



Rebecca Hall

Benefits and Credits

Exchequer Losses

HMRC

17th May 2011

Tax Credits – Background

- £27bn paid to 6 million customers annually
- Very complex policy with 160 + moving parts
- Response to customer needs and circumstances
- 11,000 staff in total; approx 1800 working on Error & Fraud
- Error and Fraud rate averaged 9% over last 2 years which aggregates to £2.4bn per annum
- 6 key Disproportionate Loss Groups accounted for this loss
- Every year £1bn of new error and fraud enters our system at source

Tax Credits – Disproportionate Loss Groups (DLGs)

Disproportionate Loss Group	Loss millions	Loss %
Undeclared Partner	£672	28%
Children	£360	15%
Childcare	£456	19%
Income Discrepancy	£336	14%
Work & Hours	£408	17%
Disability	£168	7%
Total	£2.4 billion	100%

Tax Credits Error and Fraud

- In April 2009, HMRC launched a revised Tax Credits Error and Fraud Strategy focussed on reducing error and fraud to no more than 5% by March 2011 from 9% in 2008/09.
- This does not include Identity Fraud which is measured separately.
- The strategy is based on four principles:
 - ❖ Helping customers getting it right
 - ❖ Preventing error and fraud from entering the system;
 - ❖ Greater Professionalism across Error & Fraud teams; and
 - ❖ Campaign style interventions focussed on DLGs

Progress so far

	2008/09		2009/10		2010/11
Interventions	123,000	→	1,000,000+	→	2,000,000+
Yield	£253m	→	£770m	→	£1400m
Organised Fraud	£32m	→	£106m	→	£40m
Yield/FTE	£190k	→	£579k	→	£777k*
Yield/£ spent **	1:9	→	1:24	→	1:31

•Yield/FTE = £1m in 11/12 **Costs are direct costs only and exclude Estate/IT

So what is next?

- Over the SR period, HMRC needs to deliver £8bn and maintain error and fraud at 5% as well as living within a smaller budget.
- Number of ways we are going to deliver this such as developing new ways of preventing error and fraud from entering the system and using intelligence to cleanse existing error and fraud.
- In addition, we will also need to deliver the **joint strategy which was published in October 2010**

An integrated strategy

- Our new strategy is based on five elements, focused on preventing fraud and error entering the system in the first place; seeking it out and correcting it where it does exist; and giving out effective punishments to those who do attack the system, deterring others from considering the same course of action

PREVENT

Stopping fraud and error getting into the system in the first place

DETECT

Increasing the likelihood of finding incorrect and fraudulent claims

CORRECT

Quickly putting incorrect cases right, getting back what we're owed

PUNISH

Strengthening sanctions for those caught

DETER

Publicise harsh punishments and the high likelihood of being caught

Working with Credit Reference Agencies

- Following the publication of the Joint HMRC/DWP Strategy in October 2010, seven companies made representation to HMRC and HMT Ministers.
- Pilot was run with 3 Credit Reference Agencies (Transactis, Experian and Equifax) to address Undeclared Partner risk in Tax Credits.
- Each company was given identical 20k Tax Credit claims where there was evidence of an Undeclared Partner.
- Each company risked ranked the cases into high (red) risk and medium (amber) risk.
- 750 interventions were sampled. (250 from each company)
- Two of the three companies piloted a new approach and sent out letters on behalf of HMRC and one company trialled issuing text message reminders.

CRA Pilot 04/01/2011 to 04/02/2011

- Discrepancy Letters (Red risk)
 - - issued to customers where we have specific information or data from the CRA that strongly suggests there is a high risk of an Undeclared Partner.
 - Customers given a 10 day BF and then payment stopped.
- Leverage Letters (Amber risk)
 - - issued where we have information from the CRA which suggests there maybe a risk of an Undeclared Partner.
 - Customers given 30 days to respond. Payment not stopped.

Discrepancy Letters Pilot results

- From 20k cases CRA's identified 4250 Discrepancy (red risk) cases
- 600 red risk letters were issued
- 10 day BF
- 90% response rate
- 41% strike rate
- £5300k per case
- Total losses prevented in 4 week period £1.46 m
- Approx. 3650 Discrepancy letters will be issued by HMRC over next few months
- Losses prevented – approx £8m

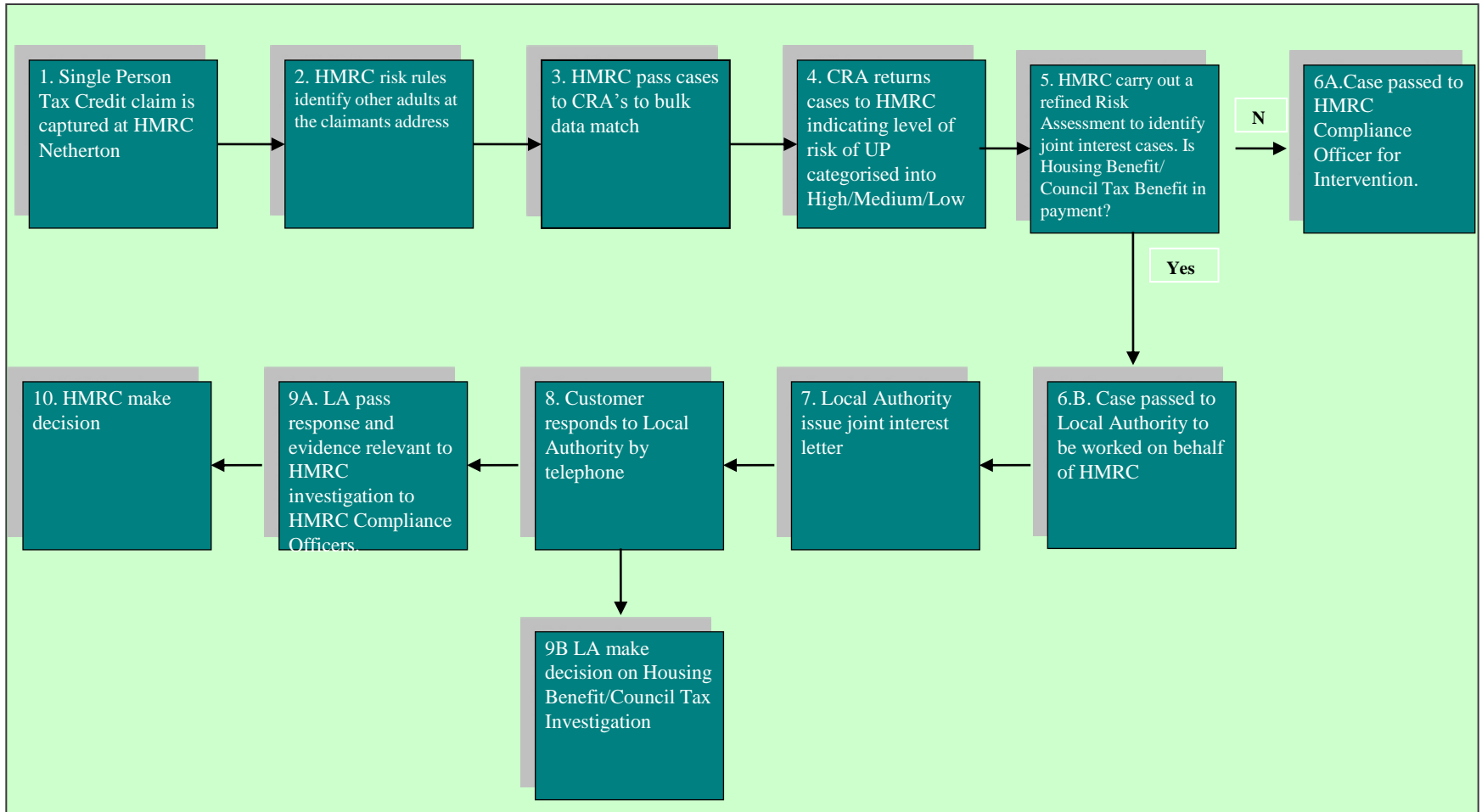
Leverage Letters Pilot results

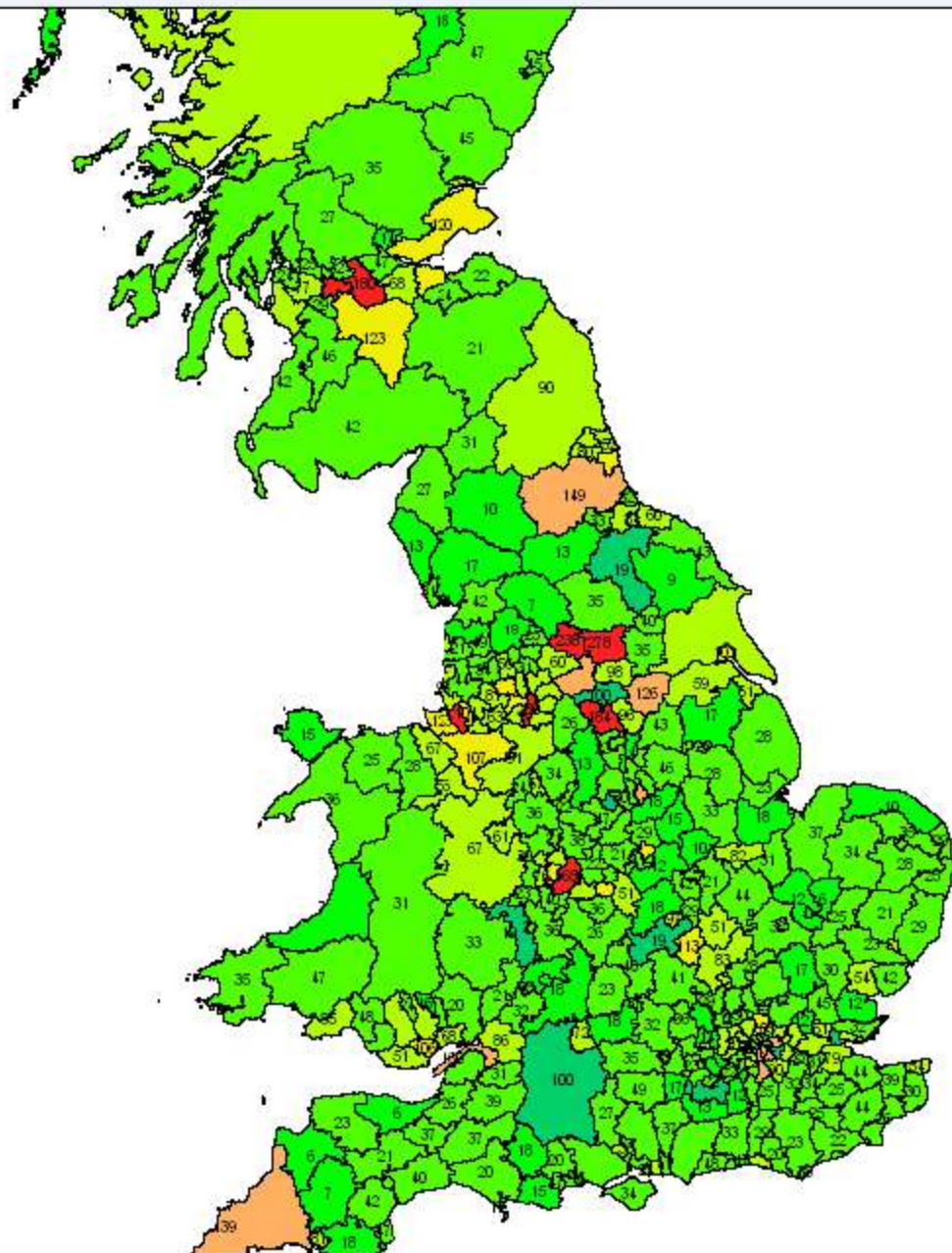
- From 20k cases CRA's identified 10,300 Leverage (Amber risk) cases
- 150 amber risk letters were issued
- 30 day BF
- 50% response rate
- 15% strike rate
- £2900k per case
- Total losses prevented in 4 week period £32k
- Approx. 10,150 Leverage letters will be issued by HMRC over next few months
- Losses prevented – approx £2.2m

HMRC/LA Joint Working

- We have held meetings with Brent and Rushmore LA's to look at how we can work more closely with LA's and to identify any potential barriers to joint working
- We are working closely with Policy regarding Gateways to enable us to share information relevant to claims where there is known Housing Benefit/Council Tax interest
- We are exploring ways where we may be able to supply information for claims where there is known Single Person Discount interest.
- We have determined a Process Map for working cases jointly with LA's
- We have mapped the highest concentration of joint interest cases for each LA

HMRC/LA Joint Working





High Concentration of Tax Credit Claims per Local Authorities

City of Edinburgh; Glasgow City; Barnet; Camden; Enfield; Haringey;

Islington; Lambeth; Lewisham; Southwark; Manchester; Liverpool;

Wirral; Newcastle upon tyne; North Tyneside; Birmingham; Coventry;

Dudley; Sandwell; Leicester; Nottingham; Stoke-on-Trent;

City of Bristol; Bournemouth; Poole; Southend-on-Sea; Milton Keynes;

Brighton and Hove; Portsmouth; Southampton; Swansea;

Rhondda Cynon,Taff; Cardiff; Thanet