

Public Authorities (Fraud, Error and Recovery) Bill

Lead department	Department for Work & Pensions
Summary of proposal	The Bill makes provisions to reform the legislative framework across the public sector to help identify, prevent and deter fraud against the public sector, and enable the better recovery of debt owed to the taxpayer where money has been overpaid. The RPC rating is based on the six regulatory provisions in the bill, although the Department has provided a qualitative assessment of all measures in the summary of impacts section.
Submission type	Impact assessment (IA) – 04/11/2024
Legislation type	Primary legislation
Implementation date	TBC
Policy stage	Final
RPC reference	RPC-DWP-24014-IA(1)
Opinion type	Formal
Date of issue	17/01/2025

RPC opinion

Rating¹	RPC opinion
Fit for purpose	The methodologies used to calculate EANDCBs seem proportionate where data was available. The individual IAs submitted for RPC scrutiny present an assessment of impact on small and micro businesses. Although SMBs are not exempted from any of the measures, the assessment provides reasonable justification for not exempting SMBs. However, the assessment does not sufficiently discuss the potential impact on the poorest members of society of reclaiming overpayments due to error.

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying regulatory provision	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.1 million (2024 prices)	£0.1 million (2024 prices)

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

Business impact target (BIT) score	N/A	N/A
Business net present value	£0.6 million	
Overall net present value	£1890 million	

RPC summary

Category	Quality²	RPC comments
EANDCB	Green	Across all 11 measures presented, the IA estimates a total EANDCB of £0.1m in 2024 prices (rounded to the nearest 0.1 million). The Information Gathering Powers Measure forms most of the estimated annual cost to businesses. The methodologies used to calculate the EANDCBs provided seem proportionate, where data was available. The Department has committed to provide an EANDCB for the Eligibility Verification Measure at a later date. The PSFA IA could be improved by explicitly defining the estimated annual costs to businesses as EANDCB figures.
Small and micro business assessment (SaMBA)	Green	The individual IAs submitted for RPC scrutiny present an assessment of impact on small and micro businesses (SMBs). Although SMBs are not exempted from any of the measures, the assessment provides reasonable justification for not exempting SMBs.
Rationale and options	Satisfactory	In general, the rationale and options assessment presented are satisfactory. However, the analysis of the Debt Recovery measure was weak as only two options were considered (do-nothing and the preferred option).
Cost-benefit analysis	Satisfactory	The monetisation of impacts seems proportionate and includes a clear break down of the methodology. The IAs submitted consider uncertainty and / or risks through sensitivity analysis and / or a discussion of associated risks.
Wider impacts	Satisfactory	The wider impacts presented appear relevant to each individual measure and were discussed in sufficient detail. However, the assessment does not sufficiently discuss the potential impact on the poorest members of society reclaiming overpayments due to error.

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

Monitoring and evaluation plan	Satisfactory	The monitoring and evaluation plans presented in individual IAs were generally satisfactory and provided sufficient detail apart from for the Debt Recovery measure which was deemed weak as the presented M&E plan lacks detail to the same level as in other IAs.
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Summary of proposal

The Bill makes provisions to reform the legislative framework across the public sector to help identify, prevent and deter fraud against the public sector, and enable the better recovery of debt owed to the public purse where money has been overpaid. The bill contains five measures from DWP to support the Department in identifying more incorrect payments, reduce fraud and error and improve the recovery of debt. The Public Sector Fraud Authority's (PSFA) six measures in the bill provide PSFA Enforcement Unit powers to investigate and address fraud against the public sector. The IA has identified the following measures as regulatory provisions under the better regulation framework:

DWP regulatory provisions

- The Eligibility Verification measure
- Debt Recovery measure
- Information Gathering Powers

PSFA regulatory provisions

- Information Sharing and gathering powers
- Proportionate Debt Recovery Powers (TBC)
- Civil Penalties measure

The RPC rating is based on these six regulatory provisions, although the Department has provided a qualitative assessment of all measures in the summary of impacts section.

EANDCB

Across all six regulatory provisions, the IA estimates a total EANDCB of £0.1m in 2024 prices (rounded to the nearest 0.1 million). The information gathering powers measure forms most of the estimated annual cost to businesses in the IA submitted for RPC scrutiny.

The Eligibility Verification measure (DWP): estimates will be included in a subsequent IA.

Debt Recovery measure (DWP): £0.0m as any cost to banks will be recovered from the debtor.

Information Gathering Powers (DWP): £0.1m

Information Sharing and Gathering Powers (PSFA): £1,794

Civil Penalty Powers (PSFA): £21,540

Debt Recovery Powers (PSFA): £0 as costs of direct deduction orders and DEA can be recouped from the liable individual

The methodologies used to calculate the EANDCBs seem proportionate where the data was available. It is disappointing that an EANDCB has not been calculated for the Eligibility Verification measure, particularly as this is a key measure. However, the commitment to submit an updated IA with this information at a later date is welcomed. The PSFA IA could be improved by explicitly defining the estimated annual costs to businesses as EANDCB figures and applying optimism bias adjustments to the Information Gathering Powers and Civil Penalty Powers cost estimates would be beneficial, to account for both potential underestimates of the time it takes to respond to and wage estimates.

SaMBA

The individual IAs submitted for RPC scrutiny present an assessment on small and micro businesses and a review of each one can be found in the Annex below. Individual IAs were provided for the Eligibility Verification; Debt Recovery; Information Gathering Powers; Search and Seizure Powers. A combined IA was provided for the PSFA powers. Although SMBs are not exempted from any of the measures, the assessment provides a reasonable justification for not exempting SMBs, such as an exemption would create loopholes for fraudsters and those looking to avoid debt repayments (Eligibility Verification Measure and Debt Recovery Powers).

The individual IAs would benefit from including a separate assessment of whether medium sized businesses should be exempt from the regulation and whether there are any disproportionate impacts that could be mitigated through additional measures.

Rationale and options

The summary IA clearly establishes the problem under consideration, referencing the NAO's estimate of public sector losses to fraud and error of £55 billion to £80 billion, illustrating the magnitude of the problem. As such the bill proposes what the Department deems to be a twofold strategy to reduce fraud and error:

- 1) Measures to prevent and deter fraud and error from happening at the outset
- 2) Where fraud cannot be prevented, detecting, identifying and stopping those those committing fraud and recovering debt owed.

The individual IAs include options assessment (see opinion Annex below). In general, the rationale and options assessment presented are satisfactory. However, the Debt Recovery and Search and Seizure Powers measures OAs are weak as only two options were considered (do-nothing and the preferred option). See Annex below for more detail.

Cost-benefit analysis

DWP and the PSFA have provided a satisfactory approach to impact assessment across the individual IAs provided. The monetisation of impacts seems proportionate and include a clear break down of the methodologies. The IAs submitted consider uncertainty and / or risks through sensitivity analysis and / or a discussion of associated risks. See Annex below for more detail.

Wider impacts

The individual IAs provide a satisfactory level of commentary on wider impacts. The wider impacts presented appear relevant to each individual measure and were discussed in sufficient detail. However, the assessment does not discuss the potential impact on the poorest members of society of reclaiming overpayments due to error, or the potential displacement of fraudulent activity to other areas. See Annex below for more detail.

Monitoring and evaluation plan

The monitoring and evaluation plans presented in the individual IAs were generally satisfactory and provided sufficient detail apart from that for the Debt Recovery Measure which was deemed weak because the plan lacks the level of detail provided in the other IAs. See Annex below for more detail. The M&E plans could be improved by discussing a coordinated approach across all measures to monitor and evaluate the success of the bill.

Other comments

The assessment does well to include tables highlighting interactions between proposed measures.

Regulatory Policy Committee

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Measure	EANDCB	SaMBA	Rationale and Options	Cost Benefit analysis	Wider impacts	Monitoring and Evaluation plan
Eligibility Verification Measure	<p>No EANDCB was estimated as DWP is still developing the operational solution of the measure alongside engagement with banks. They have committed to submitting an updated IA within 12 months of Royal Assent for scrutiny by the RPC.</p> <p>Green</p>	<p>The assessment has established the number of small and micro businesses that will be impacted by the proposal. It is also stated that the overall market share for SMBs in the finance sector is small as the four largest UK banks control 75% of current accounts.</p> <p>The Department does not deem it appropriate to exempt SMBs from the measure entirely as it would create a loophole whereby fraudsters would use accounts with a SMB to evade detection from the measure. The provided reasoning for not excluding SMBs seems logical.</p> <p>However, following the conclusion of the test and learn phase of the</p>	<p>The Department clearly identifies the problem under consideration and rationale for intervention, estimating the cost of fraud and error to exceed £8bn in each of the last four financial years. The evidence provided by the Department highlights the presence of imperfect information, leading to inefficient allocation of taxpayer resources. According to the Department, the current DWP powers leave the Department unable to address the problem, with data and information viewed as key to enabling Government to tackle fraud and error.</p>	<p>The scope of the monetised impact is limited to the data sharing activities between DWP and partnering banks/building societies. The data used in the analysis draws on insights developed through two data sharing exercises with high street banks in 2017 and 2022.</p> <p>The approach to monetisation seems appropriate, and the Department provides a clear break down of their methodology, which attempts to account for changes in fraudster behaviours. However, the Department does acknowledge difficulties in accurately adjusting for the behavioural change in fraudsters.</p> <p>The monetised impacts cover direct costs and benefits to government over a 10-year appraisal period and</p>	<p>The assessment discusses four wider impacts, including, equity for those on benefits, competition and international trade in the section on wider impacts.</p> <p>Although not included in the wider impacts section, the assessment does discuss impacts on the public sector in the CBA and alludes to health impacts when discussing the consequences of debt on mental health in the rationale</p>	<p>The Department has committed to following a test and learn approach in partnership with banks and building societies in 2026-27. The department aims to use lessons learned to refine the criteria of the measure, test the new digital infrastructure, assess the impact on DWP resources, determine the capabilities of the spectrum of financial</p>

		<p>implementation plan, the Department has noted that if disproportionate burden is uncovered, then potential mitigations will be explored.</p> <p>The IA should consider whether medium sized businesses should be exempt from the regulation and whether there are any disproportionate impacts which could be mitigated through additional measures.</p> <p>Green</p>	<p>The analysis is robust, addresses the issue and is based on proportionate evidence.</p> <p>The Department considers a range of options, including a do-nothing and several non-legislative options. The options seem to directly address the issue of information failure as all proposed options (except the do-nothing) could increase information available to the Department by varying degrees, and the Department does well to provide an explanation for discounting the non-preferred options.</p> <p>Good</p>	<p>discounted to calculate present value estimates.</p> <p>No quantitative assessment of business costs was provided for RPC validation as DWP is still developing the operational solution of the measure alongside engagement with banks. However, through industry engagement and evidence from other pieces of legislation across government that share some similarities with the proposed measure but not directly applicable e.g. the Department anticipates the measure to be fully automated and not require all banks to search data for a specific customer. Overall, this appears to be a satisfactory qualitative assessment of potential costs to businesses.</p> <p>Uncertainty has been addressed through detailed sensitivity analysis. However, the assessment could be improved by the provision of a risk and assumptions summary table that is RAG rated</p>	<p>section. The section on wider impacts would benefit from explicit discussions of mental health impacts from debt.</p> <p>Good</p>	<p>institutions and ensure appropriate safeguards are in place.</p> <p>However, the Department does not provide a M&E plan post full roll out of the measure. This should be addressed in the updated IA the Department intends to submit to the RPC.</p> <p>Satisfactory</p>
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				according to robustness and potential impact on the model outputs.		
				Satisfactory		
Debt Recovery Measure	<p>The Department estimates an EANDCB of £0 because any cost to banks for facilitating deductions directly from individuals' bank accounts will be recovered from debtors. However, for transparency, the IA could set out the scale of the admin costs to be recovered.</p> <p>Green</p>	<p>The assessment has established the number of small and micro businesses (SMBs) that will be impacted by the proposal. It is also stated that the overall market share for SMBs in the finance sector is small as the four largest UK banks control 75% of current accounts. The Department did consider exemption of SMBs but discarded it to avoid creating a loophole for avoiding repayments.</p> <p>The IA should also include consideration of whether medium sized businesses should be exempt from the regulation and whether there are any disproportionate impacts that could be mitigated</p>	<p>The assessment provides what appears to be a reasonable rational for intervention, stating that DWP has an obligation to protect public funds and to ensure debt is recovered. Currently, DWP is unable to recover debt owed by those not on benefit or in PAYE employment if they refuse to engage with requests to repay even when they can afford to do so.</p> <p>The Department only considers two options, one of which is a do-nothing approach. The assessment can be improved through the consideration of a wider range of policy</p>	<p>The assessment uses data from the Department's debt management system, and what seems to be reasonable assumptions to estimate the impact of the measure, including total additional recovered debt and Departmental costs.</p> <p>The Department does not quantify any cost to banks for facilitating deductions directly from individuals' bank accounts as they will be recovered from debtors. However, for transparency, the IA could set out the scale of the admin costs to be recovered.</p> <p>The Department has considered uncertainty and risk in its assessment through the inclusion of sensitivity analysis and a list of potential risks. However, the assessment</p>	<p>The Department does not expect there to be any wider impacts. However, the statement does not sufficiently take into consideration the potential impact on the poorest members of society of reclaiming overpayments due to error.</p> <p>Weak</p>	<p>The Department provides a very brief explanation of their M&E plan, stating that under the test and learn approach, they will take a small number of debts to monitor and improve the process and will continue to report on the level of debt recovered in its annual report and accounts.</p> <p>The M&E pan can be improved by the inclusion of</p>

		through additional measures. Green	options, including a non-regulatory option. Weak	could be improved by the provision of a risk and assumptions summary table that is RAG rated according to robustness and potential impact on the model outputs. Satisfactory		key variables the Department will monitor. Weak
Information Gathering Powers	<p>The EANDCB appears to be based on proportionate evidence and analysis, considering familiarisation costs and costs to gather information. All costs are correctly categorised as direct.</p> <p>The analysis uses the counterfactual of do-nothing to estimate the additional</p>	<p>The Department has included a SMB assessment. Currently, DWP is already entitled to compel information from small businesses. The assessment does not expect the proposed changes to either disproportionately impact SMBs or significantly increase the volume of RFIs going to small businesses. Moreover, the Department has safeguards such as only requesting information when it is necessary and proportionate to ensure small businesses would only receive a RIF if the information they hold might be important, taking into consideration</p>	<p>The assessment makes a clear case for intervention, underscoring the need to update DWP's information gathering powers to stay relevant to disprove fraud or building evidence to prosecute those who seek to defraud the welfare system. The Department highlights the restrictive nature of existing powers as authorised officers can only compel information from a prescriptive list of organisations and can only make non-compulsory requests from organisations</p>	<p>The scope of the cost estimate provided by the Department covers removing the prescriptive list, reforming the authorised officer role, introducing a digitally enabled service and retaining the 10-day turnaround time.</p> <p>The costing model uses administrative data from DWP's in-house IT systems, a survey issued to experienced investigators working for DWP and a RFI data collection exercise. A 10-year appraisal period has been used and assumptions made by the Department appear to be reasonable. The assessment monetises direct benefits to government, direct cost to government and direct costs to businesses</p>	<p>The assessment covers three wider costs and benefits to society, two of which relate to deterring potential fraud and supporting fraud investigations in other parts of DWP's remit. The third impact discusses the cost to privacy for individuals.</p> <p>Satisfactory</p>	<p>The Department provides a satisfactory M&E plan, highlighting the variables they will monitor as the policy is rolled out.</p> <p>Satisfactory</p>

	<p>impact of the measure.</p> <p>Green</p>	<p>the size of the business and their capability when considering how best to exchange information</p> <p>However, the IA should consider whether medium sized businesses should be exempt from the regulation and whether there are any disproportionate impacts which could be mitigated through additional measures.</p> <p>Green</p>	<p>outside the list. Moreover, requests for information can only be made in writing or by visit under existing legislation which is deemed inefficient for DWP and organisations providing information. The IA considers three policy options, including a do-nothing approach. Although a non-legislative option was not included, the Department has provided what appears to be a satisfactory reason for its exclusion.</p> <p>The presentation of the options could be improved by stating how data privacy concerns for account holders would be considered.</p> <p>Satisfactory</p>	<p>The Department has considered uncertainty and risk in its assessment through the inclusion of sensitivity analysis and a discussion of potential risks. However, the assessment could be improved by the provision of a risk and assumptions summary table that is RAG rated according to robustness and potential impact on the model outputs. Additionally, if the measure requires enhanced training to ensure that officers use these powers proportionately, there could be higher initial and on-going cost for training that should be factored in.</p> <p>Satisfactory</p>		
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<p>Public Sector Fraud Authority measures</p>	<p>Although not explicitly presented as an EANDCB estimate, the Department has provided two annual cost estimates to businesses:</p> <p>1) A total of £1,794 across all business annually to respond to information requests.</p> <p>2) A total of £21,537 across all businesses per year to familiarise and respond to penalty notices if PSFA issues</p>	<p>The Department provides an assessment on SMBs, estimating 100 businesses annually to be affected by the measure. Based on anticipated case volumes of 30-40 cases per year, the Department does not expect there to be significant business costs.</p> <p>The Department has considered SMB exemption for each regulatory provision but discarded it for the following reasons:</p> <p>1. For Information sharing and gathering powers, the PSFA is already entitled to compel information from SMBs, and it is not expected that the introduced change would significantly increase the volume of RFI's going to SMBs</p>	<p>The assessment estimates that fraud and error costs the public sector between £39.8bn and £58.5bn per annum, evidenced from the PSFA cross-government fraud landscape report for 2021-2022. This clearly demonstrates the size of the problem at hand.</p> <p>It is stated that the actions of the PSFA have been limited due to lack of powers to investigate and prosecute fraud cases sufficiently. Although this seems to be reasonable reason for intervention, the rationale can be improved by providing more detail on the limitations faced by the PSFA under the current legislative framework.</p>	<p>The assessment provides cost estimates for all three options, with a sufficient break down of the methodology used. Non-monetisable impacts are also covered qualitatively. Assumptions used seem reasonable, with the department providing a detailed list of risks and assumptions associated with the analysis. The Department has also considered uncertainty in its assessment through the inclusion of a sensitivity analysis</p> <p>Costs and benefits to businesses were not explicitly quantified but assessed qualitatively, including costs to provide information to support an investigation, potential civil penalties if a business fails to comply with the regulation costs to banks for implementing a DDO and costs to employers for implementing a DEA. Rather indicative estimates were provided as part of the qualitative assessment.</p>	<p>Wider impacts have been considered in the assessment, including business environment, trade implications, impacts on the environment, the freeing up of valuable police resource, increase in the confidence the public has in the government and deterrence of serious and organised fraud crimes.</p> <p>Satisfactory</p>	<p>The Department has provided an M&E plan, stating that the measures will be reviewed after introduction by monitoring levels of public sector fraud losses as well as numbers of cases highlighted and investigated. The PSFA will adopt a 'pathfinder' approach to taking cases over a number of years to monitor, evaluate and review potential impacts before rolling out the</p>
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	<p>30 penalties per year.</p> <p>Inline with the BRF, the Department should provide an explicit EANDCB figure.</p> <p>Green</p>	<p>2. For Debt recovery powers, where Direct Deduction Orders are enacted, the impacted business is able to recover costs from debtors so there will be no impact regardless of business size.</p> <p>However, the IA should consider whether medium sized businesses should be exempt from the regulation and whether there are any disproportionate impacts which could be mitigated through additional measures.</p> <p>Green</p>	<p>The IA considers three option packages, including a do-nothing approach and a package of measures that involves one non-legislative measure.</p> <p>The options appear to address the problem under consideration. However, to better align with the BRF, the Department should state which measures are regulatory provisions.</p> <p>Satisfactory</p>	<p>The assessment also includes a discussion of associated risks and relevant assumptions.</p> <p>Satisfactory</p>		<p>measures at scale.</p> <p>The PSFA has committed to completing a post-implementation review.</p> <p>Satisfactory</p>
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