highly Likely
H	1 week	Unlikely	2	0.5	1	1	Unlikely

**Only a rough estimate of amount of police time spent on property and doesn't include police time spent planning, briefing, transporting or on administrative duties related to the operation.*

Table 2: Requirements of a case study to meet an efficiency saving.

Efficiency Saving Type	Requirement	Rationale
DWP efficiency saving	A planning time (time spent between requesting an operation and conducting an operation) in excess of one month.	The new powers will allow DWP to plan and conduct search and seizure operations without the need of full police support. Currently, reliance on police resource means that administrative burdens cut across departments causing delays to operations.
Police efficiency saving	A ratio of police per location of greater than 2:1.	Currently, police must carry out the bulk of the operation, including initiating the search, handling evidence and arresting suspects. Under the new powers, DWP would require less support from police, but there is a chance that police support might be retained in case of poly-criminality and as support. Therefore, a 2 police per 1 location ratio has been set.

**These parameters have been determined by combining operational and policy detail.*

43. One recurrent theme from these case studies is that there are long periods of time between a request by DWP for police assistance and the police operation. This ranged from 1 week (which shows that some operations are carried out at pace) to 6 months

(showing that others suffer long delays). Of the 8 case studies contained in Table 1, only 2 were carried out within a month of determining that an arrest was necessary.

44. By reducing waiting times between planning and conducting search and seizure operations, investigations can be concluded more quickly. This will allow ESOC officers to complete more cases in each given period of time, fraud to be proved, or disproved and losses to the taxpayer to be stopped more quickly. Another potential benefit of reduced waiting times, is from the reduced risk of criminals moving operations prior to the search and seizure operation taking place, increasing the success rate. Over time, this should allow DWP to conduct a larger volume of investigations into Serious and Organised crime, resulting in AME savings. Unfortunately, it is not possible to precisely quantify the size of this benefits due to the variance associated with both time savings and ESOC investigations.
45. Furthermore, another theme is the large number of police officers who support these operations, who could be working on other operations (their time has an opportunity cost) instead of supporting DWP. If DWP had the power to conduct search and seizure activity, it would be expected that fewer police officers would be needed, allowing them to be deployed on other operations and tasks.
46. Overall, it is expected that the government would make a wide range of efficiency savings through this measure, in the form of a streamlined administrative process when organising and conducting these operations, and in the form of savings to police time.
47. Additionally, in implementing these new powers, DWP will develop capabilities to record MI and collect data associated with search and seizure operational activity better.

Costs to Business

48. The only potential cost to business would originate from operations conducted on business premises, however, DWP does not expect the number of these operations to increase following the implementation of this policy due to the following reasons:
 - i) Only a low volume of searches are conducted on business premises. In FYE 2024, 10 searches occurred on business premises, roughly 12% of total locations searched⁵⁷.
 - ii) Secondly, only a modest increase in the volume of searches is expected. This policy will not increase the number of searches per investigation but may allow the department to complete investigations slightly more quickly. The extent of this benefit is not quantifiable but is expected to be modest. Even a 10% increase in the number of investigations conducted would only result in an increase of 8 searches per year, 1 of which on a business (according to 2023/24 levels).
 - iii) Finally, some searches which occur on business premises are conducted because the business itself is under investigation. Where a business is complicit in fraud, the cost of being searched/investigated cannot be considered a legitimate social cost.

⁵⁷ This is based on internal clerical data

The precise proportion of searches on business premises, where the business itself is under investigation is not known.

49. EANDCB: £0.0m

Small and Micro Business Assessment

50. This measure will not significantly increase the number of search and seizure operations conducted by the department, therefore it is unlikely there will be a significant increase in the volumes of small or micro businesses that are impacted by the departments search and seizure operational activity.

51. There are no grounds for exempting small and micro sized businesses from this legislation because searches conducted by DWP's ESOC unit cover investigations into extremely serious crimes which must be tackled with all available tools.

Costs to government

52. Costs to government largely revolve around the cost of implementing and maintaining the new power. These costs include costs of digital storage and changes made to digital systems, training staff to use the new powers, equipping staff appropriately, oversight and professional standards functions, implementation and delivery and maintenance costs.

Digital Costs

53. To enable search and seizure capabilities, the department will have to make various investments into digital systems. Most importantly, this includes expanding the department's digital storage capabilities so that more digital evidence can be stored. This is in addition to changes made to existing case management systems to enable operation planning and recording of operational MI.

54. These costs are expected to be worth £4.1m in 2027/2028. Following full rollout, there are expected to be no additional digital costs.

Training Costs

55. Separate training will be required for the search and seizure capability. Training includes a period of consolidation as well as classroom learning which is typically delivered by an accredited provider. Training will be bespoke for the relevant territorial extent e.g. Scotland or England & Wales.

56. 250 staff will be trained for the search and seizure capability at a cost of £50,000 per year. Overall staff training is expected to cost £500,000 over the 10-year appraisal period.

Equipment Costs

57. Equipment costs for Search and Seizure will be £0.9m over the 10-year period, at £66,400 per year from 2027-29, and £96,800 per year from 2029/30 onwards.

Governance costs

58. The new powers will also require appropriate governance, quality checks, and audit measures to be established to ensure professional standards are met and maintained when deploying the powers.
59. Internal oversight, guidance and a professional standards unit will help to ensure DWP ESOC staff are accountable for search and seizure in line with industry standards. This will include checking critical process points and ensuring investigators are not exceeding their mandate and misusing the powers.
60. There will be two separate teams within DWP employed for the internal oversight and professional standards functions, both costing £0.47m per year from 2028/29 onwards.
61. The granting and exercise of these powers are intended to also bring DWP under the scrutiny of external inspection and independent complaint bodies. Discussions are ongoing with relevant Government Departments and bodies to ensure appropriate oversight.
62. It is expected that on securing appropriate oversight, DWP will be legally required to submit to routine inspections as and when necessary. These independent inspections will cover the efficiency and effectiveness of DWPs use of search and seizure. Each inspection is anticipated to result in a report that will be published. This carries a cost of circa £150,000 per annum from 2028/29 onwards. However, the cost for working with the oversight bodies has not yet been formally agreed.
63. Staff costs associated with the inspection and independent complaint handling functionalities will cost £9.9m over the appraisal period, worth £1.1m per year from 2028/29 onwards.
64. Additionally, DWP are seeking the services of appropriate independent oversight, who will legally be able to independently investigate the most serious and sensitive matters and complaints relating to DWP use of the new powers. These are complaints that have the potential to affect public confidence in the use of search and seizure, such as serious injuries. DWP will continue to have its own complaints handling mechanism for less serious matters and complaints that are not related to its use of these powers.

Delivery and the Police National Computer/Police National Database

65. A need will exist for a service planning delivery team. This group will control the rollout of these new powers and will be responsible for ensuring DWP ESOC are proficient to an industry standard in law enforcement with these powers. They will take responsibility, alongside ESOC, to embed the powers and bring them together with existing processes.
66. This team of 11 will cost £0.58m per year from 2027/28 to 2030/31, with a total cost of £2.3m.
67. DWP will also be responsible for updating and retrieving information from the Police National Computer and Database. To avoid misuse and ensure all accesses are necessary, proportionate, and reasonable access must be subject to robust internal

oversight and governance. This is something which the police currently do on DWPs behalf.

68. This team will cost £0.7m per year throughout the whole appraisal period, with a total cost of £7m.

69. Finally, it is expected that rolling out these powers in Scotland will pose an additional cost of £2.5m over the appraisal period.

Table 3: Total DEL costs for DWP

£m	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	Total
DEL Costs	6.35	2.87	2.77	2.66	2.09	2.09	2.09	2.09	2.09	2.09	27.19

Table 4: Costs to government during setup period (2027-2031)

£m	2027/28	2028/29	2029/30	2030/31
Digital	£4.08	£0.00	£0.00	£0.00
Training	£0.05	£0.05	£0.05	£0.05
Equipment	£0.07	£0.07	£0.10	£0.10
SPD/ESOC Delivery Team	£0.58	£0.58	£0.58	£0.58
Police National Computer Team	£0.70	£0.70	£0.70	£0.70
Internal oversight team	£0.00	£0.47	£0.47	£0.47
External oversight costs	£0.00	£0.15	£0.15	£0.15
Professional standards team	£0.00	£0.47	£0.47	£0.47
Devolution Costs	0.88	0.38	0.25	0.14
Total	£6.35	£2.87	£2.77	£2.66

Table 5: Sources of costs to the government at steady state (from 2031/32 onwards)

Cost Source	Steady state DEL cost (£m)
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70. Over the 10-year (2027-2037), the expected to cost prices). When 2025 onwards present value of £21.8m.

Digital	£0.00
Training	£0.05
Equipment	£0.10
SPD/ESOC Delivery Team	£0.00
Police National Computer Team	£0.70
Internal oversight team	£0.47
External oversight costs	£0.15
Professional standards team	£0.47
Devolution costs	£0.14
Total	£2.09

appraisal period measure is DWP £27.2m (2024 discounted from there is a net social costs worth

Wider Impacts

Other key non-by 'main affected groups'

monetised costs

71. There are likely to be some implementation and administration costs involved for sectors such as justice, policing and independent scrutiny bodies to adjust to and reflect that DWP will have the ability to carry out different functions that were previously the role of the police. For example, this might include changes to IT frameworks, or adaptations to their products to reflect that DWP is a body who can undertake new functions relating to search warrants and other associated matters.

Key Risks

Legal risks

72. Given the nature of the powers there will be a risk of complaint or judicial review, so it is important to have appropriate oversight in place, which is currently being sought.

73. The department will be subject to regular inspections on the use of the powers and their effectiveness by these external oversight bodies. DWP will be held responsible for any misuse of the powers or any complaints which may be lodged. Therefore, a core element of monitoring and evaluation for this measure will be recording the number of cases that are referred to these external bodies and, where appropriate, review their own processes and procedures – DWP will use management information to track this, following government guidance in respect of the design of evaluating and monitoring this measure.

Analytical risks

74. The costs for the department estimated are high-level estimates based on a number of assumptions including FTE assumptions for the different functions required to operate the policy. Any significant changes to the department's fraud and error operational functions will impact the overall costs.

75. In addition, as it isn't possible to monetise the potential benefits of the policy, there is a chance that the costs of the policy (monetisable and outlined in section 5 and 6) outweigh the benefits of the policy if the costs end up being higher.

Monitoring and evaluation

76. As this is a new policy, the policy implementation will continually be under review to ensure that the policy aims are being met. We will be guided by the work of the oversight bodies and their findings and from our internal quality controls to ensure that the policy is operating as intended and that will inform the evaluation approach going forward.

77. To understand the above elements, DWP will collect MI data to monitor and evaluate the operation of this measure, which is expected to start alongside the rollout of the policy. Examples of the type of data that will be collected could include:

- Number and types of warrants.
- Review of findings/reports/feedback from Oversight Bodies.
- Annual DEL expenditure on the policy measure, in particular the steady state level of expenditure.

Annex 5: PSFA measures Impact Assessment

Best Estimate Final stage impact assessment

Title: Fraud, Error and Debt Bill

Type of measure: Primary Legislation

Department or agency: Cabinet Office, Public Sector Fraud Authority (PSFA)

IA number: CO2033

RPC reference number: RPC-DWP-24014-IA(1)

Contact for enquiries: policygroup.fedbill@dwp.gov.uk

Date: 22/11/2024

RPC Opinion: Green

1. Summary of proposal

1. The Department for Work and Pensions (DWP) is proposing a Fraud, Error and Debt Bill. This provides an opportunity for the Public Sector Fraud Authority (PSFA) to align with DWP on necessary measures but with the purpose of addressing wider cross-government fraud problems. The proposal is to introduce the following measures:
 - a. Information Sharing and Gathering Powers
 - b. Civil Penalty Powers
 - c. Police and Criminal Evidence Act 1984 (and other criminal powers)
 - d. Proportionate Debt Recovery Powers
 - e. Referral of criminal cases to the Director of Public Prosecutions (DPP)
 - f. Oversight of the above powers.

2. Strategic case for proposed regulation

2. Fraud against the public sector and error is a growing phenomenon costing the public purse between £39.8bn-£58.5 per annum⁵⁸. The National Audit Office (NAO) has concluded that reducing fraud and error is a key opportunity for increasing efficiency and productivity in public spending⁵⁹.
3. Most departments and public bodies struggle to act on instances of fraud. Where they do, it is labour intensive and expensive, with a suboptimal chance of success. The measures in this Bill will provide PSFA with access to powers so it can take action on behalf of the public sector. This ensures more fraudulently taken public money is returned to the public purse, more fraudsters face consequences, with potential fraudsters being deterred.
4. The measures demonstrate the government's commitment to protecting taxpayer money, reducing waste and being tough on fraudsters. The policy objectives of the measures are intended to strengthen the investigative capabilities, reduce burdens on the police as well as to robustly and efficiently punish fraudsters.
5. The policy intent of the measures sought in this Bill align to the wider policy intent that underpins the PSFA's Enforcement Unit (EU): to take more action on fraud against the public sector. The scale of losses to fraud and error in the public sector require a robust enforcement capability at the heart of government to take action on fraud cases with powers to recover losses.
6. The current EU pilot programme, which launched in March 2024, has adopted 11 cases relating to fraud against the public sector in the last six months. The total value of these cases is £3.1m in fraud losses. The cases the EU can take are limited in the number and size due to the lack of legal powers.
7. The regulation will bring the PSFA's powers in line with those of DWP and HMRC. HMRC Annual Report and Accounts (ARA) 2023 to 2024⁶⁰ show there were 430 new criminal cases and more than 10,200 civil investigations into suspected fraud. HMRC were able to exceed their target for tax revenue collected that would otherwise have been lost through error, fraud and other forms of non-compliance.

3. SMART objectives for intervention

8. DWP is proposing a Fraud, Error and Debt Bill. This provides an opportunity for PSFA to align with DWP on necessary measures but with the purpose of addressing wider cross-government fraud problems. The policy objectives the PSFA is seeking to achieve are:
 - a. Demonstrate the government's commitment to protect taxpayer money
 - b. Reduce economic waste - in a recent speech called "Getting the most from every public pound – a blueprint for value for money" the Comptroller and Auditor General

⁵⁸ PSFA Cross-Government Fraud Landscape Report 2021-2022 - https://assets.publishing.service.gov.uk/media/65f45beeaf6a0d001a90d4fd/Cross-Government_Fraud_Landscape_Report_2021-2022.pdf

⁵⁹ <https://www.nao.org.uk/wp-content/uploads/2024/07/making-public-money-work-harder.pdf>

⁶⁰ HMRC's annual report and accounts 2023 to 2024: performance overview - <https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2023-to-2024/hmrcs-annual-report-and-accounts-2023-to-2024-performance-overview>

(C&AG) stated that there were significant gains to be had from a managing losses to fraud and error better.

- c. Strengthen the investigative capabilities within government and plug a significant gap in access to civil and criminal powers by enabling the effective deployment of a robust fraud enforcement capability in the heart of government.
 - d. Take more action on fraud against the public sector, including on a broader range of fraud cases, by reaching civil or criminal case outcomes of at least 30-40 fraud cases each year which would not otherwise be resolved.
 - e. Reduce burdens on the police and courts for some cases by providing alternatives to criminal prosecution, by imposing new civil penalties for fraud in up to 30 cases a year.
 - f. Robustly and efficiently punish fraudsters.
 - g. Recover more fraud and error related incorrect payment.
 - h. Build a robust Enforcement capability at the heart of government to take action on fraud cases with powers to recover losses.
9. The measures in the Bill fall into the following categories and will sit with the Minister for the Cabinet Office for use by Authorised Officers (AOs), with independent oversight of the use of those powers to ensure they are used correctly and transparently. A summary description of the measures and the policy objectives they aim to fulfil is set out below.

1. Information Sharing and Gathering Powers:

- a) *Power to compel the production of information in civil cases (criminal dealt with separately in PACE instructions):* These powers are required because the PSFA EU currently has no powers to compel the production of information or documents from first or third parties. This would enable all reasonable lines of enquiry to be followed to establish facts and develop evidence to meet the standard of proof. This power would therefore make it possible for the PSFA EU to establish, on the balance of probabilities, that the person has committed the fraud.
- b) *Power to issue a financial civil penalty for failure to comply with the request for information:* This power is required to prevent non-provision of information to delay or frustrate an investigation or penalty imposition. Without it, fraud investigations may not reach the appropriate standard of proof and may not progress to the right outcome.
- c) *Power to share information provided with other public bodies, government departments, regulatory bodies and bodies providing services to PSFA or other departments or public bodies if it is in the interests of detecting and preventing fraud, where it meets specified 'reasonable grounds':* This power is required to ensure clear statutory *vires* for PSFA AO's to share information in joint investigations with law enforcement and other investigating bodies, to providers of services under contract (such as legal advisers or forensic service providers), to regulators where regulated persons have committed offences which regulators may take action on and to disseminate intelligence.

- d) *A measure which enables other departments and public bodies to disclose information for use in PSFA EU counter fraud investigations:* This measure is required to create a strong statutory basis for other departments to provide criminal offence data with PSFA EU for law enforcement purposes, and give *vires* for PSFA to process it in counter fraud investigations, obviating cumbersome MoU processes.

2. Civil Penalty Powers:

- a) *Financial civil penalties as a response to fraud:* Investigation bodies need a range of enforcement tools to effectively respond to the facts in any given case. Criminal investigations leading to prosecution are often resource-heavy and time intensive. Civil penalties offer a cost-effective alternative to criminal prosecution. The lower civil burden of proof, on the balance of probabilities, means that cases which would not otherwise be enforced can be pursued.
- b) *Penalties for individuals and companies for non-provision of information including an initial fixed penalty for failure to comply with an information notice:* These powers are required to prevent non-provision or provision of inaccurate information to delay or frustrate an investigation or penalty imposition.
- c) *Penalties for employers who fail to comply with provisions under the Debt Recovery powers, for example non-compliance with a Direct Earnings Attachment (DEA):* This measure is required to deter non-compliance from employers once a DEA has been issued to recoup debt if a civil penalty is not paid.
- d) Penalties will also be issued to individuals who seek to frustrate the debt recovery process, for example by moving money from bank accounts, or shutting them entirely.

3. Police and Criminal Evidence Act 1984 (and other criminal powers):

- a) *PACE 1984 (and other criminal powers):* These powers are required to enable the PSFA to undertake criminal investigations for the purpose of seeking prosecution and subsequent conviction, via the court, for cases originating in any government department or public body. Existing Law Enforcement bodies have limited capacity to undertake the type of public sector fraud cases the PSFA aims to adopt. The PSFA requires the powers to ensure that all reasonable lines of enquiry can be followed as required by the Criminal Procedure and Investigations Act (CPIA) 1996 and the CPIA Code of Practice. The PSFA has requested in these measures powers to gain access to premises and seize relevant evidence when that is not volunteered and do so on a warrant basis approved by a court as part of a fraud investigation in respect of public money. The PSFA will utilise powers to compel the production of documents and computerised records, in whatever form they are held, as well as the power to access premises to retrieve such material.

- b) *Oversight*: Ensuring that PSFA EU's use of criminal powers⁶¹ is regulated by the existing oversight bodies to ensure that they are used lawfully, and is a dependency on getting them.

4. Proportionate Debt Recovery Powers

- a) *Power to issue Direct Earnings Attachment orders (DEAs)*: the PSFA will be able to issue a Direct Earnings Attachment to a liable person's employer, requiring them to pay between 20-40% of their net earnings to the PSFA to pay down the identified debts. This will be used after all other avenues for voluntary repayment have been exhausted, and when the liable individual is in PAYE employment. This is an efficient and more cost-effective method than litigation and one which can be directly exercised by PSFA. This also includes a power to compel employers to put the DEA in place in payroll, which may be penalised if they do not (see 2c) above).
- b) *Power to seize funds directly from bank/building society accounts*: the PSFA will be able to make Direct Deduction Orders (DDOs) from bank accounts, either as a rolling or lump sum deduction. This will be of value where liable individuals are not in PAYE employment, but have funds available in their accounts, as confirmed through an analysis of three months worth of bank statements prior to implementing the Order. When making a deduction order, the PSFA must ensure that order will not cause the person hardship or prevent them from making reasonable routine payments. It will only be used after all options for voluntary repayment have been exhausted.
- c) *Application for court orders*: For particularly difficult to recover debts, or where the liable individual has significant non-cash assets and aren't in regular employment, there will be a power to apply to the county court for a recovery order.

5. Referral of criminal cases to Director of Public Prosecutions

- a) *Case review by CPS*: Any case which the PSFA wishes to refer to the CPS for consideration will be dealt with by way of an assignment by the Attorney General under Section 3(2)(g) of the Prosecution of Offences Act 1985. This will ensure that cases of public sector fraud are given a suitable independent evaluation of the merits of proceeding with criminal prosecution. Referring cases to the CPS in this manner will mean that the PSFA and CPS always discuss and agree prosecution costs and case file quality before the CPS take on a case.
- b) This approach puts the PSFA on the same footing as DWP so there will be parity in how both departments access the CPS in order to gain legal advice and ask the CPS to institute and conduct criminal proceedings in England and Wales.

6. Oversight

- a) The proposed oversight measures will ensure new powers are the subject of independent oversight. These oversight provisions and the establishment of a new function are intended to complement rather than replace existing oversight bodies and processes, further strengthening the existing provision. The oversight function will have a remit to sample and review cases, as well as assuring provision of training and guidance for AOs. Its findings will

⁶¹ Specifically: The Criminal Procedure and Investigations Act 1996 and the Criminal Procedure and Investigations Act Code of Practice.

be in service to the Accounting Officer(s) in relevant departments and summarised in annual reports.

How the powers will be used

The powers will be used as part of the investigation practice of the PSFA EU. The powers sit with the Minister for the Cabinet Office for use by AOs in the PSFA⁶².

Cases (excluding tax and welfare) will be referred to the EU by government departments and will go through a triage process.

- After the initial case triage, PSFA EU will consider the value of the fraud, its impact, the public interest and issues around the potential vulnerability of any person involved, among other key issues.
- Information and evidence collection powers will be used as part of either criminal or civil investigations, and used only when it is determined to be necessary and proportionate to do so.
- Use of powers will be strictly controlled by investigation team leaders and senior management, who will be accountable for their use and powers will be used by AOs only.
- Decisions on whether either the criminal standard of proof, beyond reasonable doubt, or the civil standard, on the balance of probabilities, is met, will be evidence-based decisions subject to legal review before action is taken.
- If a prosecution is sought, PSFA will engage with the Crown Prosecution Service and seek the case to be assigned to them, by agreement.
- If a penalty is imposed, the person receiving the penalty will have procedural rights of representations, review and appeal to the Tribunals.
- Use of the powers in cases will be subject to oversight, providing strong protection against error or misuse.

The PSFA will work in collaboration with the wider fraud and law enforcement community, including the Serious Fraud Office and Police where appropriate, to deliver these objectives.

4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

10. The PSFA have considered the following options:

Option 1 - Do Nothing Approach

This is the status quo, in which the PSFA does not secure new legal powers. The cost-benefit analysis uses this policy option as a baseline for the other policy options.

⁶² An Authorised Officer is an official who is a serving civil servant (so excluding contractors), working in the business area designated by the MCO (as part of their official duties, without requiring additional regulations or Orders) as investigating fraud arising in any government department or public body (i.e. PSFA, but future-proofing against machinery of government changes), who is appropriately trained, accredited, or qualified in investigative practice (which may include acceptance of prior accreditation or qualification), and who is additionally trained in the use of the powers.

Every day that fraud is left unchecked results in further systemic and substantial loss that is detrimental to public service delivery, damages government reputation, enriches criminals and enables organised crime. The PSFA estimates that fraud and error currently costs the public purse and the taxpayer £39.8bn-£58.5 per annum⁶³. Without further intervention it is likely that fraud and error may continue to remain high, providing a significant opportunity cost to the taxpayer.

In the continuing absence of these powers the PSFA will not be able to:

- a) secure the information it needs to be able to investigate suspected instances of fraud to the required legal standards of proof. Financial institutions and others holding relevant information can simply refuse to provide it.
- b) impose civil penalties which could create cost-effective alternatives to engaging the criminal justice system, and promote deterrence.
- c) follow all lines of enquiry due to the lack of criminal investigative powers.
- d) avoid obstacles to recovering fraud that has been detected using debt collection powers
- e) ensure that any criminal cases referred to the CPS would be considered for prosecution. There is currently no legal obligation for them to do so. The CPS would also be unable to advise the PSFA on live investigations or prosecutions.

Option 2 - Non-Legislative/ Secondary Legislative Options

The PSFA did consider the following non-legislative/ secondary legislative options to ‘level-up’ the PSFA EU’s cross-government investigation and enforcement capability:

Measure	Rationale and why it does not meet the policy objective
<p>Contractual Penalty Notice (CDF): This HMRC system of the Contractual Disclosure Facility (CDF) under Code of Practice 9 offers the chance to voluntarily disclose any loss of public funds that has been brought about by deliberate conduct. A similar system could be utilised but there will need to be carefully drafted guidance. This is an agreement where the individual commits to making a complete, accurate, open and honest disclosure of all deliberate behaviour and all other irregularities in their tax affairs. In return, HMRC commits not to open a criminal investigation.</p>	<ul style="list-style-type: none"> ● It relies on voluntary submission of deliberate misconduct. ● It does not allow for the opening of criminal investigations. ● It would not allow for information to be provided digitally.

⁶³ PSFA Cross-Government Fraud Landscape Report 2021-2022 - https://assets.publishing.service.gov.uk/media/65f45beeaf6a0d001a90d4fd/Cross-Government_Fraud_Landscape_Report_2021-2022.pdf

Serious Organised Crime and Police ACT 2005 (SOCPA):

Sections 71 to 74 may be used by prosecutors to secure intelligence or evidence from offenders to assist in an investigation or prosecution (of an indictable offence or an offence triable either way).

Under section 71 SOCPA a prosecutor may grant conditional immunity from prosecution to secure the assistance of an offender.

- This would require additional secondary legislation.
- The application of this power would be limited.
- It would result in delayed investigations.

Option 3 - Primary Legislation (preferred option)

The PSFA will legislate for the measures set out above and summarised below:

Measure	Rationale
<p>Gathering and sharing of information to find and recover fraud: This will give AOs in the PSFA investigating fraud the ability to collect data and evidence and to disseminate it to enable action. It does not include the use of bulk data.</p>	<p>Levels up information gathering powers currently used by other parts of government, such as DWP, HMRC, the National Crime Agency and Serious Fraud Office in the course of fraud investigation.</p>
<p>Civil penalties: Introduce civil penalties for fraud against the public sector where there is evidence that on the balance of probabilities, it is more likely than not that a fraud has occurred and an appropriate escalation/appeals and sign off process to ensure fairness and proportionality. Where fines are not paid - referring through standard debt collection processes through county courts.</p>	<p>The powers would relieve pressure on courts and the wider criminal justice system - offering an alternative route to justice. The NAO has recently stated '<i>Civil penalties or agreements without penalties can offer a more cost-effective route to recover funds but may not offer the same deterrent effect.</i>'⁶⁴</p>
<p>Investigative and enforcement powers: By amending Part 2 of PACE, PSFA AOs will be able to apply for and execute search and seizure warrants and production orders. All applications will be authorised by the court.</p>	<p>Law enforcement is under-resourced for the fight against fraud. Only around 1% of the police's resources are dedicated to tackling fraud and calculations show that for every 1000 estimated frauds committed in the UK there is only one successful prosecution⁶⁵. The measures will remove part of this</p>

⁶⁴ NAO Tackling fraud and corruption against government

<https://www.nao.org.uk/wp-content/uploads/2023/03/tackling-fraud-and-corruption-against-government.pdf>

⁶⁵ Home Office: Fraud Strategy: stopping scams and protecting the public -

<https://www.gov.uk/government/publications/fraud-strategy/fraud-strategy-stopping-scams-and-protecting-the-public#fn:24>

	pressure on the police and allow powers to be available to AOs within the PSFA's EU.
Proportionate debt recovery: Introduction of Direct Earnings Attachments (DEAs) and Direct Deduction Orders (DDOs) with appropriate external oversight and scrutiny - to enable the recovery of more fraud losses directly from an individual's earnings or bank accounts respectively.	This will improve the government's ability to reclaim money from those that have abused the public purse and restore a sense of fairness and justice being served, particularly in times of national crisis.
Referrals of criminal cases to DPP: Establish an assignment gateway whereby AOs within PSFA can refer cases to the CPS under section 3(2)(g) of the Prosecution of Offences Act 1985.	Where fraud meets the criminal standard, cases will be referred to the CPS. The Attorney General would assign the Cabinet Office to the Director of Public Prosecutions - the DPP would be obliged to consider cases from the PSFA's EU.
Creation of an independent oversight team to oversee use of powers and fraud investigation.	These powers increase the state's ability to take action on fraud - it is essential that they would be balanced through an independent oversight body. This body would lead on assurance and monitoring of the use of powers. There will also be clear and appropriate routes to appeal penalties and specified Codes of Practice to guide their operational delivery.

5. Summary of long-list and alternatives

11. Three options were considered which have been laid out in section 4. There are no alternative options for this policy.

6. Description of shortlisted policy options carried forward

12. All policy options have been described in section 4.

13. The proposed options are not expected to have an especially high impact on small and micro businesses.

7. Regulatory scorecard for preferred option

Please provide quantitative estimates and qualitative descriptions of impacts under each heading in the following sections. The right-hand column for directional ratings should be based on the description of impact and the sign of the suggested indicator (NPV, NPSV, all impacts): **Green** – positive impact, **red** – negative impact, **amber** – neutral or negligible impact, **blue** – uncertain impact. Please use the colours in the examples shown below, as these are suitable accessible colours. Please see BRF guidance technical annex for definitions.

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
Description of overall expected impact	A neutral impact on total welfare is expected as a result of these regulations. Impacts of these regulations will mostly be felt by parties involved in allegations of public sector fraud. There will be minimal impact on businesses to cooperate in fraud investigations by providing information when requested or process Direct Earnings Attachment orders, or respond to a civil penalty notice. If a person is prosecuted, this is the same impact as anyone else accused of a crime and dealt with through existing criminal justice processes	Positive Based on all impacts (incl. non-monetised)
Monetised impacts	Total £ NPSV = £22.8m (lower/upper bound estimates are - £1.5m and £24.4m respectively). The monetised benefits are based on recovery of overpayment from historic cases of fraud. The average nominal monetised benefits (not including optimism bias, discounting, or inflation) per year is: £7.6m The nominal monetised costs per year are: £5.0m Details of all significant monetised costs/benefits have been included in the analysis below.	Positive Based on likely £NPSV
Non-monetised impacts	Details of all significant non-monetised costs/benefits have been covered in the analysis below.	Positive
Any significant or adverse distributional impacts?	No	Neutral
(2) Expected impacts on businesses		
Description of overall	Total monetised impact to businesses p.a. is less than £30k (divided by all impacted businesses).	Negative

<p>business impact</p>	<p>c. £1,794 (£44.85 per case) cost to businesses to respond to requests for information.</p> <p>And c. £21,540 (£718 per case) to process letters imposing civil penalties.</p> <p>Whilst the anticipated impact on business is expected to be low, corresponding with the small number of cases expected to be taken on by the EU each year, there are a number of instances where there will be specific impacts. For instance, it is possible that businesses will need to respond to requests for information relating to a fraud investigation or to make representations when a civil penalty is imposed They will also be required to implement DDOs and DEAs, although we envisage minimal usage of these powers annually, and the reasonable administrative costs associated with implementing the orders can be recouped from the liable individual. We expect the costs on business to be minimal, based on anticipated case volumes with the EU targeting c.30-40 cases per year, and to form part of an already salaried person's job. There is an acknowledgement however that this additional activity could displace or de-prioritise other work. More information on how this might impact businesses can be found in the Non-monetised impacts section below.</p>	
<p>Monetised impacts</p>	<p>The impact on business is expected to be minimal. It is envisaged that use of debt recovery powers will be very small (approximately 1-5 cases per year). The costs to these businesses to respond implement Direct Deduction Orders and DEA can be recouped from the liable individual.</p> <p>There is expected to be a monetisable cost to businesses where information is requested relating to a fraud investigation of c. £44.84 per case. Across c. 40 assumed cases per year this would mean an annual nominal cost of c. £1,794.</p> <p>And c. £21,540 (£718 per case) for c. 30 cases to process and respond to letters imposing civil penalties.</p>	<p>Negative</p> <p>Based on likely business £NPV</p>
<p>Non-monetised impacts</p>	<p>Further impact to businesses is expected to be minimal, though they may also be impacted:</p> <ul style="list-style-type: none"> a. where there is fraud that impacts the public sector and meets the threshold for investigation or action via the EU a business might be asked to provide information as part of an investigation. b. a civil penalty may be issued against an organisation or business for failing to meet the terms of an information notice. c. an organisation, employer or business may be issued with a penalty if they fail to comply with a DEA or 	<p>Negative</p>

	<p>DDO. This will be up to £1,000, but represents non-compliance. The PSFA will provide full guidance.</p> <p>d. an organisation, employer or business may require legal support, and incur financial costs, if they appeal a penalty notice for fraud, non-provision of information or failure to comply with a DEA or DDO.</p> <p>Businesses may be asked to comply with a Direct Earnings Attachment Order (DEA) to recover debt from their employers. However they are able to charge a £1 administrative fee for this.</p>	
Any significant or adverse distributional impacts?	No	Neutral

(3) Expected impacts on households

Description of overall household impact	There is not expected to be an impact on households as a result of this regulation.	Neutral
Monetised impacts	There are not expected to be monetised impacts on households as a result of this regulation.	Neutral Based on likely household £NPV
Non-monetised impacts	There are not expected to be non-monetised impacts on households as a result of this regulation.	Neutral
Any significant or adverse distributional impacts?	No	Neutral

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	No	Neutral
International Considerations: Does the measure support international trade and investment?	No	Neutral
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	No	Neutral

8. Monitoring and evaluation of preferred option

14. The measures will be reviewed after their introduction by monitoring levels of public sector fraud losses as well as numbers of cases highlighted, investigated, where an outcome is decided (such as a penalty being issued) or in relevant cases prosecuted.
15. By adopting a 'pathfinder' approach to taking cases over a number of years, this will allow the PSFA to monitor, evaluate and review potential impacts of these measures before rolling out and using at scale. This means the PSFA can undertake cases from a limited number of departments immediately (the 'pathfinders' with which agreement to take cases already exists) but as powers are enabled and particularly if the unit expands in future, PSFA will be able to take cases from a greater number of public sector bodies to greater impact.
16. The success of the measures introduced by the Government will be evaluated by monitoring how the policy is utilised, including:
 - Monitoring the level of detected, prevented and recovered fraud through the cases investigated by the PSFA EU. This can be evaluated through Annual Reports; and
 - Monitoring through feedback from investigators, third party data holders and other stakeholders about how effective the new powers have been in practice.
17. The PSFA is committed to completing a post-implementation review of the impact of the preferred option. It would include a review of the oversight proposals. This review would be carried out by PSFA.

9. Minimising administrative and compliance costs for preferred option

18. There will be minimal costs to businesses. Calculations show impacts are estimated to be less than £30k a year. Where there are costs measures will be in place to reduce those costs.
19. The calculations for this are shown below.
20. As part of these measures it is expected that a small number of businesses (perhaps less than 100 a year) would need to respond to requests for information relating to a fraud investigation. We expect the costs on business to be minimal, based on anticipated case volumes with the EU targeting c.30-40 cases per year, and to form part of an already salaried person's job. The number of requests for information that can be made will vary on a case-by-case basis, but an average of two requests per case is in line with similar practice in DWP. In this instance DWP have provided an indicative assumption of information requests taking approximately 2.5 hours to fulfil. Assuming these hours are completed by a 40-hour a week full-time employee on an employment cost of £14.95 per hour (this is shown in DWP IA for their Bill), this could see business costs of at least £44.85 per information request on circa 40 cases a year. Total estimated cost to all businesses of responding to information requests would be minimal c. £1,794 in total divided by the number of businesses impacted in any one year. There is an acknowledgement however that this additional activity could displace or de-prioritise other work in a business.
21. For civil penalties we expect that there will be a minimal cost for business to respond to an initial letter imposing a penalty and inviting representations where the fraud has been committed by a business like a sole trader. The person in the business has 28 calendar days to reply, setting an outside limit on time related costs. PSFA believes that a reasonable estimate of the time necessary to effectively consider and respond to a civil penalty notice would be 1 working day of familiarisation with the penalty system (by reference to the Code of Practice) and 2-4 working days to draft a response, of 7 hours each, spread over the 28 days allowed.
22. Pricing the time value of a person in potentially any occupation to respond to a penalty notice is extremely difficult. For the purposes of this estimate PSFA assume a reasonable level of employee responsibility is Company Secretary. The average company secretary salary in the United Kingdom is estimated at £50,000 per year or £25.64 per hour. Our estimate at 1 day of familiarisation and 3 days on average to respond is therefore a cost of £718 per case. If PSFA imposes 30 penalties per year, this would be a cost of £21,537 across all business pa.
23. Upon the outcome of a successful investigation, there is a measure relating to recovery of any debt via Direct Earnings Attachment Orders (where money is taken from a liable persons pay) and Direct Deduction Orders (DDOs) where money is taken from a bank account with appropriate safeguards and oversight in place.
24. Businesses could incur costs when making deductions direct from salaries or bank accounts on behalf of a person who owes fraud related debt and has refused to pay it through other voluntary means, albeit they will be recouped from the liable individual. For example, where DWP uses a DEA to recover any debt, employers may charge up to £1 administrative costs

(per deduction) which can be taken from the liable person's earnings to prevent any additional burden.

25. We will maintain parity with DWP on this, with the £1.00 administrative charge being an established standard amount for a wide variety of court and non-court orders.
26. In addition, banks will be able to charge up to £55.00 for making DOs from bank accounts. This has been found by HMRC to offset the actual costs and can be recouped from the liable individual.
27. The PSFA is taking its approach to DEAs and DDOs from legislation and departments that have already operationalised these powers (e.g. DWP and HMRC). Maintaining parity means that businesses and banks will already be familiar with the processes, reducing the administrative burden.
28. We expect that only around eight debt management cases a year will proceed to DEA and DDO action, with a total cost to businesses of under £110.00 which will be recouped from the liable individual.
29. In the 2011 DWP Impact Assessment on DEAs, they provided additional information on the £1.00 charge that employers can apply to cover their administrative costs (p12-13). A 2008 quantitative survey (Informing the piloting of Deduction from Earnings Orders as the primary method of collecting child maintenance. DWP Research Report No 530) of employers on the administrative costs of using DEAs for collecting child maintenance had concluded that employers generally thought that the £1.00 charge was right. The £1.00 deduction per DEA was also found to cover the actual costs, which consisted of additional payroll charges and staff time (assumed to be a maximum of 1.2 minutes to make the monthly payment covering the personal account for each employee). If we have four DEAs a year running for 12 months, with a monthly deduction, the total in annual administrative costs would be £48.00, which would offset the cost to business.
30. We also expect the PSFA to make a low number of DDOs a year (likely four), which will further reduce the time impact. As it has been based on DRD, it is expected that minimal extra guidance will have to be provided. We estimate that it will take up to a total of three hours of bank staff time a year costing approximately £56.13 (against a compliance officer's average annual salary of £36,000⁶⁶ working a 37 hour week). This will be split across multiple banks, resulting in a lower actual cost that will still be offset by the £55.00 administrative charge received from the liable individual.
31. Where the PSFA enters business premises the anticipated impact on businesses is expected to be minimal, consistent with the small number of cases projected to be addressed annually. Businesses might be required to respond to requests for information in relation to investigations conducted under PACE. This aligns with existing practices where businesses are accustomed to providing information to government departments such as HMRC and DWP. Consequently, these measures should not impose significant additional burdens on businesses beyond their current obligations. Administrative costs associated with these activities are expected to be manageable and within the scope of existing operational frameworks.

⁶⁶ <https://uk.indeed.com/career/compliance-officer/salaries>

Declaration

Department:

Cabinet Office

Contact details for enquiries:

policygroup.fedbill@dwp.gov.uk

Minister responsible:

Minister Gould MP, Parliamentary Secretary to the Cabinet Office

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Georgia Gould

Signed:

Date:

26/11/2024

Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

Price base year:

2027

PV base year:

2024

This table may be reformatted provided the side-by-side comparison of options is retained	1. Business as usual (baseline)	2. Do-minimum Option – Non-legislative option	3. Preferred way forward – Primary Legislation
Net present social value (with brief description, including ranges, of individual costs and benefits)	NA - baseline	Best estimate: £3.3m Benefits (best Present Value estimate: £26.6m) are made up entirely of fraud recovered. Costs are entirely made up of public sector financial costs which are laid out below.	Best estimate: £22.8m Benefits (best Present Value estimate: £53.7m) are made up entirely of fraud recovered. Costs are entirely made up of public sector financial costs which are laid out below. Higher/lower bound estimates for NPSV are -£1.5m and £24.4m respectively. They are based on different estimates for the number of cases adopted by the unit.
Public sector financial costs (with brief description, including ranges)	NA - baseline	Nominal annual costs: £2.5m Present Value costs over 10 years: £23.3m Costs are mostly made up of the cost to employ 24 FTE in the PSFA Enforcement.	Nominal annual costs: £3.3m Present Value costs over 10 years: £30.9m Costs are mostly made up of the cost to employ 24 FTE in the PSFA EU and 8 FTE for the oversight team. Legal costs for criminal prosecution have been estimated at £157k. A £35k cost

			per year has been assumed to manage appeals and/ or tribunals, in addition to £35k start-up costs. And a total of £230k over the full 10-year assessment period has been assumed.
Significant un-quantified benefits and costs (description, with scale where possible)	NA - baseline	<u>Costs:</u> <ul style="list-style-type: none"> Resourcing costs for PSFA (recruitment/training to operationalise a system similar to HMRC's Contractual Disclosure Facility) Costs to train PSFA to be trained in and utilise Sections 71 to 74 of the Serious Organised Crime and Police ACT 2005. 	<u>Benefits:</u> <ul style="list-style-type: none"> Deterring/ preventing future public sector fraud through wider coverage Revenue from civil penalties Reduce burden on policing and the criminal courts by using civil powers instead Lessening damage to government reputation for not acting on allegations of public sector fraud <u>Costs:</u> <ul style="list-style-type: none"> Formalising relationships with CPS would mean additional cases considered for prosecution.
Key risks (and risk costs, and optimism bias, where relevant)	NA - baseline	10% optimism bias to reflect low level of uncertainty in costs. 15% optimism bias in benefits to reflect a slightly higher level of uncertainty.	<p>The most significant risk is that the number of cases referred to the unit would be lower than the number it is assumed it could adopt, resulting in lower benefits. Conversely it is possible that benefits are higher, if more (or larger) cases than assumed are adopted.</p> <p>10% optimism bias to reflect low level of uncertainty in costs. 15% optimism bias in benefits to reflect a slightly higher level of uncertainty.</p>
Results of sensitivity analysis	NA - baseline	NA – sensitivity analysis not included in analysis. Option has been discounted as it failed to meet policy goals.	The best estimate's Present Value costs/benefits and Net Present Value (NPV) and Benefits Cost Ratio (BCR) were recalculated twice: a) assuming 10% increase in costs, and b) assuming 10% increase in benefits. The change in NPV and BCR in these two scenarios was:

			<p>a) NPV and BCR changed from £22.8m and 1.74, to £19.7m and 1.58</p> <p>b) NPV and BCR changed from £22.8m and 1.74, to £28.1m and 1.91</p>
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Evidence base

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Problem under consideration, with business as usual, and rationale for intervention

1. Latest estimates from the PSFA show that fraud and error costs the public sector between £39.8bn-£58.5 per annum⁶⁷ a year, taking public money away from vital public services, damaging the integrity of the state. This calculation includes tax and welfare and is based on established and published estimates where fraud and error measurement is undertaken to a high standard, along with an estimated range of 0.5%-5% on the areas where high-quality measurement work has not been carried out.
2. Our fraud and error estimate relates to between 2.6% and 3.8% of overall government expenditure and income⁶⁸.
3. Losses to the public sector are substantial and the NAO has challenged the government to do more.
4. In the UK, fraud is also the most prevalent crime type representing c.40% of total crime, with 8 in 10 households being targeted⁶⁹.
5. Evidence also shows that fraudsters are becoming more adept. The Home Office reported that the UK is already an attractive target for fraudsters. For example, City of London Police (CoLP) estimates that over 70% of fraud either originates abroad or has an international element. The financial sector has advised that UK individuals and businesses are a more attractive target for fraud because of our relative wealth, the universality of the English language, our rapid adoption of online technology such as internet banking and online shopping, and the fast and frictionless nature of our payment systems⁷⁰.
6. If public bodies could access expert resources to use these powers on their behalf, more fraud could be found and recovered, more fraudsters could face consequences and more potential fraudsters could be deterred by knowing they are likely to face consequences.

⁶⁷ PSFA Cross-Government Fraud Landscape Report 2021-2022 - https://assets.publishing.service.gov.uk/media/65f45beeaf6a0d001a90d4fd/Cross-Government_Fraud_Landscape_Report_2021-2022.pdf

⁶⁸ PSFA Cross-Government Fraud Landscape Report 2021-2022 - https://assets.publishing.service.gov.uk/media/65f45beeaf6a0d001a90d4fd/Cross-Government_Fraud_Landscape_Report_2021-2022.pdf

⁶⁹ National Crime Agency - <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/fraud-and-economic-crime#:~:text=It%20accounts%20for%20over%2040,adults%20aged%2016%20and%20over>

⁷⁰ <https://www.gov.uk/government/publications/fraud-strategy/fraud-strategy-stopping-scams-and-protecting-the-public>

7. The PSFA was set up to do more on fraud across the public sector and as part of its structure, its pilot EU has been set up to take action on cases of potential fraud for public bodies⁷¹. This pilot EU was set up in March 2024 and has been detecting and investigating cases of public sector fraud. In six months of the pilot scheme, 11 cases have been referred from departments which have been adopted, totaling £3.1m worth of fraud. However it has been limited due to the lack of powers to investigate and prosecute fraud cases sufficiently.
8. The Bill is based on fairness, it would demonstrate publicly that fraud will not be tolerated and would protect vital public services for citizens who most need them.

Policy objective

9. The policy objectives the PSFA is seeking to achieve are:
 - a. Demonstrate the government's commitment to protect taxpayer money.
 - b. Reduce economic waste - in a recent speech called "Getting the most from every public pound – a blueprint for value for money" the Comptroller and Auditor General (C&AG) stated that there were significant gains to be had from a managing losses to fraud and error better.
 - c. Strengthen the investigative capabilities within government and plug a significant gap in access to civil and criminal powers by enabling the effective deployment of a robust fraud enforcement capability in the heart of government.
 - d. Take more action on fraud against the public sector, including on a broader range of fraud cases, by reaching civil or criminal case outcomes of at least 30-40 fraud cases each year which would not otherwise be resolved.
 - e. Reduce burdens on the police and courts for some cases by providing alternatives to criminal prosecution, by imposing new civil penalties for fraud in up to 30 cases a year.
 - f. Robustly and efficiently punished fraudsters.
 - g. Recover more fraud and error related overpayments.
 - h. Build a robust Enforcement capability at the heart of government to take action on fraud cases with powers to recover losses.
10. A summary description of the measures is set out below. The proposed powers will sit with the Minister for the Cabinet Office (MCO). They will be implemented via the introduction of AOs within the PSFA's EU

⁷¹ PSFA Mandate - <https://assets.publishing.service.gov.uk/media/63207cd68fa8f51825582b2f/3042-PSFA-Mandate-V4-final.pdf>

11. Once a case is accepted it will then go through a series of investigative stages which broadly align with the five groups of powers we are seeking as part of this Bill.

1. Information Sharing and Gathering Powers:

- a) *Power to compel the production of information in civil cases (criminal dealt with separately in PACE instructions):* These powers are required because the PSFA EU currently has no powers to compel the production of information or documents from first or third parties. This would enable all reasonable lines of enquiry to be followed to establish facts and develop evidence to meet the standard of proof. This power would therefore make it possible for the PSFA EU to establish, on the balance of probabilities, that the person has committed the fraud.
- b) *Power to issue a financial civil penalty for failure to comply with the request for information:* This power is required to prevent non-provision of information to delay or frustrate an investigation or penalty imposition. Without it, fraud investigations may not reach the appropriate standard of proof and may not progress to the right outcome.
- c) *Power to share information provided with other public bodies, government departments, regulatory bodies and bodies providing services to PSFA or other departments or public bodies if it is in the interests of detecting and preventing fraud, where it meets the specified 'reasonable grounds':* This power is required to ensure clear statutory *vires* for PSFA AO's to share information in joint investigations with law enforcement and other investigating bodies, to providers of services under contract (such as legal advisers or forensic service providers), to regulators where regulated persons have committed offences which regulators may take action on and to disseminate intelligence.
- d) *A measure which enables other departments and public bodies to disclose information for use in PSFA EU counter fraud investigations:* This measure is required to create a strong statutory basis for other departments to provide criminal offence data with PSFA EU for law enforcement purposes, and give *vires* for PSFA to process it in counter fraud investigations, obviating cumbersome MoU processes.

2. Civil Penalty Powers:

- a) *Financial civil penalties as a response to fraud:* Investigation bodies need a range of enforcement tools to effectively respond to the facts in any given case. Criminal investigations leading to prosecution are often resource heavy and time intensive. Civil penalties offer a cost-effective alternative to criminal prosecution. The lower civil burden of proof, on the balance of probabilities, means that cases which would not otherwise be enforced can be pursued.

- b) *Penalties for individuals and companies for non-provision of information including an initial fixed penalty for failure to comply with an information notice:* These powers are required to prevent non-provision or provision of inaccurate information to delay or frustrate an investigation or penalty imposition.
- c) *Penalties for employers who fail to comply with provisions under the Debt Recovery powers, for example non-compliance with a Direct Earnings Attachment (DEA):* This measure is required to deter non-compliance from employers once a DEA has been issued to recoup debt if a civil penalty is not paid.
- d) Penalties will also be issued to individuals who seek to frustrate the debt recovery process, for example by moving money from bank accounts, or shutting them entirely.

3. Police and Criminal Evidence Act 1984 (and other criminal powers):

- a) *PACE 1984 (and other criminal powers):* These powers are required to enable the PSFA to undertake criminal investigations, for the purpose of seeking prosecution and subsequent conviction, via the court, for cases originating in any government department or public body. Existing Law Enforcement bodies have limited capacity to undertake the type of public sector fraud cases the PSFA aims to adopt. The PSFA requires the powers to ensure that all reasonable lines of enquiry can be followed as required by the Criminal Procedure and Investigations Act (CPIA) 1996 and the CPIA Code of Practice. The PSFA has requested in these measures powers to gain access to premises and seize relevant evidence, when that is not volunteered, and do so on a warrant basis approved by a court as part of a fraud investigation in respect of public money. The PSFA will utilise powers to compel the production of documents and computerised records, in whatever form they are held, as well as the power to access premises to retrieve such material.
- b) *Oversight:* Requiring that PSFA EU's use of criminal powers is regulated by the existing oversight bodies ensures that they are used lawfully, and is a dependency on getting them.

4. Proportionate Debt Recovery Powers:

- a) *Power to issue Direct Earnings Attachment orders (DEAs):* the PSFA will be able to issue a Direct Earnings Attachment to a liable person's employer, requiring them to pay between 20-40% of their net earnings to the PSFA to pay down the identified debts. This will be used after all other avenues for voluntary repayment

have been exhausted, and when the liable individual is in PAYE employment. This is an efficient and more cost effective method than litigation and one which can be directly exercised by PSFA. This also includes a power to compel employers to put the DEA in place in payroll, which may be penalised if they do not (see section 2, Civil Penalty Powers above).

- b) *Power to seize funds directly from bank/building society accounts:* the PSFA will be able to make Direct Deduction Orders (DDOs) from bank accounts, either as a rolling or lump sum deduction. This will be of value where liable individuals are not in PAYE employment, but have funds available in their accounts, as confirmed through an analysis of three months worth of bank statements prior to implementing the order. When making a deduction order, the PSFA must ensure that order will not cause the person hardship or prevent them from making reasonable routine payments. It will only be used after all options for voluntary repayment have been exhausted.
- c) *Application for court orders:* For particularly difficult to recover debts, or where the liable individual has significant non-cash assets and aren't in regular employment, there will be a power to apply to the county court for a recovery order.

5. Referrals of criminal cases to Director of Public Prosecutions:

- a) Case review by CPS: Any case which the PSFA wishes to refer to the CPS for consideration will be dealt with by way of an assignment by the Attorney General under Section 3(2)(g) of the Prosecution of Offences Act 1985. This will ensure that cases of public sector fraud are given a suitable independent evaluation of the merits of proceeding with criminal prosecution. Referring cases to the CPS in this manner will mean that the PSFA and CPS always discuss and agree prosecution costs and case file quality before the CPS take on a case.
- b) This approach puts the PSFA on the same footing as DWP so there will be parity in how both departments access the CPS in order to gain legal advice and ask the CPS to institute and conduct criminal proceedings in England and Wales.

6. Oversight:

- a. Measure ensures that both PSFA's use of these new powers are the subject of independent oversight. These oversight provisions are intended to complement rather than replace existing oversight bodies and processes, further strengthening the existing provision. The oversight function will have a remit to sample and review cases, as well as the provision of training and guidance for AOs. Its findings will be in service to the Accounting Officer(s) in relevant departments and summarised in PSFA annual reports.

Description of options considered

12. The PSFA have considered the following options:

Option 1 - Do Nothing Approach

This is the status quo, in which the PSFA does not secure new legal powers. The cost-benefit analysis uses this policy option as a baseline for the other policy options.

Every day that fraud is left unchecked results in further systemic and substantial loss that are detrimental to public service delivery, damages government reputation, enriches criminals and enables organised crime. The PSFA estimates that fraud and error currently costs the public purse and the taxpayer £39.8bn-£58.5 per annum⁷². Without further intervention it is likely that fraud and error may continue to remain high, providing a significant opportunity cost to the taxpayer.

In the continuing absence of these powers the PSFA will not be able to:

- a) secure the information it needs to be able to investigate suspected instances of fraud to the required legal standards of proof. Financial institutions and others holding relevant information can simply refuse to provide it.
- b) impose civil penalties which could create cost-effective alternatives to engaging with the criminal justice system, and promote deterrence.
- c) follow all lines of enquiry due to the lack of criminal investigative powers
- d) avoid obstacles to recovering fraud that has been detected using debt collection powers

Option 2 - Non-Legislative/Secondary Legislative Options

The PSFA did consider the following non-legislative/secondary legislative options to 'level-up' the PSFA EU's cross-government investigation and enforcement capability:

Measure	Rationale and why it does not meet the policy objective
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⁷² PSFA Cross-Government Fraud Landscape Report 2021-2022 - https://assets.publishing.service.gov.uk/media/65f45beeaf6a0d001a90d4fd/Cross-Government_Fraud_Landscape_Report_2021-2022.pdf

<p>Contractual Penalty Notice (CDF): This HMRC system of the Contractual Disclosure Facility (CDF) under Code 9 offers the chance to voluntarily disclose any loss of public funds that has been brought about by deliberate conduct. A similar system could be utilised but there will need to be carefully drafted guidance. This is an agreement where the individual commits to making a complete, accurate, open and honest disclosure of all deliberate behaviour and all other irregularities in their tax affairs. In return, HMRC commits not to open a criminal investigation.</p>	<ul style="list-style-type: none"> • It relies on voluntary submission of deliberate misconduct. • It does not allow for the opening of criminal investigations. • It would not allow for information to be provided digitally.
<p>Serious Organised Crime and Police Act 2005 (SOCPA): Sections 71 to 74 may be used by prosecutors to secure intelligence or evidence from offenders to assist in an investigation or prosecution (of an indictable offence or an offence triable either way). Under section 71 SOCPA a prosecutor may grant conditional immunity from prosecution to secure the assistance of an offender.</p>	<ul style="list-style-type: none"> • This would require additional secondary legislation. • The application of this power would be limited. • It would result in delayed investigations.

Option 3 - Primary Legislation (preferred option)

The PSFA will legislate for the following measures:

Measure	Rationale
<p>Gathering and sharing of information to find and recover fraud: This will give AOs in the PSFA investigating fraud the ability to collect data and evidence and to disseminate it to enable action. It does not include the use of bulk data.</p>	<p>Levels up information gathering powers currently used by other parts of government, such as DWP, HMRC, the National Crime Agency (NCA) and Serious Fraud Office (SFO) in the course of fraud investigation.</p>
<p>Civil penalties: Introduce civil penalties for fraud against the public sector where there is evidence that, on the balance of probabilities, it is more likely than not that a fraud has occurred. It also introduces an appropriate escalation/appeals and sign off process to ensure fairness and proportionality. Where penalties are not paid,</p>	<p>The powers would relieve pressure on courts and the wider criminal justice system, offering an alternative route to justice. The NAO has recently stated '<i>Civil penalties or agreements without penalties can offer a more cost-effective route to recover funds</i></p>

<p>debt collection processes will be used by accessing the debt recovery powers in the legislation and standard debt collection processes.</p>	<p><i>but may not offer the same deterrent effect⁷³.</i></p>
<p>Investigative and enforcement powers: By amending Part 2 of PACE, PSFA AOs will be able to apply for and execute search and seizure warrants and production orders. All applications will be authorised by the court.</p>	<p>Law enforcement is under-resourced for the fight against fraud. Only around 1% of the police’s resources are dedicated to tackling fraud and calculations show that for every 1000 estimated frauds committed in the UK there is only one successful prosecution⁷⁴. The measures will remove part of this pressure on the police and allow powers to be available to AOs within the PSFA’s EU.</p>
<p>Proportionate debt recovery: Introduction of Direct Earnings Attachment (DEA) and Direct Deduction Orders (DDOs) with appropriate external oversight and scrutiny - to enable the recovery of more fraud losses directly from an individual’s earnings/ accounts.</p>	<p>This will improve the government’s ability to reclaim money from those that have abused the public purse and restore a sense of fairness and justice being served, particularly in times of national crisis.</p>
<p>Referrals of criminal cases to DPP: Establish a gateway whereby AOs within PSFA can refer cases to the CPS under section 3(2)(g) of the Prosecution of Offences Act 1985.</p>	<p>The PSFA EU does not seek the power to prosecute fraud cases directly via private prosecution routes. Instead we seek to use an existing mechanism to allow the PSFA to approach the CPS to gain legal advice and to allow the CPS to consider prosecuting an offence of fraud in respect of public money on behalf of the PSFA. The CPS, as a non-ministerial department that prosecutes criminal cases in England and Wales, will have the appropriate experience and expertise to decide which cases to prosecute and determine the appropriate charges.</p>

⁷³ HMT: Tackling fraud and corruption against government (p.13) - <https://www.nao.org.uk/wp-content/uploads/2023/03/tackling-fraud-and-corruption-against-government.pdf>

⁷⁴ Home Office: Fraud Strategy: stopping scams and protecting the public - <https://www.gov.uk/government/publications/fraud-strategy/fraud-strategy-stopping-scams-and-protecting-the-public#fn:24>

<p>Creation of an independent oversight team to oversee use of powers and fraud investigation.</p>	<p>These powers increase the state's ability to take action on fraud - it is essential that they would be balanced through an independent oversight body. This body would lead on assurance and monitoring of the use of powers.</p> <p>There will also be clear and appropriate routes to appeal (which would be subject to parliamentary scrutiny) and specified Codes of Practice to guide their operational delivery.</p>
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Summary and preferred option with description of implementation plan

13. A summary of the preferred option (Option 3) has been set out in the previous section. The following sets out the high-level implementation plan for this option:

Milestones	Estimated delivery dates
AOs able to begin to exchange information and collect evidence/information across government and third parties using the information powers	<i>Spring 2026</i>
Accept criminal investigation referrals using the PACE and SOCPA (2005) powers by AOs	<i>Summer 2026 (to allow us to put in place oversight arrangements with relevant bodies)</i>
Introduce arrangements that enable AOs to issue penalty notices and collect recovery of debt linked to fraud.	<i>Summer 2026</i>
Begin to refer any relevant cases to the Director of Public Prosecutions	<i>End of 2026</i>
First Penalties introduced	<i>End of 2026</i>

NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)

Option 1: Do Nothing

14. As this option is the baseline it will incur no further costs (monetised or non monetised), and realise no further benefits to the main affected groups, meaning the PSFA EU.
15. This option assumes the EU pilot would not continue and no further fraud cases would be adopted by PSFA. This would result in no staff costs, but also no fraud funds recovered.

Option 2: Non-Legislative/ Secondary Legislative Options

16. This option is the closest to the BAU. A 24 FTE EU would continue to investigate fraud without any additional primary legislative powers.

Costs

Monetised costs:

17. The most substantial cost impact will be on the PSFA EU. Estimated costs for the PSFA EU (based on 2024-25 Business Planning) cover 24 FTE with a total headcount and non-headcount budget of £1.47m.
18. Costs including professional services (outsourcing investigative services, forensic accountancy, legal, asset recovery costs, travel and subsistence, specialist/ protective kit and relevant specialist training) are included in the total budgets above. Non-pay budgets for 2024-25 are £0.99m.

Non-monetised costs:

19. There will likely be a moderate level of additional costs to operationalise option 2 measures - i.e. the non-legislative/ secondary legislative measures. The evidence underpinning these assumptions are not based upon quantitative evidence due to the lack of publicly available costing for the operation of these measures. However, the two primary costs are likely to include:
 - a. Resourcing costs for the PSFA in the form of additional recruitment and training to operationalise a system similar to HMRC's Contractual Disclosure Facility (CDF); and

- b. Resourcing costs for the PSFA to be trained and utilise Sections 71 to 74 of the Serious Organised Crime and Police ACT 2005 (SOCPA) to secure intelligence or evidence from offenders to assist in an investigation or prosecution.
20. There are not expected to be operationalisation costs for other organisations as a result of this policy option.

Benefits

Monetisable benefits

21. The benefits assumed for this option are based upon the additional benefit above policy option 1 (the 'do nothing' option) where the new powers are not introduced.
22. If the proposed measures are taken forward, and assuming that cases from across government were actioned by the PSFA EU, then the best estimate prediction for Present Value benefits over the 10-year assessment period is **£26.6m** (best estimate) in expected recovered fraud. An explanation of the methodology used to calculate these figures can be found in the 'Benefits monetisation methodology' section below.
23. The PSFA EU will build its capacity and capability to investigate cases over a phased timeline, increasing volume and complexity of cases. There will likely be a phased roll-out of the policy that will affect initial savings in the first few years but this will allow activity to be scaled proportionally. This will be subject to spending review agreement in the usual way.

Non-monetisable benefits

24. The investigations and penalties handed out as a result of pursuing this policy option would act as a deterrent to future public sector fraud. In addition to the disincentives that these powers would create to future potential acts of fraud being committed, punishments issued would prevent those currently committing fraud regularly from continuing to do so in years following punishment. However, it should be noted that the lower size/ level of complexity of cases which could be investigated in this scenario compared to the preferred option means the effect of the deterrent would be lower. This has been presented as a non-monetisable benefit as there is not enough qualitative evidence to measure the number/size of acts of fraud that enforcement of these measures would deter.
25. Government reputation is damaged if it is failing to investigate allegations of public sector fraud and achieve positive outcomes. This scenario involves the PSFA EU investigating more cases of public sector fraud, lessening the damage to the government's reputation. However, it should be noted that the lower size / level of complexity of cases which could be investigated in this scenario compared to the preferred option means the effect of this would be less than the preferred option. This

has been presented as a non-monetisable benefit as it is not possible to quantify the value of lessened government reputation damage that these interventions would enable.

Option 3: Primary Legislation (preferred option)

Costs

Monetised Costs:

- 26. Estimated costs for the PSFA EU (based on 2024-25 Business Planning) cover 24 FTE with a total headcount and non-headcount budget of £1.47m.
- 27. Costs including professional services (outsourcing investigative services, forensic accountancy, legal, asset recovery costs, travel and subsistence, specialist/ protective kit and relevant specialist training) are included in the total budgets above. Non-pay budgets for 2024-25 are £0.99m.
- 28. The cost of an independent oversight team made up of an assumed 8 FTE has been included in the analysis for this IA. The total cost per year is £614k. This includes staff salary, and non-pay costs. This is a static team, it will not change over time. The grade breakdown of the proposed team has been assumed by the PSFA. A breakdown of the team by grade and overall cost has been included below:

Grade	Number of FTE at Grade	Total p.a. cost (inc. pay and non-pay)
SCS 1	1	£110,492
G6	1	£98,891
G7	2	£163,242
SEO	3	£187,314
HEO	1	£54,108
TOTAL:	8	£614,047

- 29. As a result of the introduction of a civil penalties framework, we anticipate a requirement to manage appeals and/ or tribunals. The MoJ has provided estimates of these costs. A one-off £35k start-up cost is expected in year 1. This might include judiciary training and any IT costs. There is also an annual cost of £35k expected for tribunal cases. This is based on information from MoJ that the cost per tribunal case being between £2.5k-£3.5k and the PSFA estimate that there will be fewer than 10 additional tribunals per year.
- 30. The legal costs for criminal prosecutions has been assumed to be £157,360 per year. This assumption was calculated based on the following information:

- a. The mean average trial in the UK lasts 5-7 days. Fraud trials often last longer, but a mean average of Fraud trials would be highly skewed by serious and complex fraud trials such as those conducted by Serious Fraud Office, which might last hundreds of days. Our professional estimate (based on experience of leading similar cases in other agencies) is that 20 days for the kinds of fraud we may deal with would be a best estimate, with an assumed 7 hour court day.
 - b. HMG Costs: Using the information provided by CPS and the PSFA EU's experience of casework, a cost range of £15,000 - £30,000 per case is a reasonable estimate. PSFA's best estimate is that it would undertake 1-2 criminal prosecutions p.a., so a maximum of £60,000 costs p.a. The CPS. If recovered from the convicted criminal as stated by CPS, this would be cost neutral for HMG.
 - c. Defendant Costs: It is reasonable to assume one solicitor and one barrister are required for effective legal representation in a criminal prosecution, although this is entirely the responsibility of the defendant to decide.
 - i. A Band B London 2 solicitor is an experienced solicitor in the highest cost jurisdiction in the UK. Their guideline hourly rate would be £308⁷⁵. Based on this estimate, a solicitor for a PSFA fraud trial would cost £43,680.
 - ii. Reports of a Bar Council of England and Wales survey in 2021 suggest that a median cost of a junior barrister (with up to 5 years experience) is £250 per hour⁷⁶. Using the same calculation, this would mean costs of £35,000 for a 20 day trial.
 - d. Altogether, using the estimate of 2 PSFA fraud prosecution cases per year with a single defendant in each, this would mean total legal costs p.a. of £157,360.
31. There are expected to be potential external oversight costs for the use of criminal investigation powers from the Independent Office for Police Conduct (IOPC) and His Majesty's Inspectorate of Constabulary, Fire, and Rescue Services (HMICFRS).
32. There is an anticipated cost of £50k in year 3 and another £50k in year 7 for external oversight from bodies such as HMICFS and IOPC should it be needed in addition to the internal 8 FTE internal oversight team. HMICFRS advise that inspection services might cost £35,000 - £50,000. This would be voluntary and by invitation. From PSFA discussions the view has been formed that an inspection once every three or four years would be reasonable given the scale of the EU and the likely limited use of the criminal powers.

⁷⁵ <https://www.gov.uk/guidance/solicitors-guideline-hourly-rates>

⁷⁶ <https://www.quartzbarristers.co.uk/how-much-does-a-uk-barrister-charge-a-helpful-guide/#:~:text=According%20to%20a%20survey%20conducted,350%2D%C2%A3400%20per%20hour.>

33. There is an assumed one-off start-up cost for IOPC oversight of £35k in year 1, based on PSFA estimates, and £50k cost for one IOPC investigation. PSFA's £50k estimated cost for an IOPC investigation is based on IOPC published information. There is only assumed to be one IOPC investigation in the 10-year assessment period because they only investigate the most serious incidents/complaints that have the potential to affect public confidence in the police, such as deaths and serious injuries. PSFA has not applied for use of force powers or arrest and detention powers - these would be dealt with by the Police. It is highly unlikely the PSFA would need to refer our use of production orders or search warrants (the only powers in this Bill which IOPC would oversee) to the IOPC for investigation. Both of these powers are overseen by the Courts in the first instance, and subject to rigorous process control and internal oversight. PSFA would be able to deal with any other complaints internally through normal Cabinet Office/PSFA procedure.
34. We expect the costs on business to be minimal, based on anticipated case volumes with the EU targeting c.30-40 cases per year, and to form part of an already salaried person's job. The number of requests for information that can be made will vary on a case by case basis, but an average of two requests per case is in line with similar practice in DWP. DWP has provided an indicative assumption of information requests taking approximately 2.5 hours to fulfil. Assuming these hours are completed by a 40-hour a week full-time employee on an employment cost of £14.95 per hour (this is shown in DWP IA for their Bill), this could see business costs of at least £44.85 per information request on circa 40 cases a year. Total estimated cost to businesses of responding to information requests would be minimal c. £1,794 in total across businesses in any one year. There is an acknowledgement however that this additional activity could displace or de-prioritise other work in a business.
35. For civil penalties we expect that there will be a minimal cost for business to respond to an initial letter imposing a penalty and inviting representations where the fraud has been committed by a business such as a sole trader. The person in the business has 28 calendar days to reply, setting an outside limit on time related costs. PSFA believes that a reasonable estimate of the time necessary to effectively consider and respond to a civil penalty notice would be 1 working day of familiarisation with the penalty system (by reference to the Code of Practice) and 2-4 working days to draft a response, of 7 hours each, spread over the 28 days allowed. Pricing the time value of a person in potentially any occupation to respond to a penalty notice is extremely difficult. For the purposes of this estimate PSFA assume a reasonable level of employee responsibility is Company Secretary. The average company secretary salary in the United Kingdom is estimated at £50,000 per year or £25.64 per hour. Our estimate at 1 day of familiarisation and 3 days on average to respond is therefore a cost of £718 per case. If PSFA imposes 30 penalties per year, this would be a cost of £21,537 across all business pa. This process does not use any other time for any other government department such as the referring agency.

Non-monetisable costs:

36. Businesses are already required to respond to information requests from departments such as HMRC and DWP. The new proposed powers do not introduce anything new over and above those similar powers. The impact on businesses is expected to be minimal but they may be impacted:
- a. where there is fraud that impacts the public sector and meets the threshold for investigation or action via the EU a business might be asked to provide information as part of an investigation.
 - b. a civil penalty may be issued against an organisation or business for failing to comply with an information request.
 - c. an organisation, employer or business may be issued with a penalty if they fail to comply with any provisions of the Debt Recovery powers.
 - d. a financial institution may be issued with a penalty if they fail to comply with a DDO.
 - e. an organisation, employer or business may require legal support, and incur financial costs, if they appeal a penalty notice for fraud, non-provision of information or failure to comply with Debt Recovery provisions.
37. In these cases, businesses would need to respond to requests for information relating to a fraud investigation. We expect the costs on business to be minimal, based on anticipated case volumes with the EU targeting c.30-40 cases per year, and to form part of an already salaried person's job, and therefore incurring an employee's hourly rate or equivalent. There is an acknowledgement however that this additional activity could displace or de-prioritise other work.
38. DWP and HMRC already make use of civil penalty sanctions and the measures that PSFA plan to introduce will only apply in relation to any action by an individual, third party, or organisation, which intends to or results in receipt of fraudulent payment. Therefore, we do not anticipate these changes will result in any direct costs for businesses unless the penalty is issued directly to a business which is judged to have committed fraud.
39. Upon the outcome of a successful investigation, there is a measure relating to recovery of any debt. Businesses could incur costs when making deductions direct from salaries. DWP uses a Direct Earnings Attachment (DEA) to recover any debt - and their guidance to employers states that employers may charge up to £1 administrative costs (per

deduction) to prevent any additional burden. This is a standard approach which has already been used by DWP⁷⁷. Given the expectation from the PSFA that fewer than 10 cases per year would result in DEAs issued, this would result in a very small cost to the public purse which can be offset by debt recovery.

40. Alternatively, recovery could be sought via DDOs through financial institutions. Whilst they will be able to charge £55.00 per order (in alignment with HMRC and DWP), it is anticipated that there will be minimal additional cost considerations due to the low volume of PSFA requests (expected to be under 10 cases per year) and due to alignment with existing powers and processes requesting the such orders.
41. Formalising the relationship with the CPS will mean additional cases to be considered for criminal prosecution. We anticipate this additional case work to be a small subset of the overall c.30-40 cases investigated and to form part of an already salaried person's job. We have estimated a caseload of 1-2 prosecutions per year.

Benefits

Monetised Benefits:

42. If the proposed measures are taken forward, **and assuming that cases from across government were actioned by the PSFA EU**, then the best estimate prediction for Present Value benefits over the 10-year assessment period is **£53.7m (best estimate)** in expected recovered fraud.
43. Lower/upper bound estimates have been made based on lower/higher assumptions for the number of cases adopted by the unit per year. The lower and higher bound estimate predictions for Present Value benefits over the 10-year assessment period are **£29.4m (lower estimate)** and **£55.3m (higher estimate)** respectively. In nominal terms (excluding optimism bias, inflation adjustment and discounting), the average annual benefits is £7.6m (best estimate). An explanation of the methodology used to calculate these figures can be found in the 'Benefits monetisation methodology' section below.
44. The PSFA EU will build its capacity and capability to investigate cases over a phased timeline, increasing volume and complexity of cases. There will likely be a phased roll-out of the policy that will affect initial savings in the first few years but this will allow activity to be scaled proportionally. This will be subject to spending review agreement in the usual way.

⁷⁷ DWP: DEA Impact Assessment - https://www.legislation.gov.uk/ukia/2013/1113/pdfs/ukia_20131113_en.pdf

Non-monetisable benefits

45. Revenue would be generated from the issuing of civil penalties. It is difficult to estimate the amount of revenue which this measure would bring in. As a comparator, DWP's Annual Report and Accounts 2022-23 included collection of civil penalties to the value of £3.4 million. They issued 765 administrative penalties during this period, meaning an average value of £4,444 per case. Using this figure, the PSFA could look at penalty sums up to c.£130k-£180k based on 30-40 cases. However, this has been presented as a non-monetised benefit due to a lack of evidence over how many civil penalties are expected to be issued and the likely difference in value between penalties issued by DWP and PSFA. The PSFA would be issuing a different type of penalty to DWP. DWP issues admin penalties which are set at 50% of the amount overpaid and capped at £5k and are recovered in addition to the overpayment e, whereas the proposed measures would enable the PSFA EU to issue penalties for larger amounts (up to 100% of the value of the fraud offence). Hence it is likely that the value of civil penalties issued by PSFA would be significantly higher than DW, for example, if a fraud was £1m the civil penalty could be up to£1m.
46. These powers would enhance the PSFA EU's ability to prevent future public sector fraud. The investigations and civil penalties handed out as a result of PSFA's new powers would act as a deterrent to future public sector fraud. However it is difficult to estimate the amount of fraud that would not be committed as a result of the introduction of these powers. In addition to the disincentives that these powers would create to future potential acts of fraud being committed, punishments issued would prevent those currently committing fraud regularly from continuing to do so in years following punishment. This has been presented as a non-monetisable benefit as there is not enough qualitative evidence to measure the number/size of acts of fraud that enforcement of these measures would deter.
47. These powers allow for some allegations of fraud against the public sector to be investigated and processed using civil powers rather than criminal powers. This will reduce the burden on criminal courts. These powers would also lessen the pressure on other enforcement agencies (such as the police), because they allow the EU to investigate allegations instead. This has been presented as a non-monetisable benefit as there is not enough qualitative evidence to estimate the number of cases which are prevented from being investigated by other organisations and/or prosecuted in criminal court.
48. Government reputation is damaged if it is failing to investigate allegations of public sector fraud and achieve positive outcomes. These powers will enable the PSFA EU to investigate more cases of public sector fraud, lessening the damage to the government's reputation. This has been presented as a non-monetisable benefit as it is not possible to quantify the value of lessened government reputation damage that these interventions would enable/

Benefits monetisation methodology:

49. Benefits for the expected value recovered from fraud in the preferred option was calculated using the following methodology:

- a. Calculating the average value per year of fraud *detected* in the six organisations where assured data is available - £99.6m.
- b. Of this £99.6m we were then able to calculate the average value per year of fraud *recovered* in the six organisations mentioned above as £52.7m.
- c. These values help form the assumption that on average, 53% of fraud detected is eventually recovered.
- d. An assumption was made on the average value per case based on the number of cases currently adopted by the PSFA EU (11 cases) and the value of these cases (£3m) giving an average value of £280k. The cases adopted are likely to not be the largest and/or most complex of cases as the team is unable to recover funds in such cases due to its lack of legislative powers. It was assumed that the introduction of new powers would allow for larger, more complex cases to be investigated resulting in a higher average value per case than in the pilot programme. For example, the criminal cases requiring criminal investigative powers to gather sufficient evidence for a prosecution could previously not be adopted, or fulfil the duty on investigators to follow all reasonable lines of enquiry. For this reason it was assumed that the average value per case would be higher than the £280k value seen in the pilot programme. Based on estimates from the EU, it was assumed that the value would be £500k.
 - i. Policy option 2 uses the assumption that the size and/or complexity of cases which would be adopted is no higher than in the pilot programme. This is because the EU would not have the legislative powers to pursue significantly larger and/or complex cases. For example, criminal cases requiring criminal investigative powers to gather sufficient evidence for a prosecution could still not be adopted or evidence gathered sufficient to meet the criminal standard of proof. So the average value of a fraud case adopted in this scenario is the same as in the pilot programme (£280k).
- e. Using the assumption that the average fraud case would be £500k and the assumption that the average value of fraud recovered is 53%, the assumed fraud recovered per case adopted by the PSFA EU was estimated to be £260k.
- f. The number of cases which would be adopted by the PSFA EU was then assumed using the number that had been adopted in the pilot programme. The

pilot programme had 11 cases referred to it that were adopted in 6 months, so this was doubled to find the assumed number of cases adopted in year 1. It was assumed that as expertise was ramped up, the number of cases which the EU would be referred and able to adopt would increase by 20% each year until Year 4, at which point it would remain steady for the rest of the assessment period. The assumed number of cases for each of the 10 assessment years has been summarised in the table below.

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assumed cases (best estimate)	22	26	31	37	37	37	37	37	37	37

- g. The assumed average value of fraud and error recovered was multiplied by the number of assumed cases which the EU would adopt for each year to produce an estimate for the assumed value of fraud and error recovered for each year.
- h. Criminal cases can be complex and involve several stages of detailed investigation and legal consideration. This can mean that cases take multiple years before being concluded and therefore any outcomes achieved in any given year are not likely to be reflective of investigative activity in the same period. For this reason, it has been assumed that the benefit from each year is not realised in the year of the investigations. Instead the benefit value is spread equally across the three years following the investigation year. As a result, there are no benefits for Year 1.
- i. The lower/upper bound estimates were calculated using the same method, but assuming that the number of cases adopted remains constant throughout the 10-year assessment period. The lower bound assumption is that the number of cases remains at the baseline of 22 for the entire period. Whereas the higher bound estimate estimates that the team will be able to adopt 37 cases immediately from year 1 (without ramping up). This has been summarised in the table below. The assumed number of cases in the best estimate and upper-bound estimates only differ in years 1-3. As a result, the upper-bound estimate for benefits is not much higher than the best estimate benefits.

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assumed cases (lower-bound)	22	22	22	22	22	22	22	22	22	22
Assumed cases (upper-bound)	37	37	37	37	37	37	37	37	37	37

- j. Present Value benefits were calculated by adjusting assumed benefit values for each year to factor in an inflation adjustment (converted to FY 2026/27 prices) and discounting (at 3.5% per year) as recommended in the Green Book. A 10% optimism bias was then applied to costs, this was chosen because the cost assumptions used in this methodology have been quite conservative. However a 15% optimism bias was applied to the benefits. This reflects the fact that, while assumptions have been conservative, there is a slightly higher level of uncertainty over them than the cost assumptions.

50. The methodology used to calculate the benefits in policy option 2 are very similar to the methodology used to calculate the benefits of policy option 3 (described above). However the methodology used for policy option 2 differs in the following ways:

- a. The average value of fraud cases adopted by the EU is not assumed to increase above the current average value of cases adopted in the pilot (£280k). This is because it has been assumed that the powers included in this policy option would not enable the unit to take on the larger cases that require the legislative powers from the preferred option to take on. This has the effect of reducing the modelled value of fraud recovered compared to the preferred option.
- b. The number of cases which the EU adopts is not assumed to increase above the number that were adopted in the pilot (22 per year). This is because it has been assumed that the powers included in this policy option would not enable the unit to take on the more complex cases that require the legislative powers from the preferred option to take on. This has the effect of reducing the modelled value of fraud recovered compared to the preferred option.
- c. The costs for the 8 FTE oversight team (£614k) and the cost of external oversight (£100k) are not included. This is because oversight teams would not be necessary without the introduction of the new powers for the unit. This has the effect of lowering the modelled costs of policy option 2 compared to the preferred policy option 3.

Cost Benefit Analysis

51. The table below summarises the nominal benefits and costs (excluding optimism bias, inflation adjustment and discounting) for the preferred policy option's (Option 3's) best estimate.

Cost/Benefit	Description	Nominal Value
Cost	24 FTE EU team	£2,469,000
Cost	8 FTE internal oversight team	£614,047
Cost	Tribunal fees (10 cases per year)	£35,000
Cost	Legal costs for criminal prosecution	£157,360
Cost	Cost to businesses to respond to request for information requests	£1,794
Cost (year 1 only)	Start-up costs for adding civil penalties to tribunal business	£35,000
Cost (year 1 only)	IOPC external oversight start-up	£35,000
Cost (year 1 only)	IOPC external oversight investigation	£50,000
Cost (years 3 & 7 only)	HMICFRS external oversight	£50,000
Benefit	Average fraud value recovered p.a.	£7,619,614

52. The value of nominal benefits is not equal for each year due to the assumption that the number of cases investigated will change over the assessment period, and the assumption on the delay in the realisation of recovered benefits following successful investigations. The table below gives the nominal benefit value (excluding optimism bias, inflation adjustment and discounting) broken down by year for policy option 3's best estimate.

Year	Estimated nominal benefit value
Year 1	£0
Year 2	£2,290,289
Year 3	£5,461,458

Year 4	£9,777,771
Year 5	£9,777,771
Year 6	£9,777,771
Year 7	£9,777,771
Year 8	£9,777,771
Year 9	£9,777,771
Year 10	£9,777,771

53. The table below summarises the Option 2 best estimate, the Option 3 best estimate, the Option 3 lower-bound estimate, and the Option 3 upper-bound estimate cost benefit modelling. It gives the modelled total and Present Value (PV) costs and benefits, as well as the Net Present Value (NPV) and Benefits Cost Ratio (BCR).

	Option 2	Option 3 (preferred)		
	Best Estimate	Lower Bound	Best Estimate	Upper bound
Total Cost	£27.6 M	£36.6 M	£36.5 M	£36.5 M
Present Value Cost	£23.3 M	£31.0 M	£30.9 M	£30.9 M
Total Benefit	£42.3 M	£46.5 M	£76.2 M	£78.2 M
Present Value Benefit	£26.6 M	£29.4 M	£53.7 M	£55.3 M
Net Present Value	£3.3 M	-£1.5 M	£22.8 M	£24.4 M
Benefits Cost Ratio	1.14	0.95	1.74	1.79

54. The Option 2 best estimate NPV is negative and it does not meet the policy objectives so it has been discounted.

55. The NPV for the lower-bound estimate is negative, meaning it would not be value for money. However, this estimate is based on the assumption that the number of cases which would be adopted by the EU would be no higher than the pilot programme despite the introduction of some, albeit limited, enforcement powers. It is unlikely that this would be the case. The pilot programme was limited in the number of cases it could adopt because it did not have the powers to investigate larger and/or more complex cases. So the new measures would allow for more cases to be adopted than before and for revenue to be generated from civil penalty notices.

56. The preferred option (Option 3) has the highest BCR, however it is quite low. This is still the preferred option because it has a positive NPV and some significant non-monetisable benefits.

Sensitivity analysis

57. The table below summarises the sensitivity modelling for the best estimate, lower-bound estimate, and upper-bound estimate scenarios of Option 3. The first table compares the PV costs and benefits, the NPV, and the BCR if costs increased by 10% for each of the three estimates, to the actual estimates. Option 2 has been discounted so no sensitivity analysis of this scenario has been included.

	Lower Bound		Best estimate		Upper Bound	
	Baseline	Costs +10%	Baseline	Costs +10%	Baseline	Costs +10%
Present Value Cost	£31.0 M	£34.0 M	£30.9 M	£34.0 M	£30.9 M	£34.0 M
Present Value Benefit	£29.4 M		£53.7 M		£55.3 M	
Net Present Value	-£1.5 M	-£4.6 M	£22.8 M	£19.7 M	£24.4 M	£21.3 M
Benefits Cost Ratio	0.95	0.86	1.74	1.58	1.79	1.63

58. The table below is the same as above except the actual estimates are compared to a scenario where benefits are 10% higher than expected.

	Lower Bound		Best estimate		Upper Bound	
	Baseline	Benefits +10%	Baseline	Benefits +10%	Baseline	Benefits +10%
Present Value Cost	£31.0 M		£30.9 M		£30.9 M	
Present Value Benefit	£29.4 M	£32.4 M	£53.7 M	£59.0 M	£55.3 M	£60.8 M
Net Present Value	-£1.5 M	£1.4 M	£22.8 M	£28.1 M	£24.4 M	£29.9 M
Benefits Cost Ratio	0.95	1.05	1.74	1.91	1.79	1.97

Costs and benefits to business calculations

59. The impact of these proposals to businesses is expected to be minimal but they may be impacted:

- a. where there is fraud that impacts the public sector and meets the threshold for investigation or action via the EU a business might be asked to provide information as part of an investigation.
- b. a civil penalty may be issued against an organisation or business for failing to comply with an information notice.

- c. an organisation, employer or business may be required to implement a DEO or DDO, and then be issued with a penalty if they fail to comply with it, or fail to comply with any other provisions of the Debt Recovery powers.
- d. an organisation, employer or business may require legal support, and incur financial costs, if they appeal a penalty notice for fraud, non-provision of information or failure to comply with a DEA.

60. In these cases, businesses would need to respond to requests for information relating to a fraud investigation. We expect the costs on business to be minimal, based on anticipated case volumes with the EU targeting c.30-40 cases per year, and to form part of an already salaried person's job. The number of requests for information that can be made will vary on a case by case basis, but an average of two requests per case is in line with similar practice in DWP. DWP has provided an indicative assumption of information requests taking approximately 2.5 hours to fulfil. Assuming these hours are completed by a 40-hour a week full-time employee on an employment cost of £14.95 per hour (this is shown in DWP IA for their Bill),⁷⁸ this could see business costs of at least £44.85 per information request on circa 40 cases a year. Total estimated cost to businesses of responding to information requests would be minimal c. £1,794 in total across businesses in any one year. There is an acknowledgement however that this additional activity could displace or de-prioritise other work in a business.

61. The costs to a bank for implementing a DDO are expected to be minimal:

- a. When implementing a DDO, banks will be able to apply an administrative cost to the liable individual of £55.00. This aligns with HMRC and DWP. This cost will be recouped from the individual.
- b. When HMRC implemented DDOs in 2015, their impact assessment found that 'the administrative costs of doing this [for banks] are expected to be negligible' and were offset by the administrative charge⁷⁹.
- c. In the 2014 consultation on HMRC's Direct Recovery of Debt⁸⁰, representatives of the banks and building societies highlighted the need to train branch and call centre staff to deal with the administration of DRD and to answer customers'

⁷⁸ Using the Annual Survey of Hours and Earnings (ASHE) to calculate the hourly costs of staff who are fulfilling these RFIs.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2023>

⁷⁹ HMRC, Policy Paper, Direct recovery of HM Revenue and Customs debts from debtors' bank and building society accounts. Published July 2015.

⁸⁰ HMRC, Consultation Response, Direct Recovery of Debts: Summary of Responses. Published November 2014.

questions. They also suggested that IT systems may require updating (p22). DRD came into effect in November 2015, meaning that it has been operationalised for nine years and financial institutions will have been able to make the requisite changes and embed the training. Generally, DRD activity is incorporated into an existing role and the time required to implement it will be minimal, reflecting that it is an established process for banks to do this for government.

- d. We also expect the PSFA to make a low number of DDOs a year (likely single figures), which will further reduce the time impact. As it has been based on DRD, it is expected that minimal extra guidance will have to be provided.
- e. The impact on banks of not complying with a DDO is a civil penalty of up to £1,000.00. However, this is unlikely to be used in practice. HMRC have never had to resort to it.

62. The costs to employers for implementing a DEA are expected to be minimal:

- a. When implementing a DEA, employers will be able to apply a charge of £1.00 per deduction period to cover their administrative costs. The £1.00 deduction is standard for a range of orders, including from county courts and DWP⁸¹.
- b. In 2011, DWP published their impact assessment for DEAs⁸². This calculated the costs of implementing a DEA on employers as consisting of additional payroll charges (p13) and staff time (assumed to be a maximum of 1.2 minutes to make the monthly payment covering the personal account for each employee, p13). The administrative charge of £1.00 was found to make implementation cost neutral for employers. Whilst the permissible charge has not increased, the constituent costs are both assumed to have decreased over time with increased digitalisation of payroll and tax accounts.
- c. We also expect the PSFA to make a low number of DEAs a year (likely single figures), which will further reduce the impact. Full guidance will be provided to employers.
- d. The impact on employers of not complying with a DEA is a civil penalty of up to £1,000.00. DWP reports a high employer compliance rate with their DEAs. Due to the low number of DEAs made each year, we expect there will be minimal instances where employers receive fines related to them.

Impact on small and micro businesses

63. There will be minimal costs to businesses. Calculations show impacts are estimated to be less than £30k a year. Where there are costs, measures will be in place to reduce those costs.

⁸¹ See GOV.UK guidance on deduction orders (see here for priority orders and non-priority orders). Accessed November 2024.

⁸² DWP, Impact Assessment: Direct Earnings Attachment to Recover Overpaid Social Security Benefits. Published September 2011.

64. The calculations for this are shown below.

Information Sharing and Gathering Powers

65. Small and micro-businesses will be included within the scope of the policy. PSFA is already entitled to compel information from small businesses in relation to their role as employers, and PSFA does not expect these changes to either disproportionately impact small and micro businesses or significantly increase the volume of RFI's going to small businesses. Safeguards such as restricting the use of the power to 'Authorised Officers', and only requesting information when it is necessary and proportionate ensures small businesses would only receive an RFI if the information where there are reasonable grounds to suspect fraud has been committed against a public authority and it does now include a request for "excluded material" or "special procedure material," as defined under the Police and Criminal Evidence Act 1984.

66. In all instances PSFA will consider the size of the business and their capability when considering how best to exchange information.

67. As part of these measures it is expected that a small number of businesses (perhaps less than 100 a year) would need to respond to requests for information relating to a fraud investigation. We expect the costs on business to be minimal, based on anticipated case volumes with the EU targeting c.30-40 cases per year, and to form part of an already salaried person's job. The number of requests for information that can be made will vary on a case by case basis, but an average of two requests per case is in line with similar practice in DWP. In this instance DWP have provided an indicative assumption of information requests taking approximately 2.5 hours to fulfil. Assuming these hours are completed by a 40-hour a week full-time employee on an employment cost of £14.95 per hour (this is shown in DWP IA for their Bill), this could see business costs of at least £44.85 per information request on circa 40 cases a year. Total estimated cost to all businesses of responding to information requests would be minimal c. £1,794 in total divided by the number of businesses impacted across all businesses in any one year. The value of RFI's to PSFA relative to the likely cost to a business. The estimated £1,794 cost to businesses to respond to RFIs is £16,688 across the whole period in Present Value terms. Whereas modelled estimates of Net Present Value benefits as a result of PSFA investigations is £22.8m across the period. Whilst small and micro businesses may be more likely to encounter higher costs when fulfilling RFI's, it is unlikely to scale beyond the potential value of a fulfilled RFI.

Civil Penalty Powers:

68. For civil penalties we expect that there will be a minimal cost for business or individuals to respond to an initial letter imposing a penalty and inviting representations where the fraud has been committed by a business such as a sole trader. The person in the business has 28 calendar days to reply, setting an outside limit on time related costs. PSFA believes that a reasonable estimate of the time necessary to effectively consider

and respond to a civil penalty notice would be 1 working day of familiarisation with the penalty system (by reference to the Code of Practice) and 2-4 working days to draft a response, of 7 hours each, spread over the 28 days allowed.

69. Pricing the time value of a person in potentially any occupation to respond to a penalty notice is extremely difficult. For the purposes of this estimate PSFA assume a reasonable level of employee responsibility is Company Secretary. The average company secretary salary in the United Kingdom is estimated at £50,000 per year or £25.64 per hour. Our estimate at 1 day of familiarisation and 3 days on average to respond is therefore a cost of £718 per case. If PSFA imposes 30 penalties per year, this would be a cost of £21,537 across all business pa.

Debt Recovery Powers:

70. Upon the outcome of a successful investigation, there is a measure relating to recovery of any debt via Direct Deduction Orders (DDOs) and Direct Earnings Attachments (DEAs).
71. Where DDOs are enacted the businesses impacted by these proposals are banks. Some of these may be small and micro businesses but as discussed earlier, the banks will be able to recover costs from debtors, so there should be no impact regardless of the size of business.
72. As discussed earlier, the banking sector is dominated by large Banks and Building Societies. Reports suggest that the four largest UK Banks control 75% of current accounts. The large majority of micro sized Banks and Building Societies are Credit Unions.
73. Where DEAs are enacted businesses could incur costs when making deductions direct from salaries or bank accounts on behalf of a person who owes fraud related debt and has refused to pay it through other voluntary means. Where DWP uses a Direct Earnings Attachment (DEA) to recover any debt, employers may charge up to £1 administrative costs (per deduction) which can be taken from the liable person's earnings to prevent any additional burden.
74. We will maintain parity with DWP on this, with the £1.00 administrative charge being an established standard amount for a wide variety of court and non-court orders. In addition, banks will be able to charge up to £55.00 for making deduction orders from accounts. This has been found by HMRC to offset the actual costs.
75. The PSFA is taking its approach to DEAs and DDOs from legislation and departments that have already operationalised these powers (DWP and HMRC). Maintaining parity means that businesses and banks will already be familiar with the processes, reducing the administrative burden.

76. We expect that only around eight debt management cases a year will proceed to DEA and DDO action, with a total cost to businesses of under £110.00 and this will be recouped by banks from the liable individual, so there is no cost to the bank.
77. In the 2011 DWP Impact Assessment on DEAs, they provided additional information on the £1.00 charge that employers can apply to cover their administrative costs (p12-13). A 2008 quantitative survey (*Informing the piloting of Deduction from Earnings Orders as the primary method of collecting child maintenance. DWP Research Report No 530*) of employers on the administrative costs of using DEAs for collecting child maintenance had concluded that employers generally thought that the £1.00 charge was right. The £1.00 deduction per DEA was also found to cover the actual costs, which consisted of additional payroll charges and staff time (assumed to be a maximum of 1.2 minutes to make the monthly payment covering the personal account for each employee). If we have four DEAs a year running for 12 months, with a monthly deduction, the total in annual administrative costs would be £48.00, which would offset the cost to business. New and micro businesses will be exempt from putting in place DEAs.
78. We also expect the PSFA to make a low number of DDOs a year (likely four), which will further reduce the time impact. As it has been based on similar processes used by HMRC already, it is expected that minimal extra guidance will have to be provided to employers. We estimate that it will take up to a total of three hours of bank staff time a year costing approximately £56.13 (against a compliance officer's average annual salary of £36,000 working a 37 hour week). This will be split across multiple banks, resulting in a lower actual cost that will still be offset by the £55.00 administrative charge received from the liable individual.
79. Although the ability to pass on costs means there are no costs to small and micro businesses, consideration was given to exempting them from this measure. It is not appropriate to exempt small and micro businesses from this measure (except where specified e.g. for DEAs). The exclusion of them would lead to unintended consequences for example this would create a loophole, whereby individuals wishing to avoid repaying their debts could move their money to an account with a small and micro business and evade one of the mechanisms by which recoveries could be made. An exemption may also have adverse effects on competition within the banking sector, as individuals may be deterred from opening an account with a medium or large bank.

Police and Criminal Evidence Act 1984 (and other criminal powers):

80. These powers will only be used in a small number of instances (anticipated initially to be only 1 or 2 cases a year) and, therefore it is unlikely there will be a significant increase in the volumes of small or micro businesses that are impacted by the search and seizure operational activity of PSFA.

81. There are no grounds for exempting small and micro sized businesses from this legislation because searches conducted by PSFA's EU cover investigations into extremely serious crimes which must be tackled with all available tools.

Costs and benefits to households' calculations

82. There is not expected to be any additional impact to households as a result of these measures.

Business environment

83. There is not expected to be any additional impact to the business environment as a result of these measures.

Trade implications

84. Due to the territorial application of these measures to England and Wales solely, we do not anticipate these changes will result in any impacts on international trade and investment.

85. In addition, we do not expect any impacts, adverse or otherwise, on any international institutions.

Environment: Natural capital impact and decarbonisation

86. There is not expected to be any additional natural capital impact or decarbonisation impact as a result of these measures.

Other wider impacts (consider the impacts of your proposals)

87. We would expect the proposed changes to have the following impacts:

1. Without these proposed measures, most government departments currently rely on the Police to investigate and prosecute cases of fraud they identify. Giving the PSFA EU the powers to tackle this on behalf of His Majesty's Government will free up valuable time for Police resources.
2. Obtaining and demonstrating the use of these powers will send a clear message to the public and specifically fraudsters that the government is taking fraud very seriously. This should in turn increase the confidence the public have in the government detecting, investigating and recovering fraud.
3. The long-term impacts of the measures may deter serious and organised criminals from defrauding His Majesty's Government, reducing in the long-term, money spent on fighting fraud.

Risks and assumptions

88. The modelling used in the analysis is based on the following assumptions:

- a. **Number of FTE in EU:** the unit will maintain the 24 FTE which currently comprises the pilot unit. It is expected that this size of team would be enough to manage the assumed number of cases. However, should this not be the case, additional staff would need to be hired, incurring further costs.
- b. **Number of cases adopted in Year 1:** the best estimate assumes the unit will be able to adopt 22 cases in Year 1 of the programme. This is based on the fact that there have been 11 adopted cases in the 6-month pilot programme, so 22 could be expected over a 12-month period. This is a reasonably conservative assumption given the fact that the new measures should enable the PSFA EU to pursue more cases than the pilot unit. However, there is a risk that the number of cases adopted is fewer than the number it is assumed they could adopt. This is because the EU is reliant on departments to refer cases to them, so it is possible that fewer cases are adopted than are expected even if the unit has the capacity to take on more. This would result in less fraud value recovered, thus lower benefit for the programme.
- c. **Increase in number of cases from Year 1 to Year 10:** the best estimate assumes that over the first few years (Years 2-4) the number of cases that the unit would be able to adopt would increase (by 20% each year) as they become more experienced. The number of cases the unit has capacity to adopt would then settle from Years 5-10 (at 37). The lower-bound estimate assumed that the number of cases which the unit adopts would never ramp up, but instead would remain the same from Years 1-10 (22). Conversely the higher-bound estimate assumes that the number of cases which the unit could adopt would not need time to ramp up, instead it would be 37 for Years 1-10. As discussed in paragraph 46(b), the main risk would be that the number of cases referred to the unit would be lower than the number it is assumed they could adopt.
- d. **Fraud value per case:** the average value of fraud detected per case by the pilot unit is c£280k, however it has been assumed that the new measure would enable the EU to take on larger and more complex cases, resulting in a higher assumed value of fraud per case (£500k). The main risk is that the size and/or complexity of cases that are referred to the unit does not increase, meaning the average fraud value per case is no higher than the pilot unit adopted.
- e. **Proportion of fraud detected that can be recovered:** is assumed to be 53%. This is based on the average proportion of assured fraud recovered by six government organisations from FY19/20 to FY21/22. The main risk is that the type of fraud cases that the EU will take on are different in nature to the cases reported from these other organisations, so the proportion of fraud recovered is different. There is no evidence to suggest if this would mean the proportion recovered by the EU would be higher or lower than the other organisations.

- f. **Year of benefits realisation:** there is assumed to be a relatively long lead time between the commencement of an investigation and the final recovery. It can take between several months to several years. So the analysis contains the assumption that there is no fraud recovered in the year of the case adoption. As a result there are no benefits expected in Year 1. The benefits realisation is assumed to be spread equally over the three years following the adoption of the case. The main risk is that the number and/or extent of complexity of complex criminal cases is higher than expected resulting in recovery taking longer than the modelling assumes. Due to the discounting for future years to calculate the present value of benefits, this would result in lower benefits.
 - g. **FTE required for oversight team:** a team of 8 FTE would be hired to provide oversight of the PSFA EU team in policy option 3 (the preferred option), but not in policy option 2 (non-legislative/ secondary legislation option). The main risk would be increased staff costs due to a larger than expected team, or a more senior balance of grades in order to operate to the required standard.
89. The PSFA is currently developing the evidence base on fraud and error across the central government. As this builds over time and richer levels of evidence become available, the impacts of these measures will become more developed.